



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 28 May 2014
(OR. en)**

10148/14

**COMPET 297
IND 168
MI 454**

NOTE

From:	Presidency
To:	Delegations
Subject:	A plan for competitiveness mainstreaming and proofing in practice

Delegations will find in Annex a document from the Presidency in view of the meeting of the High Level Group on Competitiveness and Growth on 13 June 2014.

I. Introduction

The Greek Presidency has put as a top priority to move forward with the European Council Conclusions of 20-21 March 2014 and the specific provision mentioning that: *“Industrial competitiveness concerns should be systematically mainstreamed across all EU policy areas and be part of impact assessments in view of getting a stronger industrial base for our economy. This should go together with competitiveness proofing. Member States are invited to match European measures to strengthen competitiveness of industry at national level”*.

In addition to the abovementioned Conclusions, numerous Member States, the European Commission and stakeholders have repeatedly underlined the importance of competitiveness mainstreaming and proofing.

In this sense, the great importance of efficiently and coherently coordinating the European competitiveness agenda when shaping different European policies, especially in the perspective of the planned mid-term review of the EU 2020 Strategy in 2015, has been acknowledged at the highest political level.

The Presidency fully supports industrial competitiveness mainstreaming and proofing as substantial policy tools. Concrete ways on how to implement and apply them on European level in a consistent manner should be timely and adequately discussed between Member States and by the European Institutions. The Working Party on Competitiveness and Growth (High Level), hereafter HLG COMPCRO, could provide important impetus to this process.

II. Discussion at the Informal Competitiveness Council (Athens, 12 May 2014)

The working lunch of the Informal Competitiveness Council which was held in Athens on 12 May 2014, has provided useful input to the overall discussion and has paved the way for future steps.

The debate was launched by the Italian Minister for Economic Development, Ms. Federica Guidi, who, in view of the incoming Italian Presidency, clearly stated that the industrial competitiveness mainstreaming should be correlated with the EU 2020 review process. Among others, it was stressed that the Competitiveness Council should debate cross cutting policies by discussing Commission proposals having an impact on competitiveness before they are adopted by other Council formations. Future work should take stock of the progress already achieved in automotive, shipbuilding, steel and construction sectors. It was indicated that cumulative and indirect impact assessments are needed, in particular assessment of the cumulative costs. Finally, the stronger involvement of the SME envoys network and the enhanced role of the HLG COMPCRO have been proposed as part of improved governance.

Member States were invited to express their views on the basis of the following question:

“How can we design and organize the mainstreaming of industrial competitiveness, including the competitiveness proofing, across all EU policy areas in an ambitious, effective and pragmatic way?”

The Greek Presidency, having assessed the positions expressed by the Member States and the Commission, concluded that we now have a common denominator and critical mass to move from declarations to concrete actions, on inter alia the following areas:

- Improved governance: Enhanced role for the Competitiveness Council
- to align the Competitiveness Council agendas to the dossiers discussed by other Council configuration having an impact on competitiveness
- Contributing to a more strategic role of the HLG COMPCRO by ensuring a more stable working structure for improved continuity, e.g. through a fixed / elected chair similarly to the preparatory bodies supporting other Council configurations, such as the ECOFIN and EPSCO Councils.
- Alignment of the HLG COMPCRO agendas with the agendas and activities of the Competitiveness Council

- Impact Assessment and ex-post evaluation of existing legislation, cumulative cost assessments and more coherent and balanced policy making
- Introduction of the SME dimension *inter alia* by better integrating the work of the SME envoys network into the Competitiveness Council;
- Introducing the sectoral dimension of the mainstreaming

III. A five point plan for competitiveness mainstreaming and proofing in practice

There is no doubt that competitiveness stands for the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis. This requires an environment for European business that minimises costs and enables them to unleash their innovative potential. European industry greatly benefits from open markets worldwide. Addressing a better playing field for European industry therefore first and foremost starts at home, by ensuring that existing and new national and European regulation is “competitiveness proof”, minimising costs for business and maximising their potential for innovation.

In order to best organise the mainstreaming of competitiveness concerns across all policy areas both ambition and pragmatism are required:

- **Ambition**, to ensure that competitiveness concerns are better reflected in all steps of the European policy-making process, from the working programme of a new Commission, the impact assessments of policy initiatives, the decision-making and amendments on these proposals in the Commission, the Council and the European Parliament, the monitoring of competitiveness, the consultations with stakeholders, up to evaluations of policy instruments.
- **Pragmatism**, to ensure that we make best use of existing mechanisms, studies and governance schemes to anchor competitiveness proofing, and make these better. Competitiveness already is part of the Impact Assessments, but the way this takes place in practice could conceivably be strengthened; there already exist a substantial number of excellent studies to monitor competitiveness, but to be able to make better use of them for policy relevant monitoring requires better insight in the (cumulative) cost structure at sector level, as well as the international playing field in which European industries compete.

The mandate of the Competitiveness Council since 2002 already provides for its horizontal role regarding competitiveness, but steps could be considered to strengthen its functioning in practice.

The following **five** points are considered critical to make policy-making in Europe more competitiveness proof:

1. Strengthen focus on the EU legislation process at large at the earliest possible stage, to avoid legislative proposals with undesirable effects from a subsidiarity and proportionality as well as a competitiveness, innovation and better regulation perspective.
2. Improve the available tools for monitoring competitiveness, its drivers and policy implications by synthesizing the outcome of existing competitiveness, innovation and better regulation studies and scoreboards, enhancing the sector perspective in these, and including both a cumulative cost and international comparative perspective.
3. Make existing Impact Assessments more effective and give a central position to the expected impact of different policies on competitiveness (operationalized as cost competitiveness, capacity to innovate and international competitiveness); improve possibilities for all interested stakeholders to contribute to all aspects of impact assessment analysis, during the performance of this analysis, and to comment on possible options.
4. Position competitiveness and innovation at the heart of the working methods and working programme of the new Commission.
5. Strengthen the role of the Competitiveness Council as a guardian of competitiveness in monitoring competitiveness and its drivers, as well as the impact of policy proposals on competitiveness.

The latter point is closely linked to the possible reform of the HLG COMPCRO itself, as supported by a number of Member States, in order to endow it with an enhanced role for the effective preparation of the Competitiveness Council as far as competitiveness monitoring is concerned. A concrete roadmap for action could be considered in this regard, encompassing the revision of the HLG COMPCRO work programme¹ and a possible decision on a fixed / elected chair, the secretariat of which would be ensured by the General Secretariat of the Council.

¹ Doc.16052/12

Questions:

1. What is the opinion of the Member states about the proposed plan to organize the mainstreaming?
 2. Do Member States agree on moving forward with the necessary changes in the operation of the HLG COMPCRO (new working programme, elected chair)?
 3. What should be the role of interested business stakeholders and their contribution to competitiveness mainstreaming and proofing?
-

Explanatory Note

This Notes intends to explain in more detail the 5-point plan for competitiveness mainstreaming and proofing in practice

Re 1: Strengthen focus on the EU legislation process at large at the earliest possible stage, to avoid legislative proposals with undesirable effects from a subsidiarity and proportionality as well as a competitiveness, innovation and better regulation perspective

Since strengthening competitiveness is one of Europe's most important challenges, it would be of great benefit to have an agreement between European Institutions at the start of the working programme of a new Commission so that European policy making puts the focus on policies that enhance competitiveness and innovation and do not create disproportionate costs for European businesses. The exact form of such an agreement could be further explored bearing in mind the roles and competences of the different European Institutions. It is important to ensure that competitiveness considerations are taken into account at the earliest possible stage of policy-making.

Re 2: Improve the available tools for monitoring competitiveness, its drivers and policy implications by synthesizing the outcome of existing competitiveness, innovation and better regulation studies and scoreboards, enhancing the sector perspective in these, and including both a cumulative cost and international comparative perspective.

There is no shortage of high quality analysis of competitiveness in Europe. The Commission deserves great credit for this. However, the way these reports are currently used in conjunction for monitoring competitiveness, its drivers and policy implications should be enhanced. Compiling the outcomes of a number of important studies in a (yearly) concise synthesis paper could strengthen their usefulness for monitoring competitiveness and their relevance for policy-making both within the Commission and the Council. This purpose could be achieved by using *inter alia* the following strands of analysis:

- a. The European Competitiveness Report, the Industrial Performance Scoreboard, the Innovation Scoreboard and the EU Industrial Structure Report provide important insight in the development of (industrial) competitiveness (productivity, revealed comparative advantage), both at macro and industry level, and the drivers that influence this;
- b. Existing cumulative cost assessment studies (steel, aluminium, forest-based industries) already demonstrate aggregated costs of regulation and other costs at industry level and enable the comparison between these and corresponding costs in other countries. The forthcoming REFIT scoreboard is expected to provide further information on these questions. They can be seen as a baseline measurement for monitoring competitiveness from a regulatory perspective. It could be also relevant to perform a similar cumulative cost analysis for other relevant sectors of the European economy;
- c. The forthcoming study by the Commission (requested by the Competitiveness Council in its Conclusions on European Industrial Policy of December 2013)² on subsidies granted outside the EU to industry will give insight in the way competitiveness in these countries is enhanced by governmental support.

Compiling the outcomes of these studies in a brief synthesis paper could be relatively simple, but would strongly enhance the potential for monitoring competitiveness and its policy implications for the Commission, the Competitiveness Council, as well as possibly the European Council.

A synthesis of the above three analyses could also be of use for Impact Assessments, which consider the cost and benefits of an individual policy proposal. However, from an industry perspective what matters is not only the impact of a policy measure, but the way this measure affects a sector given the cumulative costs of existing regulation and other costs, as well as the cost structure of competitors elsewhere in the world.

² Doc. 17202/13

Re 3: Make existing Impact Assessments more effective and give a central position to the expected impact of different policies on competitiveness (operationalized as cost competitiveness, capacity to innovate and international competitiveness); improve possibilities for all interested stakeholders to contribute to all aspects of impact assessment analysis, during the performance of this analysis, and to comment on possible options.

The existing Impact Assessments could be the logical way to anchor competitiveness proofing within European policy making. In fact, competitiveness is currently already one of the criteria on which Impact Assessments focus. Including a clear operationalization of what is meant by competitiveness, i.e. cost competitiveness, the capacity to innovate and international competitiveness, could give further direction, and help to place competitiveness at the core of the Impact Assessments, especially when this is done in a systematic and thorough way. Particularly the innovation aspect of competitiveness may need further definition. As regards cost competitiveness, it is important to include compliance costs and to use a standard calculation method for them. Also, currently existing (regulatory) costs or challenges for competitiveness of specific industrial sectors appear to be infrequently used within Impact Assessments, whereas they could provide useful insights into the vulnerability of a sector (see under 2). For industry, it is not just the cost or benefit of an individual regulation that counts, but the accumulation of costs and benefits of existing regulations in conjunction, compared to those of their competitors.

The Commission Impact Assessment toolkit is very helpful (especially when reinforced by the points outlined above), but it is considered important to further enhance their consequent use, particularly for policy proposals with expected major impact on competitiveness, and to include in them a concise summary of regulatory costs and benefits as well as the impact of the proposed initiative on the competitiveness situation of the concerned sectors compared to competitors outside the EU.

The Impact Assessment Board is an independent body within the Commission, which analyses the design of policy proposals to avoid overly negative effects on regulatory costs and competitiveness. However, in recent years suggestions have been made to improve the functioning of Impact Assessment Board. It is argued that the authority of the Impact Assessment Board as an independent body could be strengthened if one or two external representatives would join the board. Of course, this raises the question of how these external representatives would be selected, given the variety of stakeholders' views and interests, and of who would decide on their appointment. Obviously, the decision on allowing external representatives in the Impact Assessment Board is the prerogative of the Commission, but assuming that the Commission would consider this, there are precedents of how the selection of external representatives is done in other settings. Allowing Member States and stakeholders to comment on draft Impact Assessments and including competitiveness as a standard item in consultations with stakeholders could be another positive step in this respect. The Competitiveness Council Conclusions on Smart Regulation of December 2013³ already call for this. Moreover, since a strong scientific basis is essential for better regulation and competitiveness, and regulation can also have positive effects on innovation, it is suggested that the Chief Scientific Officer of the Commission be given the possibility to join the Impact Assessment Board.

Finally, an issue that needs to be addressed is that Impact Assessments are currently executed for initial policy proposals, but do not necessarily include amendments to these proposals along the policy process. Finding ways to ensure that the assessments are relevant for the final policy package is challenging time-wise, but nevertheless of strong importance. Indeed, this issue also relates to the different institutions involved in the decision-making and the way the drafting of Impact Assessments is organised within the Institutions. Both the Commission and the European Parliament have a dedicated Impact Assessment capacity and it has been suggested that if all Institutions had their impact assessment capacity this could contribute to ensuring that due attention is paid to impact on competitiveness at each policy stage. However, it has been argued that this is not necessarily the most efficient way to organise this process. The Competitiveness Council has already called on Member States to extend the practice of using Impact Assessments fully in Council discussions and a report is expected on the further use of Impact Assessments in the Council in June 2014.

³ Doc. 17227/1/13 REV 1

It could be considered to perform an ex-post evaluation of current Impact Assessment effectiveness, and use the outcome of this and the points listed above within the context of the upcoming review of the guidelines for Impact Assessments, which is expected to take place end of 2014.

More generally, it could be considered to include competitiveness in all relevant policy evaluations as well, to ensure that it is anchored ex-ante as well as ex-post in policy-making.

Re 4: Position competitiveness and innovation at the heart of the working methods and working programme of the new Commission

As concerns the growing importance of competitiveness and innovation in the coming years, it would be important if this is reflected within the Commission working methods and working programme, to ensure that priority is given to policies that enhance competitiveness and innovation and reduce regulatory costs. It has been suggested to create a Competitiveness Coordination Group of most involved Commissioners within the College, chaired at the highest possible level within the Commission to ensure cost, innovative and international competitiveness of Commission proposals. Obviously such a decision is the prerogative of the new Commission.

Re 5: Strengthen the role of the Competitiveness Council as a guardian of competitiveness in monitoring competitiveness and its drivers, as well as the impact of policy proposals on competitiveness

Since its inception in 2002, there have been calls to strengthen the role and position of the Competitiveness Council. However, whereas its mandate gives it a horizontal role, in practice frequent calls for the strengthening of its position and role are heard. The Friends of Industry declaration in Rome⁴ for instance states: *“To this end, we agree on the need to strengthen governance by giving greater emphasis on the industrial component of the Competitiveness Council, notably by focusing on the role of the High Level Group on Competitiveness and Growth to support the real economy and industrial sectors that have suffered most from the crisis.”* This could be achieved *inter alia* by discussing innovation in conjunction with industry and internal market on the first day of the Competitiveness Council meetings. In any case, the review of the EU 2020 process offers a good opportunity to strengthen mainstreaming of competitiveness.

⁴ Joint Communication of Second European Ministerial Conference of Friends of Industry, Rome, 30 January 2014

Where there exist diverging views on strengthening the formal role of the Competitiveness Council vis-à-vis other Council formations, there may be a number of steps the Competitiveness Council can implement itself to be more effective. For instance, on the basis of the synthesis paper suggested under 2 the Competitiveness Council, supported by the HLG COMPCRO, could strengthen its monitoring of competitiveness and underlying drivers and policy implications, and provide guidance on how to deal with these matters.

The Competitiveness Council could also more frequently discuss the competitiveness impact of all European policies with considerable effect on competitiveness and in its conclusions provide guidance on how to deal with these issues. The Competitiveness Council could also debate cross cutting policies with an impact on competitiveness before they are adopted by other Council formations. Council working groups could discuss more frequently (draft) Impact Assessments with major impact on competitiveness, and should be able to submit amendments regarding competitiveness to these drafts. The Presidency Note on Impact Assessment in the Council ⁵ which suggests a stronger involvement of Coreper in the Impact Assessment process offers interesting suggestions in this respect.

Finally, the Competitiveness Council could structurally monitor the implementation of policies related to competitiveness, assisted by the HLG COMPCRO. In this respect, it could be considered how the HLG COMPCRO could be strengthened in relation to its structure and the continuity of its work (c.f. EPC/EFC - ECOFIN), for instance by introducing a fixed/elected chair. It is also considered that a stronger involvement of the SME envoys could help to improve governance.

⁵ Doc. 10735/12 of 6 June 2012, Impact Assessment in the Council - Information to the Council on the follow-up given by COREPER to the Council Conclusions (ECOFIN) of 30 November 2011