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Investment Plan for Europe: stock-taking and next steps

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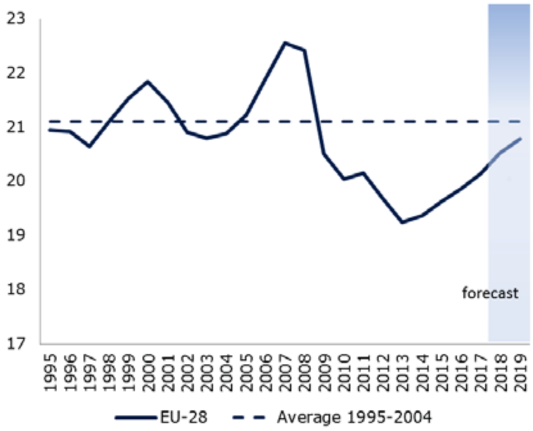
1. Europe's initiative to boost investment

One of the first priorities of the Juncker Commission was to give a substantial boost to the economy by tackling the investment gap in the European Union following the financial and economic crisis (Figure 1). Investment – both public and private – is a crucial driver for jobs and growth. It is the means for channelling savings into projects and sectors that are key for our future, such as infrastructure and housing, research and development, new technologies and production methods, education and skills. These investments also support the modernisation of Europe's industries and societies in the transformation to an increasingly digitalised and low-carbon economy.

Figure 1. Decline and recovery of the investment rate



Total economy, % of GDP

In November 2014, the Commission presented the Investment Plan for Europe – the Juncker Plan – based on a new and innovative approach to investment. By using limited amounts of public resources – an EU budget guarantee to the European Investment Bank Group[1] – substantial private and public funds have been and continue to be mobilised for investments across strategic sectors of the EU economy. The European Fund for Strategic Investments, the financial core of the Investment Plan, has, as of November 2018, triggered EUR 360 billion of additional investment, significantly exceeding its initial objective of EUR 315 billion. The Fund has been extended until the end of 2020[2], with a view to reaching EUR 500 billion of additional investment by then.

This highly successful model is now becoming the new standard for EU investment support in and outside Europe. It has been the blueprint for the mobilisation of investments in Africa and the EU Neighbourhood under the EU's External Investment Plan, proposed in September

[1] The European Investment Bank Group consists of the European Investment Bank and the European Investment Fund.

[2] Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub. OJ L 345, 27.12.2017, p. 34–52.

2016[3], as well as for the new instrument for external action financing in the context of the next Multiannual Financial Framework.[4]

The success of the Juncker Plan, beyond the investment dimension, lies in its three-pillar structure ensuring comprehensive and co-ordinated action for investment support. In addition to the mobilisation of investments, the Juncker Plan created a project pipeline and focused on measures making the business environment more conducive to investment. To that end, the Commission joined forces with the European Investment Bank Group to launch the European Investment Advisory Hub and the European Investment Project Portal. The Hub provides advice and technical assistance to project promotors, while the Portal presents a transparent pipeline of investable projects. In parallel, the Investment Plan focuses on tackling structural barriers to investment. This includes removing regulatory bottlenecks, easing the administrative burden, enabling fair competition and pursuing structural reforms that are beneficial to the investment climate. This requires efforts at Union, national and regional level. The Commission made proposals to deepen the Single Market, one of the EU's greatest assets, introduced a clear investment focus in the European Semester and created the Structural Reform Support Service to assist Member States in reform implementation. Member States have taken steps to tackle barriers to investment. Yet more needs to be done at all levels.

The Investment Plan is part of the EU's open investment and trade agenda. The EU is one of the most open places for investment in the world. Sound regulatory frameworks and fair competition in the EU’s internal market attracts foreign direct investment, with strong benefits for the EU in terms of job creation and growth. At the same time, the Commission is mindful of risks that certain foreign direct investments may pose to security or public order, and adopted in September 2017[5] a proposal for a Regulation establishing a framework for the screening of foreign direct investment into the EU and for cooperation between Member States and the Commission in that regard. The Commission calls on the co-legislators to swiftly conclude the adoption of the Regulation.

The EU also supports the liberalisation of investments worldwide. It conducts investment negotiations with partners to provide investors on both sides with predictable, long-term access to markets on the one hand and to protect investors and their investments on the other. The EU has engaged in investment negotiations for instance with Canada, Singapore, Vietnam, Japan and China.

2. The Investment Plan for Europe is providing concrete results

Mobilising private investment for the public good

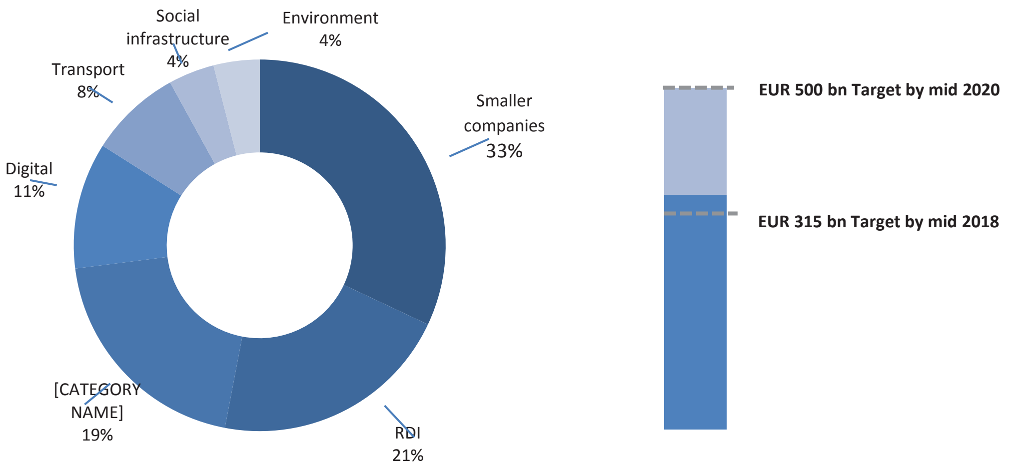
The European Fund for Strategic Investments is on track to meet the target of unlocking additional investment of at least EUR 500 billion over a five-year period (2015-2020). As of

[3] COM(2016) 0581.
[4] COM(2018) 460.
[5] COM(2017) 487.

November 2018, 993 transactions supported by the Fund had already been approved by the European Investment Bank Group for a total investment value of EUR 360 billion, covering all Member States. Some 850,000 small and medium-sized enterprises and mid-caps are expected to benefit. Two-thirds of the EUR 360 billion raised comes from private resources, meaning that the European Fund for Strategic Investments has also met its objective of mobilising private investment. [6]

The Fund is also delivering on its additionality objective. The projects receiving budgetary support through it must be additional in the sense that they address market failures or sub-optimal investment situations and would not have been financed in the same period or not to the same extent. The evolution of the volume of annual signatures of the European Investment Bank Group between 2014 and 2017 shows that while the total volume of annual lending remained more or less stable, the share of Special Activities[7] increased sharply with the implementation of the Fund, reaching EUR 17.9 billion in 2017, up from EUR 4.6 billion in 2014. Moreover, the “EFSI 2.0” Regulation[8] which extended the life of the European Fund for Strategic Investments until the end of 2020 introduced a more detailed definition of additionality and increased transparency of investment decisions[9].

Figure 2. Results of the European Fund for Strategic Investments as of November 2018



[6] In addition, VentureEU, the EU venture capital mega-fund launched in 2018, is expected to trigger € 6.5 billion of new investments in innovative start-up and scale ups across Europe, substantially adding to the amount of venture capital available in the EU.

[7] Special Activities is the collective denomination for those activities that entail risk greater than the risk generally accepted by the European Investment Bank and defined as: lending/guarantee operations with a lifetime expected loss equal to or greater than 2%; infrastructure funds and other funds participations, venture capital activities, equity operations and other operations with an equivalent risk profile. Article 16 of the Statute of the European Investment Bank requires the Bank to have a special allocation of reserve (‘Special Activities Reserve’) to protect the Bank from unexpected losses of Special Activities.

[8] Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017, OJEU L 345, 27 December 2017, p.34-52. Article 5(1) of this Regulation describes the additionality criteria in detail.

[9] All decisions of the European Fund for Strategic Investments’ Investment Committe approving the use of the EU guarantee, including the rationales for these decisions, are available here: http://www.eib.org/en/efsi/governance/efsi-investment-committee/decisions.htm

The European Fund for Strategic Investments has benefitted all Member States. Currently, mobilised investment as compared to Gross Domestic Product is highest in Greece, Estonia, Lithuania, Portugal and Bulgaria[10]. The geographical breakdown of the amounts shows that the investment mobilised through the European Fund for Strategic Investments has to a large extent flown to countries most hit by the financial crisis, which are those in which the decline in investment was the most significant.

Examples of projects supported by the European Fund for Strategic Investments

Spain: EUR 35 million to social enterprise Ilunión to support people with disabilities

The European Investment Bank has signed a EUR 35 million loan with Ilunion, a Spanish social enterprise. Ilunion, Spain's largest private employer of people with disabilities, carries out its several business activities, including facility management, health care services, tourism and leisure. The loan, backed by the European Fund for Strategic Investments, will support the company's investment plan until 2021, which includes the development of a range of devices for improving the lives of persons with disabilities, but also energy efficiency measures for the group's chain of industrial laundrettes and the creation of new jobs for people with disabilities.

Italy: EUR 29 million for financing a new hospital in Treviso

The European Investment Bank is helping to finance the design, construction and operation of a new hospital in Treviso, a small town and industrial hub in the North East of Italy. As the main hospital in the province offering specialist services, it serves approximately 1 million people. The Treviso project is a good example of how the European Fund for Strategic Investments fosters social impact investments in innovative solutions for research, health, employment and social services benefiting the local community.

Bulgaria: EUR 100 million for animal health company

Biovet is a global animal health company with headquarters in Sofia, Bulgaria. The European Investment Bank is providing a EUR 100 million loan to finance a boost in production levels and research and development capacity. The project includes setting up two new facilities: a fermentation facility in Peshtera in southern Bulgaria and a new plant in Razgrad in north-east Bulgaria for the manufacturing of animal vaccines. The project will also enable the company to carry out research and development in the fields of microbiology and new product development, such as vaccines and enzymes.

[10] The latest results are available here: https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results_en

Greece: EUR 150 million for broadband network

The EUR 150 million loan agreement will help financing Cosmote's plans to enhance and expand its mobile broadband network, significantly increasing the network's performance in terms of speed, capacity and coverage. It will improve the network's performances in rural and remote areas of Greece.

France: EUR 15 million for solar energy to make smart surfaces

The European Investment Bank is lending EUR 15 million to Sunpartner Technologies, an innovative French company which uses solar panels to make surfaces and building materials that harness solar energy. One of the company's key products is a nearly transparent photovoltaic glass that can power dimmable windows. The tint can be adjusted remotely by a smartphone to reduce the need for air conditioning. The company will use the loan, backed by the European Fund for Strategic Investments, to invest in research, development and innovation and increase production.

The Investment Plan has contributed significantly to job creation and growth. The European Investment Bank's Economics Department and the Commission's Joint Research Centre estimate that the European Fund for Strategic Investments has already supported more than 750,000 jobs[11]. The figure is set to rise to **1.4 million jobs by 2020**. In addition, calculations show that the Investment Plan has already increased EU Gross Domestic Product by 0.6% and it is set to increase **EU Gross Domestic Product by 1.3% by 2020**. In addition to this expected positive effect, an analysis conducted by the Commission's Joint Research Centre indicates that the combined macro-economic impact of the full and timely implementation of the regulatory reforms identified in the domain of the Digital Single Market, the Single Market Strategy, the Capital Markets Union and the Energy Union may result in **additional 1 million jobs created by 2030** and an additional increase of **EU Gross Domestic Product of 1.5% by 2030**.[12] This analysis is based on the expected removal or reduction of existing barriers to investment by the legislative proposals the Commission has adopted as part of these four policy packages.

Enhancing project quality and creating a stable project pipeline

The European Investment Advisory Hub and the European Investment Project Portal help projects become a reality. The Hub, a joint initiative of the Commission and the European Investment Bank Group, offers a single access point to advisory and technical assistance services. It has already dealt with 860 requests from all Member States. Moreover, it has signed more than 20 agreements with national promotional banks and institutions and

[11] European Investment Bank "Juncker Plan exceeds original EUR 315 billion investment target" (http://www.eib.org/en/infocentre/press/releases/all/2018/2018-192-juncker-plan-exceeds-original-eur-315-billion-investment-target.htm)

[12] Christensen, M., Conte, A., Di Pietro, F., Lecca, P., Mandras, G., and Salotti, S (2018). The third pillar of the Investment Plan for Europe: an impact assessment using the RHOMOLO model. JRC Working Papers on Territorial Modelling and Analysis No. 02/2018, European Commission, Seville, 2018, JRC113746.

the European Bank for Reconstruction and Development, to develop the ability of such institutions to support investment pipelines and to enhance the local provision of assistance. To that end, a Call for Proposals was launched in December 2017. Eight national promotional banks and institutions have already applied to the call and several more have expressed their interest in developing their advisory capacity. Moreover, the Urban Investment Advisory Support (URBIS)[13] launched in November 2017, is a new, dedicated urban investment advisory platform within the Hub. URBIS is set up to provide advisory support to urban authorities to facilitate, accelerate and unlock urban investment projects, programmes and platforms. To date, the 36 URBIS-allocated requests originate from 17 Member States.

The European Investment Project Portal is the EU's online matchmaking portal, connecting promoters to investors worldwide. It has already published almost 450 investment projects from all Member States across various sectors. According to a survey conducted in spring 2018 among the Portal's project promoters, 80% of projects have been contacted by investors. The Portal has also signed multiple cooperation agreements with similar portals.

Examples from the European Investment Advisory Hub

The European Investment Advisory Hub's assignments[14] include its support for the Rijeka Clinical Hospital Centre (Croatia) to build a modern, integrated hospital complex. The Hub is also providing advice to revitalise the Rotterdam-The Hague Metropolitan Area (The Netherlands). Together with the Roadmap Next Economy Executive it helps to develop an investment strategy to secure funding for the implementation of the Roadmap and to assess the potential for setting up an investment platform. The Port of Leixões (Portugal) sought funding to improve the port's accessibility as part of a broader investment plan contributing to the development of the Trans-European Transport Network Atlantic core network corridor. The Hub helped the Port authorities assess the maturity of the project and its cost-benefit analysis methodology in order to meet the requirements under the Connecting Europe Facility Blending Call.[15]

InvestEU: bringing investment support to the next level

Building on the success of the Investment Plan for Europe, the Commission has proposed the InvestEU Programme as part of the EU's Multiannual Financial Framework for 2021 to 2027. The new programme will consist of the **InvestEU Fund**, the successor to the European Fund for Strategic Investments, the **InvestEU Advisory Hub** and the **InvestEU Portal**. InvestEU will bring together 13 existing financial instruments centrally managed by the Commission, which will make EU support more accessible and generate

[13] http://eiah.eib.org/about/initiative-urbis.htm
[14] More examples are available in The Advisory Hub Yielding Results 2017.
[15] The relevant Blending call is available through the Innovation and Networks Executive Agency: https://ec.europa.eu/inea/en/connecting-europe-facility/cef-transport/apply-funding/2017-cef-transport-blending-map-call

economies of scale. The InvestEU Fund will mobilise investment through a guarantee provided by the Union budget, which will allow the Commission's partner financial institutions to take on more risk. The InvestEU Fund is expected to trigger at least EUR 650 billion in additional investment in sectors aligned with the Union's internal policy priorities and focused on generating socio-economic and environmental results, including climate change mitigation. The InvestEU Portal will continue to support investors in finding investment opportunities in the sector or location of their interest. It will provide a better linkage between projects and a possible financing by the InvestEU implementing partners. The InvestEU Advisory Hub will integrate the 13 different current EU advisory services into a one-stop-shop for project development assistance. The Hub will provide technical support and assistance to support the preparation, development, structuring and implementation of projects, including capacity-building.

3. Removing barriers to investment

The third pillar of the Investment Plan for Europe aims to improve the investment environment by identifying and removing barriers to investment at all institutional and administrative levels, including with regard to red-tape and regulatory bottlenecks. The Commission has addressed and will continue to address regulatory and administrative barriers, at national and at EU level. Initiatives at EU level and structural reforms in Member States are complementary and, therefore, Member States too have been addressing investment barriers at national level.

3.1 Initiatives at EU level

Deepening the Single Market in all its dimensions

The Commission has presented today a first response to the request of the European Council in March 2018 to assess the state-of-play as well as the remaining barriers and opportunities for a fully functioning Single Market.[16]

Over the years, the Commission has acted to remove regulatory barriers that hamper cross-border trade and investment in the Single Market. The Single Market, one of Europe's greatest achievements and assets, has helped generate new opportunities and economies of scale for European companies and has enabled people to live, study and work where they want. The Commission adopted a Single Market Strategy in October 2015, which places a particular emphasis on promoting investment by eliminating remaining barriers and providing greater regulatory predictability. As a follow up to the Single Market Strategy, the 2017 procurement package features different measures aiming to enhance the European Union's procurement framework and encourage a more strategic implementation of the existing rules. Fair, predictable and transparent procurement is key to boost investment.[17]

[16] COM(2018) 772.
[17] COM(2017) 572.

The **Digital Single Market Strategy**,[18] launched in 2015, aims to remove barriers that prevent the digital economy from functioning optimally and to open up new opportunities for innovation, growth and jobs. Significant progress has been made since its launch.[19] A number of new initiatives such as a consistent EU framework for e-Commerce and a simplified cross-border VAT regime have provided important tools to European businesses to become more competitive. The European Electronic Communications Code further encourages investment in broadband networks (including 5G), by reducing barriers for operators to co-invest and pool costs. Also, the EU put in place highest standards for European citizens to be better connected and protected in the digital era, including through the abolition of roaming charges and the General Data Protection Directive.

Capital markets

The Capital Markets Union[20] has a large potential to boost investment in the EU by removing obstacles to the free flow of capital across European borders, supporting economic convergence, and expanding access to vital market-based finance. This helps financing innovation and fuelling job creation. Deep and liquid capital markets also support the international role of the euro, strengthen the Economic and Monetary Union and improve the resilience of the EU economy, by protecting EU citizens and companies in the euro area and beyond from economic shocks that hit their region. So far, the Commission has put forward several proposals for the key building blocks of the Capital Markets Union, as announced in 2015 and 2017. The co-legislators have so far adopted only 3 out of those legislative proposals. Adoption of the pending proposals is now a matter of urgency.

A concrete priority of the Capital Markets Union is the development of local capital markets. At European level, on top of the targeted measures provided for by the Capital Markets Union, support and monitoring of deeper and more liquid capital markets is ensured respectively through the Structural Reform Support Programme and the European Semester process. Local capital markets are also making progress thanks to national and regional impulses encouraged by the European Union. At regional level, some countries have set up cross-border cooperation to facilitate foreign listing and investment, link market infrastructures and harmonise further regional rules. At national level, several Members States

[18] COM(2015) 0192.

[19] 12 legislative proposals have been agreed by the European Parliament and Council out of the 29 tabled by the Commission since May 2015. The benefits are already being enjoyed by citizens, for instance through a four-fold increase in data use when travelling to other Member States thanks to the abolition of roaming charges.

[20] The Capital Markets Union comprises a comprehensive set of some 70 actions to be implemented by mid-2019, as described in the Action Plan of 2015 (33 actions) and in the mid-term review of 2017 (38 actions). More information on the state-of-play of the different actions is available in the Commission Communication "The Single Market in a changing world: A unique asset in need of renewed political commitment", COM(2018) 772.

have adopted national capital market strategies, taken measures to support access to capital markets through public funds and generally improve their business environment.[21]

Transport and energy infrastructures

To effectively address barriers in investments in transport infrastructure and support the timely delivery of the core Trans-European Transport Network by 2030, the Commission put forward in May 2018 a proposal for Regulation aimed at simplifying permit granting and public procurement procedures increase efficiency in preparation of cross-border projects and to reduce the administrative burden on project promotors[22]. This is part of a broader effort to enhance the regulatory framework for transport infrastructure investments.[23]

Completing the Energy Union and speeding up the energy transition bring huge investment opportunities. Considerable progress in implementing the key trans-European energy infrastructure projects has been made: 30 projects of common interest will be completed by end 2018. This figure is expected to increase to 47 by end 2020. Many of these projects are supported under the Connecting Europe Facility. In November 2017, the Commission adopted the 3rd Union list of projects of common interest[24]. The Clean Energy for all Europeans Package, adopted on 30 November 2016, provides for a comprehensive reform of Europe's energy system, from the producer all the way through to the end user, covering electricity market design, renewables, energy efficiency, security of electricity supply, and governance rules for the EU Energy Union.[25] It promotes industry-led initiatives to foster competitiveness and mitigates the societal impact of the clean energy transition, and involves multiple players such as local and city authorities and businesses, social partners and investors. The package also includes actions to accelerate clean energy innovation and to renovate Europe’s buildings, as well as measures to encourage public and private investment. The first legal proposal entered into force in July 2018, while three proposals have already reached political agreement. The four remaining are with the co-legislators with a view to early agreement and adoption. With this ambitious, stable and predictable regulatory framework, the EU is in a good position to take advantage from the energy transition. The EU's leadership in sustainable finance, which aims to reorient private capital flows to more sustainable investments and helps investors to address environmental risks including those related to climate change, further strengthens those actions.

[21] A Joint Commission and Member States Roadmap of actions to address national barriers to capital flows was endorsed by ECOFIN Council on 19 May 2017, https://ec.europa.eu/info/sites/info/files/170519-roadmap-national-capital-barriers_en.pdf
This Joint Roadmap followed a Report by the Commission to identify national barriers to capital flows that exist in areas not covered by EU law or falling under national competence. https://ec.europa.eu/info/files/170227-report-capital-barriers_en
[22] COM(2018) 277.
[23] Action Plan “Making the best use of new financial schemes for European transport infrastructure projects”, progress report K.Bodewig and C.Secchi, Jan. 2018. https://ec.europa.eu/transport/sites/transport/files/cbs2_report_final.pdf.
[24] Commission Delegated Regulation (EU) 2018/540 of 23 November 2017 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest, OJEU L 090, 06 April 2018 p. 38
[25] COM(2016) 0860.

People, education and skills

Investing in people, their skills and knowledge is necessary to drive Europe's competitiveness and attract investment. This social investment approach is reflected in the European Pillar of Social Rights, proclaimed by the European Parliament, the Commission and the Council in November 2017.[26] Moreover, in 2016, the Commission adopted a comprehensive European Skills Agenda.[27] Its 10 key actions promote upskilling and life-long learning and to ensure that Europeans have the skills that our labour markets need.[28] In addition, in response to the calls by the Heads of State or Government,[29] the Commission is establishing the European Education Area.[30] Finally, further investment in social infrastructure, including health and long-term care, is paramount in view of ageing societies and shrinking workforce.

European Structural and Investment Funds

Furthermore, ex ante conditionalities, introduced to increase the effectiveness of the European Structural and Investment Funds in 2014-20 implementation period, resulted in removing barriers to investment in Member States and regions across sectors (via horizontal conditions, for example in the area of public procurement, state aid rules and Small Business Act) and within sectors supported by those funds (such as transport, digital, energy, blue economy, waste and water sectors). They triggered policy reforms in Member States and adoption of new strategic and policy frameworks for public support and private sector investments, as well as contributed to improving administrative capacity of public administrations. In the next programming period, ex ante conditionalities will be replaced by "enabling conditions" that would ensure the necessary prerequisites for the effective and efficient use of EU Funds.

For the next Multiannual Financial Framework, the Commission has proposed a significant reduction of the administrative burden for those applying to make use of Structural Funds. The Commission has proposed the reduction of red tape and lighter control procedures for businesses and entrepreneurs benefiting from EU support. Moreover, the Commission proposed a single set of rules for seven EU funds that are implemented jointly with the Member States, including cohesion policy funds.[31] The shift of the Common Agricultural Policy from compliance to a performance-based approach should also reduce red tape. Another important reduction in administrative burdens in the next budgetary period

[26] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en
[27] COM(2016) 0381.
[28] Council Recommendation of 19 December 2016 on Upskilling Pathways: New Opportunities for Adults, OJ C 484, 24.12.2016, p. 1–6.
[29] In the Rome Declaration of March 2017, EU Leaders pledged to work towards a "Union where young people receive the best education and training and can study and find jobs across the continent". In December 2017, the European Council called on Member States, the Council and the Commission to take work forward on a number of key initiatives and to examine possible measures addressing the skills challenges.
[30] COM (2018) 268.
[31] COM(2018) 375.

follows from the proposal for the InvestEU Programme, which simplifies and brings together an array of existing funds.

State Aid

The Commission has simplified State aid rules following the adoption of the Investment Plan. The Commission has provided detailed guidance to help investors identify when public support measures, including infrastructure investments, fall outside EU State aid rules.[32] The General Block Exemption Regulation has been expanded to allow public support measures for ports, airports and cultural infrastructure.[33] Today, as much as 97% of all State aid measures are, on clear conditions, granted without prior EU State aid approval. More recently in June 2018, the Commission adopted a proposal for a targeted amendment of the Enabling Regulation to accompany the next Multiannual Financial Framework. The combined effect of those measures has led to a substantial increase of legal certainty and leaner procedures, thereby allowing stimulating investments in particular in infrastructure.

3.2 Tackling barriers at national and regional level

National structural reforms often address weaknesses in the business environment and bottlenecks that affect business efficiency and hamper investment. The European Semester helps Member States coordinate more effectively their budgetary, macroeconomic and structural policies by aligning them with rules and objectives agreed at EU level. It also provides opportunities for multilateral dialogue on fiscal, economic and social policies and national reform agendas, including on addressing investment challenges. The country reports published by the European Commission take stock of the priority reforms proposed and implemented in that context. The latest reports, published in March 2018, document that there is on-going progress in addressing investment challenges in a number of areas (see Annex 2). The Annual Growth Survey 2015[34] first presented the Commission's integrated approach towards economic policy, by focusing on boosting investment in tandem with promoting structural reforms and ensuring fiscal responsibility. It has continued to be the leading approach in the European Semester to date.

In some Member States, a stronger push for implementing remaining structural reforms is necessary. About two-thirds of all recommendations have shown at least "some progress" in implementation. However, at the same time vigilance is required in order to ensure that reforms are not being rolled back. Moreover, the track-record of reform implementation is not consistent across Member States.

The Commission has provided Member States with an overview of the main challenges in the context of investments at national level and appropriate reforms.[35] Potential challenges to investment were classified into five broad categories: (i) public administration/business environment; (ii) labour market/education, (iii) financial

[32] Commission Notice on the notion of State aid, OJ C 262, 19.7.2016, p. 1.
[33] Commission Regulation (EU) 2017/1084 of 14 June 2017, OJ L 156, 20.6.2017, p. 1.
[34] COM(2014) 902.
[35] SWD(2015) 400.

sector/taxation; (iv) research, development and innovation and (v) sector-specific regulation. Consequently, the Commission has stimulated a series of discussions on barriers to investment in specific policy areas in the Council. They focused, among others, on the ease of doing business, investment in intangible assets, insolvency frameworks, public-private partnerships and investment in network industries (see Annex 1).

Policy highlight: Finland's reforms in the retail sector

For many years, the retail sector in **Finland** was characterised by overly prescriptive regulations governing the establishment and operation of retail outlets. It resulted in a lack of competition and high barriers to entry. Finnish consumers faced higher prices and less choice than consumers in other Member States. Following repeated recommendations in the context of the European Semester to ease restrictions and open up the retail sector to competition, Finland liberalised opening hours and reformed its municipal and regional planning rules. Facilitating the entry to the retail market is expected to have positive effects on investment in information and communications technology, increase employment and reduce costs for large shops, which should bring benefits to citizens.[36]

In recent years, Member States have made significant progress in providing favourable investment conditions. On almost all indicators measuring the administrative environment, significant improvement has been registered. Most Member States have focused on improving the conditions to start a business and doing business across borders. Good examples include online registration of new companies, one-stop-shops for business registration or for solving common problems, as well as abolishing or lowering para-fiscal charges and other business-related fees. Member States have been engaging in justice reforms and managed to further improve the effectiveness of their justice system. Measures have also been taken to reform labour and product markets, support private research, development and innovation and improve access to finance, for example by reducing the stock of non-performing loans.

Improving skills levels and their matching with labour market needs is key to raise productivity and adaptability of the workforce, thereby exerting a positive influence on investment. Well-functioning and inclusive education and training systems can help preventing or reducing the risks of skills shortages and mismatches that are costly to society, both economically and socially, in terms of foregone growth opportunities and shrinking job opportunities for certain population groups. In recognition of this, since 2015, Member States have indeed put an increasing focus on policies aimed at promoting skills.

Policy highlight: Access to finance in Slovenia

Access to finance in **Slovenia** improved thanks to measures aimed at supporting small and medium-sized enterprises' access to alternative forms of finance, both equity and debt-type.

[36] Finland now scores above the EU average on the Commission's new retail restrictiveness indicator, in Annex to COM(2018) 219.

Those measures include a new cross-border equity initiative, the first Slovenian capital growth investment programme and financial instruments co-financed from the European Structural and Investment Funds in the amount of EUR 253 million. Access to finance also improved thanks to a considerable reduction in the non-performing loans ratio, from 22.8% at the end of 2014 to 11.4% in the second quarter of 2017.

Despite the important progress made in improving the investment environment, major challenges still exist and completing the implementation of ongoing reforms is a priority. Member States should step up their efforts to implement the necessary reforms aimed at removing obstacles to investment. Effective justice systems including the full respect for the rule of law are crucial in this context. Those reforms are a necessary condition to sustain and increase investment levels in Member States, taking into account national specificities. Against that background, and to prepare the next European Semester, the Commission also assesses the challenges to Member States' investment environments in the 2019 Annual Growth Survey.[37]

4. Conclusions and key areas for priority action

Investment rates have picked up significantly since the launch of the Investment Plan for Europe, but they remain below pre-crisis level. The European Fund for Strategic Investments has proven to be an efficient tool to address investment gaps in the EU economy by mobilising financing in key sectors that suffer from market failures and sub-optimal investment situations. The budgetary guarantee underpinning the Fund has helped to increase considerably the number of riskier operations financed by the European Investment Bank Group. With its proposal for the **InvestEU Programme**, the Commission aims to bring investment support in the EU to the next level. Co-legislators are invited to adopt the proposal as a matter of priority, to allow for a seamless continuation of investment support in the next budgetary period. In parallel, swift progress is needed on the negotiations of the new streamlined Commission proposal for the Neighbourhood, Development and International Cooperation Instrument.

Alongside stimulating domestic investment, a more investment-friendly environment is needed to reinforce the position of the EU in the global economy as an attractive investment destination. Completing the Single Market, the Capital Markets Union, the Digital Single Market and the Energy Union, whilst enforcing competition rules in all sectors, would remove the vast majority of remaining barriers to investment at the European level. The Capital Markets Union is particularly important in that context, as Europe's largest financial centre is about to leave the Single Market. To adjust to that new reality, further development and deeper integration of the EU-27 capital markets is needed, alongside stronger and more developed local capital markets. The Commission hence calls on co-legislators to speed up the adoption of the remaining initiatives to complete the Single Market, Capital Markets Union, and Energy Union and to make progress on the proposals on the next Multiannual Financial Framework.

[37] COM(2018) 770.

Under the European Semester, the Commission will continue to identify policy priorities and to monitor progress in reform implementation, which is still uneven across Member States and policy areas. Existing links between EU funding and the European Semester will be strengthened, ensuring synergies and complementarity between analysis and coordination of economic policies and spending at the EU level. To achieve this, the 2019 European Semester will have a stronger focus on identifying and prioritising investment needs at national level to guide programming decisions concerning the European Regional and Development Fund, European Social Fund plus and Cohesion Fund. In addition, Member States are invited to prepare and submit high quality National Energy and Climate Plans covering the period from 2021 to 2030, in order to provide a stable and enabling regulatory framework for energy and climate-related investments.

The Commission's proposals for the new Multiannual Financial Framework also strengthen the focus on investment and the complementarities between relevant EU funds. To support the implementation of structural reforms, the European Commission has proposed the creation of a Reform Support Programme[38], which will provide financial incentives to Member States to carry out reforms. In addition, a European Investment Stabilisation Function[39] will help maintain investment levels in the event of large asymmetric shocks. These instruments will complement other EU funds, notably those supporting cohesion policy, the Connecting Europe Facility, Horizon Europe and the new InvestEU Fund. The Commission has also proposed to bring various innovation funding streams into a single instrument, the European Innovation Council, which will help address the financing gap for high-risk innovation on the European start-up scene. An efficient use of EU programmes is key to address the significant investment needs, both at planning and implementation stages, with visibility on the pipeline and consistent eligibility criteria. By reinforcing existing practices in the context of the next Multi-annual Financial Framework, EU programmes will be used in a coherent manner to maximise the added value of EU financing and support reforms at the national level in the contest of the European Semester, with the ultimate objective to efficiently deliver on EU policy priorities.

[38] COM(2018) 391.
[39] COM(2018) 387.

EUROPEAN
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COM(2018) 771 final

ANNEXES 1 to 2

ANNEXES

to the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT BANK

Investment Plan for Europe: stock-taking and next steps

ANNEX 1 – THEMATIC DISCUSSIONS ON BARRIERS TO INVESTMENT HELD IN COUNCIL COMMITTEES

1. Investment performance and bottlenecks

Thematic review	Date	Content
Insolvency Frameworks in the Euro Area: Efficiency Principles and Benchmarking	April 2016	Insolvency frameworks have economic effects as they shape private agents' incentives. The economic role of insolvency frameworks is particularly relevant in situations of high outstanding debt. This note presents common principles for insolvency frameworks.
Thematic discussion on Investment	June 2016	This discussion focused on regulatory rigidities and bottlenecks to investment in the euro area countries and how these challenges are being addressed in the context of reforms at both the national and the EU level.
Ease of Doing Business	January 2017	Improving the "ease of doing business" or cutting "red tape" is – to a large extent – accomplished through measures that imply no, or a limited, budgetary cost while they may provide significant benefits.
Labour and Product Market Reforms	May 2017	This discussion will focus on the role of labour and product market reforms for investment and their interactions.

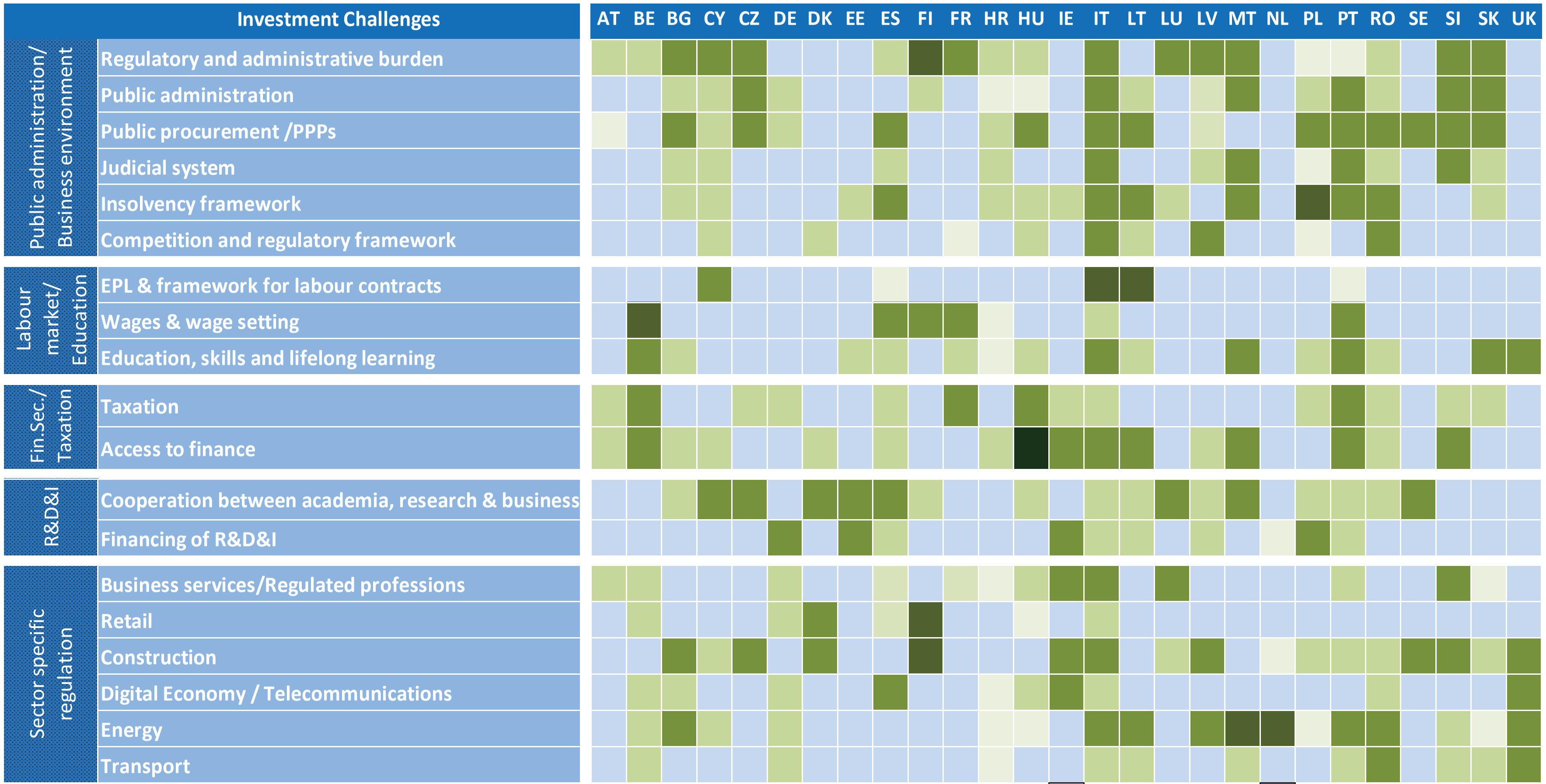
2. Investment in infrastructure

Thematic review	Date	Content
Public investment in infrastructure	September 2015	This discussion reviewed recent investment trends in the field of infrastructure and how to assess possible challenges linked to the effectiveness of public expenditure. It reviewed the framework conditions which are conducive to investment and focuses on the use of EU funds.
Public-Private Partnerships	January 2016	The discussion looked into public private partnerships (PPPs) as a way to involve private operators in the design and construction of infrastructures and in the delivery of public services.
Investments in network industries	May 2016	The objective of this paper is to review investment evolutions in transport, energy and e-communications and discuss bottlenecks to investment.
Residential investment in energy efficiency and renewables	June 2016	The discussion assessed the investment into energy efficiency made by residential sector, the bottlenecks preventing households to invest more and the scope for energy efficiency in this sector of the economy.
Investment for the digital economy	November 2016	The discussion focused in particular on investment to enable the development of the digital economy.

3. Investment in Intangibles

Thematic review	Date	Content
Investments in intangible assets	October 2016	The discussion provides contextual information concerning intangible assets in Europe, thus discussing the concept of intangible assets, recent trends in intangibles investments and their impact on productivity and GDP growth.
Unlocking investment in intangible assets	January 2017	Another discussion looked at the drivers of and barriers to investments in intangibles and whether there is a need for specific policy measures to tackle barriers to investments in intangibles.

ANNEX 2 – MEMBER STATES' PROGRESS IN ADDRESSING INVESTMENT CHALLENGES.



Source: 2018 Country Reports, European Commission. **Note:** EL is not included (under Economic Surveillance Programme)

No progress
Limited progress
Some progress
Substantial progress
Fully addressed