

Brussels, 14 October 2011

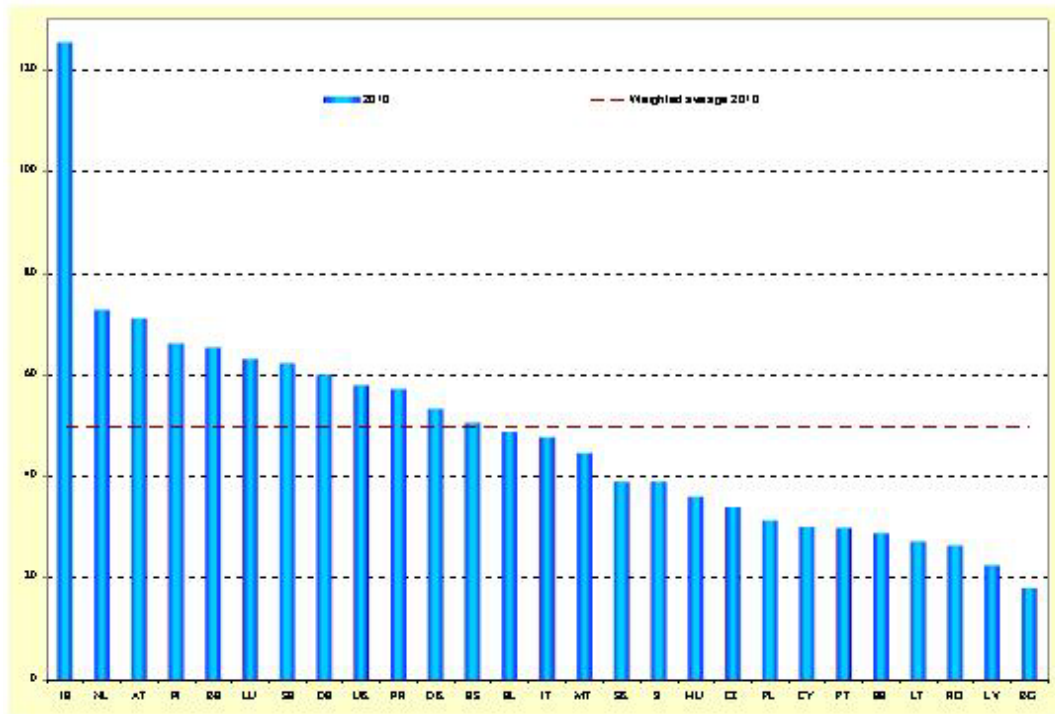
## Overview of competitiveness in 27 Member States

*The Europe 2020 Strategy puts forward as a key priority for the European Union the promotion of a more resource efficient, greener and more competitive economy. This Memo presents a summary of industrial competitiveness in all 27 EU Member States drawn from the annual report on "Member States competitiveness performance and policies". The report analyses industrial competitiveness across the EU and presents policy measures adopted by Member States to improve their competitiveness, and by implication, the competitiveness of Europe as a whole.*

1. "**Labour productivity** (per person employed in manufacturing) can be classified in three groups:

1. The group of countries with a productivity rate **considerably above the EU average** includes Ireland, the Netherlands, Austria, Finland, Belgium, Luxembourg, Sweden and Germany.
2. The group of countries with a rate slightly above and below **the EU average** includes the United Kingdom, France, Denmark, Spain, Greece, Italy and Malta.
3. The group of countries with a productivity rate considerably **below the EU average** includes Slovakia, Slovenia, Hungary, the Czech Republic, Poland, Cyprus, Portugal, Estonia, Lithuania, Romania, Latvia and Bulgaria.

**Figure 1: Labour productivity per person employed in manufacturing**



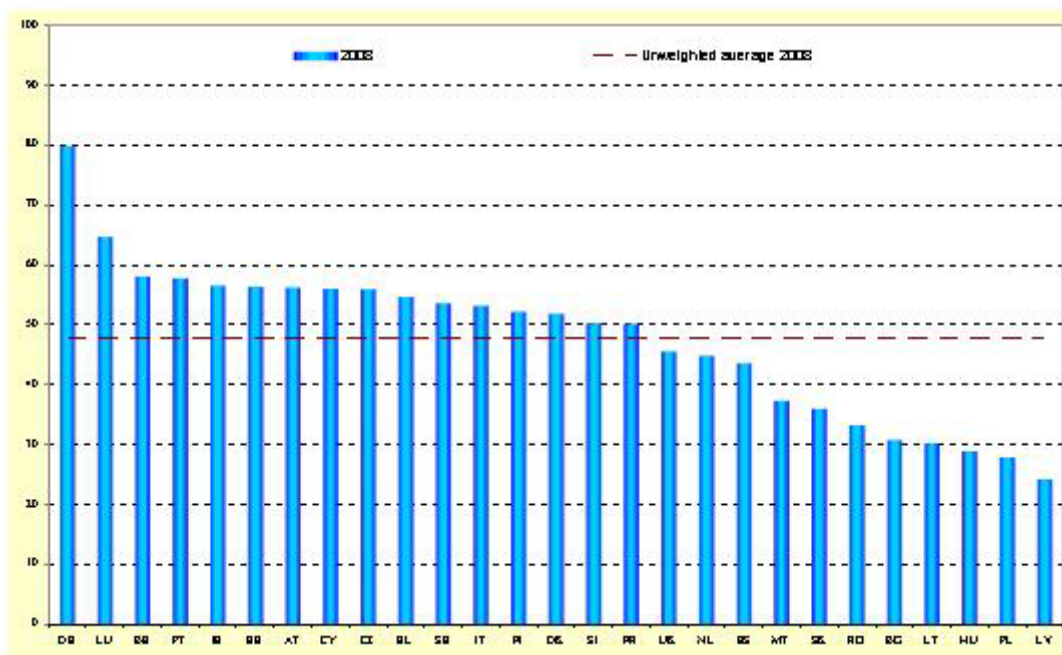
Source: Eurostat

The graph illustrates the different levels of labour productivity in manufacturing, as measured by Gross Value Added in Purchasing Power Standards per person employed in the Member States.

2. The **share of innovating companies among all companies** can be classified in four groups:

1. The group of Member States with a share **higher than 60 %** of all companies includes Germany and Luxembourg.
2. The group of countries with a share **higher than 50%** includes Belgium, Portugal, Ireland, Estonia, Austria, Cyprus, the Czech Republic, Greece, Sweden, Italy, Finland, Denmark, Slovenia and France.
3. The group of countries with a share **higher than 30%** includes the United Kingdom, the Netherlands, Spain, Malta, Slovakia, Romania, Bulgaria and Lithuania.
4. The group of Member States with a share **lower than 30%** includes Hungary, Poland and Latvia.

**Figure 2: Share of innovating companies among all companies in %**



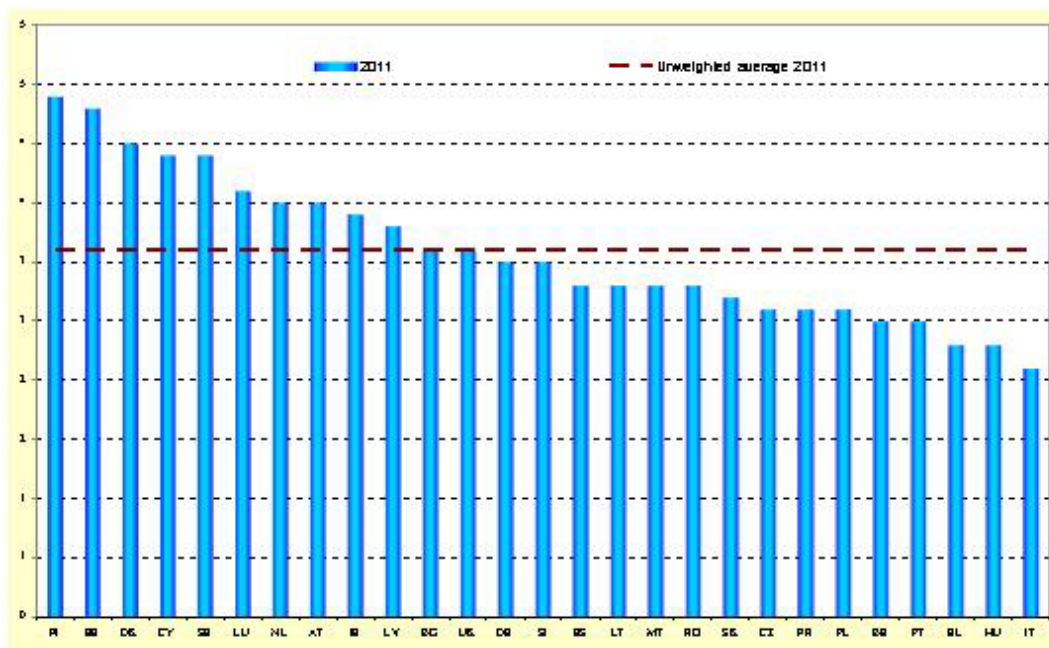
Source: Community innovation surveys

The analysis focuses on enterprises which have introduced new or significantly improved goods, services and/or processes, as well as marketing or organisational innovation during an observation period of three years. The graph illustrates the share of those innovating companies in relation to the total number of active enterprises.

3. According to a recent survey among business executives, the **business friendliness of government regulation** was assessed as follows:

1. The group of Member States where the regulation was assessed as **least burdensome** for companies (rating higher than 3.5) includes Finland, Estonia, Denmark, Cyprus, Sweden and Luxembourg.
2. The group of Member States where it is **more burdensome** for companies (rating between 3,5 and 2.5 ) includes the Netherlands, Austria, Ireland, Latvia, Bulgaria, the United Kingdom, Germany, Slovenia, Spain, Lithuania, Malta, Romania, Slovakia, the Czech Republic, France and Poland.
3. The group of Member States where the regulation was assessed as **most burdensome** (rating below 2.5) includes Belgium, Portugal, Greece, Hungary and Italy.

**Figure 3: Business-friendliness of government regulation**



Source: World Economic Forum survey

The results are derived from a World Economic Forum survey among business executives which assessed how burdensome it is for businesses in the respective countries to comply with governmental administrative requirements such as permits, regulations or reporting requirements. The lower the values, the more burdensome the regulatory framework was assessed in the survey (1 = extremely burdensome; 7 = not burdensome at all).

## Situation and challenges in the Member States

### Belgium

In terms of change, Belgium has increased its specialisation in higher quality market segments in a few specific sectors (e.g. pharmaceuticals) and it has decreased further its share of labour intensive industries. Manufacturing production in Belgium has recovered relatively fast from the crisis notably as a result of the favourable economic situation in Germany. The impact of the crisis in terms of structural change was rather limited.

As Belgium has a low share of new science and technology graduates and a low share of high-tech exports in total exports, there is room for improvement of innovation policy. The energy intensity of the industry could also be improved. Notwithstanding the fact that the higher energy intensity in the Belgian industry and energy sector is to some extent explained by the industrial structure of the country, it represents a potential disadvantage, and further action on the energy and climate fronts will be important to reduce the energy intensity of the industry and energy sector. Finally, administrative simplification and faster delivery of permits can help create the conditions for a good business climate.

## **Bulgaria**

Bulgaria faces some important challenges on its way to improve its competitiveness such as cutting red tape at different levels of the state and local authorities, fostering innovation in view of increasing productivity, improving the energy efficiency across all sectors of the economy and developing the transport infrastructure. In the short term, absorption of structural funds which is crucial in supporting these undertakings remains dramatically low. A proper implementing mechanism for management and control of the funds can help remedy that situation, in particular the EU co-financed programmes.

Cooperation and coordination between research institutions and businesses is still limited. The implementation of the measures of the existing innovation and R&D programmes is rather slow and there is lack of large flagship projects of excellence in the field. Bulgaria needs to improve its administrative capacity and simplify existing rules and procedures in order to accelerate the absorption of funding in all sectors.

In the short term, high loan interest rates, required collateral and securities and government arrears remain a significant burden to business.

## **Czech Republic**

In line with the relatively low R&D intensity, the majority of Czech firms compete internationally on costs, instead of differentiation through innovation. Alongside a need to mobilise and coordinate resources for research and innovation, the challenge is to ensure that the scientific output corresponds to the industrial need. The foreseen revision of the tax scheme has a potential to boost private research and innovation.

Developing additional measures promoting the take-up of energy efficient solutions is desirable, particularly in the light of the current projections foreseeing an increase of the Czech primary energy consumption by 2020. In this respect and given the fact that the Czech Republic is one of the most energy intensive countries in the EU, electricity prices may hamper the competitiveness of businesses.

The Czech business environment is an important bottleneck to economic growth and investor confidence. In the absence of evidence-based policy making, it is subject to frequent legislative changes increasing uncertainty and imposing unnecessary burdens on businesses. The progress achieved so far in increasing the transparency of public procurements needs to be sustained. It is similarly important to complete and increase the efficiency of the e-government services.

Improving access to early stage financing has become a matter of urgency, particularly in relation to the development of the venture capital fund. The fact that the school education in the Czech Republic does not help students to develop an entrepreneurial attitude will deserve closer attention. However, the Czech International Competitiveness Strategy could be an important step forward in developing the longer term vision of the Czech economy and society.

## **Denmark**

The main challenges facing the Danish industry remain the weak competition and low productivity growth, low shares of innovating enterprises, high-tech exports and high-growth enterprises. The limited innovation performance may be due to a combination of factors relating to a limited entrepreneurial culture, weak competition in especially the services sector and the fact that the results of reforms of the public innovation system have not yet showed up in the statistics. The increased co-operation between public research and private companies that have taken place during the last years, could lead to a better performance in terms of high-growth innovating enterprises exporting high-tech products in a near future. A number of measures addressing these problems were put in place during the last year with effects yet to materialise.

Further policy actions aiming at fostering competition could also spur innovation and increase the share of innovating enterprises. An especially important area is the service sector where there is a large number of SMEs who would benefit from more competitive service markets. The "Konkurrencepakke" was a first step in the direction of opening up public procurement for SMEs and increasing productivity in the service sector by liberalising some important sub-sectors.

## **Germany**

Overall, Germany enjoys a favourable position with respect to competitiveness. Its economy and industry benefit from framework conditions which are conducive to R&D and innovation as well as to the deployment of environmental technologies. With its specialisation in capital goods, the German export sector was particularly well placed to benefit from the increasing demand in emerging markets and the incipient global recovery.

The business environment is overall also favourable for entrepreneurial activities as SMEs and entrepreneurs have at their disposal a broad range of services provided by government authorities and the well-developed network of chambers of commerce and other crafts and business associations.

In the long-term, a major challenge will be to avoid a systematic shortage of high-skilled labour force by adapting both the educational system and the labour market to the changing requirements of technology and innovation. Overall Germany could benefit from further investment in R&D to remain at the technological frontier.

## **Estonia**

In order to continue its catch up with the average productivity rate in the EU, the share of higher value added products and services, in particular in exports, should continue to rise. Further policy efforts could be aimed at strengthening the contribution of capital to growth. At the same time, benefits would be available from reducing resource intensity, developing the infrastructure and fostering productivity by boosting R&D and innovation, identifying and prioritising knowledge-intensive sectors that are competitive internationally and enhancing human capital through a comprehensive education reform.

In particular, Estonia would benefit from an increase in the supply of high-skilled labour, enabling the business sector to innovate and to increase research activity. Here the use of Structural Funds could be envisaged, fostering better cooperation between academia and business, integrating research activities and exploiting cross-border cooperation opportunities in the Baltic region.

## **Ireland**

The main short-term challenge for Ireland is to return to a balanced growth path in line with the Council recommendations. At the same time, the undisputed need to consolidate public finances necessitates a careful review of spending and taxation priorities with a view to avoid the emergence of future bottlenecks to growth, in particular with regard to infrastructure and research.

Ireland's efforts to shift growth from foreign direct investment based on labour cost and construction to more innovative sectors and services had already born some fruit before the onset of the current crisis. Long-term efforts to provide incentives for more sustainable growth also go in the right direction. In addition, Ireland scores significantly above the EU average on many aspects of its business environment and work force. The country is therefore relatively well-placed to overcome the crisis although some challenges remain. In particular the capacity of indigenous firms to innovate could be stepped up further, capitalising as much as possible on the increased investment in public R&D and the development of a green tech sector.

## **Greece**

Apart from the short-term concerns related to the economic crisis, such as getting access to finance and adjusting to the internal demand shock, the main challenge facing industry, but also the real economy overall in Greece is a business environment that is not delivering optimally.

Improving the business environment through actions such as those planned in the MoU will contribute to growth by reducing the costs of doing business in Greece across the board, thus increasing productivity. However, there remains the structural problem of specialisation in less technologically advanced and low growth sectors. The policy response to this problem calls for actions to facilitate structural change, some of which, such as labour and product market reforms have been adopted or are in progress, and to raise the knowledge base.

The public administration constitutes an important bottleneck to economic growth, through its huge cost to the rest of the economy, both through its size and through its often ineffective functioning. In this area, as in the business environment, some progress has been made, mainly in the context of the MoU, but efforts will have to persevere over the medium term for setting in place the conditions for sustainable growth.

## **Spain**

After the sharp economic adjustment in Spain during the years 2008 and 2009, particularly in its construction sector, and the market pressure of 2010 and 2011 in the context of the euro area sovereign debt stress, Spain has put in place a considerable number of measures in the last months to facilitate structural change and enhance productivity, like improving the innovation framework, access to finance for SMEs and simplifying the regulatory framework for business creation and growth.

Some challenges still remain in order to enhance the business environment in the area of access to finance as well as in easing entry and exit conditions of firms. Improving coordination between different levels of public administrations would help reducing the administrative burden for enterprises. Enhancing competition and lowering regulation in a number of selected services sectors with high spill over effects such as professional services would increase potential GDP and create opportunities of employment. Another challenge is the low private sector participation in R&D and innovation activities besides the large number of public-backed initiatives in the area.

## **France**

Challenges for France remain to facilitate structural change and improve its external competitiveness. A better technological and geographical positioning and a stronger growth of enterprises below 2 000 employees would notably contribute to strengthen France's industrial fabric.

Ongoing efforts to improve the business environment should be pursued, including by alleviating the burden of regulation and administrative procedures, by simplifying interfaces between businesses and public authorities, and by facilitating access to finance in particular for growing and innovative enterprises.

Ongoing efforts on the research and innovation 'ecosystem' deserve to be pursued, with a particular emphasis on business R&D, synergies between the scientific base and the industrial base, favourable conditions for innovative start-ups and development of high-tech sectors. Further action to promote the skills needed for industrial transformation, such as IT skills, green skills or innovation management could also be usefully considered.

## **Italy**

While it maintains a diversified and in some instances globally competitive industrial basis, Italy's overall growth potential is a source of concern. The last few years have seen some measure of transformation in the industrial fabric, not so much in terms of relative specialisation but of climbing the quality ladder.

As the policy front, significant efforts can be reported, notably in order to improve the business environment or ensure a more coherent research strategy, but much more would be required in a number of areas, such as in promoting eco-innovation, in enhancing competition in services markets or in fostering dimensional growth of companies. In general, there are no major improvements in closing the North/South gap, which is evident in a wide number of domains, meaning that there is considerable scope for catching up of the Mezzogiorno that would significantly enhance Italy's overall competitiveness.

Some policy interventions appear uncoordinated and fragmented while some promising measures remain only partly implemented or are delayed by lack of resources or by complex decision-making procedures and practices. Given the importance of industry, Italy would benefit from putting forward a comprehensive industrial competitiveness policy, which would make sense in a country with such an important industrial sector.

## **Cyprus**

The insular nature and distance from the rest of the internal market pose a challenge for small Cypriot enterprises. Cyprus faces a chronic competitiveness problem linked to its structural specialisation in labour-intensive, low-skills and low technology sectors, which is also reflected in its current account deficit. On the other hand, Cyprus is endowed with highly educated and multilingual workforce. The policy priority therefore remains to adjust the structure of the economy towards more knowledge-intensive and high growth activities, primarily in services and tourism, through a well targeted R&D and innovation policy and encouraging entrepreneurial activity in high value added sectors.

Besides this overarching challenge, there are structural weaknesses that could be addressed in the short term, such as further improving the business environment by addressing regulatory burden and offering more public services on-line, reinforcing competition, especially in some professional services, and promoting energy efficiency.

## **Latvia**

In order to continue to improve its competitiveness conditions, Latvia would benefit from a further strengthening of the growth potential of its economy through a range of structural reforms. In particular, stronger policies would benefit the absorption of EU funds; improve public procurement and competition; enhance performance of public administration; and improve active labour market and lifelong learning policies, including skills upgrading and retraining.

In order to further improve the business environment, increased efforts to attract FDI and promote exports would help growth, as would further implementation of the program for the support of small and micro companies, continued reduction of the administrative burden, (re)building and modernising the infrastructure and expanding the use of e-services. In addition, there is potential to further exploit the cooperation opportunities offered in the Baltic region.

## **Lithuania**

The most imminent challenge to ensure the competitiveness of Lithuania's economy is to create energy markets both in electricity and gas sectors, which are characterised by security of supply, ownership unbundling, increased competition and interconnection with European markets.

Mid- to long-term challenges are to promote structural change towards more high value added and knowledge intensive sectors. Appropriate policies include strengthening links between industry and public and private research, increase R&D&I funding and continue the reform of the research system.

The business environment in Lithuania can be further improved through administrative burden reductions, in particular in the areas of licensing, business inspections and territorial planning, through further developing road and rail infrastructure and through regulatory reforms that further improve start-up conditions.

Finally, a long-term challenge is to increase resource efficiency of Lithuanian industry significantly and to transform it into a low carbon economy.

## **Luxembourg**

Luxembourg occupies a favourable position with respect to competitiveness. The country is also ranked in the category of innovation followers with innovation performance above the EU 27 average but due to the country's specificities, there are difficulties in attracting and keeping the necessary human resources for developing local competitive centres of excellence and small innovative firms.

The business environment is improving, even if further measures are needed. The main challenges that Luxembourg seems to face as regards climate change and energy are the national objectives for the reduction of green house gas emissions and the increase of the share of renewable energy in energy consumption.

## **Hungary**

The crisis period and slow recovery shed light on the bottlenecks of the Hungarian economy that hamper sustainable and balanced growth. In 2011 structural measures have been identified in key areas such as the labour market, the pension and welfare system, education and public administration etc.

One of the priorities of the Government is to improve business environment by reducing high administrative burdens and introducing a new public procurement legal framework beneficial for SMEs. Along with the full implementation of these measures significant positive impacts on the profitability and investment activity of enterprises can be expected. Access to finance and reducing policy and institutional uncertainty, the reallocation of EU funds for innovation and green development purposes and entrepreneurship are remaining challenges as well as the low R&D intensity of many companies.

### **Malta**

The Maltese Government continues to pursue the reform agenda. However, the often prevailing impetus and ambitious plans are not always backed up by clear and reliable implementation strategies (one-stop-shops, leniency programme). So as to fully realise the results of the announced measures, a reinforced emphasis on implementation, follow-up and tools or processes that help to regularly measure the implementation progress of announced policies in a transparent way does seem advisable.

### **The Netherlands**

Important structural challenges in the Netherlands are to increase private R&D investments and to promote renewable energy and energy efficiency. The recent new enterprise policy, with a focus on nine top sectors and a move from specific innovation subsidies to more generic tax incentives could be an interesting example to reduce the administrative burden for applicants and may promote the efficiency and effectiveness of public spending. However, the move should be carefully evaluated in order not to jeopardise the overall innovative capacity of the Dutch economy. The level of budgetary expenditure for research and innovation is an important factor for the future, even if the FES will no longer be used to fund these activities. The transition towards a more energy efficient and low carbon economy could be stepped up with further measures.

The policy recommendation of the Council of the European Union is to promote innovation, private R&D investment and closer science-business links by providing suitable incentives in the context of the new enterprise policy ('Naar de top').

### **Austria**

Austria scores well in the overall competitiveness of its economy, the labour productivity is clearly above the EU average, and it need not cope with any major bottlenecks in the short run. In the context of a developed high-income country however, it faces relative structural weaknesses in some areas, which may harm the long-term potential of its economy.

The knowledge triangle (education, research and innovation) is one of the areas in need of priority action. Better performance and interaction, and more effective public spending in these policy areas are instrumental to fully exploit the potential contribution of R&D to the competitiveness of its economy, and thus facilitate the structural shift towards more skill-intensive higher-value-added activities. The favourable business environment could be made even more attractive by streamlining administrative procedures for start-ups, higher availability of non-banking financing, and by improving the corporate governance practices.

### **Poland**

The Polish economy withstood well the crisis and continues to grow. Poland benefits from its position as a manufacturing hub for Europe and increasingly as a business service provider for many European and international companies. Yet, the country faces many challenges and could fare better with improved policies.

Entrepreneurs complain about persistent administrative burden and an inefficient administration apparatus. Improving the general business environment would require simpler and more transparent regulations, steadily improved efficiency of public administration and of the judiciary system as well as enhanced e-government services.

Furthermore, the underdeveloped transport infrastructure does not match the raising transportation needs of the expanding economy. Similarly the energy infrastructure is not adequate to facilitate competition or to assure stable and secure electricity provision. The latter will need to be upgraded especially to meet the environmental challenges and to replace the obsolete generation capacities without increasing the prices of energy excessively.

Finally, the low level of innovation becomes an increasingly important challenge to the sustainable growth of the Polish economy in the long term. In order to adopt and create new technologies and social innovations Poland's industry needs to develop long-term strategies and invest more in human capital development, innovation and R&D, as well as SME capacity building..

### **Portugal**

Portugal would benefit from maintained and reinforced efforts to promote research and innovation, from an integrated policy to boost entrepreneurship and overall skills development. Further, it could continue to support a gradual transition to a sustainable, low carbon, energy and resource efficient economy. Equally important is securing access to finance under regular conditions to economically viable SMEs, particularly young SMEs and start-ups, and effectively develop alternative funding and recapitalisation mechanisms for SMEs, including venture capital and business angels.

The full implementation of the set of structural measures included in the MoU (such as fostering competition, particularly in the services sector and network industries, further administrative simplification, burden reduction and greater efficiency of public services, notably in the judicial system) will improve business conditions, contributing to unlocking growth potential the creation of more jobs.

### **Romania**

Whilst the short-term priority is to bring public finances under control and stabilise the macro-economic situation, the implementation of a number of urgent structural reforms should help to significantly improve the business environment. In this light, the effective and timely implementation of the measures included in the 2009 and 2011 Memorandum of Understanding will be critical as it will help to pave the way for a return to sustainable growth.

Strengthening the efficiency, effectiveness and independence of the public administration should help improve the quality and enforcement of policies as well as the effective absorption of structural funds. Making an increase of the low rate of absorption of the EU Structural Funds a priority for economic policy would also allow increasing the necessary investment in infrastructure and human capital without an excessive burden on the national budget.

Nevertheless, improving the heavy regulatory environment and reducing the significant red tape in all sectors of the administration would contribute to unlocking the business potential and reducing costs of doing business. Furthermore, developing the weak transport (especially motorways) and communication infrastructure would be critical to improving competitiveness and attracting investments.

In the long term, the challenge will be to ensure a paradigm shift away from unskilled labour and energy intensive sectors towards more smart, low-carbon and resource-efficient activities. Upgrading productive capacities and processes, investing in environmentally friendly, eco-efficient technologies, increasing the innovative potential of enterprises, and upgrading labour force skills and improving vocational and higher education and training will be essential for the future competitiveness of the Romanian industry.

### **Slovenia**

Notwithstanding its size, Slovenia is faced with the challenge to increase both the competitiveness of its export and domestic sectors. Better regulation, especially in the area of services, can be achieved thanks to the revision of regulation of professions. Along with the proper implementation of the services directive and a fully-functional competition protection office, the potential of the services sector could be unleashed.

Slovenia was one of the first countries to allocate part of its EU funds to competitiveness programs (up to 40 %). Europe 2020 could facilitate further the alignment between competitiveness goals and EU funds allocations. Focusing on regions and sectors undergoing the most significant structural changes, such as the Pomurje region as one example, could be an opportunity to accelerate the restructuring processes.

### **Slovakia**

The economic and financial crisis has emphasised the importance of creating and sustaining in Slovakia the necessary framework conditions for ensuring substantial improvements in the business environment, as a fundamental prerequisite for growth and job creation. This holds particularly true in periods of complex economic recovery and public finances constraint. Calls for action and enhanced intervention in this respect are not new and mainly concern: the need for better regulation and reduction of administrative burden; the enforcement of legal rights; access to finance; the availability of human capital; energy prices for businesses and the efficiency of public administration.

Overall, today Slovakia has set the relevant legal framework for supporting the development of sustainable production and consumption models and the main focus should be on the effective implementation of available tools for greening the economic system. However, specific attention should be paid not only towards reaching environmental targets but also to the possibility of exploiting related business opportunities, therefore increase competitiveness, support innovation and job creation.

In terms of R&D and innovation, today the lack of a national coordinated approach adds up to the main challenges represented by a weaker human capital formation, low level of funding and quality of supported activities, highly bureaucratic procedures, low participation of Slovak enterprises to R&D and innovation programmes and weak ties between industry and academia sectors. All these issues would benefit from targeted responses.

## **Finland**

Overall, Finland enjoys a favourable position with respect to competitiveness. However, both structural change and trends within sectors (R&D intensity and quality upgrading) may present risks for competitiveness in the medium term. Finland faces a number of challenges, in particular the globalisation driven restructuring, especially in the dominant ICT sector, has made it even more relevant to diversify the economy, attract FDI and promote high-growth companies and spin-offs that are internationalising successfully. Improving the external competitiveness of enterprises and industry is also important for employment creation.

Although entrepreneurial activity is high, the number of high-growth enterprises is low and the conditions for entrepreneurship could be further improved. In particular, a speedy implementation of the recently updated Small Business Act, targeted measures to improve attitudes towards entrepreneurship and risk-taking and better access to public procurement for SMEs could be important improvements.

Finland is one of the innovation leaders within the EU. Nevertheless, there is scope for further streamlining the national innovation support system and attracting more foreign human capital and investments. The Finnish industry is relatively energy-intensive and implementing energy efficiency related policy measures would be important to reach the climate change targets, but also to help address commodity price shocks. The mid-term review of the National Climate and Energy Strategy foreseen by the end of 2011 is an opportunity to assess whether the existing measures and allocated funds are appropriate. The business structures in the services market, particularly in the food, wholesale and retail trade, are occasionally highly concentrated. By redesigning the regulatory framework and removing restrictions, new entry to the service markets could be facilitated, paving the way for more competition, productivity growth, and downward pressure on prices.

## **Sweden**

Sweden remains one of the most competitive economies in the world and is identified as an innovation leader in the EU. Though it faces no major challenges to competitiveness, Sweden should consider its long-term skills needs, especially in science, technology, engineering and mathematics (STEM) and what measures can be taken to avoid shortages, bearing in mind negative demographic developments and prevailing gender imbalances among STEM graduates. Secondly, despite having high total R&D spending by international standards, Sweden has a less impressive record in the commercialisation of research results and innovations. It may need to consider how to align R&D and innovation closer to the needs of markets and of society at large. Sweden could also take further measures to improve competition, reduce the administrative burden to reach the national target, and establish a more coherent framework for research and innovation funding.

## **The United Kingdom**

Overall, the UK enjoys a favourable position with respect to competitiveness, but its pattern of structural change sends mixed signals, with some areas improving while others are deteriorating. The UK faces a number of challenges, in particular, its economic performance depends to a higher than average degree on the financial services industries, whilst the manufacturing base is comparatively small.

There is a commitment towards building a comprehensive policy approach to the transition to a green and growing economy, which requires substantial investment in key green sectors. The Green Investment Bank has potential to become a key component in the transition to a green economy, complementing other green policies to allocate additional capital.

The UK has an excellent record with respect to better regulation and the business environment and has continued to give priority to making further progress. However, eGovernment and eProcurement still leave room for improvement relative to other EU Member States.

The UK has recently put in place a number of measures to improve SME access to finance. It would be important to implement measures already announced and continue to work to improve the availability of bank and non-bank financing to the private sector and in particular to SMEs, while recognising potential challenges on the demand side. It would also be important to encourage competition within the banking sector and explore with the market ways to improve access to non-financing such as venture and risk capital and debt issued on public markets.

## **Background**

As part of the Europe 2020 strategy, the Commission launched in 2010 a new industrial policy<sup>1</sup> that highlighted the actions needed to strengthen the attractiveness of Europe as a place for investment and production, including the commitment to monitor regularly Member States' competitiveness policies.

The annual "European Competitiveness Report" and the report on "Member States' Competitiveness Performance and Policies" will contribute to the evaluation of the Member States under the broader framework of the European semester and Europe 2020.

## **More information**

Communication "Industrial Policy: Reinforcing competitiveness"

"European Competitiveness Report 2011"

Report on "Member States' Competitiveness Performance and Policies 2011"

[IP/11/1192](#) Industrial competitiveness to be turned into growth"

[MEMO/11/701](#) "Industrial Policy: Reinforcing competitiveness"

Industrial Competitiveness: "An Industrial Policy for the Globalisation Era"

[http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm)

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<sup>1</sup> An Integrated Industrial Policy for the Globalisation Era. Putting Competitiveness and Sustainability at Centre Stage, COM (2010) 614