

ROADMAP

Title of the initiative: **Communication on Member States' Competitiveness policies / Industrial Competitiveness Package**

Type of initiative (CWP/Catalogue/Comitology): CWP

Lead DG: DG ENTR - unit B/3

Expected date of adoption of the initiative (month/year): Early 2011

Date of modification:

Version No:

Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

The Communication on Member States' competitiveness policies will present the key messages regarding Member States' competitiveness performance and policies, and identify examples of best practice. It will formulate policy advice to individual Member States and hence provide inputs into aggregate Europe 2020 reporting and into the formulation of country-specific recommendations under Art. 121 TFEU. It will set out an annual reporting and monitoring mechanism under Art. 173.2 TFEU in order to implement the Member State dimension of the Europe 2020 flagship initiative "an industrial policy for the globalisation era".

What are the main problems identified?

The deep economic recession of 2008/2009 mainly affected European industry, with output temporarily declining by 20%. The services sector, both business and final consumer oriented (e.g. retail, tourism), was also affected hard. In order to accelerate recovery and put it on a firm basis there is a need for the right framework conditions and for identifying and addressing bottlenecks and other impediments to growth. The corresponding policies fall essentially within national competence. Given the lack of fiscal manoeuvre, policy action needs to focus mainly on structural reforms aiming at increasing economic efficiency. Yet, we know from the accumulated implementation deficit that marked the microeconomic pillar of the Lisbon strategy for growth and jobs that those are politically difficult. In case of inaction, the main risk is staying longer in slow growth situation and the non-realisation of growth opportunities in new activities.

In addition, many Member States face external imbalances that the crisis made even more acute and restoring their competitiveness has become a matter of common concern, thus increasing the need for coordination in this area.

Who is affected?

The Communication is mainly addressed to the Member States. Its aim will be to discuss with them (Competitiveness Council) more in detail the progress on the Member State dimension of the flagship initiative "industrial policy", including policy assessment and the exchange of best practice.

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

Due to the interdependence of Member State economies, national policies have spill-over effects on other Member States and coordinated action may lead to better outcomes and synergies.

The Communication is based on Art. 173.2 which states that *(T)he Commission may take any useful initiative to promote such coordination, in particular initiatives aiming at the establishment of guidelines and indicators, the organisation of exchange of best practice, and the preparation of the necessary elements for periodic monitoring and evaluation.* The Communication will not impose any new legal obligation or reporting requirement to Member States. Its value added will consist in reinforcing the incentives for adopting competitiveness-promoting policies in the Member States through international comparison and peer pressure, in disseminating best

practice and in strengthening the evidence basis for formulating country-specific recommendation under Europe 2020.

B. Objectives of EU initiative

What are the main policy objectives?

To reinforce incentives for adopting competitiveness-promoting policies in the Member States, to disseminate best practice and to strengthen the evidence basis for formulating relevant and effective country-specific recommendation under Europe 2020.

Ultimately, to create the best environment for maintaining and developing a strong, competitive and diversified economy in Europe as well as supporting the transition to greater energy and resource efficiency.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

No new EU policies are foreseen.

C. Options

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered? (iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

Policy options would be to continue "business as usual" or to adopt a variant of the open method of coordination approach. Legislative initiatives are not an option under the Treaty.

The preferred option is to take stock of competitiveness after the economic crisis and, on this basis, make proposals for organising best practice exchange within the Competitiveness Council while launching the thematic approach of the corresponding flagship initiative under the Europe 2020 strategy.

assess the competitiveness performance of Member States and the corresponding policies and to identify bottlenecks, impediments and challenges, while formulating country-specific policy advice in areas that fall under the Europe 2020 flagship initiative "*an industrial policy for the globalisation era*".

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

Yes: the Communication will refer to policy areas within other Europe 2020 flagship initiatives and EU policies that are directly relevant to competitiveness, such as those relating to technology, human capital and sustainable development.

Explain how the options respect the proportionality principle.

The options on the table are strictly non-intrusive as they create no new obligations – legal or administrative – to the Member States.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

If the initiative is effective in terms of inducing policy changes to make the business environment in EU Member States more favourable to economic activity and more attractive, it will contribute to maintaining and developing a strong, competitive and diversified industrial base in Europe. Putting forward policy advice regarding the transition of manufacturing sectors to greater energy and resource efficiency will also help in reducing possible trade-offs between competitiveness and environmental concerns. Thus, the initiative is expected to have positive economic, social and environmental impacts. The overall coherence between potentially conflicting policy objectives will be assured through the Europe 2020 strategy process.

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

There should be no EU Budget impact above 5 Mio €.

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

Administrative burden reduction and better regulatory policies in Member States will be one of the objectives of the initiative.

There should be no direct impact on relations with third countries. Indirectly and over time, increased EU competitiveness should lead to a better trade performance.

E. Planning of further impact assessment work

When will the impact assessment work start?

No impact assessment is foreseen. The initiative will not alter EU policy and will not have direct impacts. Its aim is to influence Member States policy so that economic performance improves through international comparison, peer pressure, dissemination of best practice and a stronger evidence basis for formulating policy advice

(i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when?

(v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

Rich material is already available, including accumulated expertise through the Lisbon strategy country desk network established within DG ENTR, the SME performance review, the SBA country fact sheets, the SBA implementation report, the country Innovation TrendCharts, statistics from Eurostat and elsewhere, and data from various international benchmarking activities such as Doing Business reports (World Bank), the WEF Global Competitiveness Report, the IMD World Competitiveness Yearbook or Transparency International.

A comprehensive set of indicators drawing from the sources cited above is already in use in DG ENTR and will be adjusted to the needs of this initiative.

Which stakeholders & experts have been/will be consulted, how and at what stage?

The general approach has been presented and discussed within the Enterprise Policy Group (Directors General of Industry and SMEs in national administrations). It is foreseen to discuss in the same forum the list of indicators forming the basis of the report and, at a later stage, validate the facts of the draft report.

The Communication and accompanying report will also use material that has been collected through other DG ENTR activities with significant external expert and stakeholder input (e.g. SBA, Inno TrendChart).

DG ENTR staff will consult national administrations and stakeholders during their fact-finding missions before drafting the country chapters.