



DG Enterprise and Industry

Vice President Tajani, Commissioner

**Opening Speech for DG ENTR' Conference
“The Path to Growth: For a Business Friendly Public
Administration”**

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Dear ladies and gentlemen, it is a great pleasure for me to welcome you to this Conference on an issue which is of crucial importance. That is, how to reform public administrations in Europe to help European business and to boost economic growth.

We have entitled this Conference, “**The path to growth: For a business friendly public administration**”. The key words here are “*growth*”, and “*business friendly*”. We need to get Europe back on track, to enhance economic growth and well-being for our businesses and citizens. An important way to achieve this is to ensure that companies are working in a **conducive business environment**. We cannot have growth without improving **competitiveness**.

Governments, whether at European, national or regional level, play a crucial role in this process. Governments need to continuously evolve to ensure an **efficient, cost-effective, stable and high-quality public service**. We need excellence. Given our

significantly large public administrations, this is an enormous task.

This conference has a **two-fold objective**: (i) it gives a forum to Member States and business to **exchange views on the main problems** being faced by businesses in dealing with the public administration; and (ii) it allows Member States to **exchange good practice**. No public administration is perfect, including that of the Commission, but we can learn a lot from each other's strengths.

Unfortunately, an **inefficient** public administration remains one of the main obstacles to competitiveness and growth. This is recognised in the prominence public administration is given in the **Europe 2020 strategy and the European Semester**, the EU's growth strategy. Problems in public administration are faced by many Member States and are not limited to just a few countries. This is reflected in the fact that the Commission has recommended improvements, to a

significant number of Member States, in the functioning of their public administrations (so-called Country-Specific-Recommendations).

I will repeat it many times today: businesses need an efficient, cost-effective and high-quality public administration. This is important not only to create a more **business friendly environment**, but also to ensure that public administrations **implement policies needed to spur growth**. However, this is often lacking. The recently released Member States' Competitiveness Report shows that in terms of government effectiveness, while some Member States have made improvements since 2010, a significant 10 countries' ranking have fallen from 2010. This shows that there is still an important challenge to improve the quality of public administrations.

What do businesses want? Obviously businesses need lower costs and have quicker processing times. But, in order to work efficiently, they also need **stability of**

legislation and certainty about **lengths of procedures**.

This is indeed crucial.

Let me highlight a few of the most important issues which are currently hampering businesses:

- **First**, start-ups – Businesses need to be able to **start up a company at a low cost** and in a **short time**. The Competitiveness Council of May 2011 stipulated that Member States should ensure that companies are set-up in **three days at a maximum cost of €100**. While progress has been made, this target has not yet been reached. In fact, only three countries currently achieve both these criteria. On average it still takes 5.4 (and even 14 days in some countries) at a cost of €372 on average.
- **Second**, tax payments – Businesses face cumbersome tax and administrative procedures which means that they spend a long time in compiling tax returns. **This can vary from 60 hours to more than 400 hours in some countries.**

This means there is significant margin for improvement in some Member States. In fact, the average EU company **spends 193 hours per annum on tax compliance procedures.** It is however to be acknowledged that some Member States have introduced important reforms in electronic filing and payment capacity which has allowed a 7% drop in average hours spent on tax procedures in 2011 compared to a year earlier.

- **Third**, the judicial system – The judicial system has a significant impact on business. There needs to be legal certainty and stability of laws as well as length of procedures for business to function properly. Undue delay, such as time needed to enforce contracts, and resolving non-contentious litigation tends to be underdeveloped in many Member States. Currently, it **takes an average of 547 days and 32 procedures for contracts to be enforced in the EU.** It also takes an **average of**

two years to resolve insolvency. These impose additional burden on business and prevents new ventures.

- **Fourth, E-government – Public administrations need to be able to keep up with modern technology and interact with businesses on-line.** Basic e-government services are available in half of the Member States and many are expanding their use of such services. **Points of single contact** have enabled businesses to complete procedures in an easier manner. However, more advanced services are lagging behind, such as the use of information technology in courts. A further challenge is the taking up of this technology by SMEs.
- Fifth but by no means last, innovative public administration – Businesses need **public administrations to remain innovative** and they need to have **easy access to public procurement.**

The importance of public procurement should not be underestimated. Public procurement accounts for approximately 19% of the EU's GDP. But, based on the European Public Sector Innovation Scoreboard, we know that **less than 5% of EU companies have sold innovative products and services to the public sector in 2012**. Our competitors, and particularly the US, are doing much better in having public sector purchasing innovative solutions.

While we still face a significant challenge, on a positive note, we note that Member States are becoming increasingly aware of the importance of changing the way they interact with business.

The wind is blowing in the right direction. We therefore need to ensure that we seize this opportunity to push for greater efficiency and simplification. Pressure on government budgets should not result in just cost-

cutting measures across the board which would only reduce the quality of the public services.

The Commission is also doing its share in addressing this problem. In the context of the Europe 2020 strategy, the Commission has developed initiatives focused on promoting innovation in the public sector, the Digital Agenda, and on the efficiency of justice and reducing corruption. We should also not forget that one of the priorities for financing by the European Social Fund in the next programming period is **institutional capacity building. This is time for action!**

Let me now focus on innovation, since **innovation is a key driver for competitiveness and job creation** in Europe.

But innovators need first, to sell their products and to find markets. In this respect, public buyers can support those innovative companies by means of **buying more innovative products and services.**

Public authorities can become **first clients or lead customers** for those innovations.

But innovations are often **more expensive at short term**, and public authorities are **largely risk-averse**.

Therefore, the European Commission is financing public “procurers’ groups of innovation”. These **“buyers’ groups”** are exchanging good practice, pooling resources, and receiving European toping-up funds for their procurements of innovations. For example, **these groups exist in the fields** of sustainable construction, road management, energy efficiency, healthcare, active aging, civil security, protective textiles, e-administration...

In addition, **I have decided to take a step further, and to launch a competition** amongst public authorities that have carried out **the best public procurement of innovation**.

Therefore, I have the great pleasure and honor to launch the **first Award ever, at European level, for the best innovation procurement.**

Entries will be accepted until the end of March 2014.

The winners will be announced in May 2014.

*VP President to show to the assembly “the Award for the best innovation procurement”--
photos will be taken*

Therefore, **if you are a public authority that has successfully carried out a public procurement of innovation, I encourage you to apply.**

Ministries, Agencies, Regions, Cities, Hospitals, fire or police brigades, transport or waste management organisations, general or technical schools, port or train public enterprises, you name it... **join the movement of public procurement of innovation, apply for the award!**I said it and I repeat it, **this is time for action!**

Therefore, we will co-finance a “Procurement of Innovation Hub”.

This web Platform will help European public procurers to improve their professional capacities.

It will develop on-line trainings, exchange of best practice, engage more with European SMEs, and will develop guidance for innovation procurement.

Talking about guidance for a more innovative public sector, **here, I have the first European guide for innovation procurement.**

VP President to show the assembly the “Public Procurement of Innovation Guide”- photos will be taken

Please have a look to this guide, use it, and give us your comments. Via your feedback, we can still improve it until end of February next year.

Finally, I would like to highlight that the Commission is open to fresh and innovative thinking on how to further reform public administration. The aim of this Conference is in fact to help guide the Commission in developing a future framework to modernise public

administration within the framework of the European semester. That is why I am eager to hear the practical experience of all Ministers, business people and experts present.

In conclusion, addressing poor and inefficient public administrations is a key factor to enhancing competitiveness and growth in Europe. As such, Member States should intensify their efforts in improving the functioning of their public administrations. Only in this way can we ensure better framework conditions for European business. Business that brings Europe's much needed growth. I am ready to engage in future initiatives to ensure improvements are registered across the EU. We need to remain at the forefront of the evolution in doing business.

Finally, I augur that this Conference will be a key stepping stone in making progress in this area. I wish you all very fruitful discussions.

BACKGROUND NOTE

The quality of public administrations at EU, national, regional and local level is a determining element of competitiveness and an important productivity factor. Indeed, efficient, cost-effective and high-quality public services affect the growth potential and job creation capacity of businesses.

In the context of the European Semester, modernising public administrations has been identified as one of the 5 key priority areas for reform at EU and national level in both the 2012 and 2013 Annual Growth Surveys.

Public administration reform is a key challenge in several EU Member States (e.g. Bulgaria, Greece, Hungary, Portugal and Romania) for which weak administrative and judicial capacities as well as legal uncertainty constitute key impediments in addressing economic development challenges.

But, in the aftermath of the crisis, almost all European Member States are implementing deep changes that have an impact on the functioning of the public administration systems. However, the responses of Member States vary in their scope, scale, nature and effectiveness. While some governments have chosen to cut public spending, others have chosen to seize this occasion to accelerate the pace of managerial quality implementation or have focused on the efficiencies through optimising public spending.

Firms are indirectly affected by public administration as they are beneficiaries of public goods and services and pay taxes for these. Here a lean public administration that efficiently provides these public goods and that absorbs relatively few public resources indirectly affects productivity and competitiveness as well. This is mainly due to the fact that public goods represent a central input factor for private production and that markets are unable to provide them efficiently. Thus, the allocation of public funds (not only the amount of allocations, but also their composition and quality), the efficiency in the provision of public goods, and the cost of administration are key factors for a country's competitiveness.

SMEs face disproportionately higher administrative and regulatory burdens. Smaller enterprises have limited managerial capacities and are at a disadvantage to hire specialised staff to deal with administrative processes. The same holds for buying expertise for regulatory and legislative issues. Particularly in microenterprises, the entrepreneur has to deal with administration issues, which can deflect focus from core business activities. Furthermore, costs resulting from delays are more problematic for small firms, as their activities and range of products are usually less diversified than those of large firms.

The challenge of administrative modernisation is to improve efficiency and predictability of service provision, while at the same time maintaining high standards and reliability.

Key facts:

General Governance

- The World Bank government effectiveness indicator for 2011 shows that while most countries either maintained or improved their position relative to 2010; nine countries fell in their ranking: Austria, France, Slovenia, Portugal, Slovakia, Lithuania, Greece,

Italy and Romania. The un-weighted average for the European Union was an index reading of 82 on a scale from 0 to 100 in both 2011 and 2010, and eleven Member States achieved an index reading below the EU average. These are: Slovenia, Portugal, Slovakia, Hungary, Latvia, Lithuania, Poland, **Greece, Italy, Bulgaria and Romania**. The last four countries score lowest in the overall ranking.

- The take-up of e-Government services in 2012 reached, on average, 52.5 % of EU **citizens** aged 25-54 years old (compared to 49.3 % in 2011). Countries that showed the highest increase between 2011 and 2012 are Romania (+26 pp) and Greece (+8.7 pp), while some showed a marked decrease, e.g. the Czech Republic¹ (-12.5 pp). **Italy** shows a very low level (23.9%) of take-up of e-Government services by citizens. **Bulgaria, Romania and Cyprus** also show low levels of e-Government use by citizens (less than two fifths of citizens).

Quality of public investment

- The effective delivery of public policies and public investment in fields such as transport, energy, broadband, environment, health and education is an essential prerequisite for economic development. In a number of Member States the governance and capacities of public institutions involved in planning of public investment needs to be improved. This should include strengthening **capacities for strategic and budgetary planning**. More effective public policies is also essential for the effective use of EU funding which in some Member States accounts for 50% or more of total public investment.
- Human resources management plays an important role in this respect, as high levels of **staff rotation** constrain implementation of public investment in several Member States: the **Czech Republic, Poland, Slovakia, Hungary, Bulgaria, and Romania**.
- In terms of use of **strategic human resource management** practices in central governments (as measured by the OECD index) there is a large variance among EU Member States. The United Kingdom, Belgium, Portugal, the Netherlands and Austria are leaders in this regard, while the **Czech Republic, Slovakia, Greece and Hungary** use strategic human resource management practices to a lesser extent. Also, many of these practices are not in place in several EU Member States not included in the OECD survey (e.g. in Bulgaria, Cyprus, Latvia, Lithuania, and Romania).

Administrative Burden on Businesses

- In 2012, the average time to start up a private limited company was 5.4 days and the cost was €372² (the corresponding values in 2011 were 6.5 days and €397). The reduction of average time is due mostly to simplifications implemented in Poland, the Netherlands, Bulgaria and Luxembourg, while the reduction in average cost is due mostly to simplifications implemented in the Netherlands, Poland and Bulgaria. The **time** to start up a company in 2012 was still more than the three days recommended by the Competitiveness Council in 15 Member States. With more than 15 days required to start up a company, the performance of **Spain and Sweden** is particularly

¹ The marked decrease is due to the abnormally high number of eGovernment users in CZ in 2011, namely 53% (+22 pp from wrt 21010). This high value was due to the possibility given (for the first time) to Czech citizens being invited in that year to fill the questionnaire for the (decennial) census of the population through the Internet.

² DG Enterprise and Industry (http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/progress-2012/index_en.htm).

poor. In the **Czech Republic, Slovakia, Austria** and **Finland** the time required to start up a company is **above the EU average**.

- The **cost** to start up a company in 2012 was still more than the €100 recommended by the Competitiveness Council in 20 Member States. The start-up cost is particularly high in **Italy** (€100). In the **Luxembourg, Greece, Belgium, Hungary** and **Austria** the cost to start up a company is **above the EU average**.
- In 2011, the average time to obtain **licences** in Europe was 67 days. In **Spain, Malta, Cyprus** and **Bulgaria** the time needed to obtain licences is still more than the three months recommended by the Competitiveness Council.
- In terms of **hours needed to comply with tax returns** in the EU, the average company spends 193 hours per annum on tax compliance across three types of taxes: corporate income tax (40 hours), labour tax time (93 hours) and consumption tax forms (60 hours). There is large variance in the burden caused by any of the three tax types and Member States can have a light burden for one tax and a very heavy one for the others. **Bulgaria** and the **Czech Republic** show a very poor performance compared to other EU Member States with a total of 454 hours and 413 hours respectively.

Quality, independence and efficiency of Justice

- With respect to quality, independence and efficiency of justice, data made available in 2012 (2010 and 2011 statistics)³ show that for certain Member States (**Cyprus, Greece, Italy, Latvia, Malta, Portugal, Romania, Slovakia, Slovenia, Spain**) suffer from lengthy first instance proceedings together with low clearance rates and/or a large number of pending cases.
- Regarding perceived judicial independence, even though several Member States are among the top 10 worldwide leaders in terms of the perception of judicial independence, data show a low level of perception of judicial independence by business end-users of the justice system in certain Member States, and in particular in **Bulgaria, Greece, Romania and Slovakia**. Furthermore, the legal and political developments that **Hungary** experienced in 2012 and 2013 raise concerns about the judiciary's independence.

Corruption

- In terms of **irregular payments and bribes**, data suggests with the exception of Finland (+0.1pp), Latvia (+0.1pp) and Bulgaria (+0.2pp), most Member States maintained or even fell in their ranking on irregular payments and bribes compared with the previous year. Similar to last year, fourteen Member States score below the EU average of 5.0. The score is particularly low in **Italy, the Czech Republic, Bulgaria, Romania, Slovakia** and **Greece** which all score below 4.0.
- As regards **diversion of public funds**, there is a large variance among EU Member States. While a total of fourteen Member States rank below the EU average of 4.2, diversion of public funds is particularly common in **Hungary, Greece, Romania, Slovakia** and the **Czech Republic**.

³ Data does not reflect the effects of the recently adopted and on-going reforms.

- The 2011 Eurobarometer⁴ survey on corruption carried out in all 27 Member States showed that the majority (74%) of Europeans believe that corruption is a major problem in their country. The differences of perception among Member States are considerable (i.e. from 98% to 19%). Most Europeans think corruption exists within local (76%), regional (75%) and national (79%) institutions.

DEFENSIVE POINTS

The Commission has not done enough to deal with burdensome public administration

Public administration is increasingly becoming a priority for the European Commission. In the context of the European Semester, modernising public administration has been identified as one of the 5 key priority areas for reform at EU and national level in both the 2012 and 2013 Annual Growth Surveys. Indeed, a significant number of Member States received Country-Specific Recommendations (CSRs) on this in the 2013 European Semester.

The Commission has been active in trying to improve the interaction between public administrations and businesses. Some examples include the e-Government Action Plan 2011/2015; the drafting of the document 'A vision for public services' which aims at outlining the long term vision for a modern and open public sector; the adopted the Small Business Act (SBA) in 2008 and its review in 2011 which aims at exempting micro-enterprises from EU legislation or introduce special regimes to minimise regulatory burden faced by SMEs in Europe.

What is being done – at EU level – to drive forward this agenda?

- Among the most recent initiatives with direct relevance to businesses I would like to mention the following:
 - In March 2013, the Commission published the results of a public consultation of the "TOP 10 most burdensome legislative acts for SMEs". In addition, the Commission announced that it will publish a scoreboard to track progress at European and national level.
 - Last week [2 October], the Commission took a further step to make EU law lighter and "fit for purpose": in a Communication, the Commission sets out, by policy area, where it will take further action to simplify or withdraw EU laws, reduce the burden on businesses and make sure that implementation of EU laws is becoming easier.
 - On 29 October 2013, DG ENTR will be hosting a high level conference in Brussels on the importance of an efficient administration for Member State's competitiveness. The conference will be addressed by President Barroso and Vice-Presidents Tajani and Sefcovic.

⁴ Special Eurobarometer 374, February 2012 (http://ec.europa.eu/public_opinion/archives/ebs/ebs_374_en.pdf).

- COSME:
 - In addition to ESIF actions, the promotion of good governance is also going to be addressed by COSME. COSME is the first programme dedicated to promoting to the competitiveness of enterprises and SMEs. COSME will have a budget of €2.3 billion for the next seven years (2014-2020).
 - Improving framework conditions for the competitiveness and sustainability of enterprises, particularly SMEs (11% of the budget) and promoting entrepreneurship and entrepreneurial culture (2.5% of the budget) are among the objectives of the programme.
- In addition, several strands of work have been done or are being pursued by DG Enterprise and Industry:
 - The annual Report on Member States' Competitiveness Performance and Policies provides a comprehensive overview of the policy measures to reform public administrations in each Member State.
 - The pilot European Public Sector Innovation Scoreboard - the first ever Europe-wide exercise with the aim to benchmark public sector innovation across the EU – was published in June 2013. This work will continue with the support of the OECD and will result in guidelines to measure public sector innovation.
 - The Small Business Act monitors and assesses Member States' performance in building business-friendly public administrations.
- Significant work on various aspects important for modernising public administrations has been delivered by several Commission services:
 - In the framework of the Digital Agenda, the Commission works intensively in the area of e-Government.
 - The Commission started publishing a Scoreboard on the efficiency of civil justice systems (March 2013, DG JUST).
 - A Report on corruption in Member States is due by the end of 2013 (DG HOME).

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