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Notebook on the EU Industrial Policy for Growth

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EU Industrial and enterprise policies
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Use of structural tools for post-crisis development of the industry

Structural Tools of the Program Period 2014-2020
An increase in the number of participating funds (now including the EAFRD and EMFF, i.e. funds of the rural development policy and the Common maritime and fisheries policy)
Setting a system of ex ante conditionalities
Better measurability of benefits of supported operations (emphasis on fulfilment of the set indicators);
Financial dependence on the speed and quality of drawing (performance framework);
A higher degree of use of territory-specific approach and use of integrated tools
A higher degree of use of financial instruments at the expense of subsidies.

Relevance of the Strategy "Europe 2020" (in particular the flagship initiative "An Integrated Industrial Policy and Globalization")

The **''Europe 2020'' strategy** for the decade 2011-2020, proposed by the Commission on 3 March as a means to achieve the target of investing 3% of GDP in R&D-in particular by improving the conditions for R&D 2010 [COM/2010/2020]- and adopted by the European Council on 26 March 2010, identifies five headline targets the European Union should pursue to boost growth and employment:

1. raise the employment rate of the population aged 20–64 from 69% in 2010 to at least 75% in 2020 [see section 13.3.2];
2. investment by the private sector and by launching ''European Innovation Partnerships'' between the EU and national levels;
3. meet the "20/20/20" climate/energy targets, i.e. reduce greenhouse gas emissions by at least 20% compared to 1990 levels (or by 30% if there is international agreement), increase the share of renewable energy in final energy consumption to 20%, and achieve a 20% increase in energy efficiency [see section 16.3.4];
4. reduce the share of early school leavers from 15% in 2010 to 10% in 2020 and increase the share of the population aged 30–34 having completed tertiary education from 31% to at least 40%; and
5. reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty.

The flagship initiative

The flagship initiative for a resource-efficient Europe provides a long-term framework for actions in many policy areas, supporting policy agendas for climate change, energy, transport, industry, raw materials, agriculture, fisheries, biodiversity and regional development. This is to increase certainty for investment and innovation.

For the industry in particular, The Commission has put forward flagship initiative number 5:

- → **"An industrial policy for the globalization era"** aiming at a framework for a modern industrial policy, to support entrepreneurship, to guide and help industry to become fit to meet new challenges, to promote the competitiveness of Europe’s primary, manufacturing and service industries and help them seize the opportunities of globalization and of the green economy. At EU level, the Commission will work to:
- → establish an industrial policy creating the best environment to maintain and develop a strong, competitive and diversified industrial base in Europe;
- → develop a horizontal approach to industrial policy combining different policy instruments;[1]
- → improve the business environment, especially for SMEs;
- → promote the restructuring of sectors in difficulty towards future oriented activities;
- → promote technologies and production methods that reduce natural resource use;
- → develop an effective space policy to provide the tools to address some of the key global challenges;
- → enhance the competitiveness of the European tourism sector;
- → support the transition of service and manufacturing sectors to greater resource efficiency, including more effective recycling.[2]

Conditionality of structural tools as an incentive or barrier to support industry

It is essential to promote innovative activities, including the creation of innovative businesses, and to facilitate the dissemination and exploitation of research results and support technology transfer.

In a market economy, such as that of the EU, the main initiative and responsibility for structural adjustment lies with business. The role of public authorities is above all as a catalyst and pathfinder for innovation. This means that public authorities may take accompanying measures to assist and speed up the process of adjustment, particularly in the area of infrastructure provision (for example, education, energy, telecommunications and research), but can never substitute for the decisions to be

[1] The ''Europe 2020'' strategy for growth and employment(part 5), Europedia.moussis
[2] The ''Europe 2020'' strategy for growth and employment(part 5), Europedia.moussis

made by business. The Commission recommends taking action in three areas to support structural change: improving the regulatory environment for business (by taking better account of the competitiveness dimension and providing a better assessment of the cumulative impact of regulation on specific industries); better mobilizing the different Union policies which can work together to strengthen the take-up and use of knowledge, boost productivity and help companies to innovate; extending the sectoral dimension of European industrial policy to new sectors, such as the automotive sector or other areas of manufacturing[3]

Policy followed by the Member States regarding interventions during the crisis

Regulatory / Administrative support to the investment environment

The resources for the Investment for growth and jobs goal amount to 96.33% of the global resources (i.e., a total of 313.2 billion for the period 2014-2020 and shall be allocated as follows to the various regions of the Union [see section 12.1.1]

(a) 52, 45% (i.e. 164.3 billion EUR) for less developed regions;
(b) 10, 24% (i.e. 32.1 billion EUR) for transition regions;
(c) 15, 67% (i.e. 49.1 billion EUR) for more developed regions;
(d) 21, 19% (i.e. 66.4 billion EUR) for Member States supported by the Cohesion Fund;
(e) 0,44% (i.e. 1.4 billion EUR) as additional funding for the outermost regions identified in Article 349 TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession.[4]

• Regulatory / Administrative environment in specific areas (opening of the professions, construct, transport, telecommunications, energy,)

In order to contribute to the Union strategy for smart, sustainable and inclusive growth as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion, each ESI Fund shall support the following **thematic objectives**:

1) strengthening research, technological development and innovation
2) enhancing access to, and use and quality of, ICT;[5]
3) enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF);
4) supporting the shift towards a low-carbon economy in all sectors;
5) promoting climate change adaptation, risk prevention and management;

[3] 17.1.2. The challenges of European industry Europedia.moussis
[4] 12.3.1. Objectives and resources of the European Funds, Europedia.moussis
[5] 12.3.1. Objectives and resources of the European Funds, Europedia.moussis

6) preserving and protecting the environment and promoting resource efficiency;
7) promoting sustainable transport and removing bottlenecks in key network infrastructures;
8) promoting sustainable and quality employment and supporting labour mobility;
9) promoting social inclusion, combating poverty and any discrimination;
10) investing in education, training and vocational training for skills and lifelong learning;
11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration.[6]

SMEs Competiveness in the EU

Economic crisis and SMEs Competiveness. How to increase SME competiveness in the EU and PIGS?

→ Improving the competitiveness of SMEs is one of the 11 thematic objectives for Cohesion Policy in 2014-2020. Additional investments in SMEs will also be made under other thematic objectives, particularly research and innovation, the low-carbon economy and information and communication technologies. €57 billion or around 20% of funding from the European Regional Development Fund (ERDF) will be dedicated explicitly to SMEs. The increased use of financial instruments mobilizing additional EU, national and regional funds during the 2014-2020 funding period is also expected to benefit SMEs.
→ These investments will help SMEs to:
→ Access finance for investments through grants, loans, loan guarantees, venture capital, etc.
→ Benefit from targeted business support, e.g. know-how and advice, information and networking opportunities, cross-border partnerships.
→ Improve their access to global markets and international value chains
→ Exploit new sources of growth such as the green economy, sustainable tourism, health and social services including the “silver economy” and cultural and creative industries
→ Invest in human capital and in organizations providing practice-oriented vocational education and training
→ Forge valuable links with research centres and universities to promote innovation

[6] 12.3.1. Objectives and resources of the European Funds, Europedia.moussis

Furthermore, new simplified and common rules and measures make it easier for SMEs to access Cohesion Policy Funds in 2014-2020. These include:

- → online reporting of how the Funds are used
- → clearer eligibility rules
- → more targeted and less frequent audits for small operations
- → wider scope and simplification of the set-up and access to financial instruments

Reigniting the entrepreneurial spirit in Europe

Entrepreneurship 2020 Action Plan

The plan covers **six key areas** where action is needed to create an **environment in which entrepreneurs can flourish and grow**:

1. **Access to finance** - besides strengthening its existing financial instruments, the Commission also proposes to create a European market for microfinance and to simplify tax structures to allow SMEs to raise funds via direct private investments (such as mini-bonds, crowd funding, and angel investments).[7]
2. **Support during the crucial phases of the business lifecycle**: As about 50% of companies fail in their first five years, Member States should devote greater resources to help new businesses to get through this critical period, such as management training, R&D coaching, and networking with peers, potential suppliers and clients.
3. **Unleash new business opportunities of the digital age**: SMEs grow two to three times faster when they embrace ICT. Reinforced support for web-based start-ups and skills improvement can help both web entrepreneurs as well as more traditional businesses.
4. **Easier transfers of business ownership:** Every year approximately 450,000 firms with 2 million employees are transferred to new owners across Europe leading to the loss of an estimated 150,000 companies with 600,000 jobs. The Commission proposes to expand the markets for enterprises and remove barriers to cross-border business transfers.
5. **Second chances for honest entrepreneurs after bankruptcy**: By far the majority (96%) of bankruptcies are due to a string of late payments or other practical problems. Yet 'second starters' are more successful. Therefore, the Commission has just proposed to shift focus away from liquidation and to helping businesses overcome financial difficulties (IP/12/1354).
6. **Administrative simplification:** The Commission will continue to vigorously pursue the reduction of regulatory burden.[8]

Economic crisis and investment. Has it increased in the EU and PIGS?

[7] Entrepreneurship 2020 Action Plan Europedia.moussis
[8] Entrepreneurship 2020 Action Plan Europedia.moussis

The EU protection levels launched a Europe-wide recovery programme to safeguard jobs and to support economic investment. In this way, bank runs were avoided and European savings were protected.
The euro broadly maintained its value and successfully shielded euro zone countries from the worst effect of the economic crisis by providing EU companies with a stable playing field for international trade and investment. But this effort took its toll, especially because most of this money had to be borrowed.
The economic and financial crisis has demonstrated that the EU's banking system is vulnerable to shocks. A problem at one bank can spread quickly to others, affecting depositors, investment and the overall economy. In response, the EU and its member countries have been strengthening financial sector supervision.
European financial supervision is being stepped up to ensure that banks are better capitalized, behave responsibly and are able to lend money to households and businesses. This paves the ways for Banking Union to make sure that people's deposits are protected and taxpayers are not forced to pay for the failure of banks.[9]

How to increase investment in the EU and PIGS

→ **Supporting investment in the real economy**
→ New opportunities available for:

- **Institutional investors in the EU and abroad** - access to viable projects in various sectors and countries, or through thematic or geographic investment platforms
- **Project promoters -** easier access to risk financing to help finance infrastructure and innovation projects of European significance in key sectors
- **Small and medium-sized enterprises -** better access to finance for innovative companies with up to 3,000 employees

Creating an investment friendly environment

To improve the business environment and financing conditions, the investment plan will include progress towards a Digital Single Market, Energy Union and Capital Markets Union.
To help Member States, the Commission has mapped the main challenges to investment at national level.

The Investment Plan for Europe

- mobilising investment finance without creating public debt
- supporting projects and investments in key areas such as infrastructure, education, research and innovation

[9] http://ec.europa.eu , Responding to the financial crisis

- removing sector specific and other financial barriers to investment[10]

SOURCES
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Η Ευρωπαϊκή Ένωση, δίκαιο, οικονομία,πολιτική, εκδόσεις Παπαζήση, Αθήνα 2013

[10] European Commission, Factsheet 4, Improving the investment environment