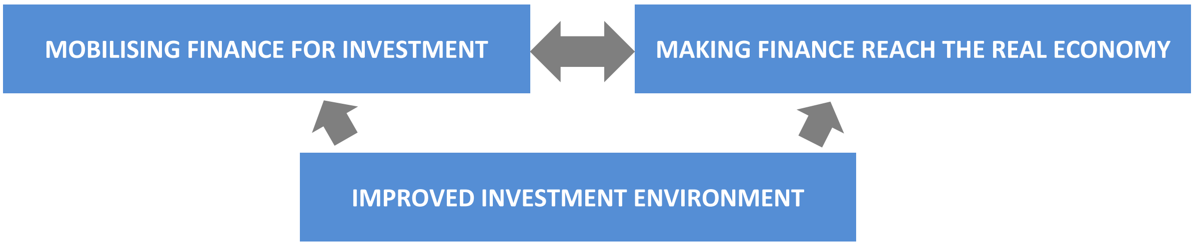
Factsheet 4

IMPROVING THE INVESTMENT ENVIRONMENT

The Investment Plan for Europe will be a package of measures to unlock at least € 315 billion of public and private investments in the real economy of over the next three years (2015-2017). The Investment Plan consists of three strands: (1) mobilising investment finance without creating public debt; (2) supporting projects and investments in key areas such as infrastructure, education, research and innovation and (3) removing sector specific and other financial barriers to investment.



Why does the regulatory environment matter?

The regulatory environment has a direct impact on investment, growth and jobs. Closing gaps in the Single Market could have cumulative benefits as great as € 1,467 billion per year (according to the 2014 "The Cost of Non-Europe Study" of the European Parliament). Exploiting the full growth potential of the Single Market could even generate more than 11% of EU GDP.

To trigger investment, the regulatory framework at the European as well as national level needs to be **clear, predictable and stable**. This is particularly true for long-term investment and projects that can span several years or even decades: for example - an investor eyeing a major renewable energy project would need certainty about the policy approach and relevant legislation regarding emission levels and energy-targets.

The cost of starting a business, access to finance, the amount of red tape, the quality and speed of public administration as well as different rules and administrative procedures all affect the environment in which businesses operate and influence investment decisions. Despite significant efforts by the Union and its Member States, administrative burden and regulatory complexity are reducing too slowly and unevenly in the EU. This is a particular problem for SMEs, who employ a significant number of people and are responsible for an overwhelming share of net job creation in the Union. Improving the framework conditions for growth is therefore essential to ensure that investment projects can come to fruition and that money spent on strategic investments under this Plan – and beyond – is put to the most efficient use.

What are the main bottlenecks?

The recent reforms of the EU framework for financial regulation and the launch of the **Banking Union** have been essential to create a transparent, safe, responsible and resilient financial sector supporting growth and employment. However, investment in Europe remains heavily reliant on bank intermediation and important differences in financing conditions between Member States exist. Moreover, the availability of long-term finance for infrastructure remains constrained and many SMEs still have limited access to finance.

A more diversified financial system **complementing bank- financing** with deep and developed capital markets is vital for recovery and sustained growth. The creation of a **Capital Markets Union** will reduce fragmentation in the financial markets and contribute to enhanced and more diversified supply of finance to SMEs and long-term projects. It will establish a genuine single capital market, increase investor confidence and reduce the cost of funding for the real economy.

Outside the financial sector and despite important regulatory efforts in recent years, important regulatory and non-regulatory barriers remain across **all the important infrastructure sectors**, including energy, telecoms, transport and the Single Market for services. To fully exploit the Single Market and make it a launch pad for EU companies and industry to thrive in the global economy, determined efforts are needed to remove bottlenecks, integrate infrastructure networks and implement and develop the existing rules in key areas of the future. Efforts are needed at the national, regional and European level.

The Commission will present shortly its Work Programme for 2015 in which initial measures will be set out, including a time-frame for their adoption.

How to remove these obstacles?

FINANCIAL SECTOR

The main areas for action in the short term include:

- The adoption before the end of 2014 of the proposed Regulation on **European Long-term Investment Funds** (ELTIF). The goal is to have ELTIFs operational by mid-2015 as useful vehicles for investments in long-term projects. ELTIFs could also play a role in providing a complementary vehicle for delivering public or private/public investments in the real economy.
- Reviving **high-quality securitisation** markets, without repeating mistakes made before the crisis. The Commission will reflect on the best ways of presenting criteria for simple, transparent and consistent securitisation, building on recent measures in the insurance and banking sectors and international work in this area. Reviving this asset class will help attract a broader investor base and improve the allocation of finance to where it is most needed.
- Examining how to address the current lack of **standardised credit information on SMEs**, building on already initiated work in this area, as well as improving information on the planning of infrastructure projects as well as on their credit history.
- Exploring with the private sector the best ways of replicating more widely across the European Union the success of **Private Placement regimes** in some European markets.
- Reviewing existing measures such as the **Prospectus Directive** to lighten the administrative burden on SMEs, making it easier for them to fulfil listing obligations.

TELECOM

- Europe needs to develop a **truly connected digital single market**, including through swift and ambitious legislative steps in the areas of data protection, telecoms regulation and by modernising and simplifying copyright and consumer rules for online and digital purchases. The digital single market should address trust and security of online transactions, interoperability of different technological solutions and access to digital resources and infrastructures (in particular spectrum licencing policies). The Single Market should be open for new business models, while ensuring that essential public interest objectives are met. Consumers should be given unhindered access to online content and services across Europe without discrimination based on their nationality or their place of residence. There is a large untapped economic potential notably in the telecom area: the economic impact of reforms increasing spectrum auctioning in the telecom area could amount to about 0.2% of EU GDP.

ENERGY

- The **energy sector** is an important dimension of the Single Market and the implementation of recent reforms needs to be accelerated. The European Energy Union will be instrumental in this context. The full implementation of the Third Energy Package must be ensured. Rules for energy-cross-border trade still remain highly fragmented. Market-distorting retail price regulation continues in some Member States and needs to be addressed. The Commission will also take the necessary action to follow up on recent decisions concerning the 2030 climate and energy framework.

TRANSPORT

- Structural reforms to resolve barriers to investment in **transport infrastructure** projects, notably with a cross-border dimension, need to be implemented swiftly. To reap the full benefits of the Single Market, the rapid adoption and subsequent implementation of the Fourth Railway Package, the Blue Belt package on maritime transport and the European Single Sky objectives should be ensured.

SERVICES AND RELATED SECTORS

- **Services and product markets** are increasingly intertwined. Stepping up reforms is required to address disproportionate legal form, shareholding and authorisation requirements and to improve mutual recognition in particular for sectors and professions with high cross-border trade potential. Efficient application of public procurement rules should be ensured at all levels, as well as the promotion of e-procurement tools. As far as research and innovation are concerned, EU competitiveness would benefit from fewer barriers to knowledge transfer, open access to scientific research and greater mobility of researchers