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CORRIGENDUM:

This document corrects document SWD(2015) 400 final of 26.11.2015
Corrections of clerical errors in the text on pages 14, 15, 25, and 27
The text shall read as follows:

COMMISSION STAFF WORKING DOCUMENT

Member States Investment Challenges

INTRODUCTION

Europe is one of the most attractive regions in the world to invest, due to its high-skilled labour force, the rule of law and an integrated Single Market. Europe is the region of the world attracting the highest foreign direct investment¹. But Europe could further unlock investment by tackling both regulatory and non-regulatory challenges. These challenges vary in terms of their restrictiveness, complexity and unpredictability.

Since the crisis, investment in the EU has dropped significantly, but different features can be observed across countries, both in terms of private and public investments. According to the recent Commission autumn forecasts, investment is set to accelerate, but the recovery might remain subdued, reflecting, inter alia: weak demand, corporate deleveraging, tight credit or policy uncertainty, depending on the countries. In addition, both regulatory and non-regulatory challenges to investment remain. They vary in terms of their restrictiveness, complexity and unpredictability.

Identifying and removing those challenges to investment is part of the efforts to improve framework conditions and remove red-tape and regulatory bottlenecks, as part of the so-called "third pillar" of the Investment Plan for Europe. As part of this pillar, the Commission has swiftly addressed and will continue to address regulatory and administrative challenges at the EU level. First and foremost, further deepening the Single Market remains a top priority, notably with initiatives to develop the Capital Markets Union, to further deepen the Single Market in goods and services, to create a Digital Single Market, and to develop an Energy Union which also addresses climate change challenges. These Single Market initiatives would by themselves provide a significant boost to investment. In parallel, with its Better Regulation agenda the Commission seeks to ensure that it delivers on its policy objectives in the most effective and least burdensome way, both for new proposals and by keeping the body of existing EU regulation under review, thereby contributing to the quality and predictability of the regulatory environment.

In addition to these initiatives at EU level, Member States should also identify and address challenges to investment at national level.

Approach adopted to identify challenges to investment

Indeed, national efforts are needed to complement the actions at EU level to boost investment in all Member States.² With a view to assisting the Member States, the services of the Commission have started to map policy fields and instruments with a view to providing an overview of the main challenges to investment at national level. First, potential challenges to investment mentioned in the Commission Country Reports³ have been classified into five broad categories (with sub-divisions into main topics and main types of challenges)⁴: 1) Public administration/Business environment; 2) Labour market/Education, 3) Financial

¹ http://ec.europa.eu/eurostat/statistics-explained/index.php/Foreign_direct_investment_statistics

² ² As they are currently subject to an Economic Adjustment Programme, Greece and Cyprus are not covered in this Staff Working Document.

³ Country Reports: http://ec.europa.eu/economy_finance/eu/index_en.htm

⁴ See the Annex for a more detailed description of the challenges to investment that have been considered.

Sector/Taxation; 4) Research, development and innovation; and 5) Sector specific regulation (in business services/regulated professions, retail, construction, digital economy/telecommunications, energy and transport). Second, a selection of main challenges has been proposed based on existing knowledge and further analysis. For the areas where indicators are available, they have been used as complementary source of information (e.g. World Bank Doing Business indicators, OECD Product Market Regulation indicators, Innovation Union Scoreboard, EU Justice Scoreboard).

The country specific investment profiles do not contain a definitive and exhaustive list of challenges to investment in each country; they are a first contribution which will need to be refined and complemented notably in dialogue with the Member States. In addition, the challenges to investment will also be a priority of the 2016 European Semester and the Country Reports will take stock of the priority reforms proposed in this context in February 2016. The country specific investment profiles also do not take into account all recent reforms in the Member States that have been only announced or adopted too recently to have an impact. In addition, they do not include bottlenecks to the achievement of policy targets, in particular when these bottlenecks are common to a large number of Member States (e.g. energy efficiency, smart grids). Finally, the focus is not on demand aspects. Therefore, it does neither consider weak demand, nor the decrease in public investment in the wake of fiscal consolidation, as specific policies to be addressed even if they correspond to major causes of low or declining investment and as such investment challenges.

Challenges and investment in a macroeconomic perspective⁵

The identification of the main challenges to investment is to some extent consistent with macroeconomic features and investment trends and the associated challenges that countries face. However, the Commission's analysis of investment challenges in each Member State confirms that there is a great deal of diversity across Member States in investment patterns and barriers to investment, and therefore no one-size-fits-all solution exists. Even within the three broad groups that can be identified on the basis of their investment trends there are significant differences across Member States:

(i) for most of the euro area Member States which have been heavily hit by the crisis, both private and public investments have collapsed with the crisis. This reflects a rapid adjustment of the capital stock following an investment boom before the crisis. Despite a recovery in investment in some Member States, limited fiscal space, debt overhang in non-financial corporate sector and problems in access to credit will continue to weigh on their investment capacity for some time, and a modest recovery in investment trends is therefore expected over the next years. In addition, investment rates could remain low also because the deleveraging and continued instability in financial markets (resulting in large risk premia and fragmentation) constitute such a large negative demand shock that monetary policy (constrained by the zero lower-bound) is not fully able to provide cyclical stabilisation.

⁵ This section aims at updating and completing the identification of investment patterns described in the EPC Note "Investment in the EU: Trends, Framework Conditions and regulatory bottlenecks", in view of the informal meeting of the Economic and Financial Affairs Council (ECOFIN) in Riga on 24-25 April 2015, including by adding more information on challenges to investment as described by the Country Reports. The assessment is also based on the autumn 2015 forecast.

The main challenges to investment identified for most of these Member States are linked to the legacy of private and public debt and the need to reallocate resources to the tradable sector, including through improvements in cost competitiveness and reform of the wage setting mechanisms. Significant progress has been achieved on this front, and competitiveness gains need to be further strengthened through productivity gains. Challenges to investment often encompass a difficult access to finance associated with weak insolvency frameworks, administrative challenges (regulatory burden or unpredictability of regulation) and low labour market responsiveness.

(ii) for most of the Member States in the group of the cohesion countries, investment including foreign direct investment is crucial for the continuation of the catching-up process. The catching-up process also requires to address large needs for infrastructure upgrade or development. While public investment is still supported to a large extent by EU funding, inward foreign direct investment flows have decreased in the wake of the crisis. Reforms aiming at improving the business environment and the management of EU funds would help overcoming investment challenges.

The main challenges to investment often relate to the unpredictability, complexity, and heavy burden of the regulatory framework, a lack of transparency of public administration, the judicial system and the tax system, and often difficulties of access to finance. In addition, for many of these Member States, the innovation frameworks are not conducive to investment in the most innovative and productive activities, which can make the continuation of the catching-up process more difficult.

(iii) in the remaining group of Member States (including most core euro-area countries and some non-euro area countries), investment has been relatively resilient, but there are different patterns in terms of levels and composition of investment while investment in R&D is however high compared to the others. Member States with persistent current account surplus tend to have lower than average investment rates, sometimes for investment in construction, and in some of them, high corporate savings are not reflected in high investment. In other Member States, investment has been increasingly oriented towards the services sectors and has decreased in manufacturing, the latter reflecting a deterioration of competitiveness.

These Member States generally face fewer challenges to investment, and remaining obstacles can include sector-specific regulatory challenges (e.g. retail, construction, and business services and regulated professions). In addition, some of these Member States, despite showing resilient investment, face a marked decrease in equipment investment, associated with a deterioration of cost (and non-cost) competitiveness in their manufacturing sectors. Besides sector-specific regulatory challenges, challenges to invest also often include in those countries a high level of taxation, some aspects of the wage setting mechanism and insufficient labour market responsiveness.

Next steps

The main challenges identified at this stage and summarised in the country-specific investment profiles will be further analysed in the framework of the European Semester,

particularly in the Country Reports. The Commission services intend to engage in a dialogue with the Member States on the identification of these challenges and the possible actions to remove them, including through thematic discussions in the Council and its Committees.

ANNEX – Check list of Investment Challenges

1) PUBLIC ADMINISTRATION/ BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Administrative burden (especially for SMEs) to start a business, cost and time of administrative procedures crucial for businesses (e.g. enforcing contracts, registering property), late payments
- Low quality of regulation
- Lack of predictability of the regulatory framework

Public administration

- Lack of effectiveness of Public Administration, quality of the civil service (high staff turnover, low remuneration levels for qualified staff) , low degree of digitalisation
- Insufficient administrative capacity at regional or local level (including lack of resources and expertise, and for instance weighing on the absorption of ESI funds)
- Complexity / fragmentation between multiple layers of government leading to inconsistencies in the decision-making process
- Lack of transparency in legislative processes

Public procurement /PPPs

- Excessive length of procedures, legal framework fragmentation and uncertainty (frequent revision of public procurement law/ complexity / lack of transparency/ lack of expertise for PPPs, public procurement and project finance/ inefficiency of the system of supervision and control)
- Insufficient degree of competition in tendering procedures: (lack of competition in contract awards where there was a single bid/ high use of negotiated procedures without publication of a notice)

Judicial system

- Inefficiency, low quality and independence of the judicial system
- Lengthy proceedings in civil and commercial litigation and a high number of unresolved cases, under use of alternative dispute resolution methods
- Problems of legal certainty: unpredictability of judicial decisions

Insolvency framework

- Lengthy procedures to resolve insolvency cases
- Uncertainty of the outcomes
- Lack (or sub-optimal use) of early restructuring procedures

Competition and regulatory framework

- Weaknesses of the competition authority and regulatory bodies
- Issues related to state aid (including limited knowledge of EU state aid rules) and sheltered State-owned enterprises (SOEs)

2) LABOUR MARKET/ EDUCATION

Employment protection legislation & framework for labour contracts

- Complexity of labour law leading to uncertainty, e.g. length and cost of dismissal procedures
- Restrictiveness of labour regulation
- Effects of size contingent regulations in labour

Wages & wage setting

- Misalignments between wages, productivity and skills (e.g. wage formation rigidities)

Education, skills, lifelong learning

- Skills and labour shortages and quality of education system, vocational education and training, and apprenticeship system

3) FINANCIAL SECTOR / TAXATION

Taxation

- High level of corporate tax /tax wedge on labour
- Design of taxes non conducive to investment (e.g. complexity)
- Instability of taxation

Access to finance

- High indebtedness of the corporate sector
- Weakness of the banking sector (e.g. high level of non-performing loans, weak legal rights for borrowers and lenders)
- Underdevelopment of capital markets

4) RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Lack of expertise in legal (intellectual property) and financial matters to create spin-offs in universities

Financing of R&D&I

- Lack of alternative forms of financing (business angels, venture capital, crowd-funding)

5) SECTOR SPECIFIC REGULATION

Business services / Regulated professions

- Challenges to competition in services (e.g. legal form, shareholding and tariff requirements)

Retail

- Potential restrictions to the establishment of large retail outlets coming from land use and land classifications under applicable urban planning rules

Construction

- Restrictive planning regulation, prices of land and buildings
- Length and costs of permits

Digital Economy / Telecommunications

- Administrative, technical and regulatory obstacles (e.g. investment in broadband).

Energy

- Lack of cost effective support to energy aimed at ensuring fiscally sustainable, predictable and stable regulation for investors
- Administrative, technical and regulatory obstacles (grids, energy efficiency, generation)

Transport

- Administrative, technical and regulatory obstacles
- Limited public funds and lack of PPP projects

ANNEX 2 – Work on EU regulatory and administrative obstacles to investment

Work on EU regulatory and administrative obstacles to investment

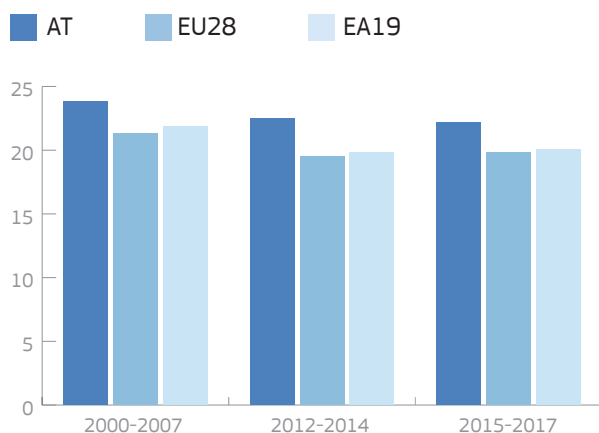
The Commission has addressed in 2015 barriers to investment with an EU and Single Market dimension. This work will continue as laid out in the Single Market strategy, Energy Union and Digital Single Market and Capital Market Union. They include specific measures that will affect directly investment, to quote some of them:

- The recent Single Market Strategy is proposing a set of actions to remove economically significant barriers that hold back Europe's investment agenda. It includes targeted measures to support start-ups, remove barriers to firms' growth and make sure that entrepreneurs have a second chance, to facilitate access to finance particularly for SMEs. It foresees a legislative initiative introducing a services passport with a harmonised notification form and an electronic document repository to increase certainty and reduce barriers for service providers who seek access to other EU markets in order to expand their activities. The Single Market Initiative proposes to set up a voluntary ex ante assessment mechanism of the procurement aspects of certain large-scale infrastructure projects. It will also encourage Member States to improve the review of procurement decisions.
- Barriers to investment can be also financial. Recent reforms of the EU's financial regulation framework and the completion of the Banking Union will help develop a transparent and resilient financial sector contributing to stability and confidence. Building on the actions carried out in the context of the Banking Union, the creation of a Capital Markets Union (CMU) will over time further reduce fragmentation in the EU's financial markets and lower the cost of funding for the real economy. In particular adopted measures to enhance securitisation will bring about a more diverse supply of finance to SME and the amendment of Solvency II with more positive treatment of infrastructure investment as an asset class will increase financing for long term investment projects. Over 30 other measures are envisaged over the coming two years aiming to reduce barriers in the market.
- The Digital Single Market Strategy aims at maximising the growth potential of the digital economy. It includes initiatives to improve the access for consumers and businesses to digital goods and services and puts a particular emphasis on creating a level playing field for digital networks and innovative services to flourish. The DSM Strategy inter alia envisages an overhaul of EU telecoms rules, notably through more effective spectrum coordination, and common EU-wide criteria for spectrum assignment at national level as well as the creation of incentives for investment in high-speed broadband. The Strategy also foresees actions to end unjustified geo-blocking in Europe facilitating corresponding economies of scale and investments to unfold. Further initiatives concern harmonising contractual laws, especially in terms of the supply of digital content and online sales of tangible goods, overcoming bottlenecks to e-Commerce which is still fragmented along national borders as well as modernising copyright regimes and the enforcement of IPR to allow for wider online access to works across the EU.
- The Energy Union adopted in February 2015 has created momentum to bring about the transition to a low carbon economy. In this context, the Energy Union initiative is developing a new electricity market design, which will support the integration of renewable energy, improve the price signal for investment, ensure that public intervention is compatible with the Internal Market and enhance regional cooperation. This includes an assessment of the implications of the proposed measures on energy prices, with an emphasis on the link between the wholesale and retail prices. Support measures to incentivise investments should be consistent with other forms of intervention such as the removal of price regulation or fossil fuel subsidies. Finally, the development of electricity interconnection until 2030 will contribute to the energy internal market.
- In transport, the new instrument Connecting Europe Facility aims to finance the core network by 2030. Until now, it has been successful to attract investments. In 2014, the call for proposals attracted more than EUR 36.6 billion in transport. This is not sufficient as there is a need to maximize the impact of investment, in particular in large scale projects.

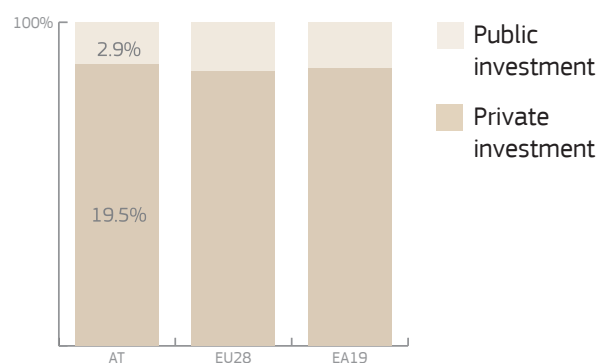
Challenges to Member States' Investment Environments

AUSTRIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Administrative burdens (notably the licensing and permit system) can have a deterrent effect on starting a business (and therefore investment) for specific types of businesses, in particular limited companies (whereas single-person companies can be founded very quickly within the timeframe stipulated by the Small Business Act).

Public procurement / PPPs

- Procurement procedures are not always suitable for alternative financing models (e.g. public-private partnerships).
- Administrative capacity and experience, especially with regard to the financial structuring of projects, might not be sufficient to allow a full leverage of private investment.

FINANCIAL SECTOR / TAXATION

Taxation

- Despite the recent tax reform, which lowered the tax burden on labour, the labour tax burden remains relatively high and can hamper employment and investment.

Access to finance

- Whereas justified from a prudential point of view, the increased requirements for collateral may deter SMEs from applying for loans. Non-interest costs for bank financing are increasing.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

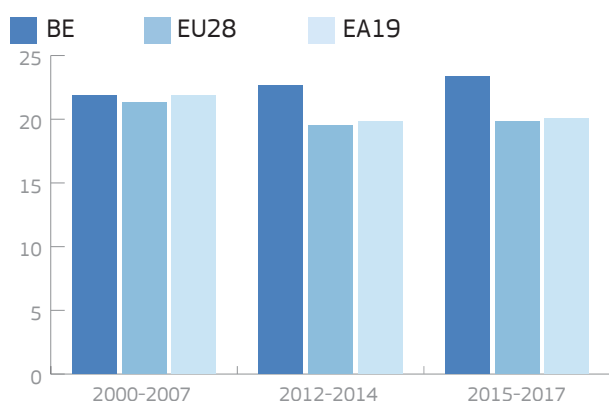
SECTOR SPECIFIC REGULATION

Business services / Regulated professions

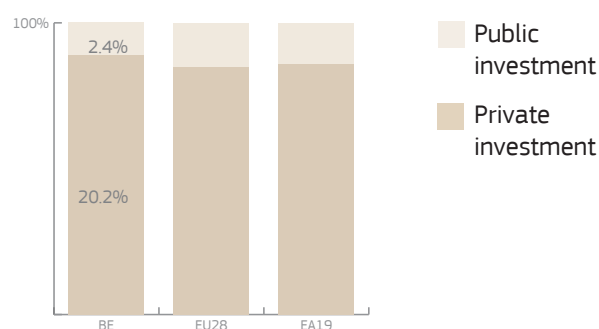
- Legal form, shareholding and tariff requirements are in place for several professions, creating regulatory barriers to market access. Many professions in the services sector are regulated requiring a professional certificate in order to be allowed to open a business.

Challenges to Member States' Investment Environments BELGIUM

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Areas particularly relevant for ease of doing business concern registering property, dealing with construction permits, enforcing contracts and start-up costs.

LABOUR MARKET / EDUCATION

Wages & wage setting

- Wage rises above productivity growth in the past years led to an increase in unit labour costs and an erosion of cost competitiveness for firms facing global competition.

Education, skills, lifelong learning

- Relatively low overall employment, low job mobility and a high degree of skill mismatches result in job vacancy rates being among the highest in the EU and job offers for critical occupations taking longer to fill.

FINANCIAL SECTOR / TAXATION

Taxation

- High tax burden on labour hampers employment and potentially investment.
- High rates combined with numerous tax and social security deductions for specific sectors and/or target groups make the tax system complex and hamper its readability for investors.

Access to finance

- Start-ups might encounter problems of access to bank credit. With better access, investment could contribute to the necessary renewal of the economic fabric toward innovative and knowledge-intensive sectors.
- Unlocking the potential of venture capital could contribute positively to crowdfunding.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

SECTOR SPECIFIC REGULATION

Business services / Regulated professions

- Entry and conduct barriers exist for certain professions, such as legal advisers and accountants. In particular, regulations cover the required legal form and shareholding requirements, entry tests, obligatory chamber membership, and authorisation schemes.

Retail

- Lengthy and complex establishment procedures and operational restrictions on opening and working hours.

Infrastructure / transport

- Complexity of procedures and delays in obtaining permits for major infrastructure projects.

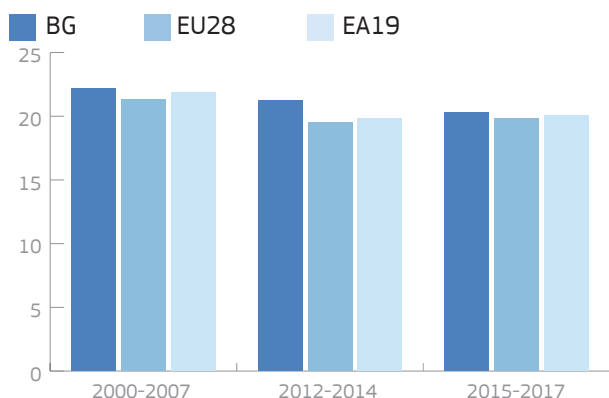
Energy

- In the electricity sector, regulatory and planning instability delays investments in electricity production and infrastructure. The decentralised production of renewable energy sources has led to insufficient grid connection capacity and for this reason numerous projects cannot be connected. The complexity of administrative procedures and a lack of coordination between decision-making levels can also constitute a barrier.

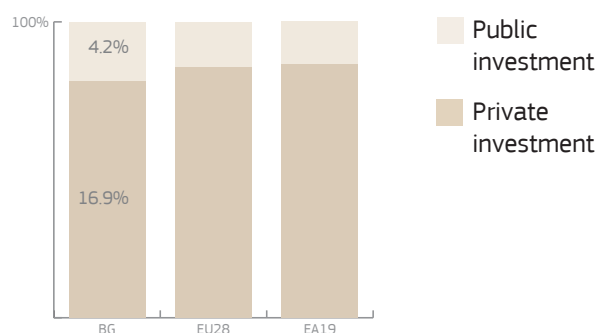
Challenges to Member States' Investment Environments

BULGARIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Complex, lengthy and relatively costly procedures, in particular for enforcing contracts, trading across borders and connecting to the electricity grid.
- The frequently changing regulatory framework creates uncertainty as to the business environment.

Public administration

- Higher effectiveness and efficiency in the public administration, notably in the smaller municipalities, could ease public investment.
- Bureaucracy, the perceived level of corruption and policy instability are considered to be among the strongest obstacles for doing business.

Public procurement / PPPs

- A certain lack of stable and consolidated legislation leads to legal uncertainty and non-transparent and unpredictable procedures.
- Limited administrative capacity in municipalities to correctly manage these procedures leads to irregularities and delays.
- Procurement procedures are not suitable for alternative financing models such as public-private partnerships (PPPs).

Judicial system

- Concerns about the independence, quality and efficiency of the judicial system, including a certain lack of predictability due to inconsistent rulings, may hamper investment.

Insolvency framework

- Lengthy insolvency procedures lead to erosion of value for both debtors and lenders. Companies prefer to hold payables/arrears than to go through the lengthy legal procedure. This creates uncertainty among market participants and reduces the country's overall attractiveness to investors.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- The quality of education and training systems and their inadequacy with regard to labour market needs hampers the supply of skilled workers to the economy, weighing on investment in some sectors. There are skills shortages in sectors such as IT and engineering and an overall lack of digital skills.
- Increased outflow of highly qualified professionals adds to existing labour market challenges in the medium and long term, particularly considering Bulgaria's ageing population.

FINANCIAL SECTOR / TAXATION

Access to finance

- Uncertainty and a large amount of non-performing loans weigh on banks' capacity to expand credit. Access to finance, especially for SMEs, could be improved, particularly in the area of collateral requirements and the level of interest rates (among the highest in the EU, though likely to reflect the higher risk related to uncertainty in the enforcement of property rights).
- Non-bank financing is very underdeveloped, limiting access to finance for investment.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Bulgaria's R&I system suffers from fragmentation and a lack of articulation between public and private sector research. It is also characterised by a lack of predictability and transparency, and is insufficiently relying on performance based funding allocation. Overall, this does not create the necessary framework conditions for stimulating investments in business R&D activities and for innovation to flourish.

SECTOR SPECIFIC REGULATION

Construction

- Incomplete cadastre of landownership and lengthy procedures prevent or delay public infrastructure projects, including rail, water and gas pipeline investments.
- Permitting procedures are complex and lengthy.

Digital Economy / Telecommunications

- The time to obtain permits for network deployment and the non-availability of the spectrum in the 800 MHz band and the lack of plans for repurposing the 700 MHz band for mobile broadband.

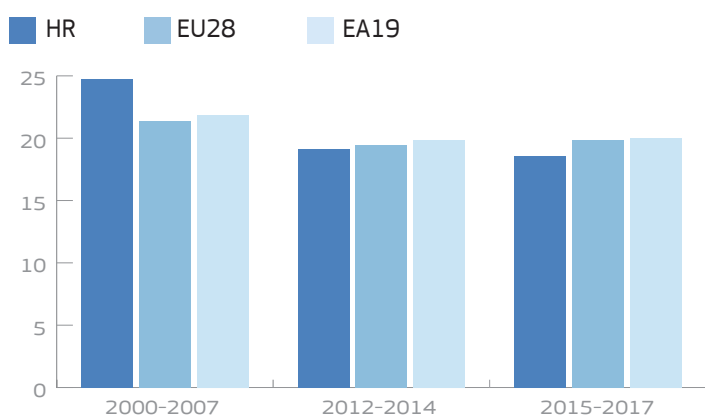
Energy

- Regulated end-consumer-tariff schemes create barriers to entry and distort market signals. Tariff revenues are not sufficient to match the corresponding costs borne by electricity utilities.
- An uncertain regulatory framework. Bulgaria has introduced grid access tariffs applicable only for renewables (2012) and a tax on the revenues of wind and Photo Voltaic producers (2013), which have been challenged in Court and found to be discriminatory.

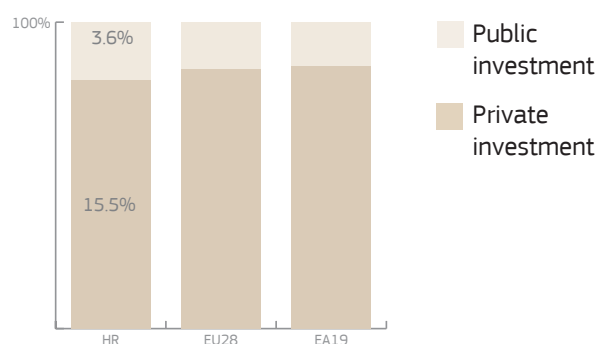
Challenges to Member States' Investment Environments

CROATIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- A number of para-fiscal charges levied on firms complicate the business environment.
- Frequent changes in regulation, the different legislative treatment of similar issues and the recourse to urgent legislative procedures weaken legal certainty and the predictability of the business environment. The perceived low quality of regulation, including the degree of interference with market mechanisms in some sectors, affects the business climate.

Public administration

- Administrative weaknesses in local authorities' units affect tax collection, public procurement, and the provision of public services to citizens and businesses. Insufficient technical and administrative capacities in the management of the European Structural and Investment (ESI) Funds limit their absorption.
- The perceived level of corruption affects business confidence, and can impede productive public investment.

Public procurement / PPPs

- The efficiency of public procurement at both central and local level is considered to be low; tools to detect irregularities and corruption in public procurement are insufficient. Current levels of professionalization, especially at the local level, result in a low quality of tender documentation, opening the way to frequent appeals and increasing the duration of public procurement procedures.

Judicial system

- With lengthy proceedings in commercial and administrative cases, significant backlogs, and underdeveloped use of ICT systems in courts, the efficiency and quality of the justice system is perceived as relatively low.

Competition and regulatory framework

- Discriminatory practices against foreigners are reported, in particular at the local administrative level, including additional taxes on non-residents or a direct requirement of residence in order to benefit from specific services, with possible impacts on FDI.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

LABOUR MARKET / EDUCATION

- Wages & wage setting** • Recent wage developments have contributed to an erosion of cost competitiveness for firms facing global competition.

FINANCIAL SECTOR / TAXATION

- Taxation** • Frequent changes in tax policy and the lack of a clear timeframe for issuing binding opinions on tax issues affect the predictability of the business environment.

- Access to finance** • Due to high levels of debt in the corporate sector, including some state-owned enterprises, there is a lack of additional absorption capacity.
 - Banks are still suffering under the burden of relatively high NPLs, weighing on credit supply. The lack of adjustment of credit standards to the post-crisis period weighs on investment. There are deficiencies in the functioning of the central credit registry.
 - Capital markets are shallow and narrow. Alternative forms of financing such as venture capital are underdeveloped, reducing financing opportunities.

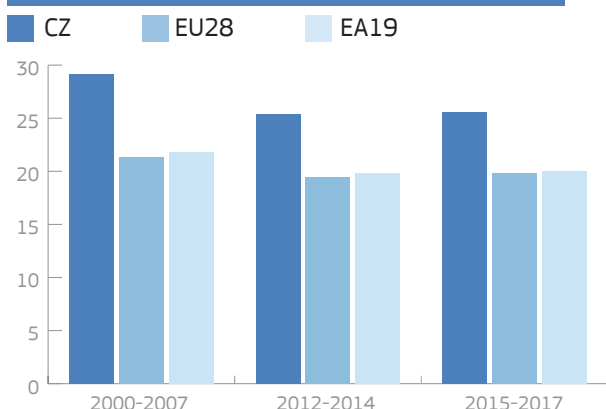
SECTOR SPECIFIC REGULATION

- Digital Economy / Telecommunications** • Underinvestment in broadband and new technologies hinders technological readiness and thus the potential for add-on investments.

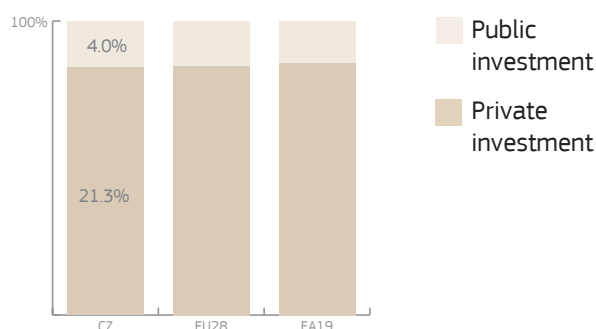
Challenges to Member States' Investment Environments

THE CZECH REPUBLIC

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- A number of administrative and regulatory burdens, in particular in relation to starting a business and, to some extent, enforcing contracts, affect the overall business climate.
- Lack of predictability and stability of legislation

Public administration

- Inefficiencies and high turnover in public administration affects the allocation of public funds.
- The perceived level of corruption can have a bearing on the functioning of the business environment.

Public procurement / PPPs

- Inefficiencies in public procurement might create impediments for private companies participating in public tenders: for instance, use of non-transparent procedures remains high, and review procedures are subject to long decision-making processes. Efficiency of public procurement is also hampered by administrative capacity and experience, in particular: insufficient attention to quality criteria, frequent changes to the legal framework, and inadequate training and guidance for tendering institutions.

FINANCIAL SECTOR / TAXATION

Taxation

- A certain degree of unpredictability in business-related taxation is one of the main impediments to the business environment quoted by companies.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Weak linkages between research institutions and the private sector and a lack of a targeted allocation of funding hamper investment in innovative activities. Incentives for efficient cooperation between business and academia might not be sufficient.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

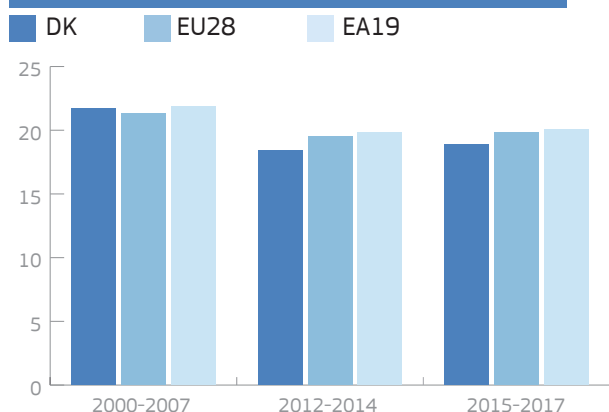
²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

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| Construction | <ul style="list-style-type: none">• Permitting procedures are complex and lengthy, often leading to significant delays. The issuance of permits is dispersed among a large number of authorities, creating a significant administrative burden for investors and prolonging the procedures. |
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| Energy | <ul style="list-style-type: none">• Frequent changes to a renewables support scheme might affect the stability and credibility of the mechanism for investors. At the same time, continuous monitoring of the development in this sector is instrumental to ensure fiscal sustainability of the scheme.• The licencing of RES installations is perceived as too lengthy and not transparent enough. There are also a number of difficulties related to granting permits. |
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| Transport | <ul style="list-style-type: none">• While investment in this area started to increase in 2014, numerous implementation bottlenecks give rise to suboptimal absorption of available funding. For example, the annual reports of the State Fund for Transport Infrastructure and the Road and Motorways Directorate highlight lengthy procedures for issuing building and land-use permits, inefficiencies in public procurement procedures and delays related to complaint procedures. |
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- This document is a European Commission staff working document. It does not constitute the official position of the Commission, nor does it prejudice any such position. In particular, it does not prejudge the outcome of the European Semester.*
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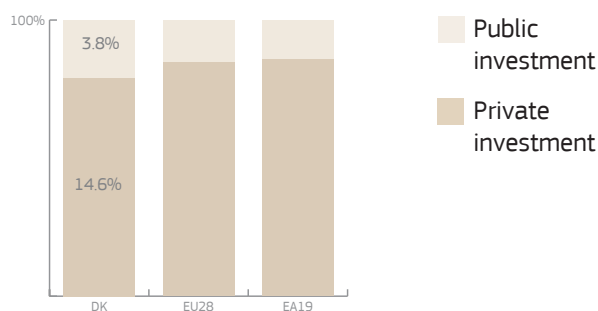
Challenges to Member States' Investment Environments

DENMARK

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Competition and regulatory framework

- Danish competition law needs to continue to improve in line with international standards. Competition infringements are only subject to fines in cases of 'gross negligence' and decision making powers remain insufficient to impose such fines.

FINANCIAL SECTOR / TAXATION

Access to finance

- Access to credit could benefit from a more integrated or unified legal framework for secured transactions and of a notice-based collateral registry.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Insufficient incentives for universities' knowledge transfer and the inflexibility and complexity of its legal framework are bottlenecks to leverage private investment in innovative activities.

SECTOR SPECIFIC REGULATION

Retail

- Restrictive retail establishment regulations for large outlets (including bans on outlets above a certain surface area and strict rules on outlet size and location) hold back investment.

Construction

- Existing building regulations and requirements, and burdensome certification schemes (which are applied to both construction professionals and construction services in general, might hamper investment).

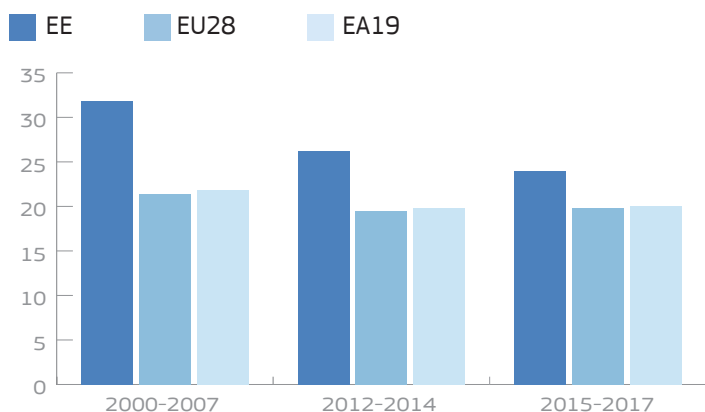
¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

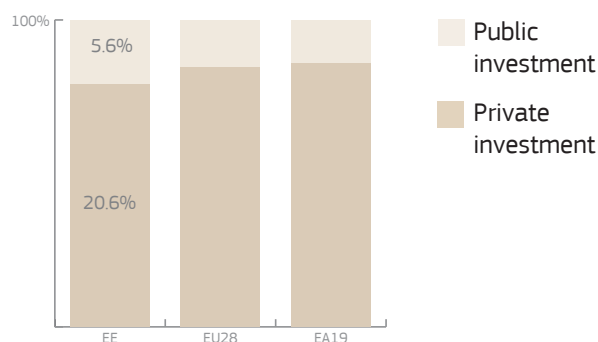
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Challenges to Member States' Investment Environments ESTONIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Insolvency framework

- Resolving insolvency can be burdensome (for instance, three years are still needed to complete procedures). The value-added of recent improvements is not yet visible.

LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- The Estonian economy is already experiencing labour and skills shortages in some sectors. This shortage is expected to significantly increase in the future. For instance, the lack of IT workers prevents large IT companies from establishing in the country.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- The cooperation between research institutions and businesses remains limited, resulting in relatively low levels of patent applications. Estonia has still a limited number of enterprises investing in RDI.

Financing of R&D&I

- There is an insufficient level of long-term or risk-oriented financing that could be invested in early stage and high-risk projects. Overall, the structure of investment depends partly on the still relatively low-value added structure of the economy.

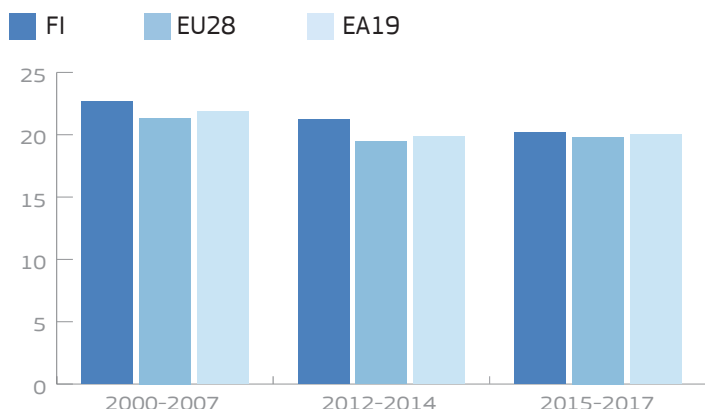
¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

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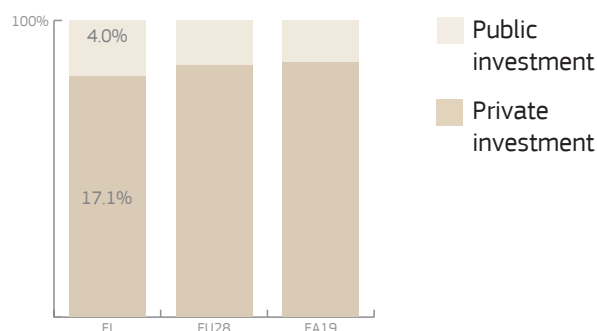
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Challenges to Member States' Investment Environments FINLAND

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Public administration

- Reinforcement in the current capacity and experience in planning and executing investment in small municipalities (in particular in areas such as transport, education and health services) could benefit both public and private investment.

LABOUR MARKET / EDUCATION

Wages & wage setting

- Wage rises above productivity growth in the past years led to an increase in unit labour costs and an erosion of cost competitiveness for firms facing global competition.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- The significant level of public R&D activity is not sufficiently translated into business R&D investment, due to framework conditions and a lack of resources and commercial competencies in the knowledge transfer offices in the universities.

SECTOR SPECIFIC REGULATION

Retail

- The Finnish retail sector displays a very high level of establishment regulation and operational restrictions. Investment in the retail sector is hampered by restrictive planning rules, including in particular a strict regulation on large-scale outlets. Such regulations constitute a market entry barrier for new operators and limit expansion possibilities for the already established ones.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

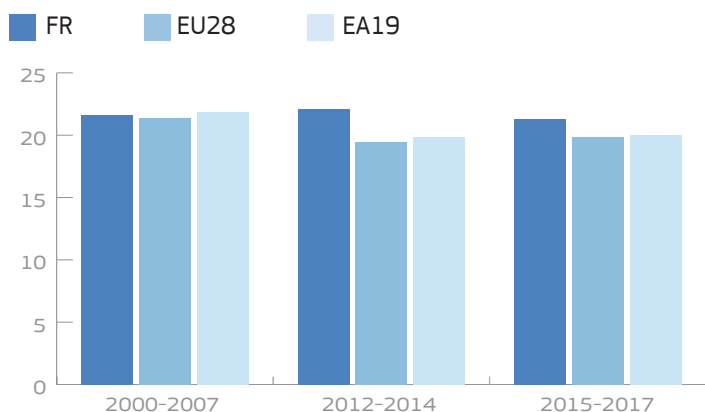
²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

- Construction**
- Building permits are granted by local authorities, and the process with possibilities to appeal appears as slow and burdensome. Planning and zoning processes are time-consuming and appear not to produce sufficient amount of lots for housing as well as non-residential developments.
-
- Energy**
- Complex administrative procedures limit the attractiveness of small-scale renewable heating and electricity projects.

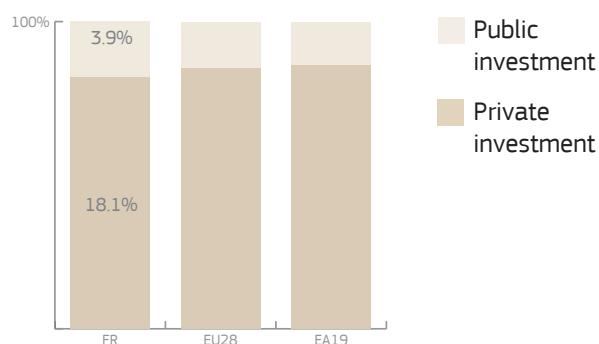
Challenges to Member States' Investment Environments

FRANCE

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



LABOUR MARKET / EDUCATION

Employment protection legislation & framework for labour contracts

- The complexity of the labour law (which has a number of implications including a remaining uncertainty as regards the length and cost of dismissal procedures that could be tackled by ongoing reforms), and restrictive labour regulations may be an obstacle to investment.

Wages & wage setting

- While France has engaged in labour market reforms to address this, wage rises above productivity growth in the past years led to an increase in unit labour costs and an erosion of cost competitiveness for firms facing global competition.

FINANCIAL SECTOR / TAXATION

Taxation

- High effective average and marginal corporate tax rates and high overall labour taxation.
- The tax structure implies a debt bias, which hampers the development of a stronger equity market which could ease investment.
- Capital taxation is particularly heterogeneous and complex, potentially distorting investment decisions.

RESEARCH, DEVELOPMENT AND INNOVATION

Financing of R&D&I

- Public support for R&D is characterized by complexity and low levels of efficiency, which may hamper the growth prospects of small and young firms and the development of new research activities.

SECTOR SPECIFIC REGULATION

Business services / Regulated professions

- Conditions for professionals to access some regulated activities and a number of regulations and tariffs are not conducive to investment. In addition, a lack of competition makes these services more expensive for other firms, harming their competitiveness.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

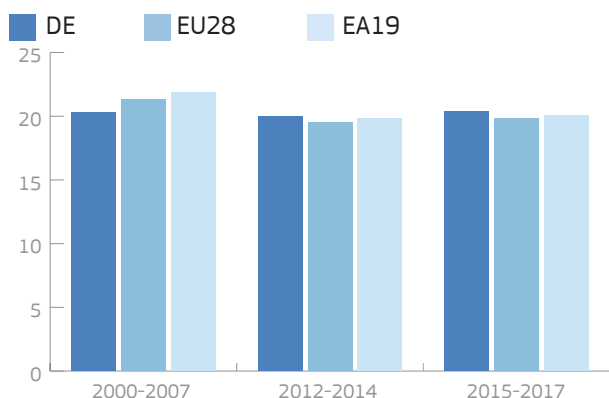
- Infrastructure deployments can be more difficult due to high regulatory burdens or the risk of regulatory intervention.

Energy

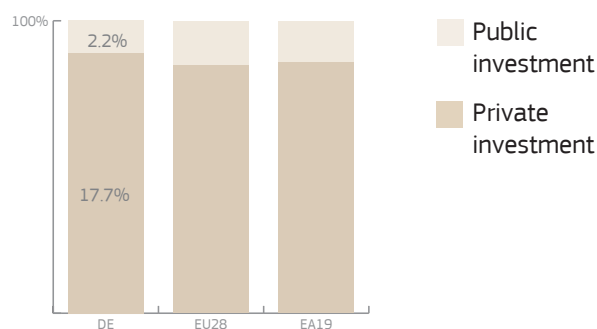
- A number of financial and administrative barriers are hampering the development of renewable energy, in particular the high costs to access the grids, long lead time for licensing and permitting, including for grid connections.

Challenges to Member States' Investment Environments GERMANY

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Public administration

- Better public infrastructure investment planning could ease both public and private investment (insufficient amount of study done on the efficiency of infrastructure investment, cost and time overruns and distortion of the structure of expenditures towards new investment to the detriment of maintenance and repair).

Public procurement / PPPs

- Complex legal system (e.g. different legal basis for each type of public procurement contract) deters new entrants; procurement procedures are not always suitable for alternative financing models (e.g. public-private partnerships).
- The administrative capacity and experience in some Länder, especially with regard to the financial structuring of projects (PPPs, project finance), does not allow for a full leveraging of private investment.

FINANCIAL SECTOR / TAXATION

Taxation

- Complexity of the tax system hampers private investment (e.g. the local trade tax that contributes to a relatively high overall tax burden on corporations might involve inefficiencies due to the inclusion of non-profit elements in its tax base; high tax compliance costs).
- Current design of fiscal relations between the different layers of government implies that there is a mismatch between the resources allocated to authorities and their individual investment responsibilities. This hampers adequate public investment, especially by municipalities.

RESEARCH, DEVELOPMENT AND INNOVATION

Financing of R&D&I

- Lack of alternative forms of financing and especially insufficient venture capital is hindering the growth of innovative start-up companies, including in high-tech sectors.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

SECTOR SPECIFIC REGULATION

Business services / Regulated professions

- Regulation not conducive to competition, to the development of start-ups and to new investment in the professional services sector (restrictions include professional qualifications requirements, legal form and shareholding requirements) might hamper investment.

Retail

- Planning regulations in certain *Länder* might create market entry barriers.

Energy

- The process for electricity grid expansion is administratively complex and slow, although a political agreement was reached on transmission routes and the use of underground lines.

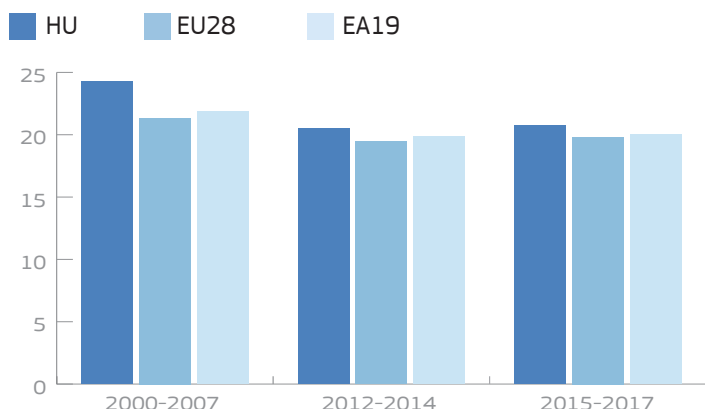
Transport

- Planned measures still fall short of what appears to be required to tackle the investment backlog in public infrastructure.
- High cost and, more importantly, time overruns/increases due to lengthy legal and administrative procedures, mainly in rail projects that worsen the cost/benefit ratio of those projects and render them uneconomic even if they are useful from a purely transport point of view.

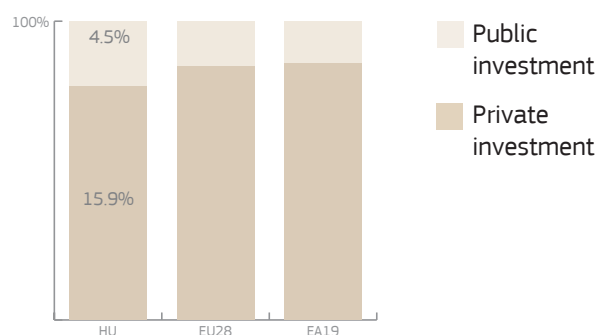
Challenges to Member States' Investment Environments

HUNGARY

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- The overall administrative burden, also for start-ups, negatively affects investment decisions.
- The instability of the regulatory framework, with frequent and unpredictable regulatory changes, creates uncertainty for investors and is hindering both internal investment and foreign direct investments (FDI).

Public administration

- More transparency in the decision-making procedures and better consultation with interested parties could benefit investment decisions and the business environment by increasing predictability.

Public procurement / PPPs

- The perceived level of corruption affecting public procurement remains a cause of concern.

Insolvency framework

- Resolving insolvency is burdensome.

Competition and regulatory framework

- Increasing entry barriers in certain sectors could have undermined previous sunk-cost investments, contributing to a general sense of policy-induced uncertainty regarding the protection of intangible assets.

LABOUR MARKET / EDUCATION

Skills, lifelong learning

- There are skill mismatches in the labour market. For instance, a lack of highly-skilled labour hinders investments in certain high technology areas. There are skill mismatches in the labour market.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

FINANCIAL SECTOR / TAXATION

- | | |
|-----------------|---|
| Taxation | <ul style="list-style-type: none">• High labour tax burden for low income earners can have a negative effect on employment and can potentially hamper investment.• The heavy reliance on sector-specific taxes is a source of distortion across sectors, and may also weaken investor confidence more generally. |
|-----------------|---|

- | | |
|--------------------------|---|
| Access to finance | <ul style="list-style-type: none">• The non-financial corporate sector is still deleveraging, and lending activity remains subdued due to factors on both the supply and demand side of the credit market.• The financial sector has been substantially weakened by years of extraordinary tax burdens, high non-performing loan ratios and high regulatory costs weighing on investment. Nevertheless, banks are adequately capitalised and ready to increase lending to the economy. |
|--------------------------|---|

RESEARCH, DEVELOPMENT AND INNOVATION

- | | |
|--|---|
| Cooperation between academia, research and business | <ul style="list-style-type: none">• A certain lack of highly-skilled labour, particularly for science and technology, is a major issue. In addition, there is a lack of spill-overs from multinational companies to local firms in Hungary. |
|--|---|

- | | |
|-----------------------------------|---|
| Financing of R&D&I | <ul style="list-style-type: none">• Financing of new innovative companies through venture/seed capital and newer initiatives such as crowdfunding remains marginal. |
|-----------------------------------|---|

SECTOR SPECIFIC REGULATION

- | | |
|--|---|
| Business services / Regulated professions | <ul style="list-style-type: none">• Entry barriers in certain services sectors, including in retail, hamper the efficient allocation of resources, increase uncertainty for investors and restrict competition. |
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|---------------------|--|
| Construction | <ul style="list-style-type: none">• Efficiency of procedures in construction and environmental permitting is insufficient. |
|---------------------|--|

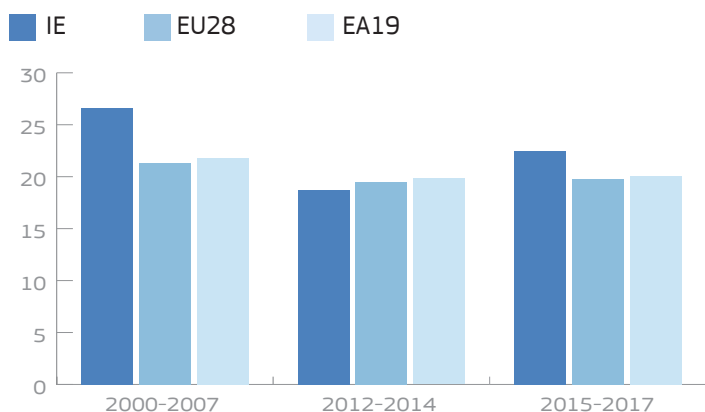
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|---|--|
| Digital Economy / Telecommunications | <ul style="list-style-type: none">• Financial levies, e.g. utility tax, introduced on electronic communications services and infrastructures, may hinder further investment. |
|---|--|

- | | |
|---------------|--|
| Energy | <ul style="list-style-type: none">• Below-cost regulated end-user prices for household consumers in the retail, electricity, and gas utility sector brought rates of return in the electricity and gas regulated business segments to zero during the past few years, leaving limited funds for investment. In addition, this leads to artificially low electricity prices which do not motivate end-users to invest in energy efficiency.• Investment in renewables is hampered by the delay of the introduction of the new feed-in tariff system and insufficient grid-connection infrastructure. |
|---------------|--|

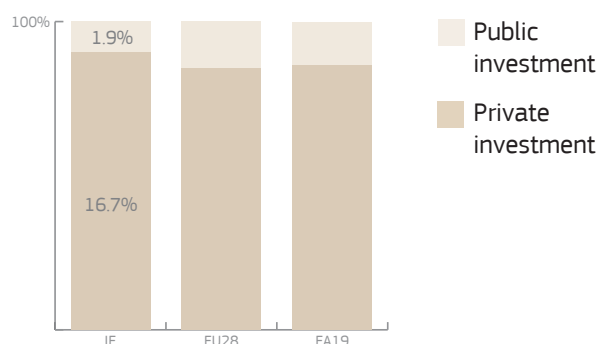
Challenges to Member States' Investment Environments

IRELAND

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- Some skills shortages have emerged with the renewed economic growth and the dynamism of the IT sector.

FINANCIAL SECTOR / TAXATION

Taxation

- Tax incentives for the SME sector have developed in a fragmented manner and are variously targeted, lacking overall cohesion, which can affect investment by SMEs.

Access to finance

- Lower indebtedness in the corporate sector could increase its capacity to invest (for instance, about a quarter of all SME loans are in default, the third highest rate in the euro area).
- A higher level of competition among lenders and the search for higher interest margins so as to restore profitability could lead to a more favourable credit environment for firms, especially for SMEs.
- Borrowers would benefit from more clarity on the loan application processes for SMEs, especially concerning the information required and the criteria for determining the ability to repay, as well as reasons for credit refusal and appeal rights, including recourse to the Credit Review Office.
- The insistence on personal guarantees and certain types of asset collateral, the lack of a credit register and reliable and comprehensive information on the credit worthiness of SMEs, and the time needed for loan refinancing decisions create might impact SME borrowing.
- Less complexity in some of the government-supported non-bank borrowing schemes could increase the number of companies seeking such funding.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

SECTOR SPECIFIC REGULATION

Business services / Regulated professions

- Due in particular to the nature of the regulatory framework for the legal professions, legal services costs remain high in comparative terms, thereby negatively affecting establishment and operating costs as well as competitiveness and investment of many businesses.

Construction

- Urban planning and development regulations, independent of general environment obligations under EU rules, might slow new investments in construction, particularly in Dublin. The cost of obtaining a building permit is high.

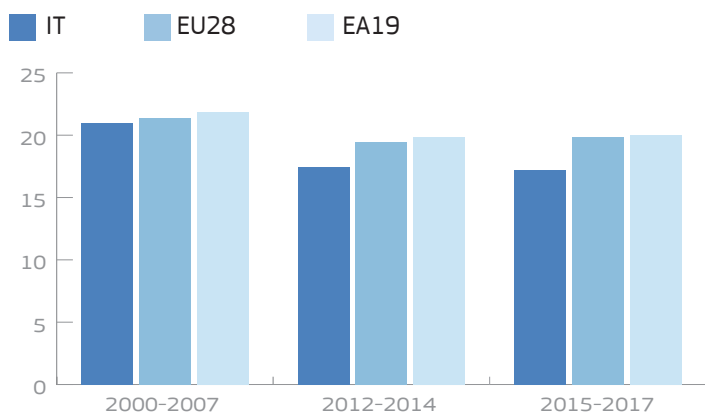
Digital Economy / Telecommunications

- Some weaknesses in public infrastructure, might affect private investment.

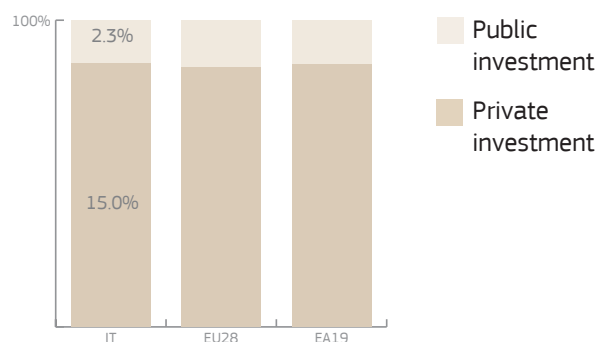
Challenges to Member States' Investment Environments

ITALY

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Regulatory burden and insufficient regulatory quality complicate the business environment and hamper investment.
- Frequent changes in complex legislation and delays in the effective implementation of the measures adopted negatively affect investment.

Public administration

- Bottlenecks and administrative weaknesses at the local levels of government and, to a limited extent at national level, imply low performance in the use of European Structural and Investment Funds in terms of absorption and resource effectiveness and efficiency.
- Insufficient coordination and overlapping responsibilities between levels of government negatively affect legal certainty and predictability (a constitutional law addressing this problem is being discussed in Parliament).
- The perceived level of corruption remains an obstacle to investment.

Public procurement / PPPs

- Complexity, length of procedures and certain instability of the legal and institutional framework, as well as the system of supervision and control, may discourage investment. Compliance with EU public procurement rules is insufficient.
- There is an insufficient degree of competition in tendering procedures, and a high usage of negotiated procedures without the publication of a notice.

Judicial system

- Lengthy civil and commercial court proceedings might hamper investment.

Insolvency framework

- Despite several efforts made to modernise the insolvency framework, some changes to the legislation might be necessary (currently being explored by the Italian authorities).
- Early restructuring procedures are used sub-optimally. An efficient early-warning mechanism has not yet been introduced.

Competition and regulatory framework

- Most State-owned enterprises in local public services are sheltered from competition, which may result in underinvestment, e.g. in water and local public transport sectors.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

LABOUR MARKET / EDUCATION

Employment protection legislation & framework for labour contracts

- Insufficient capacity of public employment services might hinder the efficient matching of labour demand and supply, as well as the easiness of locating appropriate skills.

Wages & wage setting

- Insufficient second level (firm level) collective bargaining hampers the alignment of wages with productivity and skills and the adoption of innovative solutions to productivity challenges.

Education, skills, lifelong learning

- Skills mismatches (high shares of both over-skilled and under-skilled workers) are an obstacle to investment.

FINANCIAL SECTOR / TAXATION

Taxation

- High tax burden on productive factors (especially labour).

Access to finance

- An increase in the profitability of firms that suffered in the past years could result in better access to bank lending and increase private investment.
- The growing stock of non-performing loans weighs on the provision of new credit by Italian banks by absorbing regulatory capital and diverting resources to the work-out of the non-performing assets.
- The strengthening of banks' corporate governance may lead to a more optimal allocation of credit, in line with the implementation of recent measures.
- Capital markets could be further developed beyond the scope of recent measures to increase access to finance, in particular for SMEs.

RESEARCH, DEVELOPMENT AND INNOVATION

Financing of R&D&I

- The fragmentation and uncertainty of R&D tax incentives, as well as the scarcity of venture capital, affect private investment in innovation.

SECTOR SPECIFIC REGULATION

Construction

- Dealing with permits can be burdensome (with particularly high regional variation) and hamper investment.

Business services / Regulated professions

- Persistent restrictions on competition in some services sectors may hamper investment.

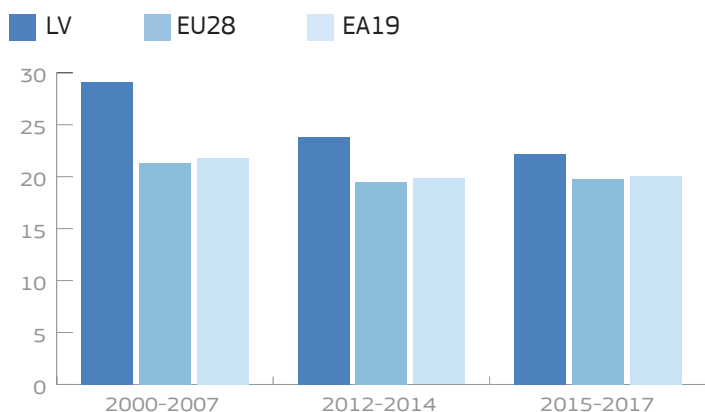
Energy/Transport/ Digital Economy / Telecommunications

- The lack of stability and transparency in the regulatory framework and the high cost of capital and burdensome administrative procedures are challenges to private investment.

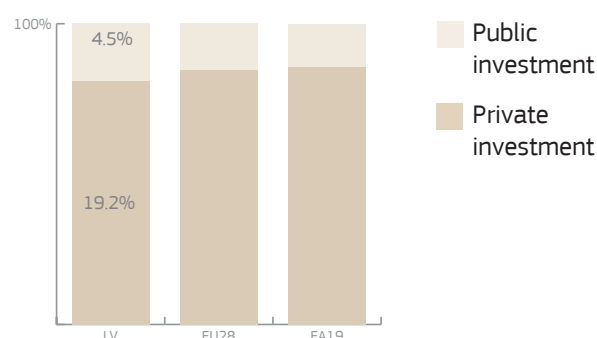
Challenges to Member States' Investment Environments

LATVIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- The lack of predictability and stability of legislation is perceived by businesses as an obstacle to their activities.

Public administration

- Retaining talented and well-trained public servants is a challenge, as remuneration levels are significantly lower for qualified staff in the public sector, especially for senior level positions.
- A certain mismatch between the functions and financial resources of local governments can hamper investment.
- Perceived favouritism and perceived level of corruption might hamper investment, particularly in local government and State-owned companies.

Public procurement / PPPs

- There are severe implementation challenges in public procurement, including, inter alia, specifications that are perceived to be tailor-made for particular companies, collusive bidding, and the implementation of lowest price requirements in public procurement favouring companies that avoid taxes, do not pay their subcontractors or require additional financing during the construction phase. There is in particular a lack of transparency in the construction and healthcare sectors.

Insolvency framework

- Only a few successful cases of restructuring exist for companies entering insolvency.

Competition and regulatory framework

- The Competition Council's administrative and financial independence might not be sufficient to effectively intervene against anticompetitive behaviour, including in state-owned enterprises.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- There is evidence of skills shortages in sectors such as machinery, ICT, food processing, health care and textiles, weighing on investment.

FINANCIAL SECTOR / TAXATION

Taxation

- High tax burden on low-wage earners discourages formal employment and can hamper investment.
- Tax avoidance.

Access to finance

- An improved legal framework (in particular a more unified legal framework for insolvency, security rights and collateral) and credit information could ease access to credit for small and micro firms, and start-ups. SMEs might face high collateral requirements or limited options to get the required loan amount.
- The Latvian stock market could be further developed.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Co-operation between businesses and academia is very limited with few SMEs involved in innovative activities (partly due to the lack of an adequate science base, which could deliver high quality output for the private sector, and to low public R&D intensity).

SECTOR SPECIFIC REGULATION

Construction

- Construction sector regulation, including supervision, workers' qualifications, and quality of materials may hamper investment.

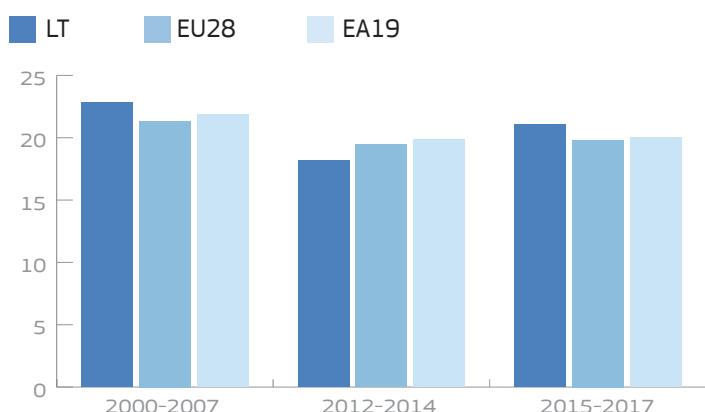
Energy

- Lack of stability and predictability of the regulatory framework for renewable energy due to frequently changing support conditions. Unresolved issues concerning the new financing schemes for energy efficiency and renewable energy funded by the EU funds.
- Applicable regulation for the renovation of buildings is hindering the housing renovation programmes.

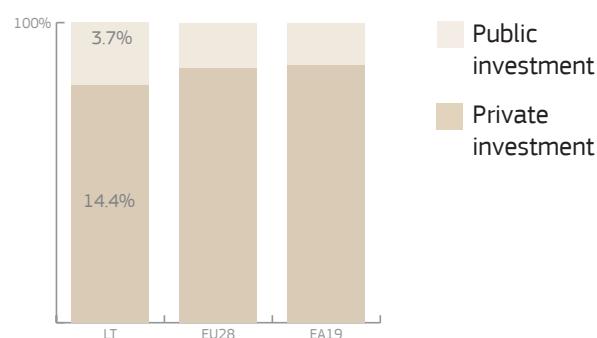
Challenges to Member States' Investment Environments

LITHUANIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Public administration

- Despite progress made, the efficiency of the public administration could be further improved.
- There is a perceived lack of independence of institutions from political pressures, and the perceived level of corruption might hamper investment.

Public procurement / PPPs

- A certain lack of transparency in public procurement, particularly at municipal level, may hamper investment.
- Excessively detailed public procurement laws may render the procedures cumbersome.
- An inefficient advertising of calls for tender hinders international competition for public infrastructure projects and limits interest and participation of foreign firms and consortia.

Insolvency framework

- The insolvency process can be relatively slow and inefficient.

Competition and regulatory framework

- The National Competition Authority (Competition Council) is not sufficiently and effectively engaged by other governmental agencies to make use of its expertise and provide appropriate advice to potential investors on state aid issues.

FINANCIAL SECTOR / TAXATION

Access to finance

- Banks tend to be risk averse given tight financing requirements, lack of collateral and high financing costs (interest rates, guarantee fees, administrative costs, etc.), which are all significant barriers to obtain finance.
- More developed capital markets and the increased availability of alternative sources of financing could increase investment in riskier projects.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- There are insufficient incentives for business R&I and public-private cooperation, mainly due to the lack of a proper legal base for the successful commercialisation of research outcomes, but also related to information asymmetries, and the quality and insufficiently competitive science base.

SECTOR SPECIFIC REGULATION

Construction

- Lengthy and insecure land expropriation procedures can hamper investment in construction.

Energy

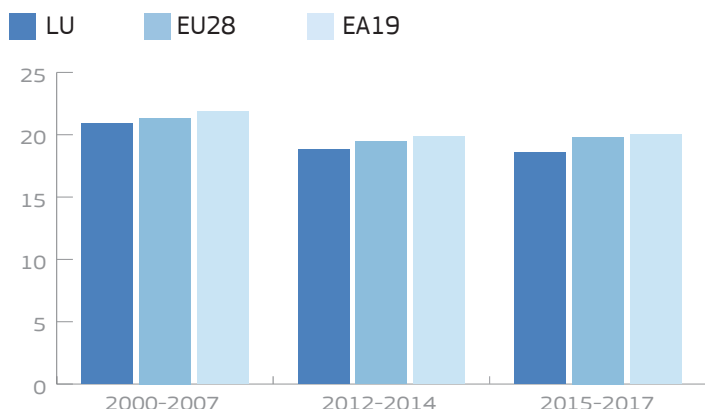
- There is a need to simplify administrative procedures and better streamline permit procedures.
- Easy access to electricity is reported to be a problem for many new and existing businesses.

Transport

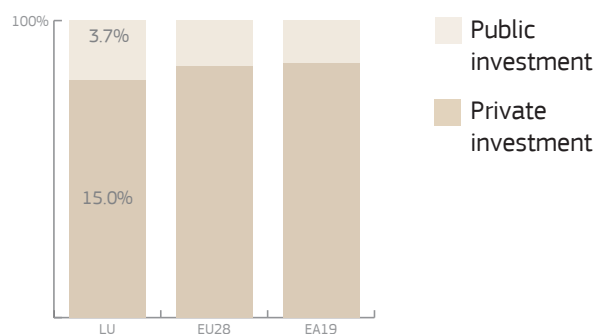
- Incentives are lacking to use innovative financing tools, e.g. public private partnership, in particular in rail transport.

Challenges to Member States' Investment Environments LUXEMBOURG

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Regulatory burden, in particular for small start-ups may hinder investment. This includes the cost of starting a business (still more than 3 times the amount it takes in other EU Member States on average), the paid-in minimum capital (double the EU average), and the costs required to transfer property (also twice as much as it would cost on average in other EU Member States).

Insolvency framework

- Costs for resolving insolvency remain about 50% higher than the EU average, which may cause the firms concerned to delay or reconsider investment decisions.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- The lack of attractiveness of the R&I environment (including the disconnection between private sector R&D and the public research system) hampers investment in business R&D.

SECTOR SPECIFIC REGULATION

Construction

- Supply and demand mismatches on housing market remain. There appears to be a limited response of supply to the surge in house prices.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

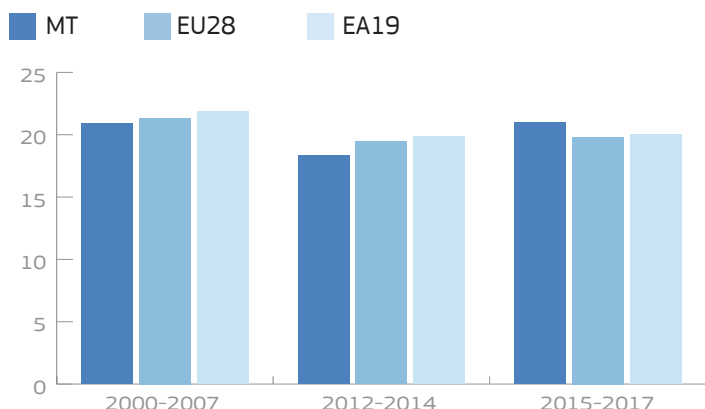
²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

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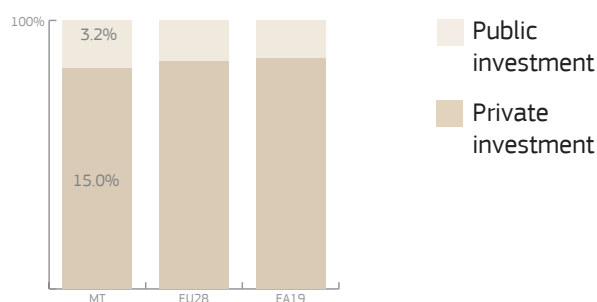
Challenges to Member States' Investment Environments

MALTA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- The time needed to start a business and the administrative burden (including registering property, the costs of enforcing contracts, the licensing and permit system) are significant impediments to doing business.
- The implementation of the late payment directive is still missing.

Judicial system

- The time needed to resolve civil, commercial and administrative cases and the low clearance rate affect the business environment.

Insolvency framework

- The insolvency procedures are considered very lengthy.

LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- Insufficient adjustment of skills to labour market requirements can weigh on investment.

FINANCIAL SECTOR / TAXATION

Access to finance

- Lower private sector debt and leverage could ease access to bank credit.
- The development of alternative sources to bank financing could ease access to finance, in particular for equity financing, as well as seed, early stage and growth funding through market operators.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Insufficient innovation is seen as one of the most problematic aspects in doing business in Malta and one of the key factors for competitiveness.

SECTOR SPECIFIC REGULATION

Construction

- Dealing with construction permits is perceived as burdensome.

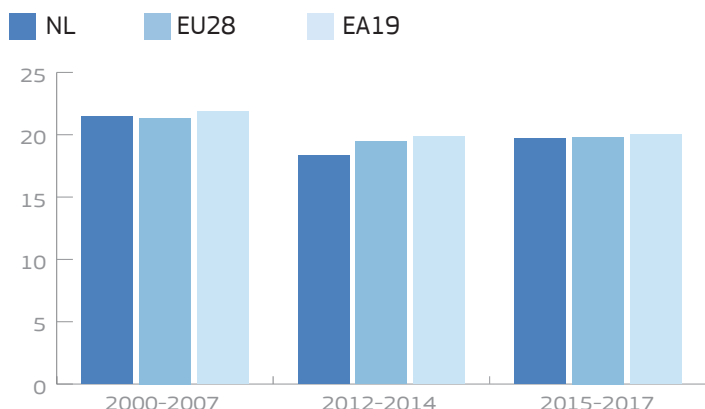
Energy

- Lengthy and complex administrative procedures, small size of interventions, as well as the absence of clear rules or guidelines for large-scale energy projects weigh on investment in that sector.
- The development of integrated technologies is hindered by: inadequate funding and financial incentives.

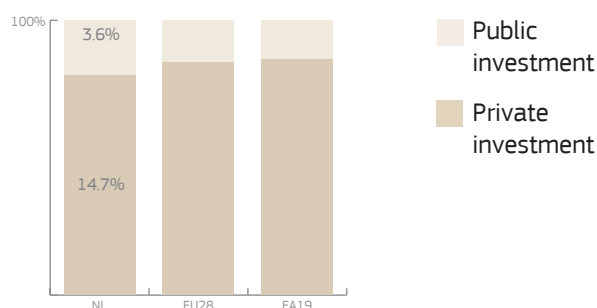
Challenges to Member States' Investment Environments

THE NETHERLANDS

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



RESEARCH, DEVELOPMENT AND INNOVATION

Financing of R&D&I

- Public expenditure on research and development is low compared to EU and world top performers, and set to decline over the coming years, while private sector R&D spending remains low.

SECTOR SPECIFIC REGULATION

Construction

- Dealing with construction permits is lengthy.

Energy

- Regarding the failure to meet renewable energy targets and the associated investment backlog, conditions for mobilising investment from the private sector need to be improved, in particular from a regulatory and policy clarity and planning perspective. The costs of equity and debt are higher for onshore wind projects than for off-shore projects. This might reflect mostly regulatory, policy and implementation risks as seen by market participants.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

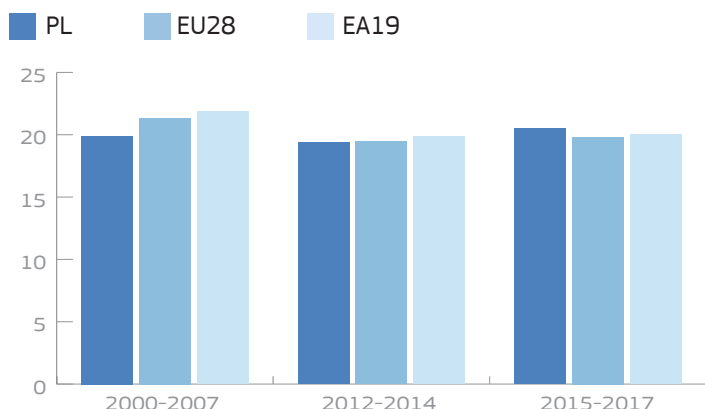
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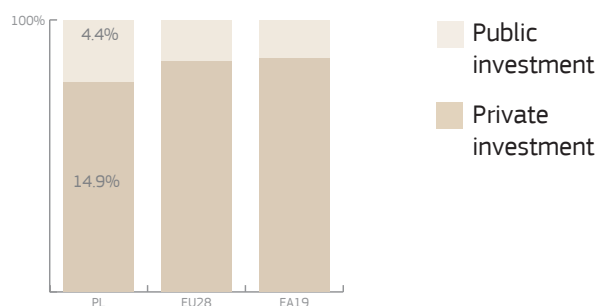
Challenges to Member States' Investment Environments

POLAND

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Overall time needed to set up a company remains long, while enforcing contracts is comparatively lengthy and costly (high number of pending cases, low clearance rate of courts of first instance resolving commercial cases).
- Over-regulation and inconsistency of regulatory framework.

Public administration

- The overall low quality and perceived inefficiency of public administration. The complexity of procedures can deter investors.
- There are significant discrepancies in administrative capacity of public authorities at local level, resulting in differences in time needed for administrative procedures that are crucial for businesses (construction permits, registering property, enforcing contracts).
- Local spatial plans change frequently and are often inconsistent with regional spatial planning documents.

Public procurement / PPPs

- The public procurement law is perceived to be complex and subject to frequent amendments.
- The percentage of contracts awarded with only one bid is relatively high.
- The process of structuring public-private partnerships is complex and long, financial institutions are involved too late in the process.

Judicial system

- Judicial proceedings are lengthy, in particular for labour cases.

LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- Skills supply does not sufficiently match recent and future skills demand in the labour market. Vocational education and training programmes and lifelong learning are not sufficiently adjusted to market needs.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

FINANCIAL SECTOR / TAXATION

- Taxation**
- The number of hours spent by firms in preparing, filing and paying taxes is high.
 - The frequent changes and the lack of clarity in tax law hinder investment.

RESEARCH, DEVELOPMENT AND INNOVATION

- Cooperation between academia, research and business**
- Lack of human capital (especially for business-led research) with adequate skills, including soft skills and specialised knowledge in IPR and commercialisation.
 - There is a lack of quality support for R&D. There are inefficiencies in the cooperation between universities and business (partly due to a lack of trust between companies, business environment institutions and universities, as well as the fact that scientific institutes' R&D units traditionally rely on public funding and do not depend on private financing).

- Financing of R&D&I**
- Venture capital might be insufficient, often because of inadequate legislation related to key investors' tools, such as convertible bonds or crowdfunding (limited in Poland by the need to use the notarial office to sell shares).
 - R&D tax incentives reach a small number of beneficiaries at a high cost per beneficiary. The design of the technology tax relief is targeted at supporting the purchase of technology and not in-house development. The eligibility criteria to benefit from the tax deduction for R&D centres are considered too restrictive.

SECTOR SPECIFIC REGULATION

- Construction**
- Spatial planning is not fully integrated into investment policies, which affects investment processes in many sectors and the time and costs required to obtain a construction permit and to register property.
 - Despite recent relaxation for private houses, obtaining a construction permit remains burdensome (lengthy and costly). In addition, there is a lack of integration of the registers at national, regional or local level (i.e. property register; and databases of revenue offices) and a lack of connection between internet platforms to deal with construction permits.

- Digital Economy / Telecommunications**
- Lack of administrative capacity (mainly expert knowledge in tendering and/or implementation of complex IT projects) and weak strategic and operational coordination result in delays in the preparation and significant changes in the scope and timeframe of projects.

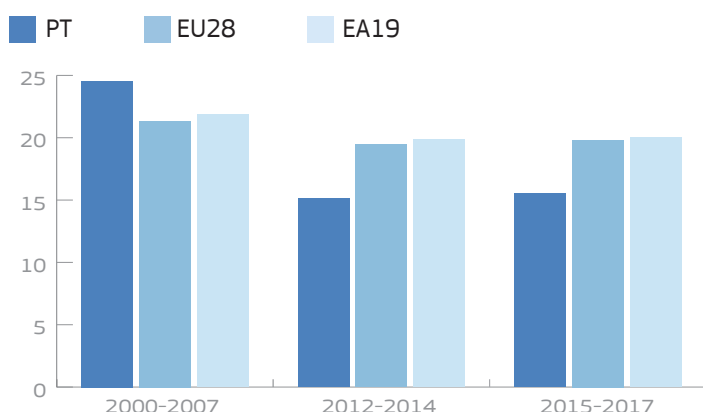
- Energy**
- Change of the support system for renewable energy sources projects (green certificates) and the new one (auctions), and of the support system for cogeneration might create investment uncertainty.
 - There are lengthy and costly procedures for the acquisition of land for energy network investments (gas pipelines, electricity network).

- Transport**
- Poor coordination and insufficient monitoring of investment in the road sector reflected in instability and many bankruptcies, contribute to the underdevelopment of the network.
 - Burdensome administrative procedures and lack of efficient administrative environment. Deficiencies in planning and management of big infrastructure projects result in 'peaks' of investment causing backlogs and payments problems.
 - The railway infrastructure is underinvested as a consequence of administrative and regulatory obstacles, poor access to funding.

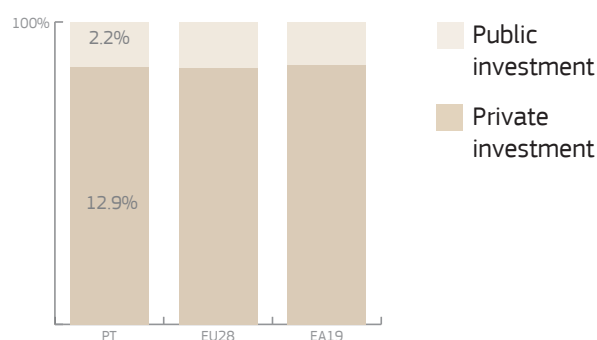
Challenges to Member States' Investment Environments

PORTUGAL

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- The overall complexity of administrative procedures (e.g. licensing regimes). The scope of the simplification measures and reduction of administrative burden undertaken in the context of the economic adjustment programme is limited and is focused exclusively on the central public administration.
- Late payments can hamper investment considering the already difficult access to finance, in particular for SMEs.
- The lack of stability and predictability of the legislative framework.

LABOUR MARKET / EDUCATION

Employment protection legislation & framework for labour contracts

- Restrictive regulation on dismissals might hamper investment.

Wages & wage setting

- Despite recent reforms, the wage setting system remains very centralised in Portugal, which is likely to hinder efficient wage adjustment.

Education, skills, lifelong learning

- The skills composition of the labour force (high share of low-skilled workers) weighs on productivity and on the reallocation of labour to higher value-added sectors.
- Education doesn't sufficiently meet the demands of the labour market.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

FINANCIAL SECTOR / TAXATION

- Taxation**
- With a view to guarantee investors' confidence further steps should be identified to make the tax system more growth friendly while ensuring overall stability and predictability of the tax system.
 - The remaining high debt bias in corporate taxation could discourage equity investment.
 - The number of hours spent by medium-sized firms to prepare, file and pay taxes is high.

- Access to finance**
- An improvement in private and public sector deleveraging needs could ease access to credit for business, in particular SMEs.
 - The corporate sector remains one of the most indebted in the EU and the ongoing pressure to reduce debt will continue to have a negative effect on investment.
 - The corporate debt ratio represents also a concern for banks' balance sheets through the relatively large number of non-performing loans and corporate bankruptcies.

RESEARCH, DEVELOPMENT AND INNOVATION

- Cooperation between academia, research and business**
- There is a lack of innovation-friendly framework conditions for business investment in research and innovation. There are weak and fragmented incentives to improve cooperation between public research organisations and the business sector.

SECTOR SPECIFIC REGULATION

- Business services / Regulated professions**
- Restrictions to the access to a number of highly regulated professions (in particular legal professions) has hampered investment. The law on professional companies still restricts the setting-up and operation of corporate groups. The adopted by-laws on professional bodies (regarding their statutes and internal rules) are perceived as restrictive, in particular as regards access to those professions by both natural and legal persons, multi-disciplinary practices and fees.

- Retail**
- Licensing regimes are being streamlined, but there are some bottlenecks in the implementation. This is particularly the case of the commercial licensing law that contains provisions potentially entailing unnecessary administrative burden and high and disproportionate fees for larger retail areas, thus hampering new entrants.

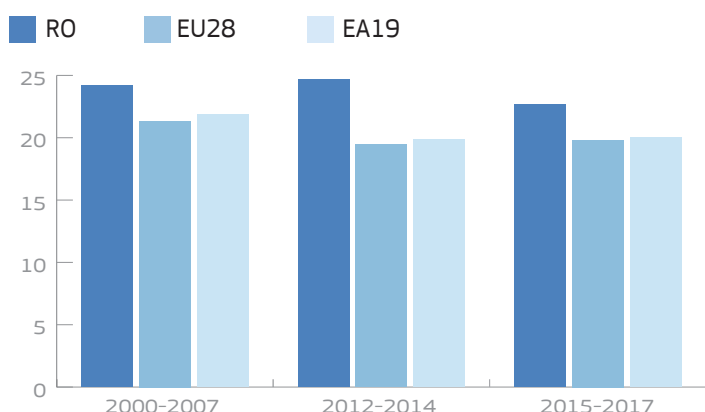
- Energy**
- The main obstacle to investments in the energy sector is the need to reduce the currently high tariff debt.

- Transport**
- Concessions are the main contractual practice in the Portuguese port sector. Investments could be further boosted if the main obstacles to entry of new players in the port sector are removed by launching new concessions with reduced length and by reviewing the existing concessions in accordance with applicable EU Public Procurement law. Introducing volume performance indicators in concessions contracts would also contribute to boost investment in port capacity.

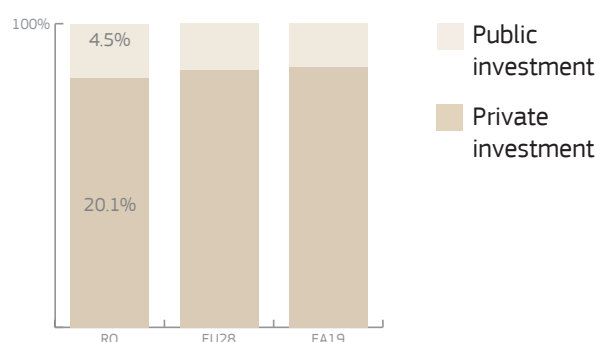
Challenges to Member States' Investment Environments

ROMANIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Complex procedures are in place for enforcing contracts, getting electricity and dealing with licences and construction permits, and exporting. Notary's fees and stamp costs remain high.
- The perceived low quality of regulation and the lack of stability and predictability of legislation affect the overall business climate.

Public administration

- Overall, the capacity of public administration affects the business climate, causes delays in public investment and low absorption of public funds. Public investment management suffers from a lack of prioritisation and coordination.
- The lack of trust among different layers of administration and insufficient empowerment of professional civil servants, the unstable structures and the lack of the necessary human, technical and financial resources often impact the capacity to develop and implement public policies.
- The particular weakness of local public services, with insufficient quality of municipal services, affects competitiveness in many regions.
- The perceived level of corruption is a major issue for the business climate.

Public procurement / PPPs

- The lack of stability and fragmentation of the legal framework related to public procurement, deficient checks and balances in the institutional system, the degree of competition in public procurement, and the insufficient administrative capacity of public purchasers, including the lack of expertise of staff at both national and local level, as well as corruption and fraud in public procurement hamper investment.

Judicial system

- Concerns remain, notably about the workload of courts, the implementation of court decisions and the lack of predictability of court decisions.
- Preserving judicial independence, in particular for judges and prosecutors involved in high-level corruption cases, can have a positive effect on investment.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

Insolvency framework

- The long average time required to resolve insolvency cases can weigh on new investment projects.

Competition and regulatory framework

- Poor enforcement of legal and technical regulations (including consumer law) reduces consumer trust and creates level playing field issues by disadvantaging compliant companies.
- High indebtedness and low rates of return generate solvency problems for state-owned enterprises that dominate crucial economic sectors for the economy.

LABOUR MARKET / EDUCATION**Education, skills, lifelong learning**

- Higher education degrees and vocational education and training (VET) qualifications are insufficiently aligned with labour market needs.

FINANCIAL SECTOR / TAXATION**Taxation**

- Frequent changes of tax policies. The lack of continuity and predictability of taxation affects investment decisions.

Access to finance

- Access to finance of SMEs has remained muted over the last couple of years due to both supply and demand side constraints. Corporate loan demand is subdued due to the balance-sheet adjustment of domestic companies.
- The development of financial markets in line with peers could ease access to finance. There is no appropriate regulatory framework, including investor and entrepreneur protection, for alternative sources of financing.

SECTOR SPECIFIC REGULATION**Construction**

- Dealing with construction permits is very burdensome.

Digital Economy / Telecommunications

- Inefficient administrative procedures for granting permits are hampering investment in high-speed broadband networks.

Energy

- Unstable legal environment for investment in renewable energy sector.
- Regulated retail prices for households and related domestic supply obligations limit investment incentives; any unforeseen delays in the implementation of the adopted Liberalisation Roadmaps might affect the regulatory stability needed in the sector.

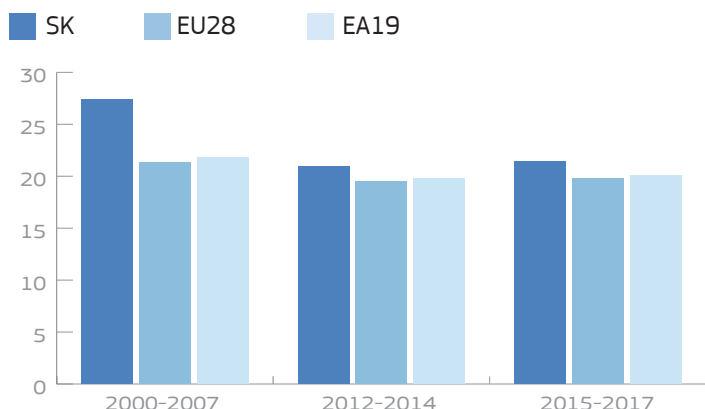
Transport

- Limited efficiency and non-transparent governance of state-owned enterprises have hindered the development of infrastructure (road, rail, freight on inland waterways).

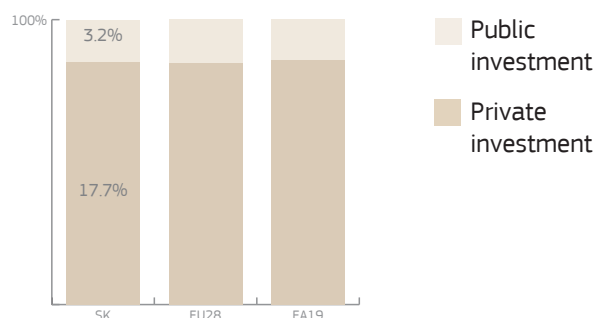
Challenges to Member States' Investment Environments

SLOVAKIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Perceived lengthy and costly procedures involved in starting a business.
- Frequent changes to the legislative and regulatory framework, as well as a lack of transparency, are perceived as obstacles to investment.

Public administration

- Investment, and in particular the absorption of EU structural funds, could benefit from improvements in the efficiency of public administration, notably in relation to favouritism, high staff turnover, weak human resource management and analytical capacities.
- The perceived level of corruption can hamper investment. Prosecution of alleged corruption cases is uncommon, especially when high-level corruption is suspected.

Public procurement / PPPs

- Legal uncertainty created by frequent changes of the public procurement Act can affect firms' investment decisions. Insufficient guidance and supervision lead to persistent irregularities, especially in public procurement in healthcare.
- Complexity of public procurement procedures also affects the absorption of EU structural and investment funds.
- Insufficient degree of competition in public procurement also affects investment (tailor-made specifications for particular companies, collusive bidding, and amendment of the contract terms after the conclusion of the contract).

Judicial system

- Judicial proceedings are lengthy and the number of pending cases is increasing.
- Alternative dispute resolution methods are not sufficiently promoted and the training of judicial and non-judicial staff is limited.
- The screening of the suitability of judges on the basis of information from the Slovak National Security Authority raises concerns about the independence of the judiciary.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

Insolvency framework

- Lengthy and often unpredictable insolvency processes can hamper new investment projects.

Competition and regulatory framework

- While legislation is often comparable to that of other EU countries or even more stringent, requiring higher compliance costs for businesses, its implementation in practice is often insufficient.

LABOUR MARKET / EDUCATION**Education, skills, lifelong learning**

- There is a disconnection between educational institutions and labour market needs, as well as a weak access to lifelong learning, resulting in skills shortages, which may hamper investment.

SECTOR SPECIFIC REGULATION**Business services / Regulated professions**

- Entry regulations with respect to the legal, accounting, engineering and architecture professions are perceived to be high.

Construction

- Obtaining building permits is relatively cumbersome and time consuming.

Energy

- Changes in rules regarding renewable energy and access to the grid for renewable energy led to lack of clarity and stability for the investors.

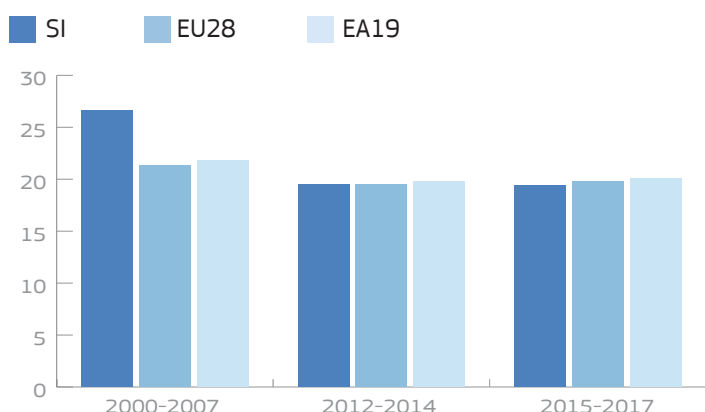
Transport

- Transport infrastructure remains underdeveloped and is unequally distributed within the country. Factors that hamper investment in this sector include a lack of proper planning, irregularities in administering EU funds, inefficient and non-transparent public procurement procedures and complex land-use and construction permit processes.

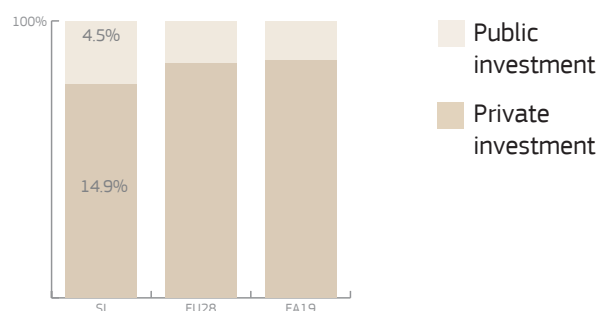
Challenges to Member States' Investment Environments

SLOVENIA

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory and administrative burden

- Red tape in Slovenia would appear to be significant. The reduction of administrative burden remains one of the key challenges to boost investment.
- The high number of laws and by-laws and numerous changes to the legislation are a challenge for doing business and comply with regulation.

Public administration

- Addressing the capacity of public administration at all levels and implementing strategic planning could positively impact investment.
- Lack of coordination in negotiation and implementation of strategies can negatively affect successful removal of investment obstacles.
- The perceived level of corruption remains a obstacle to investment (vulnerabilities are widespread in the energy, construction, urban planning and healthcare sectors, where anticorruption safeguards have limited impact).

Public procurement / PPPs

- The legal uncertainty resulting from frequent revisions of public procurement law, the sometimes inconsistent jurisprudence, and the perceived level of corruption in public procurement hinders investment. The high number of appeals also contributes to delays in project implementation.

Judicial system

- Lengthy court proceedings and a high number of unresolved cases.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

Competition and regulatory framework

- The Competition Protection Agency lacks the power to impose fines on undertakings directly in its administrative decision-making, having to conduct separate minor offence proceedings. It is vulnerable to political influence and is subject to supervision and inspections by several Ministries.
- While progress has been made, inefficient corporate governance in State owned enterprises may continue to distort resource allocation.

FINANCIAL SECTOR / TAXATION

Taxation

- The frequent changes of taxation affecting businesses and the length of the administrative processes with respect to tax compliance are affecting the decision-making process of investors.

Access to finance

- The deleveraging needs of the corporate sector weigh on investment.
- Non-performing loans, although decreasing, still weigh on the banks' ability to finance the economy.

SECTOR SPECIFIC REGULATION

Business services / Regulated professions

- Barriers for businesses and professionals in services (e.g. high educational requirements and the obligation to register in chambers, restrictive system of concessions), may hamper investment in such sectors.

Construction

- Obtaining building permits is requires time due to the high number of steps required to get a permit, the poor administrative capacity of units dealing with the issuance of building and environmental permits and spatial planning. Inconsistencies concerning local spatial planning in particular imply higher waiting times and unclear provisions on the possible use of land.

Energy

- Lack of implementing rules of the Energy Act Framework has effects in public and individual investments in energy efficiency.

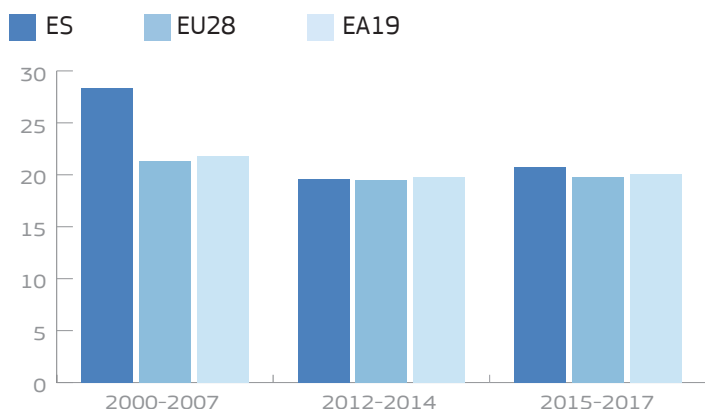
Transport

- Connections between regions are often insufficient (particularly where no highway exists) making delays in implementation of TEN-T core network projects (like for railway infrastructure) an issue.

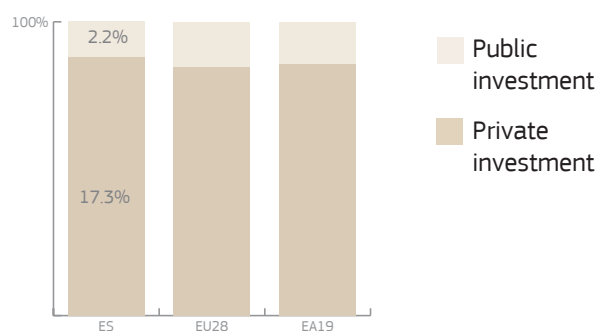
Challenges to Member States' Investment Environments

SPAIN

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- The time needed to get licences and permits required to take up and perform a specific activity in Spain is longer compared to that of most EU Member States.
- The fragmentation of the domestic market due to the proliferation of regulations at different levels of the administration (regional, local), in different sectors and areas, prevents businesses from taking advantage of economies of scale. Although recent reforms have been introduced to increase market unity, further work must be carried out, especially as regards regional regulation.
- Spain remains one of the Member States with the longest payment delays by public authorities and between businesses, giving rise to tighter financial conditions. Recent efforts to tackle late payment are expected to reduce payment delays and the stock of public debt once they enter into force.

Public procurement / PPPs

- The Spanish public procurement framework has features which do not allow for a full leveraging of private investment, in particular at regional and local level (e.g. excessive use of the negotiated procedure without prior publication of a contract notice, inefficient controls to minimise wrongdoings).

Judicial system

- Lengthy proceedings, in particular for commercial litigation, can affect investment.
- Recent reforms promoting the use of extra-judicial mechanisms facilitate a rapid resolution of cases and may be effective in order to reduce the burden of courts and tribunals.

Insolvency framework

- Several substantial reforms of the insolvency framework have been introduced in Spain in the last two years. Although it is still too early to assess their impact, the use of (company) pre-insolvency and insolvency proceedings in Spain could increase.

LABOUR MARKET / EDUCATION

Employment protection legislation & framework for labour contracts

- Despite the simplifications introduced by the 2012 reform, a degree of uncertainty on the outcomes of labour disputes remains, combined with a gap between costs for fair and unfair dismissals.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

Wages & wage setting	<ul style="list-style-type: none"> Collective bargaining remains centralized, though recent reforms eased the diffusion of firm-level agreements and opt-outs from sectoral agreements.
Education, skills, lifelong learning	<ul style="list-style-type: none"> Spain is experiencing labour and skills shortages in some sectors that are essential for economic growth, such as skilled human resources in science and technology

FINANCIAL SECTOR / TAXATION

Taxation	<ul style="list-style-type: none"> A relatively high effective marginal corporate tax rate (in the non-financial sector) might hamper investment in the real economy. The high debt bias in corporate taxation hampers developments in equity markets.
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Access to finance	<ul style="list-style-type: none"> The availability of equity financing remains limited, in particular in the early stages of business development. The deleveraging process will continue to weigh on access to finance, but recent actions have already contributed to improve it, notably measures taken in 2014 and 2015 to foster venture capital and to promote bank financing (role of the state-owned bank Instituto de Crédito Oficial), as well as the law on corporate financing and the reform of corporate insolvency.
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RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business	<ul style="list-style-type: none"> Duplications and gaps between national and regional R&I programmes and weak incentives for science-industry cooperation, result in a relatively weak cooperation between the public and business R&D sectors. The pending reform on the public administration of R&D funds continues to be delayed, which hampers a proper functioning of the system.
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Financing of R&D&I	<ul style="list-style-type: none"> There is relatively low venture capital investment at seed stage. Overall, investment in R&D&I could increase.
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SECTOR SPECIFIC REGULATION

Business services / Regulated professions	<ul style="list-style-type: none"> Regulation of professional services might hamper competition and creates barriers to the access and exercise of various services activities.
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Retail	<ul style="list-style-type: none"> Restrictions to the establishment of large retail outlets. Recent reforms of the authorisation requirements could help if effectively implemented. Such barriers may also stem from land use and land classifications under applicable urban planning rules.
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ICT and broadband network	<ul style="list-style-type: none"> The downwards revision of the high-speed network could reduce the success of “Digital Agenda for Spain”, which requires a strategy to guarantee a wide broadband access and plans such as the Telecommunications and Ultra-fast Networks plan.
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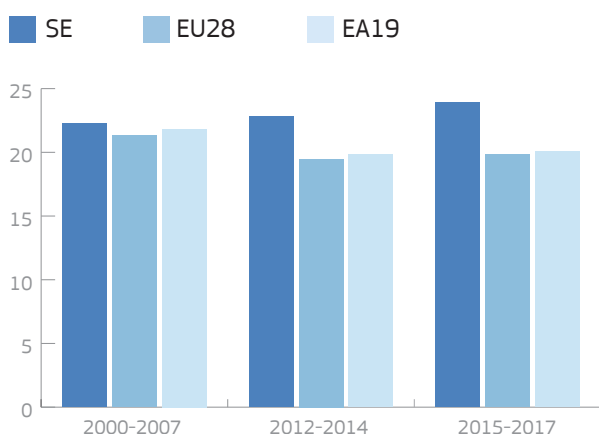
Energy	<ul style="list-style-type: none"> The electricity reform has established the conditions that should prevent new tariff deficit generation, but the rapid reform process and subsidy reductions have led to an increase in litigation.
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Transport	<ul style="list-style-type: none"> The short-term concessions for coach stops and stations limit the scope for private investments. The existing obligation to build a parallel toll-free road whenever a toll road is built hinders the expansion of the Spanish motorway system.
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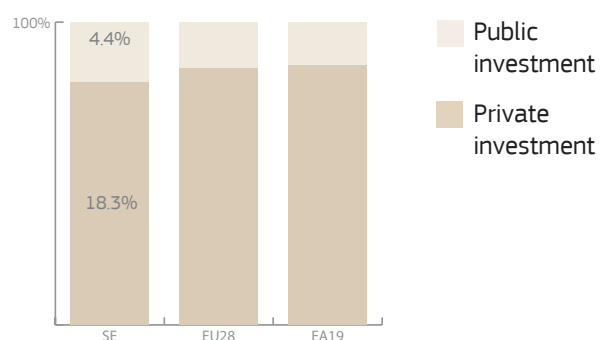
Challenges to Member States' Investment Environments

SWEDEN

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



PUBLIC ADMINISTRATION / BUSINESS ENVIRONMENT

Regulatory barriers and administrative burden

- Starting a business and enforcing contracts might be burdensome and time-consuming.

Public procurement / PPPs

- Insufficiently transparent public procurement procedures may discourage potential investors, in particular foreign firms and SMEs.

Insolvency framework

- The pre-insolvency framework is relatively efficient, but has lengthy procedures and is quite costly both directly (financing flexibility or administrative burden) and indirectly (reputational costs).

RESEARCH, DEVELOPMENT AND INNOVATION

Cooperation between academia, research and business

- Despite an overall strong position, there are weaknesses in the Swedish innovation system both in terms of the commercialisation of innovative products and the interaction between academic sector and industry. This can weigh on its capacity to retain and attract business R&D investment.

Financing of R&D&I

- The lack of venture capital prevents new ideas from reaching the market.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

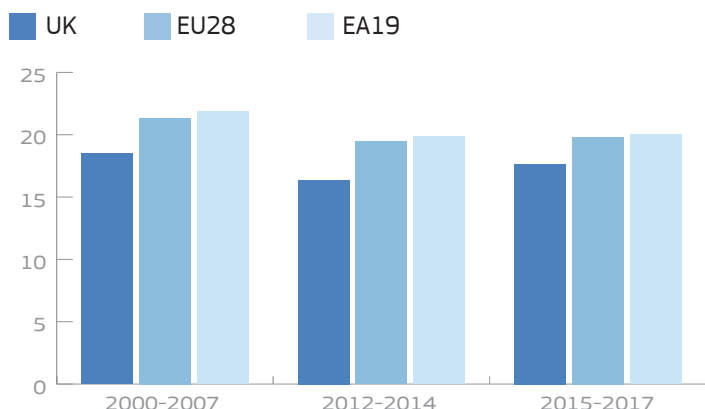
SECTOR SPECIFIC REGULATION

- | | |
|---------------------|--|
| Construction | <ul style="list-style-type: none">• Complex planning and building regulations, insufficient competition in the construction sector hamper investment in the construction sector. |
| Energy | <ul style="list-style-type: none">• Policy uncertainty about the future energy policy, regarding both renewable energy (electricity and transport), nuclear and the role of energy efficiency.• Administrative barriers to renewable energy projects can hamper investment. |
| Transport | <ul style="list-style-type: none">• Limited public funding for investment and maintenance of the rail network has resulted in an unsatisfactory functioning of the Swedish rail system. |

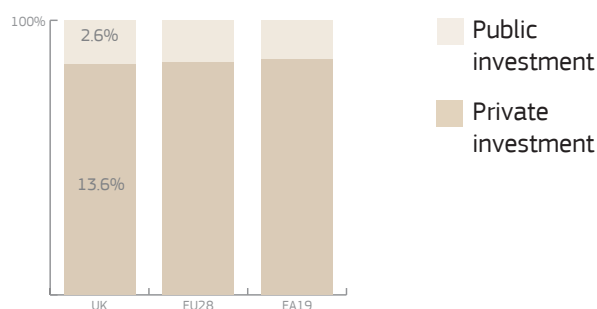
Challenges to Member States' Investment Environments

THE UNITED KINGDOM

Total investment (% GDP)¹



Share of public and private investment (2012-2014) (% GDP)²



LABOUR MARKET / EDUCATION

Education, skills, lifelong learning

- Skills shortages could hold back investment. In particular, for skilled professionals in the area of information and communications technology (ICT) demand is rising rapidly but supply is not keeping pace.

SECTOR SPECIFIC REGULATION

Digital Economy / Telecommunications

- A certain lack of competition in the procurement phase of projects might create the conditions for the incumbent to be awarded all tenders. In addition, wholesale access to the subsidised infrastructure has not been used by the incumbent's competitors.

Construction

- Strict planning rules and possible structural issues in the construction sector constrain the supply of housing.

Energy

- The UK's aged electricity grid is preventing the connection of new renewable energy projects: parts of the distribution grid do not have enough capacity to allow for new connections. Moreover, complex policies, high connection charges and unclear timeframes in connecting to the grid are hindering the development of small scale renewable energy generation projects.
- Long administrative delays in the procedures for planning permission might hamper investment.

¹Source: Ameco, autumn 2015 forecast. Simple average of yearly investment to GDP ratios

²Idem. For EU28, private investment amounted to 16.5% of GDP; public investment 2.9%. For EA19, this was 17% and 2.8% respectively.

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