

## Establishing the single market programme

Impact assessment (SWD(2018) 320 parts 1 and 2) accompanying a Commission proposal for a regulation of the European Parliament and of the Council establishing the programme for single market, competitiveness of enterprises, including small and medium-sized enterprises, and European statistics and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) 2017/826 (COM(2018) 441).

*This note is one of a series of brief initial appraisals of European Commission impact assessments (IA) accompanying the multiannual financial framework (MFF) proposals, tailored to reflect the specificities of the MFF package and the corresponding IAs.<sup>1</sup> It provides an initial analysis of the strengths and weaknesses of the European Commission's [impact assessment](#) accompanying the above-mentioned proposal, submitted on 7 June 2018.*

### Political and legal context; objectives

The Commission's proposal to establish a single market programme (SMP) for the 2021-2027 period would merge various existing and new programmes in the field of the single market (IA, pp. 12-30, 47).<sup>2</sup> The proposal derives from ex-post evaluations of existing programmes, studies and stakeholder consultations. It seeks to address the identified existing challenges highlighted in the IA as being that: a) the single market is fragmented, knowledge of it is lacking and doing business is cumbersome, especially for SMEs; b) there is a need to strengthen cooperation between Member States, and between Member States and the Commission; c) EU rules and standards are not always up-to-date and EU-level law enforcement needs to adapt to new challenges (like digital development); and d) health risks are a threat for the single market (e.g. cross-border health and food security threats). New priorities to be addressed, described in the IA, concern support for enforcement of EU competition policy (e.g. more sophisticated IT tools); and for SME's innovation uptake, of which the IA provides detailed information in Annex 4 and Annex 15 (pp. 23-28, 64-104 and 254-374). The IA also presents programme-specific adjustment needs to be tackled by the proposal (pp. 25-26 and Annexes 4-18, pp. 64-448).

To address the challenges, the IA defines the **general objective** as being to 'support a well-functioning single market, where both citizens/consumers and businesses see no difference between operating cross-borders and within their Member State and are safe in the knowledge that their rights are protected while preserving and further improve health for humans, animals and plants'. This translates into the following four **specific objectives**: i) empowering citizens/consumers, businesses (in particular SMEs) and public administrations to obtain full access to the opportunities offered by the single market; ii) fostering administrative cooperation via information, best practice exchange and capacity-building; iii) support for rule-making, standard setting and enforcement at EU level through gathering and analysis of financing data; and iv) fostering the protection of health as an invaluable resource for society and the internal market (IA, p. 29). **Operational objectives** are described in the programme-specific Annex 19 (IA, pp. 449-455). The IA also discusses **cross-cutting MFF objectives** such as flexibility, simplification and synergies, which stakeholders have called for, and which the initiative is due to address (IA, pp. 18-22 and 28-29).<sup>3</sup>

## Programme structure and priorities; delivery mechanisms of the intended funding

The IA presents three options for the implementation of the content-specific and cross-cutting objectives. **Option 1** (baseline) would maintain the current structure comprising multiannual programmes and budget lines, but would add new spending commitments on the enforcement of EU competition policy and scaling-up of SMEs (IA, pp. 7-10, 28). **Option 2 (preferred option, 'integrated scenario')** would provide a joint programme covering the 'current and new programmes and budget lines falling under the scope via a single legal base'. It would have a horizontal structure with specific pillars for governance of each programme and budget line. **Option 3** ('unified programme') comprises a single unified governance for a fully integrated programme. The IA compares the options against the parameters of flexibility, simplification, synergies and feasibility. Whereas Option 1 would not enhance the above parameters, Option 2 would add synergies, simplification and flexibility, although the latter two are described only briefly (IA, pp. 31-37). Option 3 would increase flexibility, simplification and, in particular, synergies, but would not be feasible, due to the difficulties of combining a unified governance model with the diverse activities involved. The IA notes that Option 3 is unlikely to be supported by stakeholders, which are in favour of continuing the current programmes. It would have been helpful for Options 2 and 3 to have been explained in greater detail, especially the pillar governance of the preferred Option 2, given that in the comparison of options it was considered as a limitation to greater synergy and simplification effects. Risks and mitigating measures are not discussed. A part of the programme would be coordinated and implemented by a Commission inter-service group, and certain activities could be delegated to executive agencies (e.g. management of grants) (IA, pp. 42-47). The IA mentions an additional option, where the inter-service group would be assisted by a common support centre, but this was discarded as it would create rigidity. The options have not been compared from the point of view of the specific objectives or, the Better Regulation criteria of effectiveness, efficiency and coherence, and the IA neglects to outline the expected budgetary, economic, social, environmental, health and consumer impacts of the options. The efficiency gains resulting from the expected synergies have not been quantified and the IA openly notes the difficulties in that regard. The IA stresses that although the potential savings and synergies would improve the delivery of the programme activities, they would not suffice to respond to the budgetary challenges of the EU27 baseline scenario. Therefore, prioritisation would be needed, as described in the IA (pp. 37-40). The IA explains the relationship between the SMP and other programmes and funds, as well as the internal coherence of the SMP (IA, pp. 5-12, 30). The IA explains that although the health programme would be implemented under the European Social Fund Plus (ESF+), it would contribute to the objectives of the SMP. The health objective of the SMP would be supported by the IT and business solutions; statistics; standardisation; and food chain sub-programmes (IA, pp. 5, 30). The implementation of the health dimension could have been explained in more detail, and the scope of the SMP could have been presented more clearly, as its description is to some extent scattered (references to existing and new programmes, the SME window of the InvestEU Fund, the health programme under the ESF+).

### Budgetary or public finance implications

According to the legislative proposal, the budget of the SMP proposal is estimated at €4 089 billion (in current prices) for the 2021-2027 period. In addition, €2 billion would be allocated under the [InvestEU Fund](#) (the SME window; the SME loan guarantee facility).

### SME test / Competitiveness

Support for SMEs is included in the objectives of the initiative, building on the experience of the current [COSME](#) programme, which is described in Annex 15. This annex provides also an assessment of the COSME+ programme (scaling-up instrument, the successor to COSME) (IA, pp. 254-374). In the stakeholder consultation, 238 SMEs responded and voiced challenges, such as problems of access to finance (IA, pp. 52-59). Competitiveness is discussed in particular in the context of the

competition policy and SMEs, but the IA does not provide a quantified estimate of the expected impact on the competitiveness of the SMP.

### Simplification and other regulatory implications

The initiative seeks to improve simplification, flexibility and synergies, e.g. in relation to data collection, training, IT tools. The IA does not greatly discuss the limitations mentioned, in terms of synergies and simplification, of the governance model of the preferred option. The IA notes the difficulties to quantify savings and synergy gains (IA, p. 33-38).

### Subsidiarity / proportionality

The IA explains that EU level action is needed to ensure the coherent implementation of the single market rules and the consistent development of the single market. About 80 % of the stakeholders considered that EU funds and programmes provide better results than if the measures had been carried out at the national level (IA, p. 40). Proportionality is not specifically discussed. No reasoned opinions were submitted by national parliaments by the deadline of 13 September 2018.

### Quality of data, research and analysis

The IA is supported by evaluations, studies and stakeholder consultations, which are described in extensive annexes, providing a solid source of data with references and links. It should be noted that the IA does not provide a proper impact analysis of the options, as required in the Better Regulation Guidelines. Although the health programme would be implemented under ESF+, it is included in some tables and annexes, which is to some extent confusing.

### Stakeholder consultation

The Commission conducted six online public [consultations](#) for the MFF proposals clustered by policy areas, rather than carrying out one online public consultation for each accompanying IA as normally required by the Better Regulation Guidelines. Instead of the mandatory 12-week duration, these six public consultations ran for eight weeks, from 10 January to 9 March 2018. The summary of the stakeholder consultation included in the IA, covers the '[single market cluster](#)', but focuses in particular on the 307 replies concerning the EU support for the single market and the 1 034 replies on SMEs and entrepreneurship. The IA summary also refers to the programme-specific stakeholder consultations, which are explained in the annexes (IA, pp. 52-448).

### Monitoring and evaluation

Given the wide scope of the SMP, key performance indicators reflecting the content-specific and cross-cutting objectives have been developed. The evaluation plan envisages mid-term and ex-post evaluations of various components of the programme, which would contribute to the evaluation of the whole programme (IA, pp. 47-49 and 449-513). The monitoring and evaluation requirements are included in the proposal.

### Commission Regulatory Scrutiny Board

The RSB issued a [positive opinion](#) on a draft IA on 20 April 2018, with recommendations for improvements. The IA explains, as required by the Better Regulation Guidelines, how the RSB's remarks have been addressed (IA, p. 51). These appear to have been broadly covered.

### Coherence between the Commission's legislative proposal and IA

It appears that the legislative proposal largely follows the IA. However, it may be noted that in the legislative proposal the objectives have been re-formulated to some extent; in particular, the high quality statistics have been included in the objectives.

## Conclusions

Overall, the IA clearly explains the problems of the single market and the objectives to address them, and provides a solid source of data with references and links. It explains the relationship between different programmes and funds, which have a link to the single market programme. On the other hand, the options have not been compared against the specific objectives or, the criteria of effectiveness, efficiency and coherence, and the IA does not provide information on the expected economic, budgetary, social, environmental, health and consumer impacts of the options. The IA openly notes the difficulties in quantifying efficiency gains resulting from synergies. The health dimension could have been explained in more detail, as it is implemented through various sub-programmes and, according to the IA, the health programme under the ESF+ would also contribute to the health objectives of the SMP. In addition, it would have been useful for the IA to describe the scope of the SMP and the governance of the preferred option more clearly.

## ENDNOTES

- <sup>1</sup> The almost parallel adoption of the spending programmes and the MFF proposals had an impact on the IA process and resulted in simplified IAs, with their format and scope differing from the standard IAs as defined by the Commission's Better Regulation Guidelines (see also [Toolbox 10 Financial Programmes and Instruments](#)).
- <sup>2</sup> The programmes concerning: IT and business solutions; European statistics; implementation and development of single market for financial services; standards in the field of reporting and auditing; enhancing the involvement of consumers and other end-users in Union policy-making in financial services; company law and anti-money laundering; new deal for consumers; internal market and governance tools; support for standardisation activities; development of the internal market for goods, services and public procurement; competitiveness of SMEs; food chain; customs and tax policy development; competition policy for a stronger Union in the digital age. In addition, the SME window of the InvestEU Fund and the health programme under the ESF+ would support the objectives of the SMP.
- <sup>3</sup> See more information: M. Szczepanski, [Supporting the single market beyond 2020](#), EPRS, European Parliament, September 2018.

This briefing, prepared for the Committee on Internal Market and Consumer Protection (IMCO), analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.

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