BRIEFING

EU Legislation in Progress
2021-2027 MFF

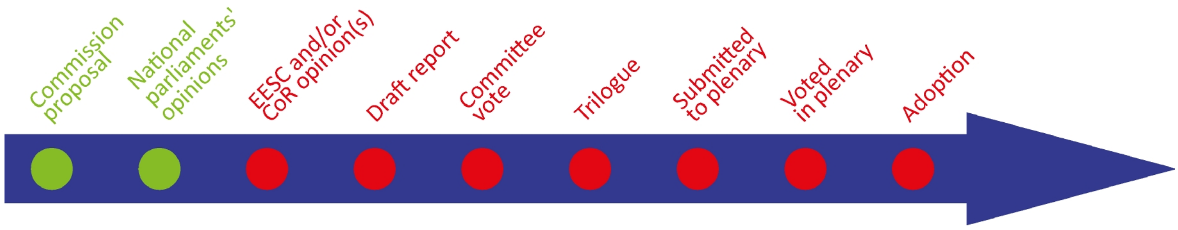
Supporting the single market beyond 2020

OVERVIEW

For the next long-term EU budget framework (2021-2027), the Commission is proposing a new, dedicated €4 billion programme aimed at empowering and protecting consumers, and enabling Europe's many small and medium-sized enterprises (SMEs) to take better advantage of a well-functioning single market. The financial envelope will be supplemented with the additional allocation of €2 billion under the InvestEU Fund, in particular through its SME window.

The new programme aims to strengthen and streamline the governance of the EU's internal market. It will support the competitiveness of business, and promote human, animal and plant health and a safe food chain, as well as financing European statistics to provide reliable data relevant to the single market. The proposal consolidates and streamlines a wide range of activities that were previously financed separately, and bundles them into one programme. The aim here is to generate benefits in terms of flexibility, simplification and synergies, and eliminate overlaps.

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		
Committee responsible:	Internal Market and Consumer Protection (IMCO)	COM(2018) 441 7.6.2018
Rapporteur:	Nicola Danti (S&D, Italy)	2018/0231(COD)
Shadow rapporteur:	Inese Vaidere (EPP, Latvia) Jasenko Selimovic (ALDE, Sweden) Igor Šoltes (Greens/EFA, Slovenia)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Next steps expected:	Publication of draft report	



EPRS | European Parliamentary Research Service

Author: Marcin Szczepański
Members' Research Service

PE 628.237 – September 2018

EN

Introduction

The single market was launched 25 years ago, and allows the free movement of people, goods, services and capital between the European Union's Member States. Nowadays, it is the largest market in the world with 500 million European citizens and 24 million companies. It generates €14 trillion in annual gross domestic product (GDP) while trade in goods alone accounts for a quarter of the EU's total GDP and constitutes nearly a sixth of global trade in goods.

However, despite the adoption and implementation of over 3 500 measures, the single market project is far from finished, rather it is constantly evolving, taking into account changing circumstances and emerging challenges and obstacles. Many barriers, such as gaps in legislation, administrative burdens, ineffective implementation and poor enforcement of EU law, continue to stand in the way of the EU unleashing the full potential of a genuine European market in which there are no differences between operating nationally and at EU level. The benefits to be reaped are significant – a study by the European Parliamentary Research Service (EPRS) shows that as much as €615 billion annually, representing 4.4 % of EU GDP, could be gained by full delivery of the single market in the areas of free movement of goods and services and public procurement, and in relation to consumer laws.

Consequently, further market integration has been one of the Juncker Commission's main priorities, pursued principally by means of the single market and digital single market strategies as well as the capital markets union action plan. It is also supported by the Council and the European Parliament, which have both called on numerous occasions for improvement in the governance and efficiency of the single market. To achieve this in times of budgetary constraint, the Commission sees the need to identify potential synergies and eliminate the overlaps in EU policies, as well as the necessity to address the complexity of the many existing tools and programmes. It therefore proposes to create a dedicated single market programme in the next long-term EU budget framework, which will bring many activities together into a more coherent framework.

Context

The single market programme has been proposed as part of the 2021-2027 multiannual financial framework (MFF). The expenditure side of the next long-term EU budget proposed by the Commission totals €1 134 583 million in commitments and €1 104 805 million in payments (in 2018 prices), equivalent to 1.11 %, and 1.08 % of the EU-27's gross national income (GNI) respectively.[1] There are differences between the structures of the future and current MFF. The number of headings has risen from five to seven, and some programmes have shifted between headings. Furthermore, the number of programmes has been reduced from 58 to 37. One EPRS analysis finds that 'headings chosen by the Commission show a move away from the current nomenclature based on the Europe 2020 strategy, such as "smart and inclusive growth", towards other EU priorities, such as the digital economy, migration, border management and defence. This shift in priorities can be seen in the choices made to increase or decrease funding: increases are most visible in the areas of research and innovation, support for investment, migration and border management, and security and defence. Cuts have mainly fallen on cohesion policy and the EU's Common Agricultural Policy. Instruments outside the MFF have generally been boosted and the rules adapted to afford the EU more flexibility within its seven-year financial plan'.

The single market programme has been included under heading 1: 'Single Market, innovation and digital', which constitutes almost 15 % of the MFF. The heading's biggest components are Horizon Europe (currently Horizon 2020), with €86.6 billion (up by 29 %), the Connecting Europe Facility, with €21.7 billion, the European Space Programme, with a budget of €14.2 billion (up by 26 %) and the InvestEU fund, with €13 billion.

Existing situation

Current financing of the single market involves a mix of programmes and budget lines. A harmonised and coordinated framework such as the proposed single market programme does not exist. The areas financed under existing programmes include the competitiveness of enterprises, interoperability solutions, statistics on Europe, financial reporting and auditing, consumer protection, customers and end-users in financial services, policy-making in financial services and safety of the food chain. The areas financed under several budget lines deal with the following: internal market, its governance and standardisation, and the competitiveness of SMEs: implementation and development of the internal market for financial services; company law; operation and development of the internal market for goods and services, customs and tax policy development.[2] These actions and programmes amount to nearly €6 billion under the current funding framework.

Furthermore, as compared to the baseline in 2014, the Commission has undertaken a number of new commitments during the current MFF that will also need to be financed under the next MFF. These include the health technology assessment, mutual recognition and market surveillance, procurement strategy and the ex-ante assessment mechanism, the single digital gateway, the type approval and market surveillance of motor vehicles, the new deal for consumers, the action plan to finance sustainable growth,[3] and initiatives to empower competition authorities.[4] These actions are estimated to amount to €315 million in the next MMF.

The following legislative acts are to be superseded by the proposal: the 2014-2020 consumer programme, the COSME 2014-2020 programme for the competitiveness of enterprises and SMEs, the European statistical programme 2013-2017, the programme to support specific activities in the field of financial reporting and auditing 2014-2020, the management of expenditure relating to the food chain, animal health, animal welfare, plant health and plant reproductive material 2014-2020, and the programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy-making in the area of financial services 2017-2020.

Parliament's starting position

In its resolution of 14 March 2018 on preparing the Parliament's position on the post-2020 MFF, the European Parliament asked for the COSME budget to be doubled to correspond to the actual needs of the economy and the high demand for participation. Members of the European Parliament called for a 'greater concentration of budgetary resources in areas that demonstrate a clear European added value and stimulate economic growth, competitiveness, sustainability and employment across all EU regions'. The resolution also sees the need for genuine simplification of the EU budgetary system in the next MFF, with the aim in particular of facilitating fund absorption. The Parliament also highlighted the need to reduce unnecessary overlaps between instruments that serve similar types of action, for example in the areas of innovation and SMEs. Parliament underlined that this should be done 'without running the risk of losing important elements of the different programmes, and the necessity of eliminating the competition that exists between different forms and sources of funding, in order to ensure maximum complementarity and to provide for a coherent financial framework'. This, Members believe, will lead eventually to clearer communication of EU priorities to European citizens.

Furthermore, given SMEs' importance for the EU economy, Parliament called for action to facilitate their access to finance across all Member States in the next MFF, in order to further enhance their competitiveness and sustainability. Members underlined the need to promote entrepreneurship and improve the business environment for SMEs. In order to use resources more efficiently, Parliament called for 'reduction in administrative burdens through further standardisation and simplification of procedures and programming documents'. It also underlined the need to provide for more capacity-building and technical assistance for beneficiaries.

Council and European Council starting position

Action to strengthen the governance of the single market and its effectiveness has been supported in numerous Council conclusions. Furthermore, the Competitiveness Council of 12 March 2018 underlined the need to do more to explain to the public and businesses 'what the single market implies in terms of benefits, at both domestic and cross-border levels, and how they can influence its development'.

The European Council of October 2017, meanwhile, called for deeper integration of the single market and practical delivery of its benefits to citizens and businesses.

Preparation of the proposal

The impact assessment was based on mid-term evaluations and experience gathered while running the individual programmes and budget lines under the 2014-2020 MFF. Since they differ to a large extent in terms of size, scope, and organisation, the conclusions and lessons learned from their running are also very varied.[5] Individual annexes to the impact assessment contain detailed information about the programmes. However, the Commission also draws some important common conclusions. First, businesses and citizens are not very aware of EU-related information such as product requirements, authorisations, taxes, registrations and support for access to finance, EU citizenship rights, formalities when moving to another Member State or purchasing/selling goods and services abroad. Second, administrative cross-border cooperation needs to be improved in order to monitor the single market effectively and achieve proper compliance of businesses with EU rules. Third, policy making, enforcement and evaluation, as well as standard setting, need to be based on high-quality updated and relevant information. Fourth, human, animal and plant health, particularly in the context of a safe food supply chain, are crucial for society and for the functioning of the single market and encouraging trade.

The Commission also analysed the functioning of the programmes and budget lines and saw some room for improvement. This can be done by pooling resources for gathering data, launching studies and coordinating the use of results. Training courses and capacity-building could also be better coordinated to avoid duplication and could be offered with the same core information, then tailored to specific sectoral needs. A similar need for better coordination relates to awareness-raising activities, joint enforcement measures on product and food safety or consumer protection law, and support for networks of national authorities. There is also big scope for improvement by means of greater convergence between the information technology (IT) systems used for cooperation between national competent authorities and the Commission.

The public consultation on the MFF proposal ended in March 2018. The most important challenges relevant to the single market programme were access to finance, especially for SMEs, and the digital transition of the economy (82 %), promotion of public health (79 %), the encouragement of industrial development (78 %), and fair competition and safe food (75 %). Between 20 % and 50 % of respondents considered that the current single market programmes and funds were addressing these challenges fully or fairly well. The results of the public consultation as well as the evaluations by participating directorates-general confirm simpler rules as the most desired change in the next MFF (90 % of responses). The need for more flexibility and the exploitation of synergies between programmes and funds also scored high (60 % to 75 % of replies). A high number of demands for the rationalisation of EU funds were also expressed by national and local authorities.

The impact assessment considered three scenarios. The first, discarded, 'business as usual' option would be feasible since it continues present programmes, but it would not add benefits in terms of flexibility, simplification or synergies. Another rejected scenario was a fully 'unified programme' with a single legal structure covering all spending within the scope of the programme. It was discarded due to the difficulty of arriving at a consensus on a single unified governance system given the multitude of programmes and stakeholder interests. The chosen option in the form of the 'integrated scenario' groups the programmes and budget lines under a coherent horizontal structure. It was the preferred option as it seems feasible (it can be implemented through a new unified basic act with sub-provisions for specific institutional/governance models, which avoids disruption) yet it retains scope for adding simplicity, flexibility and generating synergies between programmes.

The changes the proposal would bring

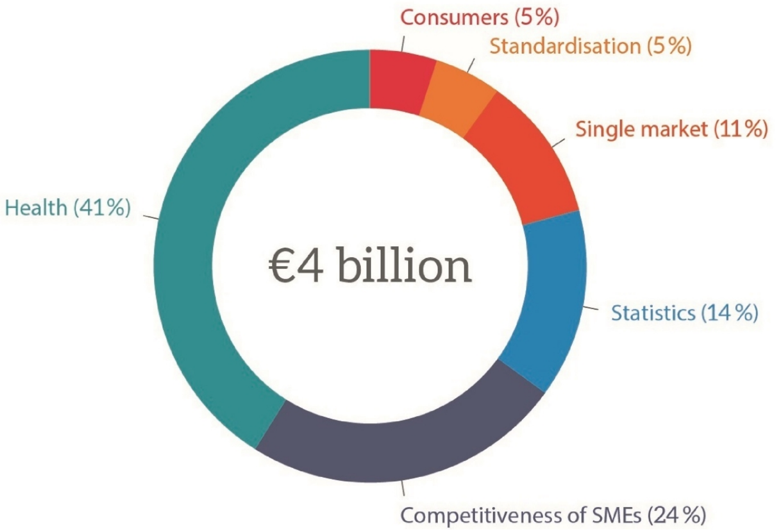
As explained above, the proposal would bundle 17 programmes and actions financed under the current MFF and eight commitments undertaken by the Commission in the meantime that will need to be financed in the future MFF. The Commission is also proposing to add two entirely new commitments. The first, 'An ambitious competition policy for a stronger Union', would boost the policy by improving tools, infrastructure, expertise and information, strengthening cooperation with authorities and raising awareness among stakeholders. The second would be a COSME+ scaling-up instrument directed at SME uptake of results from other EU programmes.

The proposal would therefore mainly consolidate and streamline a wide range of activities that were previously financed separately within one programme, in an attempt to manage them more efficiently. The total proposed financial envelope is approximately €4 billion (see Figure 1). The main strands of action would be to:

- empower and protect consumers by ensuring their knowledge of the rules and safety of the products on the market as well as improving cooperation among national authorities. Suggested tools would be a 'rapid alert system' for dangerous products, the Consumer Protection Cooperation network addressing illegal practices, European consumer centres for solving consumers' problems and an online dispute resolution mechanism to enable consumers to solve disputes out of court;
- support the competitiveness of businesses, in particular SMEs, by facilitating financial support and access to markets, reducing red tape, promoting the uptake of innovation, and fostering a growth-conducive business environment. Proposed tools would include the Enterprise Europe Network to advise SMEs on how to expand across borders, and action to provide for debt and equity financing under the SME window of the InvestEU fund;
- ensure a high level of human, animal and plant health by means of action against animal diseases and plant pests, as well as promoting safety and sustainability in food production, improving animal welfare and official controls. Other measures would promote market access for EU food producers and their exports to third countries. Proposed tools would be the rapid alert system for food and feed (RASFF), EU reference laboratories and centres, the financing of emergency measures, and training for authorities;
- increase the effectiveness of the single market by boosting cooperation between Member States and the Commission so that the EU rules would be properly implemented and enforced. This would be achieved in part by means of new rules in the areas of company and contract law, anti-money-laundering, and the free movement of capital. The Commission would also focus on financial services and public procurement. The suggested tools are the single digital gateway, the internal market information system, and the Solvit network;
- ensure fair competition in the digital economy by improving IT tools and expertise of the Commission so as to enforce competition rules to work effectively in the online economy, and to address market developments such as the use of big data and algorithms. In this respect, cooperation between the Commission and Member State authorities and courts would be strengthened;
- produce high-quality European statistics by ensuring that national statistics institutes receive adequate funding, in order for them to produce and share high-quality statistics

to monitor the economic, social, environmental and territorial situation. This would be achieved by boosting the partnership between Eurostat, the European Statistics Office, and national statistics institutes, deploying multiple data sources, sophisticated data analytics methods, smart systems and digital technologies;
- develop effective standards by providing funding to organisations that develop them. The suggested method would be to strengthen cooperation between the Commission and European standardisation organisations by using joint initiatives and action plans.

Figure 1– Estimated breakdown of the single market programme elements



Data source: Secretariat of the EP Committee on Budgets.

Article 4 of the text stipulates that €1.68 billion would go to support human, animal and plant health along the food chain.[6] A further €1 billion would be dedicated to improving the competitiveness of businesses, particularly SMEs, and around €500 million would help improve European statistics related to the single market. An additional €188 million would be allocated for consumer protection.[7]

The methods, which the Commission expects to deliver synergies and streamline the governance of the many strands of the programme, would include common training courses and capacity-building initiatives, coordinated cross-border law enforcement, more coherent data gathering and processing, pooling the activities that support the networks of national authorities, setting up networks for awareness-raising activities, streamlining IT assets and sharing IT development and operations. The day to day running of the programme would require an inter-service group within the Commission to coordinate, and some tasks would be delegated to the executive agencies.

The Commission expects the new common structure to improve the predictability and flexibility of the budget. In general, the flexibility is greater within budget headings than between headings, as it does not require revision of the MFF Regulation but just the approval of the Council and European Parliament.

The single market programme in its proposed integrated form does not exist in the current financial period (2014-2020). However, total expenditure for elements now grouped under the programme would increase by 9 % in the 2021-2027 period,[8] totalling €4.089 billion with the additional allocation of €2 billion under the InvestEU fund, in particular through its SME window.

It is worth noting that the proposal falls well short of the European Parliament's call to double the current envelope for the COSME programme that supports SME competitiveness. The proposed increase is by 17 % only.

Advisory committees

The European Economic and Social Committee (rapporteur: Oliver Röpke, Workers – Group II / Austria) is expected to vote on its opinion during the October 2018 plenary session. The Committee of the Regions (rapporteur: Deirdre Forde, EPP, Ireland) plans to adopt its opinion at the December 2018 plenary session.

National parliaments

The deadline for the submission of reasoned opinions on the grounds of subsidiarity was set for 13 September 2018. None of the nine parliamentary chambers from the seven Member States that scrutinised the proposal raised subsidiarity concerns.

Stakeholders' views[9]

The Bruegel think-tank welcomed the focus in the 2021-2027 MFF proposal on finding synergies in pan-European projects and the increased spending flexibility. However, it also found the new structure of the budget complex despite the reorganisation of spending programmes and reduction in the total number of programmes.

The Centre for European Policy Studies (CEPS) noted that a new heading on 'Single market, innovation and digital' is 'increasing in line with its predecessor, the "Competitiveness for growth and jobs", and thus is growing – but not in a revolutionary way'.

The European Association of Craft, Small and Medium-Sized Enterprises (UEAPME) welcomed the SME-dedicated support offered via COSME in the single market programme and the €2 billion support for loan guarantees and equity finance implemented by InvestEU, saying that they will contribute to the competitiveness of European SMEs and support their access to European and third-country markets. The association would like to see improvements in the Enterprise Europe Network and continued financing of SME participation in standardisation.

The European Alliance for Culture and the Arts emphasised that SMEs from the cultural sector need support under the new programme for 'developing and adopting sustainable and innovative operating models, in order to perform better, enhance their own competitiveness and contribute to the EU's economic and social development' still more.

UFI, the Global Association of the Exhibition Industry, stated that the single market programme was building on the success of the current COSME programme. It welcomed the strengthening of the support given to SMEs to scale up and expand across borders, and saw it as a chance to host more SMEs on exhibitions and help them internationalise.

Legislative process

In Parliament the proposal has been allocated to the Internal Market and Consumer Protection Committee (IMCO). The Committees on Economic and Monetary Affairs (ECON), Environment, Public Health and Food Safety (ENVI), Industry, Research and Energy (ITRE), and Agriculture and Rural Development (AGRI) are each associated committees under Rule 54. The Committee on Budgets (BUDG) is also expected to give an opinion.

In Council, work on the Commission's proposals is taking place within the ad hoc working party on the 2021-2027 MFF. The Austrian Presidency has underlined the importance of developing and deepening the single market and its readiness to continue constructive negotiations on the programme. On 17 September 2018, it published its proposal on horizontal topics in the single market programme, with a view to discussion by the Working Party on Competitiveness and Growth (Industry). It clarified the scope of the programme with particular regard to the production of statistics, proposed annual monitoring and the preparation of annual work programmes by the Commission, governance of the programme through the Committees, and inclusion of third countries in awareness and best practice exchange activities.

The initial position of Member States on the new MFF indicates that Croatia, Cyprus and Slovenia are in favour of supporting micro-, small and medium-sized enterprises. Furthermore, Belgium, Spain, France, Italy and Latvia support programmes for competitiveness. The Czech Republic, Greece, Lithuania, and Portugal do not however wish to see funding for new priorities occur at the cost of the current priorities.

EP SUPPORTING ANALYSIS

Dobreva A., Multiannual Financial Framework 2021-2027: Commission Proposal - Initial comparison with the current MFF, EPRS, European Parliament, May 2018.

Parry M. and Sapała M., 2021-2027 multiannual financial framework and new own resources: Analysis of the Commission's proposal, EPRS, European Parliament, July 2018.

Svášek M., How the EU budget is spent - COSME, EPRS, European Parliament, June 2016.

The next multiannual financial framework (MFF) and its flexibility, Policy Department for Budgetary Affairs, European Parliament, November 2017.

OTHER SOURCES

Programme for single market, competitiveness of enterprises, including small and medium-sized enterprises, and European statistics 2021–2027, European Parliament, Legislative Observatory (OEIL).

Single market programme - legal texts, European Commission.

ENDNOTES

[1] On the face of it, this constitutes an increase on the 2014-2020 MFF that amounts to 1.02 % of EU-28 GNI (commitments). However, factors such as incorporation of the European Development Fund for the first time and the United Kingdom's expected withdrawal from the EU invalidate such simple comparison. Importantly, the MFF is well below the 1.3 % of EU GNI demanded by the European Parliament in March 2018.

[2] For detailed information, see Table 1.1 in the impact assessment accompanying the proposal, p. 8.

[3] Budget allocation for the plan is not defined yet.

[4] For detailed information see *idem*, Table 1.2, p. 9.

[5] Useful information about main lessons learned is provided in Table 1.3 of the impact assessment, p. 12.

[6] Agence Europe reported that, according to Health and Food Safety Commissioner Vytenis Andriukaitis, the allocation of €1.68 billion out of the €4 billion proposed for the programme for food safety is visible proof of its importance. He added that, due to withdrawal of the United Kingdom from the European Union, the Member States are likely to deal with an increased workload in the field as the United Kingdom has highly specialised scientists and labs.

[7] These amounts are in current prices.

[8] In 2018 prices.

[9] This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

DISCLAIMER AND COPYRIGHT

eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

http://epthinktank.eu (blog)

First edition. The 'EU Legislation in Progress' briefings are updated at key stages throughout the legislative procedure.