EUROPEAN
COMMISSION

Brussels, 7.6.2018
SWD(2018) 320 final

PART 1/2

COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT

Accompanying the document

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) No 2017/826

{COM(2018) 441 final} - {SEC(2018) 294 final}

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Glossary

Term or acronym	*Meaning or definition*
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
COSME	Europe’s programme for small and medium-sized enterprises
DG COMP	Directorate-General Competition
DG DIGIT	Directorate-General Informatics
DG ESTAT	Directorate-General Eurostat - European statistics
DG FISMA	Directorate-General Financial Stability, Financial Services and Capital Markets Union
DG GROW	Directorate-General Internal Market, Industry, Entrepreneurship and SMEs
DG JRC	Directorate-General Joint Research Centre
DG JUST	Directorate-General Justice and Consumers
DG SANTE	Directorate-General Health and Food Safety
DG TAXUD	Directorate-General Taxation and Customs Union
EASME	Executive Agency for Small and Medium-sized Enterprises
EEA	European Economic Area
EFTA	European Free Trade Association
GDP	Gross Domestic Product
MFF	Multiannual Financial Framework
NGOs	Non-governmental organizations
REFIT	The Commission's Regulatory Fitness and Performance programme
SMEs	Small and medium-sized enterprises
SMP	Single Market Programme
TFEU	Treaty on the Functioning of the European Union

1. Introduction: Political and legal context

The Single Market is a cornerstone of the European Union. Since its inception, it has proved a major contributor to growth, competitiveness and employment. It is one of Europe's major achievements and its best asset in an increasingly global world. It is also an engine for building a stronger, more balanced and fairer EU economy. To fully deliver the Single Market on the ground, the substantial body of EU legislation and standards underpinning it is not sufficient in itself. Adopting rules is only one part of the picture; making them work is just as important: citizens and businesses need to know their rights, local administrations need to know how to apply the rules and courts need to know how to enforce them. This means information tools, training programmes or emergency mechanisms need to be in place. Financial support within the EU Budget is thus indispensable to help ensure the effective operation of the Single Market. This is ultimately a matter of trust in the EU, in its capacity to create growth and jobs while protecting the public interest.

The achievements of the Single Market are not irreversible. They will require continued investment in the future not only to be preserved but also to achieve their full potential and for the EU to be able to address new economic challenges. In view of the increasing pressure from global competitors and in the absence of appropriate financing, there is a risk that the effectiveness of the Single Market would be undermined and that fragmentation and protectionist tendencies within the EU could increase. This would in turn impact the way citizens perceived the benefits of European integration. The EU has an interest, therefore, in ensuring that such support framework continues to function to the benefit of the EU economy and citizens.

1.1. Scope and context

One of the priorities of the Juncker Commission is to establish a deeper and fairer Internal market, as shown in particular by the adoption of the Digital Single Market[1], of the Single Market Strategies[2] and the Capital Markets Union Action Plan[3], all in 2015. A strong Single Market is also seen as a precondition for a stronger Union in the President's "6th scenario" for the future set out in the State of the Union speech of 2017[4]. This requires a consistent effort in all the relevant fields of the Single Market. To be in a better position to tackle them, in a context of budgetary constraints, the EU needs to seek synergies and prevent duplication and fragmentation in its support to the Single Market. It also needs to ensure greater visibility and coherence of its action towards Single Market users, who may find in particular the proliferation of tools and support programmes confusing.

Strengthening the governance of the Single Market is also fully in line with the numerous Council conclusions or European Parliament Resolution dealing with the Single Market most notably in the *Competitiveness Council conclusions of 29 February 2016 on the Single market strategy (Ref 6622/16)* and of the *Resolution of the European Parliament of 26 May 2016 on the Single market strategy (Ref. 2015/2534 (INI))*.

1 COM(2015) 192 final "A Digital Single Market Strategy for Europe"
2 COM(2015) 550 final, Upgrading the Single Market: more opportunities for people and business
3 COM(2015) 468 final, "Action Plan on Building a Capital Markets Union"
4 http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm

As a result, the Commission concluded on the need to propose a programme for the Single Market for the next multiannual financial framework.

At the time of submission to the Regulatory Scrutiny Board[5] various scenarios for the COSME, ISA² and Health programmes were under discussion. Either programme could remain integrated in the Single Market Programme or adopted as part of another programme or, in the case of COSME, part of the programme could be moved to the InvestEU Fund. If any of these programmes or parts of them were to be adopted under another programme, the present impact assessment would nevertheless remain valid by disregarding the relevant elements.

Following the finalization of this Impact Assessment the loan guarantees for SMEs previously provided for under the COSME programme, will be implemented under the SME window of InvestEU[6] in a format further described in this impact assessment[7].

After the submission of this impact assessment to the Regulatory Scrutiny Board a political decision was taken by the Vice-Presidents that the Health programme will be implemented as part of the European Social Fund+. Through different actions, the Health programme and the Food Chain programme aim to ensure a high level of health protection (of humans, animals, plants) in the Single Market as mandated by Articles 114 and 168 TFEU. In other words, they contribute fully and appropriately to the objectives of the Single Market programme, notably (but not exclusively) to the objective of ensuring that the operation of the internal market "take(s) as a base a high level of protection" in matters concerning health.

On the other hand, measures under the Health programme are also characterized by a strong social dimension, in that they also aim to address health inequalities and health social determinants, issues which citizens and stakeholders in general consider to be better addressed in conjunction with other measures of the EU social pillar. The results of the open public consultation for the Internal Market programme indeed confirm citizens' and stakeholders' views in that sense, without questioning the relevance of the Health programme measures for the functioning of the Single Market or their objectives.

This means first that, when the Health programme be integrated into the European Social Fund+ framework instead of the present programme, its measures will continue to play a key role in ensuring the smooth functioning of the Single Market (for patients moving across borders, for products – pharmaceuticals, medical devices, blood, organs, etc.). Secondly, that the health dimension and objectives of the Internal Market programme will remain valid, and they will be pursued both through the measures of the Food Chain programme and through synergies to be established with the Health programme. To all extent and purposes, the Health programme impact assessment was an integral part of the Single Market programme impact assessment.

[5] On 28 March 2018.

[6] COM (2018) 321 final "A Modern Budget for a Union that Protects, Empowers and Defends, The Multiannual Financial Framework for 2021-2027". Pages 18 – 19 indicate that the loan guarantees for SMEs will be delivered through the relevant window of the InvestEU Fund through an amount of € 2 billion attributable to this programme but allocated under the InvestEU Fund.

[7] See programme-specific annex 15, COSME Subannex – Access to Finance for SMEs

Implementing these actions through other MFF programmes changes the size of the programme but does not materially alter the objectives, suggested programme structure and delivery mechanisms for the Single Market Programme. Non-participation of any of these programmes may affect certain synergies quantitatively but not qualitatively as these synergies could still be partially achievable.

A stand-alone Impact Assessment for COSME[8], ISA[2] [9] and the Health Programme[10] have been drafted and are annexed to the Single Market programme. For the purpose of presenting the impact assessment for the Single Market Programme, these elements will remain included in the further analysis.

The baseline for this impact assessment includes both the current MFF and the theoretical impact of the departure of the United Kingdom from the EU (EU27 baseline scenario)[11] for 14 programmes and budget lines dealing with specific aspects of the Single Market. The total current budget is just under €6bn or 0.55% of the total EU28 budget meaning that the existing programmes and budget lines provide substantial EU value added with a very limited impact on the EU budget.

Following upstream guidance from the Regulatory Scrutiny Board (RSB) this impact assessment will focus on the merging of the existing programmes and not analysis of the individual programmes and budget lines[12] described in table 1.1, along with the additional commitments undertaken since the adoption of the current MFF by the Commission as described in table 1.2[13]. It also includes the analysis of proposed new interventions to support the functioning of the Single Market under the new MFF as described in table 2.1.

Potential benefits of grouping existing programmes and budget lines together, such as flexibility in terms of fund allocation, simplification of programme structure, management and delivery modes and exploitation of synergies (e.g. avoiding duplication of efforts or common actions), will be explored.

This impact assessment satisfies the requirements of the Financial Regulation in respect of preparing an ex-ante evaluation.

The selected programmes and budget lines under the current multiannual financial framework are united by their shared objectives to regulate, implement, facilitate, enforce and protect various activities and actors within the Single Market regulatory framework. Thus they are all, in their different ways, essential for the functioning of the Single Market. The selected budget lines include activities that support delivery of the Single Market in the wider sense, such as the need to safeguard the health of humans, animals and plants, so as to preserve a well-functioning Single Market and its resources and its activities. It includes supporting business opportunities for SMEs through access to finance and new markets and encouraging the entrepreneurial spirit in the Single Market. These programmes and budget lines are an important contribution to empower citizens,

[8] See Programme-specific annex 15
[9] See Programme-specific annex 5
[10] See Programme-specific annex 16
[11] I.e. 2014-2020 MFF commitments minus 15%
[12] The programme specific annexes provide description and analysis of individual programmes and are prepared in accordance with the same guidelines as the main document. (see annex 4-18).
[13] These additional commitments are to be added to the Baseline EU 27 scenario

consumers, businesses and administrations in the Single Market. They are included in the scope of the Single Market programme to ensure their uninterrupted delivery.

Furthermore, it should be noted that, while it undoubtedly contributes to the delivery of Single Market policies, the European Statistical Programme covered by this impact assessment has a transversal character which is wider than the Single Market as it serves all policies of the Union based on Article 338 TFEU. Therefore it is important to ensure that the inclusion of the European Statistical Programme in the scope of this programme does not jeopardise the continued provision of high quality statistics on Europe to support the design, monitoring and evaluation of all Union policies, including empowering businesses and citizens to take informed decisions.

Table 1.1 Initial commitments under the scope of the Single Market Programme

Programme/ Budget line	**Current MFF EU28 (m €)**	**EU27 baseline scenario (m €)**[14]	**Description**
1. Interoperability solutions and common frameworks for European public administrations, businesses and citizens as a means for modernising the public sector (ISA² programme)	180	153	The programme supports the development of digital solutions that enable public administrations, businesses and citizens in Europe to benefit from interoperable cross-border and cross-sector public services.
2. Implementation and Development of Single Market for Financial Services	25.9	22	This budget line covers measures contributing to the completion of the internal market and its operation and development in the area of financial services, financial stability and capital markets union. It covers expenditures on consultations, studies (including conformity assessment of the legislation), surveys, evaluations, meetings of experts, information activities, awareness raising, training materials, publications and development of policy-related IT systems.
3. European Statistical Programme (ESP)	452.8	384.9	The programme provides high quality statistics on Europe using multiple data sources, advanced data analytics methods and digital technologies to support the design, monitoring and evaluation of all Union policies, including Single Market policies. The statistics provided through the programme will also empower businesses and citizens to take informed decisions in the Single Market and beyond.
4. Standards in the field of reporting and auditing	57	48.5	The programme provides EU funding to three European and international organisations in the field of financial reporting and thereby underpins the EU legal framework on financial reporting (accounting and auditing) and trust in the Single market for financial services.
5. Enhancing the involvement of consumers and other	6[15]	8,9[16]	The programme supports the development of financial expertise in organisations representing European end-users and other non-industry stakeholders thereby empowering consumer

[14] Baseline scenario showing 15% reduction following a EU27 scenario. Calculated on the amounts for MFF (EU28) for the individual programme/budget line. Such baseline scenario is without prejudice of the budgetary resources established in the context of the next MFF and any subsequent decision on the repartition of budget among the different specific programmes which are part of the proposed Single Market Programme.
[15] Covering only 3.5 years (from mid-2017 until 2020).
[16] Covering 7 years based on an average of 1.5 per year (10.5 m).

Programme/ Budget line	Current MFF EU28 (m €)	EU27 baseline scenario (m €)[14]	Description
end-users in Union policy-making in financial services (ICFS)			interactions in the Single Market for financial services markets.
6. Company Law prerogative	9.2	7.8	The budget line has supported studies with a view to making company law and corporate governance more transparent and efficient in the Single Market; performed studies on cross-border mobility of companies; Commission assessment of third countries Anti Money Laundering (AML) regimes; transposition checks of the AML Directives and membership of the Financial Action Task Force on Money Laundering.
7. Consumer Programme and the consumer and contract law part of the Rights Equality and Citizenship programme (REC)	188.8	160.5	The programme promotes the development and enforcement of consumer rights, product safety and supports measures to inform and empower consumers in the Single Market. The programme also supports the integration of consumers' interests in other policy areas and monitors, supports and supplement consumer policies in Member States. The REC Programme also aims at enabling individuals in their capacity as consumers or entrepreneurs in the internal market to enforce their rights deriving from Union law.
8. Internal market: Governance tools	29.1	24.7	The Internal market governance tools aim to provide information, advice, assistance and problem-solving services helping citizens and businesses move, operate and live in other member states, as well as facilitating those exchanges between public administrations provided by Single Market regulations.
9. Internal market: Support to Standardisation activities	159.6	135.7	The budget line provides support to European standardisation activities to facilitate circulation of products in the single market and to ensure compliance with the safety requirements imposed by European legislation.
10. Internal market: operation and development of the internal market for Goods, Services and Public Procurement	159.3	135.4	The budget line supports removing and preventing barriers on the Single Market by the enforcement of EU services and product rules including via market surveillance, conformity assessment and accreditation, mutual recognition, translation under the Single Market Transparency Directive[17], support for policy-making in services, support for public procurement, and support for a number of sectoral purposes on harmonised product rules.
11. COSME	2357	2003.5	The Programme creates an environment favourable to the competitiveness of SMEs within the Single Market and beyond by encouraging an entrepreneurial culture, providing access to finance, supporting internationalisation, industrial modernisation and access to markets.
12. Health programme	449.4	382	The programme supports the improvement of public health, preventing and managing diseases, mitigating sources of danger to human health, including by harmonising relevant legislation and focuses on improving the health of EU citizens and reducing health inequalities, encouraging innovation in health and increasing the sustainability of health systems and defending the EU against cross-border health threats so as to preserve a well-functioning Single Market.
13. CFF for food chain (the Food Chain Programme)	1891.9	1608.1	The Common Financial Framework ensures that the EU has a legal framework to promote high levels of safety necessary for ensuring the free circulation of food, animals and plants in the

[17] Directive 2015/1535

Programme/ Budget line	Current MFF EU28 (m €)	EU27 baseline scenario (m €)[14]	Description
			Single Market and for safeguarding and protecting the health of EU citizens.
14. Customs and tax policy development support budget line	22.6	19.2	The budget line finance a series of punctual activities – mainly studies - which support the Commission in its policy developing role in the area of EU customs and tax policy which are both important for a well-functioning Single Market.
Total	5988.4	5090.1	

Whereas this Impact Assessment does not discuss the budgetary allocations for the overall programme and each of its components, it is important to note that the initial assumption provided for its preparation was to base this proposal on the basis of the current 2014-2020 MFF allocations. Concretely, this represents that the contents in terms of activities and actions included in each of the individual programmes in this Impact Assessment and its annexes are based on the assumption of that minimum baseline (MFF 2014-2020).

The EU-27 budget scenario is equivalent to approximately 1% of EU GNI following the UK's departure, i.e. entailing a 15% cut in relation to the current 2014-2020 MFF allocations (so called "EU 27 baseline scenario").

Bearing in mind that this programme is the added sum of a large number of programmes, some with an already limited budget, considering a 15% (or €0.9bn) reduction would have a direct impact and would impede some of the actions considered in this impact assessment (e.g. cuts would impair the collective capacity of the European statistical system to make the necessary investments in digital technologies and new data sources to produce in-time statistics with the required level of disaggregation across regions and population groups which will result in a reduction of statistical production across policy areas).

Compared to the baseline in 2014 the Commission has undertaken a number of new commitments during the current MFF that would also need to be financed under the next MFF as described in table 1.2.

Table 1.2 – Additional commitments by the Commission from 2014-2020

Commitment	Budget (m €)	Description
Health Technology Assessment (HTA proposal) COM(2018) 51 final	17 per year[18]	Health Technology Assessment (HTA) proposes a mechanism for EU cooperation to help make innovative health technologies available to Europe's patients, make better use of available resources and improve business predictability. The proposal seeks to ensure that when HTA is performed, the methodologies and procedures applied are more predictable across the EU and that joint clinical assessments are not repeated at national level, thereby avoiding duplication and discrepancies.
Goods package **COM(2017)795**	13.7 pr. year under new MFF	The Goods Package addresses existing shortcomings of mutual recognition and market surveillance identified in the Single Market Strategy and foresees a set-up of a European Product Compliance network to enhance

[18] Budget decision not finalised

		enforcement. Mutual recognition: average 1M€/year under new MFF; Market surveillance: 22 M€/year under new MFF).
Procurement strategy COM(2017)572 **and Ex-ante assessment mechanism** COM(2017)573	0.6 pr. year	The procurement strategy sets out the priorities to improve the functioning of public procurement in the EU, in particular to use procurement more strategically, deliver better value for public money and better outcomes for citizens and society, and a better functioning of the internal market. The Commission commits to assisting Member States by developing a range of support tools in 6 priority areas. In particular, the roll-out of large infrastructure will be supported by the "ex-ante assessment mechanism for large infrastructure projects".
Single digital gateway COM(2017)256	2.33 pr. year	Integrates access to information, procedures and assistance at European and national levels and provides citizens and businesses with easier access to information tools and problem solving services and imposes an obligation for full online access to the most important procedures on Member States
Type approval and market surveillance of motor vehicles COM(2016) 31 **final**	16 until 2020 and 4.3 pr. year post 2020	Provides new Regulation on type approval and market surveillance of motor vehicles to assure that the new rules are followed and avoid the provision of non-conform products to the European citizens.
New Deal for consumers (expected 11/04/2018)	1.36 in 2019-2020 and 4.8 pr. year post 2020	Targeted amendments to 5 consumer law directives and revision of the injunction directive plus a package of non-legislative actions in order to better support enforcement of consumer rules. The objectives are to provide consumers with additional tools to defend their rights; strengthen redress by giving an added role to non-profit organisations for the collective defence of consumers in 'mass harm situations'; enhance product safety, and ensure equal treatment and empowerment of consumers.
Action Plan: Financing sustainable Growth COM(2018)97 **final**	Budget allocation not yet defined	Roadmap to boost the role of finance in achieving a well-performing economy that delivers on environmental and social goals as well. This Action Plan is also one of the key steps towards implementing the historic Paris Agreement and the EU's agenda for sustainable development.
Proposal to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market COM(2017) 142 **final**	2.3 per year	The main objective of this legislative initiative is to make sure that the full potential of the decentralised system of enforcement of EU competition rules put in place by Regulation (EC) No 1/2003 is realised, by empowering the National Competition Authorities to be more effective enforcers. This will boost effective enforcement of the EU competition rules. It will also underpin close cooperation in the European Competition Network.
Total based on available information	€45m per year, €315m during a 7 year MFF programme	

Taking existing (Table 1.1) and additional (Table 1.2) commitments together, the reference baseline budget would amount to €6.3bn or €5.4bn in the EU27 baseline scenario.

On 2 May 2018, the European Commission adopted its proposals for a new Multiannual Financial Framework (MFF) for 2021-2027. It included the Single Market Programme as one of the proposals. This impact assessment report reflects the decisions of the MFF proposals and focuses on the changes and policy choices which are specific to the Single Market Programme.

Exclusions from the scope and coherence with other MFF programmes

The Single Market programme will function alongside other programmes with relevance for delivering the Single Market on the ground.

The cooperation activities supported under the **Fiscalis** and **Customs** programmes represent key elements to strengthen the Single Market. The customs union is a foundation of the Union and an enabler of the Internal Market and other EU political priorities. It has a key function not only in its traditional role of duty collection for the Union budget but also because customs authorities hold a central role in ensuring external border and supply chain security, contributing to the security of the European Union. As a result, Customs were not included into the Single Market programme due to their relevance under the security heading. Fiscalis has obvious links to the Single Market but supports a policy domain that remains subject to Member States' sovereignty and is based on the principle of unanimity in Council. Hence the decision not to have it merged with other Single Market programmes, which relate to areas under co-decision and/or falling under the exclusive competence of the Commission. However custom authorities still play an important role when controlling the safety or conformity of imports of food and non-food products. (30% of goods come into the Single Market from third countries). Import controls require close cooperation between customs and market surveillance, joint actions, linking up of IT systems at EU level as well as capacity building in Member States to align national systems.

The effectiveness of the Single Market Programme, notably its public authorities' cooperation, is also dependant on the effectiveness of the **Digital Europe** programme as it will provide the digital interoperability and infrastructures needed by a number of EU programmes. As this programme is intended to be a major infrastructure programme under the new MFF, it has been decided not to distinguish digital Single Market issues from its broader infrastructure focus. Generic solutions developed under the Digital Europe Programme will be streamlined, made fit-for-purpose so they can be integrated into the IT solutions supporting the Single Market under the Single Market Programme. Common governance for the IT Interoperable solutions inside and outside the Single Market Programme could further increase the coherence across programmes. Artificial intelligence, big data analysis, access to data sources and other IT related issues form a core part of the Competition programme. As these activities also feature in the Digital Europe programme, the effectiveness of the Single Market Programme, including the Competition programme, will be boosted by the Digital Europe programme. Close cooperation and planning among services will facilitate the combination of measures from the Health programme and from the Digital Europe Programme to support Member States' efforts toward digitalisation of health services; and measures from the Health programme combined with expenditure from the structural funds to foster investments that are in keeping with the need to increased resilience and efficiency of health systems.

The **European Social Fund** and **ERASMUS+** will act as a catalyst to foster labour and youth mobility. As both will become major programmes in the field of investing in people under the new MFF, it has been decided not to distinguish free movement of workers issues from such a broader focus.

The **European Regional Development Fund** provides important support to SMEs, start-ups and scale-ups via financial instruments, grants for SME innovation, business-research cooperation, technology transfer and advisory services (including results stemming from other Union programmes), take-up of energy and resource efficient production methods, support to internationalisation, clusters and networking, and provision of infrastructures facilitating business development (e.g. broadband access, FabLabs, demonstrators, science parks) and improving institutions and governance (e.g. via eGovernment). The focus of the ERDF programmes are regionally and locally relevant impacts, in particular helping SMEs to benefit from digitisation, decarbonisation, circular economy and globalisation opportunities based on Smart Specialisation Strategies. Around 4% of the ERDF budget also supports trans-national cooperation, including to foster administrative cooperation, capacity building and integration among Member States. The Single Market Programme will take these investments into account when designing its work programmes in order to ensure complementarity.

Also, the programme will encourage SMEs to benefit from breakthrough innovation and other solutions developed under other EU programmes like the **9th Framework Programme** and the **Space programme**. On Support to innovation Horizon 2020's SME instrument covers the business development and prototyping phases whilst COSME provides support to recipients via EEN and Financial Instruments. Finally, and subject to the caveat expressed in the section 1.1 Scope and context, the budget for the SME guarantee facility attributed to the COSME programme will be implemented under the SME window of the **InvestEU** Fund.

The Food Chain programme actions, such as veterinary measures in case of animal health crises implying culling of animals and decontamination of farms, could be complemented by market based interventions from the EU's **Common Agriculture Policy** (**CAP)** programming. The inclusion of the Health programme in the **ESF+** will foster synergies with the Single Market programme, notably through actions on Antimicrobial Resistance with the Food chain program, which is part of the Single Market Programme.

1.2. Lessons learned from previous programmes

Given the significant divergence in size, scope and organisation of the individual programmes and budget lines there is also significant divergence in the depth of lessons that can be extracted from each programme/budget line. The main lessons learned in individual programmes and budget lines included in the Single Market Programme are summarised in table 1.3[19].

Table 1.3 Main lessons learned in programmes and budget lines included in the Single Market Programme

Programme/ Budget line	Description
Interoperability solutions and common frameworks for European public administrations, businesses and citizens as a means for modernising the public sector (ISA² programme)	The final evaluation of the previous ISA Programme was largely positive, describing the ISA programme as aligned with the policy priorities of the European Commission and the needs of Member States were implemented efficiently and coherently, delivering results that are reused by both Commission services and Member States. It was highlighted the need to further engage the stakeholders, mainly policy domain owners and major national Member States administrations during the whole lifecycle of the definition and implementation of solutions; The use of pilots with the MS where they can tailor and test in the field how to integrate

[19] The programme specific annexes provide full description and analysis of individual programmes (see annex 4-18).

Programme/ Budget line	Description
	and benefit from the adoption ISA2 funded solutions has proved to be quite successful for both sides (the solution owner and the user Member State).
Competition programme	Studies have shown the macroeconomic impacts of EU competition enforcement to be significant. Major lessons in terms of identifying new and growing challenges have also been learnt in the day-to-day enforcement of EU competition policy. These include a more complex and demanding IT and data driven world (increasingly sophisticated IT tools used by firms, continuous increase in the volume of electronic communications and the use of artificial intelligence, big data and algorithms) as well as the need for a wider and deeper engagement with national authorities and courts. Findings from a number of surveys demonstrate that there is scope for reaching out to a wider group of stakeholders impacted by EU competition policy.
Implementation and Development of Single Market for Financial Services	The diversity of the actions undertaken under this programme (studies, surveys, subscriptions to databases, development and maintenance of information systems in support of the business, etc.) enabled the Commission to adapt its policies to a wide-ranging and constantly changing environment and to adopt evidence-based proposals following a broad consultation with stakeholders. This influenced for example the progress made on the implementation of the Capital Markets Union Action Plan, the Consumer Financial Services Action Plan as well as the progress made on the Banking package to improve resilience and reduce risks in the banking sector.
European Statistical Programme (ESP)	The two mid-term evaluations of the ESP demonstrate that the current delivery mechanism works effectively and that the programme is run efficiently and is reaching its objectives. The ESP provides a clear EU-added value, thanks to the harmonised provision of comparable and high-quality data for the EU. However, the evaluations also show the need to ensure adequate resources in the future for the modernisation of the statistical production processes, to be able to respond to the growing needs of the users, especially concerning timeliness and coverage of new data for emerging policy needs, while becoming more agile and taking advantage of new technologies.
Standards in the field of reporting and auditing	In the context of the programme on standards in the field of financial reporting and auditing the Commission carried out an ex-ante evaluation in 2012, an evaluation in 2014 and annual evaluations as from 2015. The results of such evaluations clearly show that the objectives of the programme were achieved and that therefore the current funding delivery mechanisms function effectively and will ensure performing results also within the context of the new SMP.
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)	The financing of Better Finance and Finance Watch through the current DG FISMA capacity building programme as well as previous pilot projects and preparatory actions enhancing the involvement of consumers and other end-users in Union policy-making in financial services, was also a success which enabled both organisations to grow as expert non-industry organisations with complementary profiles bringing high European added value in pursuing planned objectives. The continuation of such funding mechanism within the new SMP would allow the EU to successfully pursue the same objectives of predecessor programmes whose EU relevance is constantly increasing.
Company Law prerogative	The budget line "Company law" for company law/corporate governance and anti-money-laundering/counter terrorism financing has not been subject to evaluation or consultation due to the fact that it was financed under the Commission's prerogatives under Article 54(2) of the Financial Regulation. Experience in executing the budget shows that there could be potential synergies for instance for studies, where, company law and anti-money laundering policies, could benefit from activities funded under other policy fields of the future Single Market Programme to the extent that this allows covering the topics on which carrying out a study in these specific policy areas is required.
Consumer Programme and the consumer and contract law part of the Rights Equality and	The ongoing evaluation of the Consumer Programme shows a general satisfaction of the stakeholders in terms of relevance and effectiveness of the activities. The European Consumer Centres, E-enforcement academy, and the RAPEX system, scored highly, as well as the support to BEUC and for all the networking and

Programme/ Budget line	Description
Citizenship programme (REC)	stakeholders events. Overall the objectives and priorities of the Consumer Programme are assessed as being still fully relevant and should be continued. Additional priorities could be given to sustainable consumption, a uniform and high level of consumer protection throughout the EU, support to consumer organisations at the Member State level (e.g. jointly with the Member States in their role as consumer watchdogs). Finally, experience shows that the programme should enjoy a higher degree of flexibility in order to better address new market challenges driven by fast and often unpredictable societal and technological changes.
Internal market: Governance tools	Continuous investment in boosting the quality, the visibility and the transparency of these tools (Your Europe, Your Europe Advice (YEA), SOLVIT, the Internal Market Information system) is needed to keep helping citizens and businesses to efficiently use their Internal Market rights, but also to cope with increasing cross-border mobility and activity and further digitalisation of the single market, i.e., a comprehensive upgrade of the Your Europe portal will be required, as the single digital gateway will be based on the Your Europe portal with a new common user interface (search engine) managed by the Commission
Internal market: Support to Standardisation activities	The evaluation confirmed that the existing Regulatory framework fits the objectives but showed areas for improvement at policy and operational level. At policy level the main lessons learnt concern: a) speed and timeliness elaboration of standards; b) inclusiveness of weaker stakeholders representing consumers, environmental, workers interests and especially of SMEs which link innovation with standardisation in the standardisation process c) support to competitiveness of European businesses at global level; d) enhance communication channels between the Commission and the European standardisation system. At operational level the main lessons learnt concern the need to: a) • Speed up and simplify the administrative procedures for conclusion of grant agreements , reporting requirements and providing practical guidance on the procedures by use of IT; b) move further towards a more performance-based system.
Internal market: operation and development of the internal market for Goods, Services and Public Procurement	The REFIT evaluation on the functioning of market surveillance found that the current approach of financing individual joint actions of market surveillance authorities without a more coherent framework for coordination has little effect in curbing the tide of non-compliant products that can be found on the single market. In addition, while national authorities professed a willingness to participate in joint actions, they criticised the heavy administrative burden that joint actions represent. The evaluation found that the problem of non-compliant products within the Single Market is driven by four main factors, namely (1) fragmentation of the organisation of market surveillance in the EU, (2) resources constraints for market surveillance authorities, (3) low deterrence of the current enforcement tools, notably with respect to imports from third countries and e-commerce and (4) important information gaps (i.e. lack of awareness of rules by businesses and little transparency as regards product compliance). The REFIT evaluation on the functioning of Mutual recognition found that another problem highlighted by the Single Market Strategy is the suboptimal functioning of the mutual recognition principle. Its inadequate application makes it harder for companies seeking access to markets in other Member States, leading to lost opportunities for the economy at large. Economic operators are often required to produce specific documentation or carry additional tests; this increases their costs and discourages them from expanding to new markets.
COSME	The interim evaluation for COSME[20]concluded that the programme is highly relevant in fostering economic growth and creating employment opportunities and is strongly aligned to the evolving needs of SMEs. Its strength lies in the use of intermediaries who have a direct and longstanding contact with SMEs for the implementation of the programme. This allows customised SME support tailored to specific sectors, such as tourism, textiles, creative industries etc. and to reach a high multiplier effect of actions. The COSME loan guarantee facility has delivered

[20] http://ec.europa.eu/DocsRoom/documents/28084

Programme/ Budget line	Description
	significant impact on the ground and has also been positively evaluated by the European Court of Auditors.
Health programme	The mid-term evaluation of the 3rd Health Programme concluded that the programme has overall valid and appropriate objectives in place leading to actions which are relatively focused and generate EU added value while accommodating existing needs and challenges. Stakeholders participated in the mid-term evaluation through various consultations including an open public consultation on the relevance, added value, efficiency, effectiveness, and coherence of the programme. They signalled some concerns about administrative burdens in the programme's implementation and the need to strengthen communication and dissemination about its actions and results.
CFF for food chain (the Food Chain Programme)	The mid–term evaluation confirmed that the added value pursued through the programme (the first drawing together of all such actions) was delivering the desired objectives, and that the objectives and areas of action remain valid. In the open public consultation, concerns were raised about the impacts of measures that had to be taken after the outbreaks of "Xylella" (a plant pest) in southern Europe, thus confirming the need to focus more on monitoring and prevention in the phytosanitary area.

1.2.1. Key lessons learned from previous programmes

This section will extract key lessons common to all Single Market sub-programmes. These can be grouped into four main areas, as well as for the cross cutting objectives of the new MFF.

1) Empowerment of citizens, consumers and businesses in the Single Market

Businesses need information and assistance on product requirements, authorisations, taxes, registrations and support to access to finance; and citizens and consumers on practical formalities when moving abroad or purchasing safe goods and services in another country. Despite this, stakeholders in the open public consultation (40%) cited the lack of sufficient information and communication about programmes as one of the important obstacles reducing benefits of EU programmes.[21]

Tools like Your Europe portal, Your Europe Advice, SOLVIT, Internal Market Information (IMI) system and the Single Market Scoreboard provide information, advice, assistance and problem-solving services based on close cooperation with national administrations and monitor the performance of the Single Market. Within the Commission, the Your Europe portal has become the primary EU portal in 2018 for information to citizens and businesses and the third-most consulted inter-institutional EU portal with 20 million visits in 2017.

Every year the European Consumer Centres Network (ECC-Net) assist about 100.000 consumers to resolve disputes with traders from another Member State and an amicable solution found in at least 3 cases out of 4. Since 2004, over 20,000 alerts on dangerous products have been published thanks to the EU rapid alert system for dangerous consumer products (RAPEX). Since opening in 2016, the EU Online Dispute Resolution platform has attracted more than 4 million visitors.

[21] See annex 2 for more details

Despite all this, only 6% of EU citizens feel that they are well informed about their rights as a citizen of the EU and only 36% feel that they are fairly well informed[22]. In the public consultation on the single digital gateway[23], 80% of businesses found complying with national requirements in other countries difficult and 60% of citizens find it difficult or somewhat difficult to know which national requirements they should fulfil when moving to another Member State[24].

The evaluation[25] of the functioning of market surveillance for products also revealed lack of awareness of rules by businesses and little transparency as regards product compliance.

In the competition area, Eurobarometer Citizen Surveys in 2010 and 2014 showed a lack of awareness of where to turn in cases of higher prices, fewer products or supplier choices or lower quality. In addition, a 2016 Eurobarometer survey showed only limited knowledge and awareness of State aid rules[26]. In 2016, the Court of Auditors also pointed to the need to increase awareness of and ensure more effective compliance with State aid rules by Member State authorities[27]

2) Administrative cooperation and integration among Member States

Supporting administrative capacity and cooperation to achieve a high level of business compliance with EU rules is essential for ensuring that EU legislation does not remain on paper but is applied in practice, for the safety of consumers and for establishing a level playing field across the Single Market. Around three quarters of public authorities regarded digitization of public institutions as a key challenge whilst, at the same time, policies supporting digitization were judged as the least successful by up to 18% of respondents. [28]

In the field of the Single Market for goods and services, a number of market surveillance 'joint actions' have been successfully implemented to improve coordination across Member States. They have contributed to the identification of sensitive non-compliant products such as helmets, toys or childcare products but the problem of non-compliant products within the Single Market persists. For instance in 2015 a joint report found that 30% of children's high chairs tested presented a serious or a high risk. The REFIT evaluation[29] on the functioning of market surveillance found that non-compliance is

[22] Eurobarometer 430: European Union citizenship – March 2016.
[23] https://ec.europa.eu/growth/content/public-consultation-single-digital-gateway-0_en
[24] Commission staff working document synopsis report on the stakeholder consultation on the single digital gateway Accompanying the document Proposal for a regulation of the European Parliament and of the Council on establishing a single digital gateway to provide information, procedures, assistance and problem solving services and amending Regulation (EU) No 1024/2012 (SWD/2017/0212 final - 2017/086 (COD)).
[25] (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2017:0469:FIN)
[26] For example only four in ten citizens in the EU had recently heard or read about a company receiving State aid, a figure similar the result of a previous Eurobarometer survey where about 40% of the respondents said they heard about EU competition policy. At the same time, fewer than one in five respondents (17%) feel well informed about State aid in their country while 81% of respondents agree that citizens should have full access to information about State aid given to companies.
[27] In the specific area of cohesion (see Special Report No 24/2016 by the European Court of Auditors). As a follow-up of this report, DG COMP together with DG REGIO has set-up an action plan on how to raise awareness of national granting authorities as regards the interaction between State aid rules and structural funds. Thematic workshops have been organised (e.g. State aid rules regarding RDI and risk finance) and specific training sessions have been organised for those Member States that considered that they lack administrative capacity and knowledge regarding State aid rules.
[28] See annex 2 for more details
[29] (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2017:0469:FIN)

driven among others by the fragmentation of the organisation of market surveillance in the EU. Financing individual joint actions of market surveillance authorities needs to move to a more coherent coordination framework to reduce non-compliant products in the Single Market.

National consumer protection authorities have screened more than 5,000 websites since 2007 to identify and follow-up infringements of EU consumer laws. Since 2004, numerous coordinated actions have been carried out regarding product safety by the network of competent national market surveillance authorities and a specific cooperation has been established with China given the high share of notified dangerous products originating from this country. According to the 2017 evaluation of the EU consumer and marketing law, the legislative framework is fit for purpose but there is a need to better enforce rules and support redress on the ground to ensure consumer rights are a reality and faster and more efficient response is provided on EU wide cases as highlighted by recent large-scale cross-border issues, such as "Dieselgate", dual quality standards of foodstuff or the slow response to the problems of passengers stranded in large flight cancellations.

Cross-border cooperation between national authorities surveying the food supply chain is needed to preserve the safety of our foods as recognised by the recent Fitness Check evaluation of the General Food Law in relation for instance to the functioning of the Rapid Alert System for Food and Feed (RASFF)[30]. For example, it has been estimated that an escalation of African swine fever outbreaks could lead to losing export markets in pig meat products worth €5 billion per year with very significant impacts on jobs and farmer incomes and a significant potential impact on the EU budget due to pressures to support prices and compensate for income losses. These risks have been avoided to date due to the range of support measures to assist Member States to combat the disease.

The horse meat crisis in 2013 and similar fraudulent food practices reported in the EU have also shown the need to improve cross-border cooperation. Such crises show the need to strengthen the capability of national enforcers to detect, prevent and pursue violations of food chain requirements, and potential frauds[31]. Food safety tops the list of challenges for the EU, with 75% of answers in the consultations.

3) Rule-making, standard setting and enforcement at EU institution level

To prepare and evaluate policies, support standard setting and enforce EU legislation, the Commission needs up to date and reliable data. For instance, the European statistical programme has been developed to produce and disseminate high quality European statistics which are indispensable for EU decision-making and for the measurement of the performance and impact of EU initiatives.

The importance of having up to date and relevant information is also visible in the need to continuously adapt policies and enforcement responses to fast evolving markets, new business models and new threats to consumers. Specifically the evaluation of the Consumer Programme indicated its slow capacity to respond to new market challenges driven by fast and often unpredictable societal and technological change and to specific

[30] COMMISSION STAFF WORKING DOCUMENT THE REFIT EVALUATION of the General Food Law (Regulation (EC) No 178/2002) {SWD(2018) 37 final}
[31] https://ec.europa.eu/food/safety/official_controls/food_fraud/horse_meat/qanda_en

limitations in certain Member States for an optimal uptake typically due to limited resources. Finally the production of evidence is valued but the timeframe is too slow.

The ongoing evaluation of the European Statistical Programme[32] showed that a permanent capacity to respond faster to emerging new data needs has to be developed. Globalisation, digitalisation and rapid technological change challenge the foundations of measuring economic performance, i.e. GDP and key economic indicators. Therefore, substantial efforts also need to be invested in developing new methodologies. Data collections need to be adapted using all available data sources.

4) Health as a resource for society and the Single market

Human, animal and plant health, and a safe food supply chain, are a prerequisite for society and for the smooth functioning of the Single Market and promoting trade. Cross border health and food crisis disrupt the functioning of the Single Market by limiting the movements of persons and goods and disrupting production. Protection of health and food safety was quoted by three quarters of respondents to public consultations as the key challenge for the EU.
Health is the third among main concerns of citizens[33] mentioned by 20% of Europeans, and stands in first place in eight countries, with the highest scores seen in the Netherlands (54%), Hungary (42%) and Finland (41%).. More than 70% of the public want "*the EU to do more for health*"[34]

The mid-term evaluation[35] of the third Health Programme confirmed the importance of increasing the capacity of the EU and Member States to prepare for and swiftly manage cross border health threats, of stepping up coordinated efforts to fight against antimicrobial resistance, to seek new forms of integrated actions to create economies of scale to help Member States deliver their healthcare duties[36] and foster interoperable and standardised cross-border exchange of health data, and the scaling up of best practices.
The mid-term evaluation of the Food Chain Programme[37] shows that all activities receiving EU financial support in this area remains essential to human, animal and plant health along the food chain and the support to trade with non-EU countries. The Food Chain Programme has also proven to be flexible in addressing emerging needs for co-financing especially in the occurrence of outbreaks of health threats.

1.2.2. Lessons learned concerning cross-cutting objectives of the new MFF

Participating DGs and the results of the open public consultation confirm simpler rules as the most desired change in the next MFF (90% of responses). This was followed by the need for flexibility and the exploitation of synergies between EU programmes and funds

[32] The report is not yet published but available upon request to Eurostat.
[33] Standard Eurobarometer 88, November 2017 at http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2143
[34] Eurobarometer 87.1 March 2017 at http://www.europarl.europa.eu/external/html/eurobarometer-052017/default_en.htm?utm_source=POLITICO.EU&utm_campaign=6e69d6d588-EMAIL_CAMPAIGN_2017_05_08&utm_medium=email&utm_term=0_10959edeb5-6e69d6d588-189770033#health
[35] Mid-term evaluation of the 3rd Health Programme 2014-2020
[36] e.g. to develop a common EU approach to Health Technology Assessment (HTA); to share medical expertise through European Reference Networks that enable patients suffering from rare disease to access healthcare irrespective of where they live in the EU
[37] Mid-term evaluation of Regulation (EU) No 652/2014

(60% to 75% of replies). In general, there is a high demand for rationalisations of EU funds among stakeholders but also with national and local authorities.[38]

Uncoordinated approach to different actions:

- Data gathering and processing by different programmes

To prepare policies, set standards and check enforcement the Commission is often looking for specific evidence in commercial databases[39]. Pooling resources in this area between services could provide concrete gains. One significant example is access to a database containing detailed worldwide firm level information. Identical access to this dataset is currently bought by at least 4 Commission services, each paying approximately €100,000 a year.

Another example is Eurobarometer where each question costs around €15,000. This limits the number of questions asked by services. A more coordinated use of this tool by the services involved in Single Market policy making should produce synergies. Joint coordination and planning could increase SMP members bargaining power when asking for slots in the Eurobarometer planning calendar.

Greater coordination in studies can lead to a more value focused use of the budget and avoid unwanted duplications. Good examples were the cooperation of several Commission services to gather and analyse data on related Single Market topics such as the Public consultation on the regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy and the study "Mystery shopping survey on territorial restrictions and geo-blocking in the European digital single market". This can be further enhanced through a more coordinated assessment of needs and timing at planning stage.

- Trainings, and capacity building actions

Trainings on similar topics such as basic consumer law requirements for consumer organisations and SMEs organisations could benefit from a common core of principles and branding while ensuring adaptation to the needs of consumers and interests of SMEs which are very different.

The same applies to training programmes for national authorities on enforcement of Internal Market Law which are run separately by different Commission services, covering complimentary subjects and sometimes targeted to the same audience. For example, in the areas of Internal Market[40], Consumer Protection[41] and Food Chain[42] trainings are run related to product and food chain safety and to verification of compliance which are targeted at national enforcement bodies and inspectors which could benefit from a common core and branding, while preserving the sectorial

[38] See annex 2 for more details

[39] There are already strategies to purchase data for the whole Commission (e.g. through Eurostat).

[40] Commission Services are organising ad hoc training, EU Product Compliance Network training to Member States inspectors (incl on the use of internet-supported information and communication system),

[41] Commission Services is currently running a consumer protection and product safety "e-enforcement academy" which is open to product inspectors working under Regulation 765/2008, to General Product Safety Directive competent authorities and to about 400 national and regional authorities competent for the enforcement of the consumer law acquis in the CPC Regulation 2004/2006 (about 20 directives, including some sector specific ones).

[42] DG SANTE: training actions for MS and third countries on EU requirements – "Better Training for Safer Food". E-commerce and food fraud sessions are open to other national enforcement actors involved in verification of compliance with food chain rules.

specificities. Different Commission services are also organising trainings for national judges[43]. Greater coordination could lead to simplification at Commission and at Member State level, particularly as some are resource intensive activities and thus participation may be problematic for smaller national enforcement authorities. Moreover they may not be coordinated among Commission DGs. This is the case for instance with the purchase of testing/ laboratories services on product testing.

- Awareness raising activities

Awareness raising activities, when targeting the same audience may mean a duplication of management and administrative costs at the level of each DG. One such example is linked to awareness-raising on the circular economy (food waste, recycling, etc.) where different audiences need to be targeted.

Coordinated and cross-border enforcement

The Commission facilitates and supports coordinated actions or control campaigns by Member States in several areas such as joint enforcement actions on product and food safety or consumer protection law. These could be streamlined to avoid overlaps of similar actions covering the same sectors[44][45].

- Support to network of Member State authorities

Most of the current programmes run different networks of Member State authorities or expert groups that consist of representatives of the Member States[46]. At present, the organisation of these different network meetings is not coordinated centrally which

[43] DG JUST organises a training programme for national judges which is covering a wide array of EU laws. DG COMPETITION also organised their own trainings for national judges in competition law.

[44] DG SANTE: co-funding can be provided to Member States to cover laboratories' and other costs incurred in the context of Coordinated Control Programmes (i.e. EU-wide, time-limited, ad-hoc plans to verify a specific aspect, e.g. fraudulent practices in a certain segment of the food chain). So far SANTE has not procured testing itself. JUST joint/coordinated enforcement actions are run on product safety as well as on consumer protection law GROW is facilitating joint inspections of harmonised products. Joint actions in the area of medical devices is currently financed from the Health Programme, organised by GROW. DG COMP carries out the inspections to which MS can join.

[45] In the context of the new CPC Regulation 2017/2394, national authorities and the Commission have the duty to jointly address widespread infringements to consumer law of Union dimension.

[46] GROW: the EU Product Compliance Network is a network of market surveillance authorities and administrative cooperation groups (ADCOs). It is also foreseen to run a network of testing laboratories. For services, there are several expert groups that consist of representatives of the Member States in order to foster cooperation. DG JUST: Network of national authorities enforcing consumer protection law. For example, the Consumer Protection Cooperation network meets at least every month either face to face in committee meetings and specific workshops or via webinars. It uses a very active knowledge sharing platform , it is facilitated by an internal community managers who is managing rights, training users and posting news. DG COMP: The European Competition Network (ECN) comprising of national competition authorities enforce antitrust and cartel rules. There is a need for a wider and deeper cooperation with national competition authorities and courts on the application of EU competition rules. Administrations can electronically and securely communicate and cooperate in the context of the ECN. ECN may have synergies with the consumer one. In the area of State aid, Multilateral Cooperation with Member States consists of the State Aid Modernisation Working Group (SAM-WG) chaired by a Member State, the High Level Forum (HLF) chaired by the Commission, to which the SAM-WG reports and gives recommendations and technical working groups under the SAM-WG. DG SANTE : Admin cooperation on cross-border enforcement in the food chain - tracing of goods, Specialised Network for fraud,

results in possible duplication and administrative burden. Exchange of the lessons learned from running these networks can also be improved. Moreover there are currently networks with similar interest or members whose meetings are not always adequately synchronised (e.g. competition and consumer protection networks are constituted of the same authority in several Member States).

- IT development

At present there are separate systems used for the cooperation between national competent authorities and the European Commission which are not interoperable or are implemented independently of each other due also to different legal basis and could benefit from greater convergence. They often include the same national authorities which have to use different systems to exchange information in relation to particular fields. Around 80% of public authorities in the open public consultation asked for introduction of user-friendly IT tools and 65% for e-governance solutions[47].

- Uncertainty about budget negotiations

Certain activities such as studies, surveys, evaluations, expert meetings, trainings and information activities[48] (accounting for at least €435m or 7% of the combined budget of the Single Market programmes and budget lines under the MFF2014-2020[49]) are necessary for proper implementation of existing policies and are classified as Commission prerogatives. The legitimacy of prerogatives is frequently challenged by the Council and budget has to be negotiated every year putting these activities constantly under pressure. Conversely, the financial envelope for a programme is set for the whole MFF period and constitutes a reference amount for the budget authority during the annual procedure. This causes uncertainty each year as to how much money will be available for these essential support measures. Such uncertainty affects the quality of studies or evaluations that could span over several years and may affect the quality of final Commission proposals based on such evidence.

Simplification

Some programmes and budget lines have reported a need for simplification of administrative management and reporting procedures. In the area of supporting standardisation, evaluations revealed lack of a common understanding of the management of grant agreements and no solutions for electronic reporting tools and data comparability issues. This complicates both reporting and measurement of impacts and performance of individual actions. The evaluation of the Consumer Programme also showed that there seems to be significant room for simplification for grants management.

[47] See annex 2 for more details
[48] This concerns the following budget lines: Digital Single Market Support programme, Implementation and Development of Single Market for Financial Services, Company Law prerogative, Internal market: operation and development of the internal market for Goods and Services, Internal market budget line – support to standardisation activities, Customs and tax policy development support budget line
[49] Calculation based on budget lines 1, 2, 6, 9, 10, 11 & 14 in table 1.1. Amounts for support activities in remaining programmes is not fixed and not included in the calculation.

As regards the Food Chain Programme, reimbursement mechanisms to Member States can be simplified to reduce unnecessary burdens on the Commission and the recipients alike. Similarly, in the Health Programme simplified forms of grants, such as lump sums, unit costs and flat rates could be used.

In the open public consultation, respondents underlined that complex procedures leading to high administrative burden and delays were considered as the most important obstacles reducing benefits of EU programmes (around 80% of answers) [50].

Going forward, there is scope for simplification and cutting down the number of small, one-off actions in COSME and devote the resources towards the key areas of intervention (e.g. access to finance, access to markets) where a sustained effort and economies of scale will yield the highest efficiency and the biggest impact at EU level.

Flexibility

Lack of flexibility in case of unforeseen events is considered by stakeholders (60%-70% of answers) as an important obstacle to fully exploiting the benefits of EU programmes[51].

This is particularly the case in the Food Chain Programme and in the Health Programme, where there is a need to establish a direct mechanism to react to large scale health threats or emergencies affecting food, animals and plants. Since the EU 2014-2020 MFF, the reserve for crises in other sectors such as agriculture is, for instance, not available for the food chain area. In the event of serious health crisis or outbreaks of veterinary and phytosanitary epidemics, such as the recent case of avian influenza, the financial support to counter those threats or to implement eradication activities and to timely contain the spread of these epidemics could become difficult as their budgetary impact might not always be accommodated within the ceiling of the current programme.

The European Statistical Programme also calls for the inclusion of a specific mechanism, ensuring a certain budgetary flexibility in order to cope with new and emerging statistical needs and ad-hoc data collections.

Flexibility is also required in those areas where standardisation is used to implement legislation. The absence of common budget lines for standardisation and food safety lead to a 3 year delay in developing necessary standards following the entry into force of the Regulation on the placing on the market and use of feed. Another similar example is the Child Resistance Requirements for Cigarette Lighters where development of the standard was delayed by two years.

1.3. Main findings of public consultation

The public consultation on the Multiannual Financial Framework proposal took place between 10 January 2018 and 9 March 2018. The questionnaire covered areas of investment, research and innovation, SMEs and Single Market.

[50] See annex 2 for more details
[51] See annex 2 for more details

Among challenges relevant to the Single Market Programme the most important were access to finance, especially for SMEs and digital transition of economy (82%), promotion of public health (79%), support to industrial development (78%) and fair competition and safe food (75%). Generally between 20 and 50% of respondents considered SMP releated policies as fully or fairly well contributing to these challenges. Smooth circulation of goods both within EU and at EU borders was judged highest (50% of all replies). Followed by support to industrial development (42%), provision of EU statistics (40%) and support to capital flows and investments (39%). Only up to 12% of respondents considered that these policies are not sucessful at all[52].

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

Maintaining the achievements of the Single Market and addressing new challenges to achieve the Single Market's full potential will require continued investment.

2.1.1. Existing challenges for a Single Market Programme

Existing challenges for a Single Market Programme are foreseen in four areas in particular:

1. The Single Market is still fragmented, knowledge about it is lacking and doing business remains cumbersome, and especially SMEs face hurdles when starting or scaling-up a business or when looking for finance.

The Single Market is still far from perfect. In particular the Single Market for services needs action to remove remaining barriers for companies. The regulatory framework needs to accommodate new innovative business models. The Single Market should also become more competitive and integrated to better benefit consumers, businesses and employees and to ensure financial stability. Strong consumer organisations and national competent authorities are needed to follow the rapid development and increasingly complex retail markets, to act to counterbalance market asymmetries and advocate consumers' interests. Limited awareness and/or expertise is also limiting the capacities of consumers, businesses or public administrations to meet the challenges stemming from the transition to a green, circular and low-carbon economy and thus contribute to this transition via changes on retail markets. Tools also need to be developed for consumer knowledge and to support the building up of capacities of NGOs supporting consumers and/or specific groups of citizens (e.g. those subject to "vulnerability patterns").

The administrative burden to operate a business, such as obtaining permits and licenses, or complying with regulatory framework in the area of company law and corporate governance often remains high. In addition, there is often a lack of entrepreneurial spirit to generate new activity. Newly created companies and smaller firms still do not sufficiently reap the opportunities offered by the Single Market and by internationalisation. They also face difficulties in obtaining finance and in the uptake of innovation; they do less business on-line than bigger firms and have difficulties in

[52] See Annex 2 for details.

finding the right skills. While SMEs are essential to generate jobs and growth, they are limited in their contributions by these barriers, and to a greater extent than bigger firms.

2. Cooperation between Member States and enforcement at national level is still too limited and cooperation between Member States and the Commission needs to be further strengthened

Member States authorities need to improve cooperation between themselves. Exchanges on best practices and joint market surveillance across Member States are insufficiently used as demonstrated during the preparation of the goods package proposal[53]. Enforcement authorities may lack state-of-the-art tools to share intelligence and investigate increasing complex products, online business models and international supply chains and their capacities may remain uneven. E-commerce sales of non-compliant and unsafe products is a concern. However Member States' internet investigation capacity and instruments (both for general product safety requirements and for food chain requirements) do not keep up with international trade and supply chain developments, also due to sub-optimal exchange of information across border and with customs authorities. Market surveillance authorities often lack resources, leading to EU rules not being equally enforced or applied which endangers a level playing field and encourages regulatory arbitrage. In the health and food chain areas, effective implementation of statutory requirements is a prerequisite to ensure the safety of commodities and citizens in the Single Market.

National administrations lack data on the use of certain policy tools. This is the case for public procurement, which impacts the governance of public procurement systems, the detection of problems or the efficiency of public policies and public spending. Finally, EU competition policy requires enforcement and compliance at national level in the area of State aid where cooperation with national authorities and courts needs to be strengthened to prevent fragmentation of the Single Market.

3. EU rules and standards are at risk of falling behind in terms of speed, excellency and relevance and EU level law enforcement needs to adapt to new challenges

EU rules and standards are not always up-to-date or future proofed. Insufficient knowledge on the application of existing acquis and on transposition measures in Member States puts the relevant legislation at risk. EU level law enforcement needs to adapt to the digital age for effective detection of possible infringements and efficiency in its enforcement. At global level, the progressive globalisation of trade call for increased convergence on international standard setters and coordinated enforcement of rules to ensure a reliable business environment for companies operating across the world.

4. *If health of humans, animals and plants is not preserved, the good functioning of the Single market and of the society as a whole is under threat*

[53] Proposal for a Regulation on Enforcement and Compliance in the Single Market for Goods (Goods package) COM(2017)795

Health and the safety of food chains are invaluable resources for society. Failure to protect them will have a negative impact on people and on the free circulation of goods, services and people. Potential problems include risk of pandemics, cross-border health and food security threats; loss of biodiversity; insufficient information and data for Member States to respond to pressures to make health systems more effective, accessible and resilient. These can result in sustainable development goals becoming more difficult to reach, in hurdles for companies and/or professionals to introduce new innovative health technologies, in risk of premature mortality and increase of health inequalities. Resilient food chains also need to harness preparedness for cyclical outbreaks of animal diseases and plant pests.

The EU has an interest, therefore, in ensuring that this support framework continues to function to the benefit of the European economy and citizens. To be in a better position to tackle these challenges the EU needs to seek synergies and prevent duplication and fragmentation in its support to the Single Market. It also needs to ensure greater visibility and coherence of its action towards its users, who may find the proliferation of tools and support programmes confusing.

2.1.2. Main adjustments to existing activities under the Single Market Programme

The evaluations and lessons learned of the included programmes and budget lines show that they have all brought added value and should continue. It has however been shown that a number of adjustments are needed in the existing activities under the Single Market Programme, Table X shows the main adjustments across all programmes[54].

Table 2.1 Main adjustments in existing programmes/budget lines

Programme/ Budget line	Description
Interoperability solutions and common frameworks for European public administrations, businesses and citizens as a means for modernising the public sector (ISA² programme)	Exchange of information between different public sector IT systems (cross-sector interoperability) has been identified as a challenge which among others slows down or prevents electronic data exchange and thus creates administrative burden. Development of horizontal digital solutions that cross-cuts different policy areas in the Single Market Programme, should improve cross-sector interoperability, as well as the sharing and reuse of existing IT solutions. This more holistic approach will also tackle another challenge flagged by the Member States, and that is the take-up of digital interoperability solutions in the context of the Single Market.
European Statistical Programme (ESP)	The evaluation of the current European Statistical Programme underlines that there is a need for more timely data delivery as well as for filling existing data gaps. Moreover, globalisation, digitalisation and rapid technological change call for more agility to better capture new phenomena and to respond to the spread of 'fake news'. Therefore, the new programme must invest substantial efforts in developing new methodologies and in exploiting new technologies and data sources.
Consumer Programme and the consumer and contract law part of the Rights Equality and Citizenship programme (REC)	The evaluation of the existing Consumer programme does not lead to the conclusion that substantial change is necessary. What is mostly needed is an improvement in the delivery model. The flexibility and simplification brought by the Single Market Programme should allow faster adaption of financing schemes to retail market developments and to new needs of authorities or consumer associations.

[54] Full description of lessons learned and adjustments are available in the corresponding programme-specific annexes (see annex 4-18).

Programme/ Budget line	Description
Internal market: governance tools	Continuous investment in boosting the quality, the visibility and the transparency of these tools and a single digital gateway as an entry point to information, procedures, assistance and problem-solving services are required to keep helping citizens and businesses to efficiently use their Internal Market rights. More systematic collection of comparable user feedback and statistics from information and assistance services, as foreseen through the single digital gateway should help providing essential feedback on the functioning of the single market. Gradual expansion of IMI for any legislation in the field of the internal market should reinforce its role as the "default tool" for administrative cooperation.
Internal market: Support to Standardisation activities	Experience has shown that development of standards is often delayed due to lengthy process of negotiating grant agreements with standardisation organisations for elaboration of standards and for conducting necessary standardisation work and laboratory test (time to contract). Simpler and faster working methods such as implementing of a general template with electronic submission instead of paper should speed up the process.
Internal market: operation and development of the internal market for Goods, Services and Public Procurement	The REFIT evaluation on the functioning of market surveillance found that the current approach of financing individual joint actions of under-resourced market surveillance authorities has little effect against non-compliant products. Substantial change under the future MFF is going to be an increased EU funding for the establishment of an EU Product Compliance Network within the Commission to facilitate coordination, capacity building leading to an effective enforcement.
COSME	The programme is very efficient in delivering jobs and growth. Its contribution to global and societal challenge is less evident. The Commission propose to include in certain actions a bigger focus on global and societal challenges. 20% of the programme is fragmented into many actions, this hampers effectiveness and efficiency. Need to reduce the number of one-off small actions and invest in the most efficient actions such as the loan guarantee facility, the Enterprise Europe Network, the mentoring scheme for new entrepreneurs (formerly Erasmus for Young Entrepreneurs) and the Clusters actions. COSME will no longer propose an equity instrument. This is best achieved by the EU invest fund and at the same time we will focus on the Guarantee instrument within the SME window of the EU invest fund. The geographical coverage of COSME could be improved. The Commission proposes the creation of a network of national contact points to follow-up implementation. There is no centralised database of implementation results so the Commission will create a centralised tool to provide implementation data.
Health programme	The midterm evaluation of the 3rd Health Programme found that it would be desirable to streamline the thematic priorities and focus on areas with more visible EU added value. Therefore, in the current health programme the Commission is proposing 15 work areas under 4 objectives, instead of 24 thematic priorities. In addition, the mid-term evolution identified the three key areas with the biggest EU added value (cross-border health threats, economies of scale and exchange of best practices). These areas of work are proposed as central elements of the health programme. Stakeholders signalled during the mid-term evaluation their wish to be more closely involved in the programme's planning. The evaluation also recognised that the establishment of 24 European Reference Networks (ERNs) for rare diseases, a new form of integrated work, has a huge potential to improve the care provided to citizens across EU. Therefore that support to integrated work – including establishing further ERNs - will be strengthened.
CFF for food chain (the Food Chain Programme)	A number of recent and emerging challenges, such as globalisation, the increasingly complexity of the food supply chain and climate change, will pose significant threats and challenges and are therefore expected to influence the future EU approach in this area. Simplification of the administrative management will also contribute to a more effective and efficient EU food chain programme. Amongst others, some stakeholders expressed the need for increased possibilities to co-fund preventive measures.

2.1.3. *New political priorities or emerging problems needing EU intervention*

Support to EU Competition policy

The macroeconomic impacts of EU competition enforcement are significant[55]. At the same time, the increasing sophistication of the IT tools and algorithms used by companies for conducting their business, as well as the steadily growing volume of electronic communications and economic data that need to be analysed in competition cases have significantly increased the complexity of the investigations handled by the Commission. This will therefore require sophisticated, tailor-made IT tools and equipment and the possibility to involve outside experts for certain technical issues, and the monitoring of remedies and ex-post assessment of the effectiveness of the Commission's enforcement action. Enforcement of EU competition law also requires deepening the cooperation between the Commission and the national competition authorities. This depends on well-functioning and state-of-the-art IT systems that allow for the timely and secure exchange of confidential information. The effectiveness of national State aid control, transparency and evaluation need to be enhanced as more than 97% of new State aid measures are being implemented without prior scrutiny by the Commission following the recent modernisation of State aid rules. In the absence of a support programme addressing those challenges, the enforcement of all branches of EU competition policy would gradually become less effective, less timely and less relevant to rapidly evolving market developments, thereby – by extension – threatening the proper functioning of the Single Market. Around three quarters of respondents to public consultations considered fair competition as an important challenge for the EU[56]. To address this gap this impact assessment also includes a new proposal for *An Ambitious Competition policy for a stronger Union in the digital age* as described in table 2.1 below and in the corresponding sector specific annex.

Innovation uptake by SMEs and industrial modernisation

A recent study[57] on advanced manufacturing provides evidence that there are barriers to the uptake of innovation, such as sufficient know-how, adequate human capital and organisational and managerial capacity. Small firms have much larger problems overcoming these barriers than large firms. While 75% of companies indicate the high costs of investment in advanced manufacturing technologies, an EIB study[58] shows that over 90% of smaller companies active in key enabling technologies struggle to raise the finance they need. More than 90% of SMEs in Europe also feel lagging behind in digital innovation. As the specialised competences are often concentrated in few countries and

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[55] See in particular Dierx, Adriaan, Fabienne Ilzkovitz, Beatrice Pataracchia, Marco Ratto, Anna Thum-Thysen and Janos Varga (2017), "Does EU competition policy support inclusive growth?", Journal of Competition Law & Economics, Vol. 13, No. 2, pp. 225-260 (at https://academic.oup.com/jcle/article/13/2/225/3920779); for metastudies on the benefits (including macroeconomic benefits) of competition and competition policy see also OECD Factsheet on how competition policy affects macro-economic outcomes (October 2014) (at http://www.oecd.org/daf/competition/2014-competition-factsheet-iv-en.pdf) and 'Ex-post economic evaluation of competition policy enforcement: A review of the literature' by Fabienne Ilzkovitz and Adriaan Dierx, DG Competition (June 2015) (at http://ec.europa.eu/competition/publications/reports/expost_evaluation_competition_policy_en.pdf).

[56] See annex 2 for more details.

[57] Kroll et al. (2016) An analysis of drivers, barriers and readiness factors of EU companies for adopting advanced manufacturing products and technologies.

[58] EIB (2016) Access-to-finance conditions for KETs companies, available at: http://www.eib.org/infocentre/publications/all/access-to-finance-conditions-for-kets-companies.htm

SMEs struggle to find the right partners, too few SMEs in the EU embrace advanced and additive manufacturing, artificial intelligence and augmented reality and master new service offerings, especially in traditional manufacturing sectors. This situation has a direct impact on the ability of small businesses to reap the benefits of the Single Market. A more strategic use of SME intermediaries such as clusters and business networks is needed to better help SMEs to scale-up and grow and to boost industrial modernisation. The proposal for a new Single Market Programme therefore also includes a new proposal for a new *scaling-up instrument* (e.g. lump sum grants) to provide growth acceleration support to over 20,000 SMEs engaged in strategic inter-regional collaboration for different industrial specialisations. This support is to be channelled via clusters and business networks, which provides a framework for the modernisation of and partnership between SMEs as described in table 2.1 below and in the corresponding programme specific annex 15 for the COSME programme.

Table 2.2 Proposed new commitments

Name	Description
An Ambitious Competition policy for a stronger Union in the digital age	The Competition section of the programme pursues; 1) that the enforcement of EU competition policy as well as policy guidance is supported by state-of-the-art tools and infrastructure, as well as external technical expertise and information; 2) strengthening, deepening and extending cooperation and partnerships with European public administrations; 3) strengthening, deepening and extending cooperation and partnerships with third country authorities and 4) raising awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules.
COSME+ Scaling-up instrument	A new scaling-up instrument under the programme will encourage the uptake of results from other EU programmes (Horizon/FP9, LIFE, Galileo, Copernicus, ERDF, ESF, EAFRD, EMFF). It will complement the support provides by ERDF programmes to technology take-up and strengthen the link between SME support under regional and industrial policies to unlock the growth opportunities of SMEs. It is designed as a tool to support scaling-up activities of SMEs across regional, sectoral and technological boundaries in order to help them to embrace industrial transformations, to access global industrial value chains and international markets, and engage in strategic interregional collaboration. The instrument will therefore offer growth acceleration support to help groups of SMEs to jointly foster internationalisation activities, business and new skills development and to test and take-up advanced technologies, new business models and low-carbon and resource-efficient solutions to reduce production costs or to integrate them into new or emerging industrial value chains. This will complement the support for interregional partnerships along value chains provided under the ERDF.

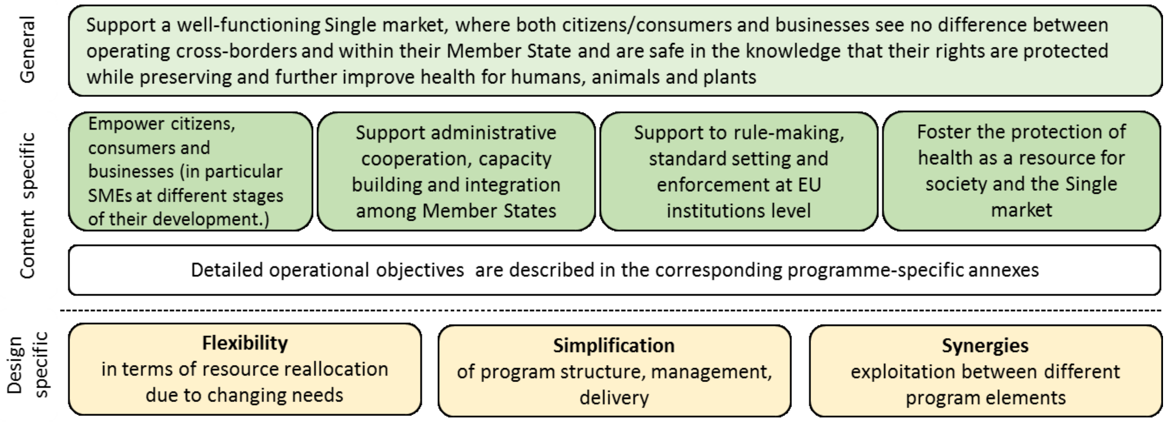
As described in section 1.2, a number of lessons have been extracted in terms of cross cutting challenges to be addressed by the next MFF. A modern budget for the EU should not only continue to improve the delivery of both existing and new political priorities but also deliver solutions to the increasing need for flexibility, synergies and simplification. By adopting a Single Market Programme, that merges a large number of existing programmes, these cross-cutting challenges can be most appropriately addressed via the programme structure as described in chapter 3.

2.2. Objectives of the programmes of the next MFF

To tackle these challenges a programme for the Single Market should do two things in terms of general and design specific objectives:

1. Aim to support and develop a well-functioning Single Market where citizens, consumers and businesses, especially SMEs, can fully exploit opportunities, and are safe in the knowledge that their rights and human, animal and plant health are protected and where competition is preserved.
2. Reduce overlaps and explore synergies between the different Single Market programmes implemented by the Commission, offering ultimately better value for money and more efficient delivery on the ground.

Figure 2.1. Objectives tree



The programme's main aim is to support a well-functioning Single Market, ensure high levels of health protection and appropriate action to counter cross-border health risks. To achieve this general objective in terms of contents the specific goals of the programme are:

- Empowering citizens/consumers (directly or indirectly), businesses (in particular SMEs) and public administrations to get full access to the opportunities offered by the Single Market.
- Fostering administrative cooperation between Member States and between the Member States and the Commission via information, best practice exchange and capacity building.
- Support to rule making, standard setting including at international level, and enforcement at EU level through financing data gathering and analysis.
- Foster the protection of health as an invaluable resource for society and the internal market[59].

More operational objectives are presented and are analysed further in the detailed annex describing each action/subprogram.

The connection between the content specific objectives of the Single Market Programme and the operational objectives of the individual programmes/budget lines under the scope is described in table 2.2.and present the internal coherence between the objectives of the programme and the programmes and budget lines included under its scope.

[59] The objective to '*foster the protection of health as a resource for society and the Single Market*' will remain relevant and valid also with the Health programme being integrated in a separate spending framework (see above, section 1.1).

While also supporting the objectives of the Single Market Programme, the European Statistical Programme, with its highly transversal character, will ensure the provision of high-quality statistics on Europe to support the design, monitoring and evaluation of the Union policies, using multiple data sources, advanced data analytics methods and digital technologies.

Table 2.3 Coherence between objectives for the Single Market Programme and objectives of individual programmes and budget lines[60]

Objectives / Programme/line	Empower citizens /consumers and businesses(in particular SMEs at different stages of their development)	Support to administrative cooperation, capacity building and integration among Member States	Support to rule-making, standard setting and enforcement at EU institutions level	Foster the protection of health as a resource for society and the Single market
An Ambitious Competition policy for a stronger Union in the digital age	√	√	√	N/A
IT and business solutions for the Single Market (successor of ISA2)	√	√	√	√
European Statistical Programme (ESP)[61]	√	√	√	√
Implementation and Development of Single Market for Financial Services	√	√	√	N/A
Standards in the field of reporting and auditing	N/A	N/A	√	N/A
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)	√	N/A	√	N/A
Company law and anti-money laundering	N/A	√	√	N/A
Consumer programme and New Deal for consumers	√	√	√	N/A
Internal Market - Governance tools	√	√	√	N/A
Internal market – Support to Standardisation activities	√	N/A	√	√
Internal market – operation and development of the internal market for Goods, Services and Public Procurement	√	√	√	N/A
EU programme for the Competitiveness of SMEs (COSME)	√	√	N/A	N/A
Health programme	√	√	√	√
Food chain Programme	√	√	√	√
Customs and tax policy development support budget line	N/A	N/A	√	N/A

60 √ signifies that the operational objectives of the programme/budget line contribute to the content specific objective of the Single Market Programme. Detailed description of the connection between Single Market objectives and all (sub)objectives of the included programmes and budget lines are presented in aannex19

61 The European Statistical Programme has a transversal character, covering all Union policies, not only those covered by this impact assessment.

3. PROGRAMME STRUCTURE AND PRIORITIES

As demonstrated in section 1.2 and section 2.1 a number of both content specific and cross-cutting challenges run across the existing programmes and budget lines. The new Single Market Programme will have as its strong priority to achieve a programme structure that is both politically and legally feasible while addressing the need for flexibility, simplification and synergies.

To achieve both the abovementioned content specific and cross-cutting objectives for the programmes/budget lines under the proposed scope three overall scenarios for implementation are possible:

- Option 1: A **business as usual scenario** where implementation is a continuation of the current multiannual programmes and budget lines while adding the new spending proposals described in tables 1.1 and 2.1 with separate legal bases.
- Option 2: An **integrated scenario** where a new programme is adapted to deliver current and new programmes and budget lines falling under the scope via a single legal base that that is flexible enough to ensure preservation of specific legal and institutional requirements.
- Option 3: A **fully unified scenario** where a complete merger of all programmes under the scope is delivered under a single common basic act with identical legal and institutional requirements for all activities under the scope.

Under the **'business as usual'** scenario the current structure of 14 separate programmes and budget lines would continue with the possible addition of new activities as described in tables 1.1.and 2.1.

This structure would not provide any new simplification or added flexibility. Cooperation and possible synergies in delivery of the budget would continue on an ad hoc basis as is the case today (e.g. as is already being done with the YourEurope platform). Feasibility is high since it is the continuation of already successful programmes/budget lines with the only potential complexity coming from establishing the new activities described in table 2.1. This option will be considered the baseline scenario for comparison with other possible structures of the programme.

The **'integrated scenario'** expands on the business as usual scenario in the delivery of proposed activities through a joint programme. Under this scenario all existing prerogative lines and the administrative support from all the programmes and budget lines in the scope would be grouped together under a horizontal structure. This structure would allow for increased coherence, simplification, flexibility and synergies across the administrative spending (studies, data collection, IT tools, etc.) and on some content in the existing prerogatives (for example market information and enforcement actions).

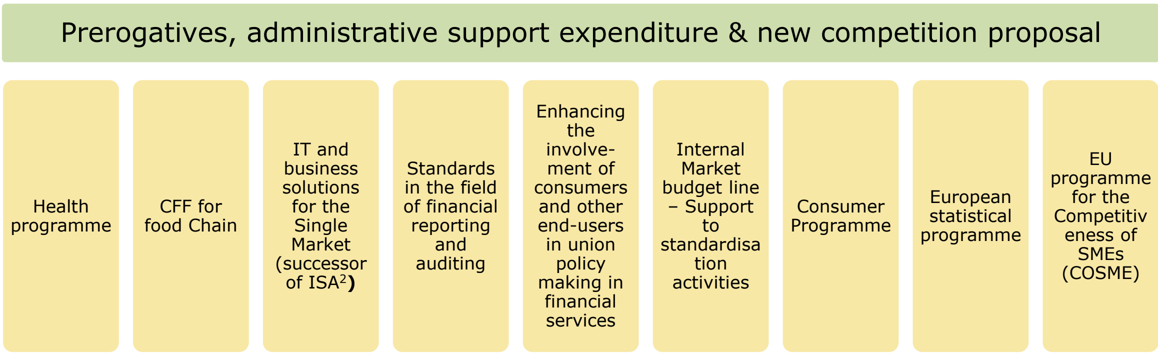
Along with the horizontal structure, "pillars" would be created to accommodate the specific legal and institutional requirements for governance of each individual programme/budget line, such as the European Statistical Programme[62] or the emergency procedures under the food and feed programme, which have dedicated institutional/ governance settings and are not of relevance to other parts of the programme. This would

[62] As formulated in Regulation (EC) 223/2009 on European statistics.

ensure the uninterrupted delivery of such procedures and inclusion of the associated stakeholders where relevant.

Such an approach would place a limit on the synergies and simplifications that can be achieved. However, from a feasibility point of view this structure scores high because it can be implemented through a new unified basic act with sub-provisions for specific institutional/governance models and therefore avoid disruption to current policy objectives and governance models for existing programmes and budget lines.

Figure 3.1: Architecture for an Integrated Single Market Programme option[63]



The third scenario is a fully '**unified programme'** where a single legal structure covers all spending under the scope of the programme. This would potentially make it possible to develop synergies in a larger part of the operational and administrative categories of spending in all programmes and budget lines and potentially increase the scope of synergies significantly. However this would require extensive political debate in order to streamline different existing governance requirements into an approach that could potential satisfy all involved stakeholders and respond to specific EU intervention logic, in particular under the above mentioned pillars such as, for instance, the emergency procedures under the food and feed programme. There is a strong stakeholders support for the continuation of the current programmes so a "unified" programme could be badly perceived by stakeholders e.g. SMEs who could fear that's the SME policy is not receiving sufficient recognition by the Commission. It is therefore not considered feasible that a single unified governance mechanism for a fully integrated programme can be found under the current legal and political requirements.

As summarized in table 3.1 the analysis shows that, scenario 1 (business as usual) would be feasible but would bring no added benefits in terms of flexibility, simplification and synergies between existing programmes/budget lines. This scenario would thus be inconsistent with the level of ambition identified for the next multiannual financial framework. On the other hand, scenario 3 (fully unified programme) for the Single Market would increase the scope of potential benefits significantly but due to the pre-existing diversity of activities under the scope it is considered prohibitively difficult to arrive at a governance model that can satisfy all necessary requirements and deliver simplification at the same time. For this reason this scenario is discarded. Scenario 2 would allow for a less ambitious but feasible pursuit of new simplification, flexibility and

[63] The measures included in the Health programme pillar will be integrated in a separate framework (see section 1.1 above) and the architecture of the Single Market Programme will be adjusted accordingly.

synergies across the programmes/budget lines included under the scope. Scenario 2 of an integrated Single Market Programme is therefore considered the preferred option and will form the basis for further analysis in the impact assessment.

Table 3.1 Analyses of a Single Market Programme in the next multiannual financial framework

Scenario / Parameter	**Business as usual**	**Integrated Single Market Programme**	**Unified programme for the Single market**
Flexibility	**0**	+	+
Simplification	**0**	+	+
Synergies	**0**	+	+ +
Feasibility	**0**	+	- -
Total	*0 points*	*4 points*	*2 points*
0 = no change, - = negative effect, + = positive effect.			

3.1. Possible synergies under a changed MFF structure for the Single Market

The integrated Single Market Programme allows pursuing synergies for all supporting expenditure for the various programmes/budget lines under the scope (data gathering and processing, IT tools, etc.) and for a limited set of operational activities such as training and capacity building in Member States.

For the preparation of this section on synergies, data was compiled from Commission services involved in the programme and subsequently validated and developed in a half-day workshop on 2nd March 2018 (see section 1.2 for examples of issues related to uncoordinated approach to different actions). The result of this work is compiled in table 3.2 below.

As a result of closer cooperation between Commission services it would be expected that additional synergies are discovered and developed during the implementation of the Single Market Programme.

Table 3.2 Potential synergies in the Single Market programme

Affected policy area of programme / Potential synergy	**Competition**	**IT**	**Statistics**	**Financial**	**Market**	**SME**	**Consumer**	**Health / Food**	**Customs and Taxation**
Trainings and capacity building	√	√	√	√	√	√	√	√	
Coordinated and Cross-border enforcement	√				√		√	√	
Data gathering and processing.	√	√	√	√	√	√	√	√	√
Awareness raising activities	√	√	√	√	√	√	√	√	√
Support to networks of Member States' authorities	√				√	√	√		
Sharing IT development and operations	√	√	√	√	√	√	√	√	

The potential synergy areas, solutions proposed and their pros and cons are:

- Trainings and capacity building

- *Developing a general training offer under a Single Market capacity building heading*. This would involve pooling together organisation of training activities, focusing on the preparation of re-usable training material, offered on-line (i.e., e-learning) and open to other EU institutions and to all Member States. Common, horizontal modules could be developed (e.g. on e-commerce, detection of fraudulent/deceptive practices, risk based planning of controls in the field of dangerous products) and would complement the modules for specific policy areas. This could also include a corporate approach for the organisation of trainings, for example through a framework programme for developing capacity training modules for both consumers and businesses under the same contract.
- *Setting up a capacity building programme focusing on SMEs and covering different aspects under Single Market policies*: dealing with consumers' issues, accessing finances, etc. or to other targeted groups (i.e. Consumers' associations).
- *Coordinated approach to supporting Member States' enforcement capacities*. Comprehensive national enforcement strategies could be the basis for funding support to Member States, covering capacity building, modernisation and alignment of control systems and funding of testing and controls.

A coordinated approach to training or a common training programme would avoid information overload and foster more cooperation between national enforcers in the Member States (in particular where cross cutting skill areas are needed for enforcement action, such as e-commerce or fraudulent practices), and create a centralised training offer related to enforcement in one place where e-learning materials could be provided in one place according to target groups across policy areas. The network of intermediaries[64] in the COSME programme would also facilitate better outreach, especially among SMEs

Organising these trainings together would reduce the number of trainings and will lead to resources savings, both on the side of the Commission and national authorities. Using joint contracts for trainings could increase the impact and reduce work on project cooperation which would result in cost savings. There could be however feasibility problems for national administrations to ensure participation at the right level in these joint trainings and also some programmes are subject to comitology procedure.[65]

A coordinated approach to supporting Member States' capacities would allow simpler co-funding and more flexibility for them to seek co-funding of "mixed" programmes which may span over several funding opportunities but not fit into any of them. In those cases where this approach is feasible Member States could introduce requests for strategy/capacity building funding under a single programme and take a more holistic approach to the Single Market.

- Coordinated and Cross-border enforcement

[64] E.g. The Enterprise Europe Network and Cluster organisations.
[65] For example, financing of the Better Training for Safer Food programme is subject to comitology by the Standing Committee of the Food Chain votes.

- Commission coordinated cross-border enforcement campaigns by national authorities could be run in areas where several administrations need to be involved as in the case of product and food safety and cyber security issues, on commercial practices, personal data protection and Intellectual Property Rights or in the area of EU antitrust rules and merger cooperation. DGs organising coordinated or joint enforcement campaigns could come together for planning and exchanges of best practices and improve Commission engagement with national authorities.
- Single framework contract for procuring products testing by laboratories could be open to DGs supporting enforcement networks and joint actions and to national enforcement authorities for their controls of products in the Single Market.

Coordinated cross-border enforcement campaigns could help create cross-sectoral and cross-border investigation teams. The annual planning of these across different sectors would reduce overlaps and allow better exchange of experience. In cases where enforcement actions are voted/examined by a Committee feasibility may be a problem.

- Data gathering and processing

- Enhancing existing platforms on data available at EU level such as BASEXT[66] to better address the needs of the Single Market Programme.
- Making use of Eurostat advice and services for the production and dissemination of statistical information supporting SMP sub-programmes.
- A "Single Market Knowledge Hub" to gather and analyse market studies, performance indicators, country profiles, market research, Member State reports to organise all the information and allow for sophisticated analytics.
- Text mining: introduce thematic building blocks (instead of DGs building their own intelligence).
- Access to information, assistance and problem-solving services: all Single Market information and assistance services for citizens, consumers and business are to become more easily accessible through the single digital gateway.
- Common purchase of access to databases when needs are similar.
- Creation of a framework contract for studies with higher value and higher individual studies value, use of such framework contracts would be optional.
- Joint bid for Eurobarometer slots and coordination of questionnaires.

By grouping certain projects the services involved in the Programme could increase the size of their procurements, save on management costs and generate economy of scales[67]. This could allow services to get access to specific knowledge and to better pooling and analysis of market intelligence in bigger data sets. Data sets could also be required in the same, open format both from consultants and Member States which could lead to easier exchange and reporting. In addition, duplication of studies could be avoided and outcome of similar studies could be cross-checked for accuracy.

Making better use of the joint procurement of external databases will give the Commission a better bargaining position and allow significant savings compared to

[66] https://webgate.ec.europa.eu/multisite/basext/en/home . BASEEXT is managed by Eurostat.
[67] Special rules on confidentiality apply in the area of EU competition policy and may limit the use and exchange of certain information

individual contracts with data suppliers. The potential savings for 5 DGs currently using the same database would be up to €400,000 per year and €2.8m during a seven year MFF (assuming purchase of data and storing it on Commission servers for all to have access to).

A bigger budget in joint bids for Eurobarometer slots and coordinated questions would allow asking more and more coordinated questions (cost savings on each duplicative question avoided is €15,000). Furthermore a joint proposal by several departments would gain higher priority in the Eurobarometer planning calendar.

Creation of framework contracts with higher value would enable having joint studies covering similar topics no longer constrained by budget and more flexibility in situations where one department runs out of budget while the other has a surplus. Such framework contracts could also be open to Member States.

An option to manage contracts separately should also be kept, in particular for DGs with specialised needs, where it would still be necessary to run separate studies to get the appropriate knowledge and so the qualitative outputs expected. High value would also mean that SMEs would probably need to form consortia in order to participate.

Support to networks of Member State authorities

- Pooling support activities to networks and centralised management of meetings.
- Framework contracts for meetings, web-meetings, conferences organisation support, common tools, common scheme for exchange of officials/investigations teams.

Pooling support activities could lead to a more efficient organisation of enforcement cooperation meetings and peer reviews among Member States as long as the centralised management doesn't create added bureaucracy at the expense of flexibility and speed in managing the networks which have different objectives, modes of work, participants or frequency of meetings.

Awareness raising activities

- Setting up networks for raising awareness of existing services and tools, signposting to the most relevant service providing information, assistance or problems-solving capacity. Developing a common brand and readily identifiable elements to all campaigns.

A coordinated approach in this field would produce economies of scale. Also the long-standing experience of awareness-raising activities and an extended network of intermediaries of COSME can provide additional leverage for all Single Market awareness raising activities.

Streamlining IT assets, Sharing IT development and operations

- The joint management of the Single Market Programme could facilitate a strengthened coordination of IT assets (frameworks, standards, solutions) currently supporting the various information systems used by the included programmes.

This approach would enable a more streamlined IT support across the Single Market Programme domains consistent with the corporate IT governance within the Commission. This enhanced collaboration between sectorial IT support will be a core driver in view of sharing and reusing common solutions across services and the pooling of IT resources. Besides reducing the total cost of ownership of the digital services, enabling scalability and reducing time to market and interoperability fragmentation, such an approach would contribute to critical mass towards a sustainable and aligned digital transformation that pays prime attention to cross-border, cross-sector dynamics.

For example, the information systems that are used for the cooperation between national competent authorities and the European Commission could benefit from technological overhauls and state of the art investments with a view to improve their effectiveness. The programme would also strive to reuse datasets across business portfolios and support policy principles such as the "once-only" – while ensuring due diligence of data privacy and other relevant legal provisions.

3.2. Possible simplifications and improved flexibility in a common MFF structure for the single market

- Better predictability and flexibility of budget for support activities

Supporting activities such as studies, evaluations, information campaigns and trainings of firms currently falling under the prerogative lines (around 7% of last MFF budget falling under the scope of the Single Market Programme) will be integrated into the programme allowing the budget for these activities to be fixed for the whole period of the MFF[68]. The benefit of predictable financing should allow for long term planning of supporting activities in product standardisation or financial services regulation. The increased financing stability will be accompanied by a higher level of political scrutiny over budget implementation. As discussed previously, the integration of existing prerogative lines and administrative spending will also allow for increased flexibility in adapting to changing needs across these areas of the new programme[69].

3.3. Possible prioritisations in response to the EU27 baseline scenario

The lessons learned and stakeholder feedback shows that the activities to be included in the SMP provide strong EU added value and should as a matter of principle be continued. The SMP is only a small part of the budget in comparison with other MFF programmes (€6bn, 0.55% in current MFF). This limited budget is however supporting one of the most significant parts of the European Project. To decrease the available budget could endanger the functionality of the programmes especially taking into account the additional commitments as presented in the table 1.2, such as the Goods package, Health Technology Assessment or Single Digital Gateway.

[68] Programme legislation will determine the volume of expenditure and it is not subject to annual budgetary negotiations. The budgetary authority cannot refuse budget already assigned by programme legislation based on the MFF.
[69] See section 3, Programme structure.

Savings from the identified synergies will materialise mainly from cross-cutting implementation, better coordination, common enforcement, and as such are difficult to quantify. Although potential savings have been identified during the preparation of the IA they are marginal when compared to the EU27 baseline scenario. The identified synergies are mainly considered avenues for improved delivery of the content-specific objectives and if the SMP were reduced to the indicated EU27 baseline there would need to be real reductions in delivery which could not be offset by the potential synergies identified at this stage. The main responses to the EU27 baseline scenario are identified in table 3.3.

Table 3.3 Prioritisations in response to the EU27 baseline scenario

Programme/ Budget line	**Description**
An Ambitious Competition policy for a stronger Union in the digital age	The programme would be adjusted by removing the priority of boosting external partnerships and wider stakeholder outreach. In terms of the actions listed that would mostly effect the outreach actions as well as the human competency actions to the extent they relate to third country authorities.
Interoperability solutions and common frameworks for European public administrations, businesses and citizens as a means for modernising the public sector (ISA² programme)	The policy initiatives under the Single Market Programme will continue to require IT solutions in their implementation. Those solutions will continue to need to be interoperable across borders and across sectors. As such, the budget needs for "IT and business solutions for the Single Market Programme" would not diminish, but the coverage or scope of the IT solutions can be adapted according to the budgetary constraints.
Implementation and Development of Single Market for Financial Services	Actions will continue to be implemented but would inevitably require a scaling back of activities funded that could potentially undermine the quality of policy delivery in the context of financial services, capital markets union and financial stability because of more limited options for example to acquire data, procure studies, build up IT tools and communication strategies.
European Statistical Programme (ESP)	Eurostat would cover only a minimum of information needs required by EU legislation. Many existing regular statistics based on voluntary data collections, e.g. related to the Energy Union or Digital Single Market, will have to be discontinued. It will not be possible to develop specifically designed statistical surveys or other data sources that would meet emerging policy needs.
Standards in the field of reporting and auditing	Actions will continue to be implemented but would inevitably require a scaling back of activities funded that could potentially undermine their effective functions in the context of global standard setting activities and therefore have a negative impact on EU interests in such context, including for example a qualitative and quantitative decrease of European Financial Reporting Advisory Group opinions..
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)	The funding of current activities will be at risk. The current funding is already very limited and further reduction would put into question the survival of the programme in a policy field. Consequently the already underrepresented views of consumers would be even less represented while defining policy on financials services.
Company Law prerogative	While possibly some synergies could be gained within the SMP (studies benefiting from activities funding under other policy fields where suitable, communication activities) the margin for adjustment remains very small, also given a very small budget available for these policies in the past and a number of legal obligations in the current acquis to produce reports. Both, as regards company law and anti-money laundering/counter terrorist financing policy, it must be taken into account that any possible reduction of the budget would impact significantly the quality of the support and development of this EU policy
Consumer Programme and the consumer and contract law part of the	Activities in the UK will discontinue and help to offset budget reductions rather than abandoning specific actions, the programme expects to make productivity gains on certain activities (for example thanks to more efficient IT systems), the use

Programme/ Budget line	Description
Rights Equality and Citizenship programme (REC)	of more powerful data analytics and through the development of synergies within the Single Market Programme. However, it may still be necessary to reduce funds allocated to supporting consumer assistance on the ground, awareness-raising activities as well as the support and capacity building of consumer authorities and organisations, and market analysis. Priority will be given to activities indispensable to ensure an efficient implementation of the consumer acquis and the Commission's obligations found in this acquis.
Internal market: Governance tools	Reduction would make it impossible to fulfil existing legal obligations stemming from Internal market legislation, such as the provision of the Internal Market Information system (IMI) for all those policy areas currently listed in the annex of the IMI Regulation and its expansion to new legal areas. It would mean halting any further development of services despite increasing demands from citizens and businesses and incapacity to address new business and/or societal developments related to the digital single market and e-government, such as the deployment of the IT tools and the comprehensive upgrade of the Your Europe portal which are required to launch the up-coming single digital gateway.
Internal market: Support to Standardisation activities	Running the standardisation system would continue but it would not be possible to fund all standardisation projects needed to support recently adopted EU legislation and would entail a negative impact on innovation - particularly so for SMEs since they have lesser means to defend themselves against non-compliant products being placed on the market. Costly laboratory trial tests needed before developing a standard would no longer be afforded which would negatively impact quality of standards.
Internal market: operation and development of the internal market for Goods, Services and Public Procurement	A reduction would make it impossible to fulfil new commitment made during the current MFF e.g. under the Goods Package or type approval proposals. Activities indispensable to preserve the proper functioning of the Single Market (such as accreditation, conformity assessment, preventing new barriers under the Single Market Transparency Directive, services and maintaining the Single Market product legislation fit and up-to-date with the digital age) would need to be reduced and further developments would need to be restricted.
COSME	No entire action would be discontinued in the EU27 baseline scenario but parts related to implementation in the UK will be discontinued and other proportional reductions would be implemented.
Health programme	The further development of initiatives such as additional European Reference Networks, Health Technology Assessments and eHealth would be very limited, and the support to achieving the Sustainable Development Goal number three of "ensuring healthy lives and promoting well-being and access to health care for all" would be minimal.
CFF for food chain (the Food Chain Programme)	It would prevent the necessary strengthening of actions against plant pests. There is a strategic phasing-in under the current MFF of the budget for detection and eradication of harmful organisms The baseline would not take this into account and would thus significantly reduce the scope for action (e.g. against Xylella). It would also limit the efforts to work with and support Member States in the fight against food fraud.
Customs and tax policy development support budget line	A reduction of budget to an EU-27 budget would not lead to the elimination of a certain type of activities. Indeed, the same types, namely studies, evaluation, and communication activities would continue to be set up. Studies for evaluations or reports which the Commission is obliged to deliver on the basis of Union legislations would be prioritised. In addition, the relevance of intended initiatives with the EU customs and tax agenda would be checked and would allow prioritisation. For example, initiatives which can be linked to fair taxation or the Union Customs Code implementation could be prioritised.

3.4. EU added value and legal base

3.4.1. EU added value

The need for EU intervention is already well established for the existing programmes/budget lines[70] and the proposed structure for a Single Market Programme would not alter the pre-existing rationale of these individual interventions.

In the open public consultation around 80% of stakeholders considered that EU programmes and funds add more value than could be achieved at national level. The Single Market is considered the best illustration of EU added value action, as it is a public good delivering real and tangible value. However, as new barriers continuously appear, some respondents ask for further standardization and for strengthened market surveillance with sufficient budget allocation[71].

Although Member States are primarily responsible for delivering the Single Market on the ground the Commission as a guardian of the Treaties and the EU as a whole has an interest that this delivery is done in a coherent way, and that citizens, consumers and businesses enjoy the same rights and the same opportunities throughout Europe. Action at EU level is required to ensure the consistent development of the Single Market, non-discrimination, consumer protection, functioning competition, developing capabilities in, as well as cooperation and trust between Member States, tackle cross-border issues and ensuring the security of the Single Market. Developing a Single Market Programme can only be achieved at EU level as actions require active cooperation and coordination of national capacities.

For instance, to ensure that consumer and safety laws are respected across the Single Market, consumer authorities and associations have to cooperate to ensure an equal assessment and correction of practices in this field. The EU has to support such cooperation with adequate IT tools, evidence and legal expertise. In addition, the EU is best placed to support EU-level consumer representation, including financial services, awareness raising, collection of evidence, exchange of best practices and networking among authorities and bodies assisting and/or representing consumers. EU action is in particular required in the area of awareness-raising concerning the application of the EU competition rules and its effects for the functioning of the Single Market. In addition, safeguarding health as an invaluable resource for the society and the Single Market by protecting citizens and the economy against cross border health threats (for humans, and animals and plants equally) can only be effective and efficient if coordinated at EU level.

As regards the new proposal for *An Ambitious Competition policy for a stronger Union in the digital age*, a large body of literature and studies demonstrates the macroeconomic benefits of competition and competition enforcement. For instance, a study[72] from 2017 demonstrated that the Commission's cartel and merger decisions taken over the period 2012-2014 boosted GDP by 0.3% and employment by 0.2% after five years, similar to

[70] Discussion of subsidiarity and EU added value for individual programmes/budget lines can be found in the corresponding annexes.
[71] See annex 2 for more details
[72] Dierx, Adriaan, Fabienne Ilzkovitz, Beatrice Pataracchia, Marco Ratto, Anna Thum-Thysen and Janos Varga (2017), "Does EU competition policy support inclusive growth?", Journal of Competition Law & Economics, Vol. 13, No. 2, pp. 225-260.

various estimates of the impact of the Services Directive[73].. The competition enforcement action – which only covered part of EU level competition enforcement – was also found to reduce inequalities between rich and poor households.

The new *Scaling-up instrument* will directly leverage the high EU added-value of the COSME programme as it will target SMEs that are engaged in strategic interregional collaboration as part of clusters and encourage the transnational uptake of solutions to boost SMEs competitiveness. It will complement efforts at regional and national level and others measures at EU level, such as interregional collaboration of regional authorities under the European Regional Development Fund.

3.4.2. Legal base

According to settled case-law, the choice of the legal basis for a European Union measure must be based on objective factors amenable to judicial review, which include the aim and content of that measure and not on the legal basis used for the adoption of other European Union measures, which might, in certain cases, display similar characteristics. In addition, where the Treaty contains a more specific provision that is capable of constituting the legal basis for the measure in question, the measure must be founded on that provision. If examination of a measure reveals that it pursues two aims or that it has two components and if one of those aims or components is identifiable as the main one, whereas the other is merely incidental, the measure must be founded on a single legal basis, namely that required by the main or predominant aim or component. With regard to a measure that simultaneously pursues a number of objectives, or that has several components, which are inseparably linked without one being incidental to the other, the Court has held that, where various provisions of the Treaty are therefore applicable, such a measure will have to be founded, exceptionally, on the various corresponding legal bases. Recourse to a dual legal basis is not possible where the procedures laid down for each legal basis are incompatible with each other[74]

The basic acts establishing programmes currently in force which will be integrated into the Single Market Programme are based on diversified legal bases. Those include: Article 114 TFEU in case of activities supporting financial reporting and auditing[75] (and a large number of internal market measures that contain ancillary financing provisions), Article 169 TFEU and Article 169 (2) (b) TFEU concerning consumer protection[76], Article 168 (5) TFEU concerning public health[77], Articles 43 and 168 (4) (b) TFEU concerning measures in veterinary and phytosanitary fields[78], Article 197 TFEU on administrative cooperation Article 173 TFEU encouraging a favourable environment for the development of undertakings, particularly small and medium-sized undertakings, Article 195 TFEU concerning tourism, and Article 338 TFEU on statistics.

In the light of the synergies obtained, the merging of the previous programmes has resulted in the proposal pursuing simultaneously four objectives that are inseparably linked without one being incidental to the other i.e. the internal market (Article 114

[73] See Copenhagen Economics (2005a): "Economic assessment of the barriers to the internal market for services"; Final report.'The economic impact of the Services Directive: A first assessment following implementation', EUROPEAN ECONOMY, Economic Papers 456 (June 2012).
[74] See e.g. Case C-490/10 Parliament v. Council at paras 44 to 47.
[75] Regulation 258/2014
[76] Regulation 254/2014, Regulation 2017/826,
[77] Regulation 282/2014
[78] Regulation 652/2014

TFEU), measures in the veterinary and phytosanitary fields (Articles 43 and 168 (4) (b) TFEU), encouraging a favourable environment for the development of undertakings, particularly small and medium-sized undertakings (Article 173 TFEU) and statistics for EU policies (Article 338 TFEU).

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Single Market governance, policy implementation and funding have traditionally been set up and implemented with a strong sector specific focus. Each of the programmes to be incorporated in the Single Market Programme has their own historic background and independent approach on implementation and delivery. The instruments used are direct funding by way of grants and financial instruments. Policy support actions are partly implemented by procurement. This is especially the case under the Commission prerogatives on budget lines not related to a funding programme and where tasks assigned to the Institutions by the Treaty require the exercise of discretionary powers in translating political choices into action[79]. Detailed descriptions of the delivery mechanisms for each budget line included in the scope of the Single Market Programme are described in the corresponding programme-specific annex.

Setting up this programme is an opportunity to streamline procedures, increase commonalities, adopt common management and delivery models and an opportunity to consider further the use of executive agencies to support programme implementation.

Finally, and subject to the caveat expressed in the section 1.1 Scope and context, and in line with the Commission's overall objectives of streamlining, increasing efficiency and achieving a better visibility of EU support, the successor to the SME guarantee facility of the COSME programme will be implemented under the SME window of the InvestEU Fund and under the rules established for the InvestEU Fund. The delivery of the SME guarantee facility under the InvestEU Fund is more efficient, as the InvestEU Fund will be based on a budgetary guarantee rather than a fully funded financial instrument. To this end, it will be stipulated in the Regulation that the budget allocated towards the SME guarantee under the COSME programme shall be made available to the guarantee fund linked to the InvestEU Fund on the condition that the implementation of an SME guarantee facility is focused on supporting higher risk SME financing transactions under the SME window of the InvestEU Fund.

4.1. Programme coordination and delivery

4.1.1. Coordination in the Commission

The day to day running of the Programme will require an Inter Service Group (ISG) within the Commission to ensure coordination between the services involved in running

[79] See recital (5) of Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes stating that "*Outsourcing of management tasks should nevertheless stay within the limits set by the institutional system as laid out in the Treaty. This means that tasks assigned to the institutions by the Treaty which require discretionary powers in translating political choices into action may not be outsourced*".

the specific activities. The ISG will consist of the DGs tasked with the implementation of the programme and administrative support will be provided by the lead DGs.

The ISG will develop the internal arrangements for the cross-cutting activities and support measures announced in the work programme, monitor relations with any relevant executive agency and will be consulted on the scope of the activities to be externalised. The ISG will be involved in budget appropriation and programme evaluation.

An additional option in implementing the Single Market Programme would be for the responsible Commission services to be assisted by a Common Support Centre similar to the one set up to assist in the day to day management of the Horizon 2020 Programme under the current Multiannual Financial Framework which provides a consistent application and interpretation of a single set of rules in Horizon 2020 across all components of this Framework Programme and a harmonised implementation of full grants cycle across all implementing bodies. This support however also creates rigidity in the implementation when based on a single set of rules which is appropriate for a very large scale of operations in administering grants which is not foreseen for the Single Market Programme. . Given the diversity of actions under the Single Market Programme, the use of a Common support Centre is therefore not foreseen for the Single Market Programme. It is considered that the ISG within the Commission will be sufficient to ensure proper coordination of actions.

Under the template put forward for sector programmes under the Multiannual Financial Framework post 2020, the funding rules applicable to the programme budget will closely follow the provisions of the new Financial Regulations. Where appropriate, the programme's ISG can be consulted or ad hoc cooperation can be established for the implementation of specific cross-cutting activities, such as rationalising some IT tools developed under the Single Market Programme or its predecessors.

4.2. Delegation to executive agencies

Delegation to an executive agency is primarily relevant for activities that are repetitive, non-political and benefits from economies of scale in their production. A good example is the delegation of management of grants awarded to a large number of recipients according to a set of common rules or the contracting out of media buying for communication campaigns. One or several existing executive agencies could be tasked to run specific grants or procurements meeting these criteria and develop the necessary expertise in the delegated task across several programmes. Other procurements could be delegated to executive agencies on the basis of a pre-existing specialisation (e.g. in the health and food safety domain).
Due to specialisation and standardisation of administrative activities such agencies are very cost efficient. Cost analysis has shown, for instance, that delegation of programme management to EASME is estimated to deliver savings of 26% or €104m over 2014-2024 relative to implementation by the Commission itself[80].They also form a single recognizable counterpart to recipients of funding. This will allow Commission services to concentrate resources on developing and retaining expertise required for non-repetitive and policy making tasks.

[80] ICF GHK. 2013. Cost Benefit Analysis for the delegation of certain tasks regarding the implementation of Union Programmes 2014-2020 to the Executive Agencies (Final Report 19 August 2013), pages 63 and 135.

4.2.1. *Current delegation*

Under the current multiannual financial framework the programmes included under the scope of the Single Market Programme have already delegated a number of such activities to executive agencies as summarised in table 4.1.

Table 4.1 – Existing delegation of activities for programmes under suggested scope for the Single Market programme

Programme	Delegation (M€)	delegation (%)	Delegated to
Health Programme	339	75	CHAFEA
Food Chain Programme	112	6	CHAFEA
Consumer programme	142	75	CHAFEA
Internal market governance tools[81]	3	11	EASME
COSME	765	32	EASME
Total	1.361		

Under the current multiannual financial framework the European Commission has entrusted the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA) to implement activities for three programmes under the scope of the Single Market Programme: the Health, the Food Chain and Consumer programmes.

For the Health Programme this is mainly done through financing three types of different actions: grants for projects, grants for joint actions with Member States and operating grants. CHAFEA ensures a complete electronic lifecycle for grants from evaluation of proposals, to collection of deliverables and final reports. A good example is the "Better Training for Safer Food" (BTSF) initiative under the CFF for Food Chain Programme. The aim of BTSF is to organise a Community (EU) training strategy in the areas of food law, feed law, animal health and animal welfare rules, as well as plant health rules. While the Commission sets out policy objectives and the general strategy for BTSF, the Executive Agency puts into practice this initiative by managing all phases of the projects, from launch of calls for tender to evaluations of offers, award of contracts, and supervision of implementation. For the Consumer programme, CHAFEA implements grants and a part of the procurements in the programme. Certain specific procurements remain executed directly by the parent DG in case of highly sensitive files or where CHAFEA does not have the necessary technical expertise.

The COSME programme, on average, delegates around 110 million per year (90% of the budget for the non-financial instruments) to EASME. Half of this relates to the Enterprise Europe Network, the other half is constituted of a large number of smaller actions. Under the current multiannual financial framework, EASME has also partly implemented a small fragment of the Internal Market Governance tools (Your Europe Business) but with funding deriving from the COSME budget line.

[81] The main part of the delegation for this activity (Your Europe Business) derives from the COSME budget.

4.2.2. *Future delegation of activities under the Single Market Programme*

From 2018, the portfolio of executive agencies is no longer limited by a strict interpretation of "programme" implementation as a result of the entry into force of the new Financial Regulation. This means that externalisation may now be considered for the implementation of certain tasks related to the management of individual projects and for the implementation of administrative expenditures. As such, externalisation can be extended to activities previously implemented by the Commission as long as it respects the requirements set out by Regulation 58/2003 for any delegation of tasks to Executive Agencies (prior cost benefit analysis, exclusion of any delegation of tasks involving discretionary powers, inclusion of the activity in the Establishment Act of the Executive Agency)..

In this context, the experience of executive agencies can be extended to other implementation tasks that are currently implemented within the Commission proper. Externalisation cannot be applied to all tasks. Some actions may be politically sensitive, or need a specific knowledge to be implemented most effectively, which would require in-house evaluation and award of individual contracts and funding to be performed by the Commission itself or some selected activities with a particularly close relation to policy making.

Without prejudging of the result of the cost benefit analysis that will be performed to analyse the opportunity of delegation to executive agencies for the next programming period[82], the following elements can already be mentioned. Positive experience with the current delegations from the Health, Food chain, Consumer and COSME programmes means they should continue under the next multiannual financial framework. The current delegation of the activities for Your Europe Business might no longer be considered suitable for delegation to the executive agency as analysis has showed that the delegation created an extra layer of coordination that effective delivery can be better achieved by fully integrating delivery with the other Internal Market governance tools which are currently managed in-house.

As a part of the preparation of the impact assessment for the Single Market Programme, the services involved have performed a preliminary analysis and identified potential candidates for future delegation of activities to an executive agency.

As regards the delegation of the implementation of grants:

- The possible use of grants to incentivise uptake of digital interoperable assets from the current ISA[2] programme.
- Operating and action grants without calls for proposals (under framework contracts) to European standardisation organisations.
- The use of grants to support joint enforcement actions, best practise development and capacity building in the area of market surveillance and product compliance.

As regards the delegation of the implementation of public procurement:

[82] The performance of this Cost Benefit Analysis is a requirement set out by Article 3 of Regulation 58/2003.

- Day to day management of the contract supporting Your Europe Advice (part of the Single Market Governance tools)[83].
- Market studies, data gathering and analysis, product testing, communication actions, training programmes and material in the area of market surveillance and product compliance.

As regards the delegation of the implementation of other activities:
- Direct payment or reimbursement of travel and meeting costs linked to enforcement coordination meetings of market surveillance authorities, exchange of officials, peer review visits of market surveillance authorities.
- Direct payment or reimbursement of Member States' testing costs in the context of agreed priority actions of the EU Product Compliance Network.
- Management of joint procurement for EU Product Compliance Network (e.g. framework contracts open to COM/agency and authorities)

The potential for delegation in the next multiannual financial framework is described in table 4.2.

Table 4.2 – Potential for future delegation in the Single Market Programme

Name	**Potential delegation (%)[84]**	**Type of activities to be delegated**		
		Grants	**Public Procurement**	**Other**
IT and business solutions for the Single Market (successor of ISA2)	30	√	√	√
Ambitious Competition policy for a stronger Union in the digital age	0	N/A	N/A	N/A
Implementation and Development of Single Market for Financial Services	0	N/A	N/A	N/A
European Statistical Programme (ESP)	0	N/A	N/A	N/A
Standards in the field of reporting and auditing	0	N/A	N/A	N/A
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)	0	N/A	N/A	N/A
Company Law prerogative	0	N/A	N/A	N/A
Consumer Programme and the consumer law part of the Rights Equality and Citizenship programme (REC)	75	√	√	√
Internal Market: Governance tools	29	N/A	√	N/A
Internal market: Support to Standardisation activities	75	√	N/A	N/A
Internal market: operation and development of the internal market for Goods, Services and Public Procurement	45	√	√	√
COSME	32	√	√	N/A
Health programme	75	√	√	√

[83] Your Europe Advice offers citizens and businesses tailored information and advice on their rights in the Internal Market, free of charge and in all 24 EU languages, including re-direction to the authority or other body (local, national or European) best placed to solve their problem. It is provided through a contractor (ECAS, European Citizens' Action Service) managing a network of 60 legal experts with EU law background, expertise and experience in national law and administration in all Member States, financed by the Commission which also takes care of the political guidance, maintenance and further adaptation of the YEA database application to the citizens and experts' needs

[84] Based on working assumptions and knowledge about the current multiannual financial framework.

Food Chain Programme	6	N/A	√	N/A
Customs and tax policy development support budget line	0	N/A	N/A	N/A

In a context of continuing existing delegations and as a result of the identification of the above potentials for new delegation, a political decision will be needed at the appropriate time as to how to organise the delegation of actions from the Single Market Programme. This choice will largely depend on the result of the Cost benefit Analysis.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

As the Single Market Programme is a merger of 15 new and existing programmes it covers a very large number of policy areas and consequently includes a large number of (sub)objectives and indicators. In as much as only a limited number of key performance indicators are possible, combining indicators to measure the overall performance of the programme covering many policy areas is not a viable monitoring strategy[85].

To prepare the impact assessment a half day workshop was conducted between the Commission services involved in the programme and the JRC. As a result the involved services were able to design and select a limited number of highly aggregated Key Performance Indicators that would best reflect the overall performance in terms of both the content-specific (reflecting key components of the programme) and cross-cutting objectives for the Single Market Programme[86]. The chosen indicators are based on the learnings from evaluation which showed the need for reducing the total number of indicators and shifting the focus to only key indicators which are measuring performance rather than output and for which the sources of data should be clearly identified at the design stage.

Programme/budget line	Indicator	Frequency	Source of data
An Ambitious Competition policy for a stronger Union in the digital age [a,b,c)]	Customer benefit from cartel prohibition decisions and merger interventions	Annual	In-house
IT and business solutions for the Single Market (successor of ISA2) [a,b,c)]	Level of alignment with the European Interoperability Framework[87] of the Member States Ability to complete procedures on-line.	Annual	NIFO (National Interoperability Framework Observatory)
European Statistical Programme (ESP) [a,b,c)]	Impact of statistics published on the internet: number of web mentions and positive/negative opinions	Annual	Eurostat, In-house
Standards in the field of reporting and auditing [c)]	Percentage of international financial reporting and auditing standards endorsed by the EU	Annual	N° of endorsement regulations
Consumer programme and New Deal for consumers [a,b,c)]	Consumer condition index[88]	Biannual	Consumer scoreboard

[85] The full mapping of (sub)objectives and indicators and their connection to the content specific objectives of the Single Market Programme are detailed in annex 19-20.
[86] The final list of the indicators will be decided in the legal base
[87] European Interoperability Framework Communication (COM(2017)134) (http://eur-lex.europa.eu/resource.html?uri=cellar:2c2f2554-0faf-11e7-8a35-01aa75ed71a1.0017.02/DOC_1&format=PDF)
[88] Composite index covering three dimensions: knowledge and trust; compliance and enforcement; complaints and dispute resolution

Programme/budget line	Indicator	Frequency	Source of data
Internal Market - Governance tools a,b,c)	Number of visits to Your Europe portal Number of IMI bilateral requests[89]	Annual	Single Market Scoreboard
Internal market – Support to Standardisation activities a,c,d)	Share of implementation of European standards as national standards by Member States in total amount of active European standards	Annual	Internal Market Scoreboard
Internal market – operation and development of the internal market for Goods, Services and Public Procurement a,b,c)	- Number of new complaints it the area of free movement of goods and services, as well as EU legislation on public procurement - Services Trade Restrictiveness Index[90] Joint market surveillance campaigns	-Annual - Annual	- Commission centrally registry of complaints (CHAP) -OECD
EU programme for the Competitiveness of SMEs (COSME) a,b,	Number of SMEs receiving support and total volume of financing made available to SMEs supported[91]. Number of companies supported having concluded business partnerships.	Annual	To be developed[92]
Health programme a,b,c,d)	Strength of integrated work engagement	Annual	Member States /SANTE
Food chain Programme a,b,c,d)	Number of successfully implemented national veterinary and phytosanitary programmes	annual	Member States /SANTE
Note: The key performance indicator for each programme is linked to content specific objectives for the Single Market Programme as described in table 2.2): a) Indicator linked to: *Empower citizens/consumers and businesses(in particular SMEs at different stages of their development);* b) Indicator linked to: *Support to administrative cooperation, capacity building and integration among Member State;* c) Indicator linked to: *Support to rule-making, standard setting and enforcement at EU institutions level;* d) Indicator linked to: *Foster the protection of health as a resources for the society and the internal market*			

In order to measure the achievement of the cross-cutting objectives for the new Single Market Programme the following design specific indicators will be monitored in-house:

Synergies
Training and capacity building: - Number and subject of training organised covering more than one policy area (with common programme or common venue or common participants or common date) - Participants feedback from such trainings and key learnings
Joint enforcement actions: - Number and field of common enforcement actions covering more than one policy area (no. of countries covered, no. of common inspections) - Reduction of time of product testing due to common Framework Contract
Data gathering: - Number of common purchases of databases and amounts saved - Number of joint Eurobarometers, number of policy areas covered and amounts saved (due to elimination of overlapping questions) - Number and value of studies launched under joint framework contract for studies - Number of joint studies launched and covering more than one policy area

[89] Requests/exchanges from one Member State to another
[90] OECD Services Trade Restrictiveness Index (STRI) is a unique, evidence-based diagnostic tool that provides an up-to-date snapshot of services trade barriers in 22 sectors across 44 countries, representing over 80% of global services trade. http://www.oecd.org/tad/services-trade/services-trade-restrictiveness-index.htm
[91] Subject to the caveat expressed in the section 1.1 Scope and context
[92] This information comes from different sources. This has to be centralised at programme level. Discussion with JRC will follow to develop a central monitoring system that would allow an annual calculation of this indicator.

Support to networks of Member State authorities - Usage of joint FWC for meetings (Saved time and cost on organisation of repetitive events)
Awareness raising activities: - Number of joint promotion campaigns covering more than one policy area - Measure of success of such campaigns (e.g. no. of citizens/firms reached, feedback received)
IT development and operations - Number, development time and related costs of common IT projects supporting more than one policy area -Users' feedback on these systems
Flexibility
- No of times budget were moved from one SMP pillar to another. - No of times FWC for studies was used for standard development and associated reduction in delivery time for standards.
Simplification
- Number, value and kind of common support activities cleared by Agency - Number of FTE saved for preparation of one work programme instead of many - Travelling time and lodging saved for the Commission and national authorities due to common Member State Programme Committee

There will be separate mid-term evaluations of the components of the Single Market Programme. Each evaluation will be content specific and focus on its detailed objectives. The findings will feed into the evaluation of the whole SMP, which will concentrate on design specific objectives (simplification, flexibility and synergies) and the key performance indicators specified in the legal base. In order to provide meaningful recommendations the mid-term evaluation should be conducted when SMP actions are likely to produce real output on the ground. Assuming that the next MFF has a duration of 7 years the mid-term evaluations should start during the 5^{th} or 6^{th} year of the programme implementation. The final evaluation should take place when all actions are executed and cleared.

The existing data sources seem sufficient for the monitoring of the proposed indicators.

Monitoring indicators presented above are not sufficient to provide an adequate evaluation of the effects of the whole programme. For this reason, it is foreseen to plan for mid-term and ex-post evaluations of specific SMP components with the relevant data collection. The detailed monitoring and evaluation arrangements for different SMP components are discussed in the respective programme-specific annexes. The detailed connection between all objectives and draft comprehensive list of all indicators is presented in Annex 19 and 20 respectively. Following experience with the current programmes, too many indicators can be difficult to monitor and not proportionate to objectives at hand. Therefore further work will be done to reduce and streamline the list proposed in the annex.

Annex 1: Procedural information

1. LEAD DG(S), DECIDE PLANNING/CWP REFERENCES

Lead Directorates-General (DGs)

This initiative is co-led by Directorate-Generals for Internal Market, Industry, Entrepreneurship and SMEs (GROW), Competition (COMP), Informatics (DIGIT), Eurostat (ESTAT), Financial stability, Financial Services and Capital Markets Union (FISMA), Justice and Consumers (JUST), Health and Food Safety (SANTE) and, Taxation and Customs Union (TAXUD).

Decide planning and Commission Work Programme references.

The Decide Consultation reference for this initiative is ISC/2018/03016. The MFF proposal was published in the Commission Work Programme 2018[93].

2. ORGANISATION AND TIMING

The Inter-Service Steering Group for this initiative was chaired by the Secretariat-General. Besides lead DGs the following Directorates-General participated: the Legal Service (LS), Budget (BUDG), Communication Networks, Content and Technology (CNECT) and Joint Research Centre (JRC), Employment, Social Affairs and Inclusion (EMPL), Economic and Financial Affairs (ECFIN), Research and Innovation (RTD) and European Anti-Fraud Office (OLAF).

The following meetings took place:

- 27 November 2017 – preparation of public consultations
- 8 February 2018 – on lessons learnt and objectives
- 16 March 2018 – on the final draft Impact Assessments

There was also a separate Inter-Service Steering Group Meeting related to COSME which took place on 22 February 2018. In addition, to services represented in the Single Market Programme, the following Directorates-General participated: Regional and Urban Policy (REGIO), Research and Innovation (RTD), Environment (ENV), Joint Research Centre (JRC), Climate action (CLIMA), Economic and Financial Affairs (ECFIN), Budget (BUDG), Trade (TRADE) Employment, Social Affairs and Inclusion (EMPL).

Besides the above, leading DGs met regularly to discuss and develop different parts of the Impact Assessment.

[93] Commission Work Programme 2018 page 11 and, Annex 1 page 2.

3. Consultation of the RSB

An informal upstream meeting was held with RSB representatives. During this discussion Board members provided early feedback and advice on the basis of an inception impact assessment. Board members' feedback did not prejudge in any way the subsequent formal deliberations of the RSB. The Regulatory Scrutiny Board (RSB) discussed the draft impact assessment on 18 April 2018 and issued a positive opinion on 20 April 2018. The Board recommended the following improvements:

RSB recommendations	Revisions introduced
The report should be updated to reflect and explain the latest decisions regarding the scope of the programme.	Section 1.1 '*scope and context*' has been expanded to reflect scope of the Single Market Programme.
In the introduction, the report could better explain the nature of the programme-specific annexes. It should fix inconsistencies between the annexes and the report. It should include findings which are significant for the Single Market Programme budget from the annexes in the main report. It should spell out the changes within the individual programmes which will be implemented in the next period. It should also reflect stakeholder input more clearly in the presentation of the policy context and new priorities. The report should explain how the concerns expressed in particular in terms of prioritisation are properly reflected, e.g. with regard to health and to a safe and sustainable food chain.	The nature of the programme-specific annexes have been clarified in section 1.1 '*Scope and context*'. Main findings from SMP (sub)programmes have been clarified in the main IA report in table (1.3, *Main lessons learned in programmes and budget lines included in the Single Market Programme*), and main changes to (sub)programmes have been added in table (2.1, *Main adjustments in existing programmes/budget lines*) and stakeholder views have been clarified.
The report lays out common priorities of the Single Market Programme but could discuss more the prioritisation between them and between the sub-programmes. As such, the analysis could reflect the scenarios for cutting activities and/or achieving synergy gains in order to cope with a possibly limited budget.	Section 3.3 about '*possible prioritisations in response to the EU27 baseline scenario*' has been added to the report.
The report could better explain the coherence and potential synergies between the instruments of the Single Market Programme and other MFF programmes.	"*Exclusions from the scope and coherence with other MFF programmes*" under section 1.1 has been expanded with additional information about coherence and potential synergies with other programmes.

4. Evidence, sources and quality

This impact assessment is based on midterm evaluations and experience of the individual programmes of the MFF 2014-2020 budget period. The list of programmes is presented in section 1.1 Scope and context. The common lessons learnt from the experience with the programmes are summarised in section 1.2. More detailed information is available in programme specific annexes.

This impact assessment was also supported by public consultations, which are summarised in Annex 2.

Annex 2: Stakeholder consultation

1. INTRODUCTION

This synopsis documents public consultations accompanying the preparation of the proposal to introduce the Single Market Programme[94].

The public consultation on the proposal took place between 10 January 2018 and 9 March 2018.

The questionnaire covered areas of investment, research and innovation, SMEs and Single Market. The analysis below focuses on areas covered by the Single Market Programme: SMEs and Single Market.

The results of this consultation were used for the preparation of the proposal and accompanying impact assessment.

2. RESULTS OF THE PUBLIC CONSULTATIONS

The on-line public consultations for this initiative were announced on the Commission consultation page[95], used EUSurvey as the consultation tool and lasted for 8 weeks[96]. The questionnaire was available in all EU languages. The questionnaire and replies are available on the abovementioned consultation page.

Responses to public consultation are voluntary and represent only views of the respondents. Consequently, they cannot be interpreted as representative in a statistical sense to the whole EU.

2.1. Description of respondents

Responses are classified based on self-identification by the respondent.

By the end of consultation period, 4052 replies arrived. This analysis however, will concentrate on around 28% of respondents (1122 replies) who chose “EU support to the Single Market” (307 replies) and/or “EU support for SME and entrepreneurship” (1034) as the topics of their replies[97].

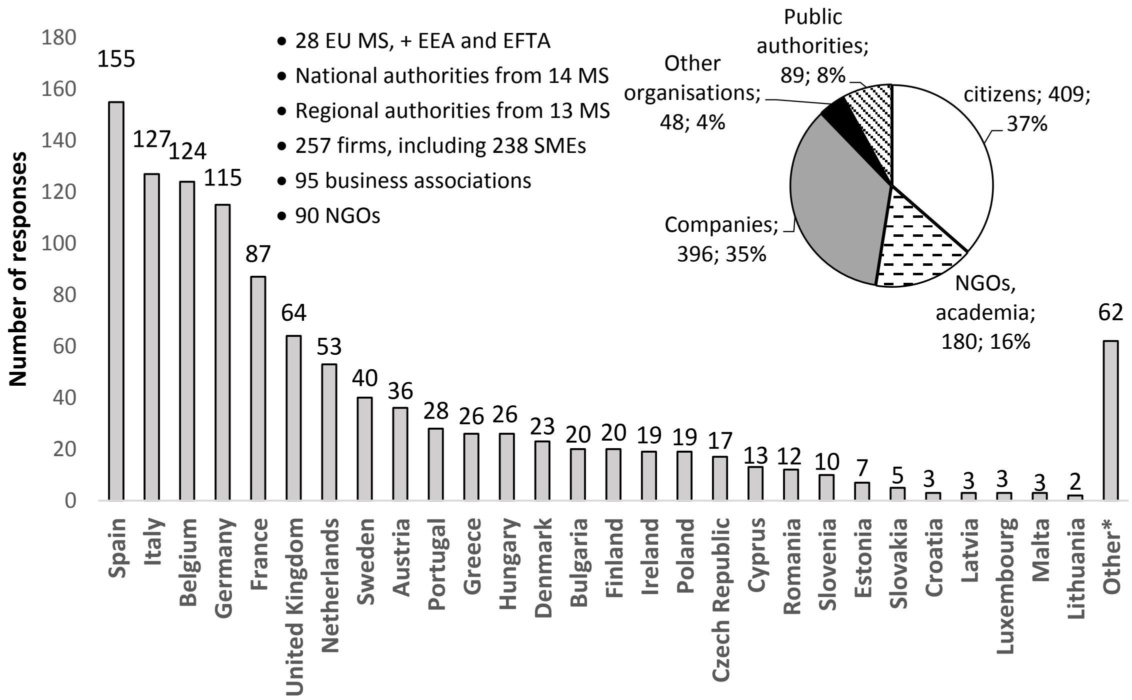
[94] Individual sub-programmes of the Internal Market Programme subject to evaluations had also their own topic specific public consultations – for details please check programme-specific annexes.
[95] https://ec.europa.eu/info/consultations/public-consultation-eu-funds-area-investment-research-innovation-smes-and-single-market_en
[96] The Commission Secretariat General granted a derogation from the recommended 12 weeks consultation period.
[97] Question 28, it was possible to choose multiple topics. The remaining topics were “EU support for research and innovation” (3837 answers, 95% of all answers) and “EU support for Investment” (642 answers – 16% of all)

The replies came from all 28 EU Member States, from Norway and Iceland (EEA), Switzerland (EFTA) and 13 other countries. Around 60% of replies came from just six countries: Spain, Italy, Belgium, Germany, France and UK. (See Fig. A2.1)

A third of replies came from citizens (409), a third from companies (396), 16% from NGOs and academia (180), 8% from public authorities (89). There were 257 replies from individual companies (93% of which were SMEs[98]) and 95 replies from business associations[99]. National public authorities from 14 EU Member States[100] and regional or local authorities from 13 Member States[101] participated in the consultations.

Around 230 organisations are registered as official lobbyists in the transparency register[102].

Fig. A2.1. Distribution of answers to public consultations by country and stakeholder type.



Note: Covers only those who chose "EU support to the Single Market" and/or "EU support for SME and entrepreneurship" topics
*Other includes 17 answers from Norway, 14 from Switzerland, 3 from Iceland, Israel (7), Turkey (4), two answers from Australia, Brazil, Canada, Moldova and Peru, one answer from Albania and Kosovo, Belarus, Bosnia and Herzegovina, Ecuador, Paraguay and USA

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[98] 238 replies from SMEs, more than ten SME replies came from Spain (41 replies), Italy (37), UK (23), Germany (22), France (16), the Netherlands (15)
[99] The remaining 44 replies came from consultancies and law firms
[100] National authorities replies: Austria (5 replies), two replies from Hungary, the Netherlands, Spain, Sweden, one reply from Czech Republic, Cyprus , France, Germany, Italy, Ireland, Latvia, Slovenia and Romania. There was also seven national authorities from outside EU
[101] Regional or local authorities from: Germany (13 replies), eight from France and Spain, Italy (7), Sweden (6), Belgium (4), three from Finland and Denmark, two from Poland, Portugal and UK, one from the Netherlands and Slovenia
[102] http://ec.europa.eu/transparencyregister/public/homePage.do

Among all the respondents, 362 had previous experience with EU Health Programme, followed by COSME (336), EU Food and Feed Programme (71), Digital Single Market support programme (62) and European statistical programme (51).

2.2. Analysis of responses

Respondents were asked to identify and assess the importance of the key challenges for the Commission spending programmes. Almost all participants (97%) considered at least one challenge covered by the Single Market Programme[103] as very or rather important.

The most important challenges were access to finance, especially for SMEs and digital transition of economy (82%), promotion of public health (79%)[104], support to industrial development (78%), fair competition and safe food (75%).

Citizens and NGOs considered health and safe food as top priorities. SMEs rated as second industrial development and as fourth financial stability. For public authorities digitalisation of economy and industrial development were most important, as well as quality and digitization of public institutions.

All topics relevant to SMP score above 50% relevance in the groups interested in SMEs and Single Market (see Table A2.1.)

Table A2.1. Stakeholders' perception of importance of challenges covered by the Single Market Programme, by respondent type.
(Question 29. – answers:" very important" and "rather important")

Respondent type:	All		Citizens and NGOs*		SMEs		Public authorities	
Challenges:	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
• Facilitate access to finance, in particular to SMEs	1	82%	4	76%	1	92%	3	82%
• Facilitate digital transition of the economy, industry, services and society	2	82%	3	79%	3	78%	1	92%
• Promote and protect public health	3	79%	1	85%	5	75%	7	60%
• Support industrial development	4	78%	6	72%	2	85%	2	83%
• Ensure fair conditions of competition in the EU	5	75%	5	75%	6	74%	5	71%
• Promote a safe and sustainable food chain	6	75%	2	82%	7	67%	6	63%
• Improve quality of public institutions (including digitalisation)	7	71%	7	72%	8	66%	4	76%
• Ensure that existing rules are applied and enforced consistently across the EU	8	69%	8	70%	9	64%	8	57%
• Promote financial stability	8	69%	9	68%	4	76%	13	49%
• Ensure smooth circulation of goods both within EU and at EU borders	10	61%	11	61%	11	59%	9	55%
• Ensure a high level of consumer protection and effective redress	11	60%	10	63%	12	55%	11	51%
• Support capital flows and investment	12	58%	13	54%	10	64%	11	51%

[103] For challenges covered by the IMP see table A2.1.
[104] When all 4052 answers are considered, health is the highest raked IMP relevant challenge (80% of all replies), followed by digital transition of economy (73%), safe food chain (73%) and support to industrial development (69%). Next are: improvements to public institutions (68%), fair competition (67%), consistent application and enforcement of EU rules (61%), financial stability (60%), access to finance (58%), consumer protection (55%), reliable statistics (53%), smooth circulation of goods (50%) and support to capital flows and investments (44%).

• Provide reliable and comparable statistics	13	55%	12	58%	13	53%	10	52%
No. of answers		1122		589		238		89

Note: Refers only to those selecting EU support for SME and entrepreneurship and/or support for the single market.
Rank and percentages based on answers: "very important" and "rather important". Not shown answers include "neither important nor unimportant", "rather not important", "not important at all", "no opinion".
* includes also "research and academia" and "churches and religious communities"

Subsequently respondents were asked to judge how successful current policies are in addressing these challenges. Generally, between 20 and 50% of respondents considered SMP related policies as fully or fairly well contributing to the challenges. Smooth circulation of goods both within EU and at EU borders was judged highest (around 50% of all replies by all stakeholder groups except public authorities who judged highest the support to capital flows), followed by support to industrial development (42%) and provision of EU statistics (40%). Support to capital flows and investments (39%) was fourth. Third of respondents judged the remaining polices as at least fairly well addressing the challenges. Only one in five respondents thought that EU policies help to improve quality of public institutions (See table A2.2).

On the other hand, respondents considered that policies to improve public institutions (including digitalisation)(12%), ensure correct application and enforcement of EU rules (11%) and fair competition or access to finance (10%) are not successful at all. Citizens and NGOs were most unsatisfied with policies towards correct application and enforcement of EU rules (14%), SMEs with access to finance (14%) and public authorities with the quality of institutions (18%). Policies towards smooth circulation of goods and support to industrial development received the least negative responses (4%).

Table A2.2. To what extent do the current policies successfully address these challenges? By type of respondent.

(Question31 –answers "fully" and "fairly well addressed")

Respondent type:	All *		Citizens and NGOs*		SMEs		Public authorities	
EU Policies:	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
• Ensure smooth circulation of goods both within EU and at EU borders	1	49%	1	50%	1	52%	6	30%
• Support industrial development	2	42%	2	46%	4	38%	3	38%
• Provide reliable and comparable statistics	3	40%	3	41%	2	40%	2	39%
• Support capital flows and investment	4	39%	4	40%	2	40%	1	40%
• Ensure fair conditions of competition in the EU	5	34%	5	35%	12	31%	10	26%
• Facilitate digital transition of the economy, industry, services and society	6	34%	6	35%	6	35%	5	34%
• Promote and protect public health	7	34%	9	34%	7	35%	11	24%
• Promote a safe and sustainable food chain	8	34%	8	34%	10	32%	6	30%
• Ensure a high level of consumer protection and effective redress	8	34%	7	34%	5	36%	12	21%
• Promote financial stability	10	34%	10	33%	9	34%	9	29%
• Ensure that existing rules are applied and enforced consistently across the EU	11	32%	11	32%	7	35%	4	37%
• Facilitate access to finance, in particular to SMEs	12	31%	12	30%	11	32%	6	30%
• Improve quality of public institutions (including digitalisation)	13	21%	13	22%	13	20%	12	21%
No. of answers		1122		589		238		89

Note: Refers only to those selecting EU support for SME and entrepreneurship and/or support for the single market. Rank and percentages based on answers: "fully" and "fairly well addressed". Not shown answers include "addressed to some extent only", "not addressed at all", "no opinion".

* includes also "research and academia" and "churches and religious communities"

Nevertheless around 75% of stakeholders considered that EU programmes and funds add more value than could have been done at national level. With only 1% saying that Member States would do better. These views were shared among all stakeholder groups[105] (see Table A2.3).

Table A2.3. To what extent do the current programmes/funds add value, compared to what Member States could achieve at national, regional and/or local levels? By topic of reply. (Question 33)

Respondent type:	All answers	Citizens and NGOs*	SMEs	Public authorities
To large/fairly good extent	76%	74%	80%	76%
To some extent only	20%	22%	17%	21%
Not at all	1%	1%	1%	1%
No. of answers	1122	589	238	89

Note: Refers only to those selecting EU support for SME and entrepreneurship and/or support for the single market. Don't know" answers not included
* includes also "research and academia" and "churches and religious communities"

Too complex procedures leading to high administrative burden and delays were considered as the most important obstacles reducing benefits of EU programmes (around 75% of answers of all respondent types). To a lesser extent (50%-60%), no flexibility in case of unforeseen events or no synergies between programmes as well as difficulties in combining EU with other public or private funds or insufficient administrative capacity were cited. Followed by insufficient involvement of citizens and lack of communication featured in around 40% of relies.

On the other hand, lack of EU standards was seen as the least of a problem and was quoted by only around 20% of respondents (see table A2.4).

Table A2.4. To what extent the obstacles below prevent the current programme/funds from achieving their objectives. By respondent type.
(Question36 –answers "To a large extent" and "To a fairly large extent")

Respondent type:	All *		Citizens and NGOs*		SMEs		Public authorities	
Obstacles:	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
• Too complex procedures leading to high administrative burden and delays	1	75%	1	73%	1	68%	1	85%
• Lack of flexibility to react to unforeseen circumstances	2	57%	2	59%	2	48%	3	67%
• Insufficient synergies between the EU programmes/funds	3	56%	3	55%	5	42%	2	76%
• Difficulty of combining EU action with other public interventions and private finance	4	53%	4	52%	3	47%	4	64%
• Insufficient administrative capacity to manage programmes	5	48%	6	49%	4	45%	5	46%
• Insufficient involvement of citizens	6	44%	5	52%	7	34%	7	39%
• Lack of information/communication	7	41%	7	42%	6	35%	7	39%
• Insufficient use of financial instruments	8	36%	10	34%	8	33%	6	44%
• Inadequate facilities to support enhanced cooperation	9	34%	8	38%	9	32%	11	26%
• Insufficient scope	10	34%	9	35%	11	28%	9	38%
• Insufficient critical mass	11	30%	11	32%	10	29%	13	22%

[105] Almost identical results occur are observed when all 4052 replies are considered: to large/fairly good extent (78%), not at all (1%).

• Out of date and inadequate IT capabilities	12	27%	12	28%	12	25%	12	24%
• Lack of EU standards and EU rules	13	21%	13	23%	13	20%	14	18%
• Other	14	13%	1	73%	14	3%	10	27%
No. of answers		1122		589		238		89

Note: Refers only to those selecting EU support for SME and entrepreneurship and/or support for the single market.
Rank and percentages based on answers: "to a large extent" and "to a fairly large extent". Not shown answers include "to some extent only", "not at all", "don't know".
* includes also "research and academia" and "churches and religious communities"

Stakeholders almost unanimously considered that changes to the future MFF should result in fewer, clearer and shorter rules (88% of answers), as well as better alignment between different funds (75%). Better feedback to applicants, stability between programming periods and user-friendly IT tools featured in third to fifth place (60% - 70%). Such ranking was similar to all respondents except for public authorities which considered stability between programming periods and user-friendly IT tools among the top three most desired improvements (see table A2.5). The last on the list of all respondents was increased reliance on national rules, supported by less than a quarter of SMEs, 30% of all and citizens and as much as 40% of public authorities.

Table A2.5. To what extent would the steps below help to further simplify and reduce administrative burdens for beneficiaries under current programmes/funds? By respondents type.

(Question 38 –answers "To a large extent" and "To a fairly large extent")

Respondent type:	**All**		**Citizens and NGOs***		**SMEs**		**Public authorities**	
Simplification measures:	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
• Fewer, clearer, shorter rules	1	88%	1	87%	1	87%	1	96%
• Alignment of rules between EU funds	2	75%	2	76%	2	73%	4	76%
• Better feedback to applicants	3	71%	3	70%	3	72%	5	74%
• A stable but flexible framework between programming periods	4	68%	4	66%	4	63%	2	87%
• User-friendly IT tools	5	67%	5	66%	5	58%	3	80%
• Adequate administrative capacity	6	59%	6	58%	6	53%	7	66%
• E-governance	7	54%	7	55%	9	45%	8	65%
• Extension of the single audit principle	8	51%	8	50%	8	45%	6	69%
• More structured reporting	9	49%	9	46%	7	47%	8	65%
• More reliance on national rules	10	29%	10	29%	10	23%	10	40%
No. of answers		1122		589		238		89

Note: Refers only to those selecting EU support for SME and entrepreneurship and/or support for the single market.
Rank and percentages based on answers: "to a large extent" and "to a fairly large extent". Answers not shown include "to some extent only", "not at all", "don't know".
* includes also "research and academia" and "churches and religious communities"

3. RECEIVED POSITION PAPERS

Stakeholders replying to the consultation sent 157 position papers explaining further their views. The key messages of these papers are presented below.

In general, most of the participating stakeholders consider EU action as appropriate when two criteria are filled. On the one hand, they are now convinced that the EU should focus on **added-value** sectors and actions (This is something that came up a very high number of times. For example : *IBEC, Confederation of Danish industry, Business Europe, Confederation of Finish industries, Emilia-Romagna Region, AECB Bulgaria…*). It seems that stakeholders now consider this criterion as crucial. On the other hand, EU actions are successful when **they bring the EU closer to citizens**.

Keeping in mind this and the specific objectives of the two policies assessed – SMEs / Single Market, one can sum up the contributions of stakeholders, in the following terms.

General remarks on funds

Regarding funds, several limits are very often raised. Those are mainly:

- unpredictability,
- complex rules
- lack of rationalisation with all other EU funds/ financial instruments with overlapping objectives especially in the context of their proliferation.

Therefore, there is a high demand for synergies and rationalisations of EU funds among themselves but also with national and local authorities (*EUROCITIES, Osterreich, European Cyclist Federation, NECS TOUR, Emilia-Romagna Region, Flanders Investment and Trade…*). One can also observe a strong call for simplification and a better balance predictability of means and flexibility to react to unforeseen events (*AECB Bulgaria, Business Europe, RUP, Investitionsbank, and European Network of Credit Unions*).

SMEs

The participating stakeholders unanimously praise EU programmes supporting SMEs, especially the COSME programme. Indeed, SMEs face specific and structural difficulties justifying a dedicated policy. They consider that this policy respects the added-value criterion and acknowledged their concrete results for both financial instruments and specific policies such as the EEN. They are all in favour of maintaining a SME policy in the next MFF and even endowing this policy with a higher budget (*Business Europen, Wirtschaftskammer Osterreich, Confederation of Finnish industries and Flanders Investment and Trade insisting on the EEN, Association of German Guarantee Banks, TURBO*). According to the *Wirtschaftskammer Osterreich*, the three priorities - access to finance, access to (export) markets, better competitive environment for entrepreneurship - of the programme should be maintained.

However, some limits have been identified.

(1) <u>Nature of SMEs financial support</u>: available types of financial instruments are still too restricted; modern financing should be used involving notably more private investment (*Business Europe, EBAN, Start up Cyprus, Confederation of Danish industry, EARSC*), or other kinds of alternative source such as the crowdfunding (*EUROCITIES*). This would allow more risky investments and a better access to finance for start-ups and scale ups (*EBAN*).

(2) Accompanying measures: support is considered by some stakeholders as too restricted in terms of timing; according to them, concrete examples tend to prove that helping SMEs/ start-ups for 2 to 3 years and not only 1 year, is more efficient. In the case of the Loan Guarantee Facility (LGF), shifting from 10 to 15 years maximum for loan guarantees would open LGF to more SMEs because many investments need a longer-term visibility.

(3) Insufficient communication: for some of the contributing stakeholders information about access to funds and/or support (EEN) is not sufficient, some did not even know about all the existing programmes. It is in particular the case for the outermost regions, which face multiple structural difficulties – lower attractiveness of the markets, low level of training and information, low visibility of the EEN network. However, it is also the case for some regions of continental Europe and for some specific sectors (Tourism for *European Cyclist Federation and NECS for example Tour*) according to the responses. Therefore, respondents proposed to increase the general awareness of this programme. In that regard they suggested a great number of different options, including: creation of a network of local SME envoys, involving cities in the EEN because they know best which companies could need help, European start up cities programme that will promote best practice exchange on how cities can support start-ups, creating local information desks or contact points, offering technical guidance to SMEs to access public procurement, communication plan focusing on stories of successful SMEs which were supported by COSME in order to inspire potential entrepreneurs, translation of all COSME administrative documents in every European language.

(4) Include more types of SMEs in more sectors: This item covers different situations. First is the issue of the criteria for choosing SMEs eligible for support. According to *AECB Bulgaria*, as the European support is targeted at SMEs and start-ups boosting research and innovation, only a small proportion of SMEs can benefit. They therefore suggest more diversified instruments addressing all types of enterprises. In addition, different respondents ask for improving the integration of SMEs in specific sector (such as space for *EARSC*) or in specific context (collaborative projects according to the *Ile de France region*). Finally, the *Women Entrepreneurship platform* recommends adapting SMEs policy rules to the specific issue of gender, by promoting female entrepreneurship, creating adequate indicators and providing sufficient resources.

(4) Lack of assessment. According to some stakeholders, SMEs actions should be further assessed with appropriate indicators. Some of them ask for integrating this criterion into the European Semester (*AECB Bulgaria*)

Single Market

Single Market is considered the best illustration of EU added value action, as it is a public good delivering real and tangible benefits (Confederation of Danish Industry/ Business Europe). However, the Single Market is a never-fully-achieved project as new barriers continuously appear. Therefore, some respondents ask for further standardization (EAPFP), and for strengthened market surveillance with sufficient budget allocation (Business Europe). For the next MFF, and also in order to ensure a proper functioning of the Single Market, the *Confederation of Danish industry* suggests that intra EU infrastructure should be the top priority as this enables a better cross-border connectivity (energy, transport, data).

Regarding digital transition, relevant stakeholders praise the perspective of a genuine digital single market and they feel the need for trans-European digital services

Health

More than half of the replies to the open consultation came from stakeholder groups consisting of non-governmental organisations (NGOs) active at EU-level in the field of public health (e.g. the European Patient Forum – EPF, the European Public Health Alliance – EPHA, EuroHealthNet, European Innovation Parthership on Active and Healthy Ageing – EIP-AHA, Social Impact of Pain – SIP, Rare Disease Europe – EURORDIS,…). The remaining replies were received by EU-wide or national organisations of health professionals (e.g. The Standing Committee of European Doctors, the European Network of Medical Residents in Public Health – EUR NET MRPH, Malta Dental Technologists Association,…), which were complemented by contributions from two national trade associations of the healthcare industry (Med Tech Europe and the German Federal Association of the Pharmaceutical Industry – BPI).

Most respondents agree that there is a need for an ambitious health agenda beyond 2020 with a stand-alone PH programme, and would welcome additional financing which would be justified by the return on investment and economy of scales. They also consider that the EU should continue to pursue the achievement of its Treaty objectives (Art 168 TEU) and SDGs with a strong programme for public health complemented by other financial instruments. Some respondents point to the fact that while citizens expect the EU to do more on health this is not reflected in the Commission Communication for the next MFF.

Respondents also consider that health is above all a public good, a fundamental right and a major European value which should remain at the core of EU policy making; that Internal Market and competitiveness considerations should not take precedence over health considerations; that social values should not be subjugated to "marketization", and that merging some EU programmes to improve cost-efficiency and effectiveness of EU level actions should always consider the health and social equity impact prior to cost-saving.

As to "how" the Treaty's objectives should be pursued, respondents consider that current public health issues could only be effectively dealt with through collaboration at EU level; that there is an obvious added value of EU action to address challenges such as tackling health threats, health inequalities, migration, ageing population, patient safety, high quality health care, non-communicable diseases (incl. major risk factors such as obesity), infectious diseases and AMR.

The consultation results also point to the EU's crucial role in addressing the transformative developments of multiple emerging technologies on populations and societies across Europe, including the transformation of health systems, data gathering and exchanges, and EU research programmes

Achievements of EU action in the field of fight against cross border threats, quality and safety of medicines, rare diseases and cooperation on HTA were praised by respondents and EU initiatives on vaccines, tobacco control and ERNS welcome. Some respondents indicated the need to do more to improve transparency in the pharmaceutical sector and to develop patient-centred initiatives, and to foster innovation and digital health.

Food Chain

Core needs expressed in the context of the open public consultation focused on the two major issues below:

- Consumers' interests:
    - The agri-food sector to become consumer centric and win back the consumers' trust.
    - Consumers' dietary needs and food preferences related to lifestyle and life stage to be focused on for healthy and sustainable nutrition.
    - Importance of food information to prevent major threats such as obesity, diabetes, AMR.
    - Prevention of food frauds.
    - Exchange of best practices among Member States.
- Sustainability of farming and food production and distribution:
    - Increased competitiveness of the sector.
    - Prevention of food waste.
    - Circularity.
    - Digitalisation.
    - Innovation.
    - Animal welfare.
    - Resource efficiency to ensure adequate response to threats like climate change and land erosion.

There is a strong support that the EU should play a leading role at global level to drive a change.

In view of the next MFF, the idea of public-private partnership to join and combine efforts in view of best addressing the issues above was put forward. More specifically:

1. One respondent invited the European Commission and Member States to support an integrated programme coordinating both long-term research and short-term implementation, education, technology transfer and dissemination - thus contributing to

achieving the SDGs and the Paris Agreement - through a comprehensive programme in FP9, targeting technological solutions in food security, sustainable farming, food safety and healthy nutrition. It stressed the need for this action to be inclusive, gathering all the necessary actors from all relevant sectors, from start-ups and SMEs to large multinationals, from industry to academia, from farmers and manufacturers to consumers and societal organizations, from east to west, north to south.

2. A second respondent proposed a pan-European approach in which the major stakeholders, including farmers, industry, academia, government, investors and societal and consumer organisations join forces in a cooperative effort to find the solutions to the challenges of providing nutrient security to a growing world population in a circular and resource-efficient way. This could take the form of an Agri-Food Joint Undertaking combining private research investments and public funds from the next Framework Programme.

4. HOW THE RESULTS OF CONSULTATIONS WERE USED

The results of the consultation were used in writing the SMP impact assessment and programme specific annexes. They were used to underpin lessons learnt from the current programmes as well as the need for synergies, simplifications and flexibility of the new one.

Annex 3: Evaluation results

The key cross cutting lessons learned from the evaluations of different programme components are presented in section 1.2 of the impact assessment report.

The detailed findings of different programme components are provided in section 1.2 of programme specific annexes (annex 4 to annex 18).

Annex 4: Programme specific annex on *An Ambitious Competition policy for a stronger Union in the digital age ('THE COMPETITION PROGRAMME')*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1 Scope and context

1.1.1 Legal and political context

EU competition law has an essential role to play in ensuring the proper functioning of the EU's the Internal Market, as is recognised explicitly in the Treaties on the EU and on the Functioning of the EU. Under Article 3(3) TEU, the Union shall establish an internal market. Protocol No 27 to both the TEU/TFEU on the Internal Market and Competition states that "***the internal market** as set out in Article 3 of the Treaty on European Union **includes a system ensuring that competition is not distorted***"[106]. Indeed, EU competition policy has constituted a *sine qua non* for the founding and development of the internal market since its inception in 1958.[107]

1.1.2 Broad description of the Competition programme

The broad scope of the Competition Programme corresponds to the **main challenges of the Single Market Programme (SMP)[108]** (for more detail on the challenges in the competition field, the eligible actions and specific objectives see sections 2-4 below):

• **Wider Outreach to Stakeholders** falls under the first SMP challenge (Empower citizens/consumers and businesses in particular SMEs at different stages of their development).
• **Boosting Internal Partnerships with Member State authorities and courts** is grouped under the second IMP pillar (Administrative cooperation, capacity building and integration among Member States).
• **State-of-the-Art Enforcement and Guidance** as well as **Boosting External Partnerships** with third country competition authorities can be attributed to the third SMP pillar (EU level rule-making, standard setting, support to implementation and enforcement of Single Market rules).

1.1.3 Reflection paper on the future of EU finances

EU value added is a key principle that should drive the design of the next MFF[109] EU competition policy, reinforced by the Competition Programme, would generate considerable added value in support of the Single Mmarket (see section 3.3 below).

1.1.4 Relevant European Parliament resolutions and European Council conclusions

[106] This is reinforced by Article 3(1)(b) TFEU which states that the EU shall have exclusive competence in respect of "establishing of the competition rules necessary for the functioning of the internal market". See judgment of the Court (First Chamber) of 17 February 2011. In Konkurrensverket v TeliaSonera Sverige AB (Case C-52/09) at para 20 (" … Article 3(3) TEU states that the European Union is to establish an internal market, which, in accordance with Protocol No 27 on the internal market and competition, annexed to the Treaty of Lisbon (OJ 2010 C 83, p. 309), is to include a system ensuring that competition is not distorted …) and para 21 (" Article 102 TFEU is one of the competition rules referred to in Article 3(1)(b) TFEU which are necessary for the functioning of that internal market.").

[107] COM(2011) 328 final. "Report on Competition Policy 2010"

[108] See section 2.1 below.

[109] See p. 25 of the Reflection Paper.

The multiple linkages between competition policy and the internal market run like a red thread through the European Parliament Resolution of 14 February 2017 on the annual report on EU competition policy[110]. The Resolution also makes numerous statements on the external dimension of the internal market and competition policy[111]. The Resolution specifically called on "*the Commission to reallocate sufficient financial and human resources to DG Competition*" and requested "*that the Commission have sufficient technically skilled engineers available when investigating high-tech companies*".

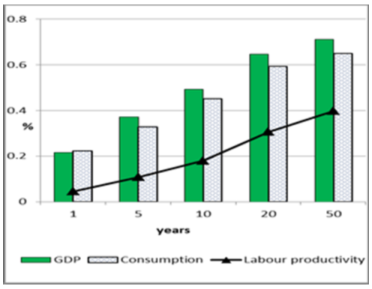
In its conclusions of 21 March 2014, the European Council welcomed the Commission's plans to modernise the State aid rules, in particular the extension of the scope of the General Block Exemption Regulation (meanwhile implemented), while stressing the need for maintaining a level playing field among the Member States. In its conclusions on the Single Market of 23 June 2017, the European Council stressed that "*timely implementation and better enforcement of existing legislation are also key to reaping the benefits of Europe's Single Market*".

1.1. Lessons learnt from previous programmes

1.2.1 Lessons learnt

As the Competition programme is a new programme, there is by definition no evaluation of previous programmes. Nevertheless, evaluations have been carried out of key parts and aspects of EU competition policy.

Notably, studies have shown the macroeconomic impacts of EU competition enforcement to be significant. For example, a paper published in 2015 ("Distributional macroeconomic effects of EU competition policy – A general equilibrium analysis") by DG COMP and DG ECFIN staff[112], found that EU competition policy enforcement in the cartel and merger areas supported growth (see impact in graph below (left)), employment, while reducing inequalities between rich and poor households. The magnitude of the inclusive impact on growth and employment could be stressed. Indeed, the impact of the enforcement action was similar to that estimated for the Services Directive[113]. The OECD reached similar conclusions in 2014, finding robust evidence in support of the relationships set out in the graph below (right)[114].



In terms of leverage and EU value added, the internal market – the EU's principal asset – has so far generated enormous benefits and value added for EU citizens and businesses compared to limited budgetary expenditure. As appears from the foregoing, the same holds true for EU competition policy

[110] See eg: " … whereas a strong and effective EU competition policy has always been a cornerstone of the internal market … "; "stresses that without an effective EU competition policy the internal market cannot attain its full potential … " (emphasis added).

[111] See eg: " … the European Union, under the leadership of the Commission, should promote a 'competition culture' in the EU and worldwide" (emphasis added).

[112] Adriaan Dierx, Fabienne Ilzkovitz, Beatrice Pataracchia, Marco Ratto, Anna Thum-Thysen, Janos Varga (2017), "*Does EU competition policy support inclusive growth?*" , Journal of Competition Law & Economics, Volume 13, Issue 2, 1 June 2017, Pages 225–260, Oxford Journal of Competition Law & Economics, Volume 13, Issue 2, 1 June 2017, Pages 225–260, (https://academic.oup.com/jcle/article/13/2/225/3920779 ; see also Ex-post economic evaluation of competition policy enforcement: A review of the literature (June 2015) (http://ec.europa.eu/competition/publications/reports/expost_evaluation_competition_policy_en.pdf)

[113] Cartel and certain merger decisions in 2012-2014.

[114] OECD Factsheet on how competition policy affects macro-economic outcomes (October 2014), p. 2 at http://www.oecd.org/daf/competition/2014-competition-factsheet-iv-en.pdf

which is essential to deliver the internal market on the ground. EU competition policy[115] also collaterally impacts the budget through fines in cartel and antitrust decisions (over the last 10 years, annual revenues have averaged roughly EUR 1.7 billion, with annual amounts varying between EUR 0.4 billion and EUR 4.2 billion)[116].

Other more specific and recent evaluations and studies have included among other things enforcement in the energy (antitrust), telecoms (mergers), the impact on competition of certain aid schemes under Member State control (State aid) and the passing-on of overcharges (cartels)[117]. The issues and findings covered are coherent with the Internal Market (and the envisaged Single Market Programme), as they are aimed at providing a better understanding of various aspects of the Internal Market relevant to the enforcement and formulation of competition law and guidance (see 1.1. above). A special case concerns the training of national judges in EU competition law (see second box below)[118].

Major lessons in terms of identifying new and growing challenges have also been learnt in the day-to-day enforcement of EU competition policy. These challenges and the risks associated with not addressing them will be set out in more detail under section 2.1 below which "*should identify and explain the main challenges and problems to be addressed by the future programmes*". These include a more complex and demanding IT and data driven world (increasingly sophisticated IT tools used by firms, continuous increase in the volume of electronic communications and the use of artificial intelligence, big data and algorithms) as well as the need for a wider and deeper engagement with national authorities and courts (in part due to recent and impending legislative reforms). Tackling these challenges would be coherent with the envisaged Single Market Programme. In the absence of a support programme addressing those challenges, the enforcement of all branches of EU competition policy would gradually become less effective, less timely and less relevant to rapidly evolving market developments, thereby – by extension – weakening the internal market.

1.2.2 Key messages from stakeholders

Findings from a number of surveys demonstrate that there is scope for reaching out to a wider group of stakeholders impacted by EU competition policy. Indeed, Eurobarometer Citizen Surveys in 2010 and 2014 showed a lack of awareness of where to turn to in case of competition problems such as higher prices, fewer products, reduced supplier choice or lower quality. In addition, a 2016 Eurobarometer survey

[115] With an administrative budget of EUR 7.5 million in 2016.
[116] Final report and recommendations of the High Level Group on Own Resources December 2016, p. 71
[117] See *inter alia* An Overview of Subsidy Disclosure Practices in EU Member States, 21 December 2017 (http://ec.europa.eu/competition/publications/reports/kd0617273enn.pdf); Ex post assessment of the impact of State aid on competition, 19 December 2017, (http://ec.europa.eu/competition/publications/reports/kd0617275enn.pdf); Economic impact of competition policy enforcement on the functioning of telecoms markets in the EU, 21 June 2017, (http://ec.europa.eu/competition/publications/reports/kd0417233enn.pdf); Improving Monitoring Indicators System to Support DG Competition's Future Policy Assessments, 14 June 2017 (http://ec.europa.eu/competition/publications/reports/kd0117397enn.pdf); Report on Zero-rating practices in broadband markets, 9 June 2017 (http://ec.europa.eu/competition/publications/reports/kd0217687enn.pdf); Study on the Passing-On of Overcharges, 25 October 2016 (http://ec.europa.eu/competition/publications/reports/KD0216916ENN.pdf); Support study for impact assessment concerning the review of Merger Regulation regarding minority shareholdings, 14 October 2016 (http://ec.europa.eu/competition/publications/reports/KD0416839ENN.pdf); Study on the financing models for public services in the EU and their impact on competition. Executive summary, 3 October 2016 (http://ec.europa.eu/competition/publications/reports/kd021641enn.pdf); Study on Geographic Market Definition in European Commission Merger Control, 16 February 2016 (http://ec.europa.eu/competition/publications/reports/study_gmd.pdf); Study on Ex-post evaluation of the impact of restructuring aid decisions on the viability of aided (non-financial) firms, 5 February 2016 (http://ec.europa.eu/competition/publications/reports/kd0116104enn.pdf); Study on The economic impact of enforcement of competition policies on the functioning of EU energy markets, 15 January 2016 (http://ec.europa.eu/competition/publications/reports/kd0216007enn.pdf); Ex-post evaluation analysis of two mobile telecom mergers: T-Mobile/tele.ring in Austria and T-Mobile/Orange in the Netherlands, 26 November 2015 (http://ec.europa.eu/competition/publications/reports/kd0215836enn.pdf); A review of merger decisions in the EU: What can we learn from ex-post evaluations? (October 2015) (http://ec.europa.eu/competition/publications/reports/kd0115715enn.pdf).
[118] Study on judges' training needs in the field of European competition law, 3 June 2016 (http://ec.europa.eu/competition/publications/reports/kd0416407enn.pdf).

showed only limited knowledge and awareness of issues related to State aid transparency[119]. In 2016, the Court of Auditors also pointed to the need to increase awareness of and ensure more effective compliance with State aid rules[120]. Such action would be coherent with the first broad Challenge of the Single Market Programme ("Empowering citizens, consumers and businesses).

Moreover, the public consultation on the Multiannual Financial Framework took place between 10 January 2018 and 9 March 2018. The questionnaire covered areas of investment, research and innovation, SMEs and Single Market. In total the Commission received 4052 replies. Around 28% of respondents (1122 replies) chose “EU support to the Single Market” (307 replies) and/or “EU support for SME and entrepreneurship” (1034) as the topics of their replies. There is a wide geographical coverage of responses. The replies came from all 28 EU Member States, from Norway and Iceland (EEA), Switzerland (EFTA) and 13 other countries.

Among challenges relevant to the Single Market Programme the most important were access to finance, especially for SMEs and digital transition of economy (82%), promotion of public health (79%), support to industrial development (78%) and fair competition and safe food (75%) (see table below).

Stakeholders’ perception of importance of challenges covered by the Single Market Programme, by respondent type.

(Question 29. – answers:” very important” and “rather important”)

Respondent type:	All		Citizens and NGOs*		SMEs		Public authorities	
Challenges:	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
• Facilitate access to finance, in particular to SMEs	1	82%	4	76%	1	92%	3	82%
• Facilitate digital transition of the economy, industry, services and society	2	82%	3	79%	3	78%	1	92%
• Promote and protect public health	3	79%	1	85%	5	75%	7	60%
• Support industrial development	4	78%	6	72%	2	85%	2	83%
• Ensure fair conditions of competition in the EU	5	75%	5	75%	6	74%	5	71%
• Promote a safe and sustainable food chain	6	75%	2	82%	7	67%	6	63%
• Improve quality of public institutions (including digitalisation)	7	71%	7	72%	8	66%	4	76%
• Ensure that existing rules are applied and enforced consistently across the EU	8	69%	8	70%	9	64%	8	57%
• Promote financial stability	8	69%	9	68%	4	76%	13	49%
• Ensure smooth circulation of goods both within EU and at EU borders	10	61%	11	61%	11	59%	9	55%
• Ensure a high level of consumer protection and effective redress	11	60%	10	63%	12	55%	11	51%
• Support capital flows and investment	12	58%	13	54%	10	64%	11	51%

[119] For example only four in ten citizens in the EU had recently heard or read about a company receiving State aid, a figure similar the result of a previous Eurobarometer survey where about 40% of the respondents said they heard about EU competition policy. At the same time, fewer than one in five respondents (17%) feel well informed about State aid in their country while 81% of respondents agree that citizens should have full access to information about State aid given to companies.

[120] In the specific area of cohesion (see Special Report No 24/2016 by the European Court of Auditors). As a follow-up of this report, DG COMP together with DG REGIO has set-up an action plan on how to raise awareness of national granting authorities as regards the interaction between State aid rules and structural funds. Thematic workshops have been organised (e.g. State aid rules regarding RDI and risk finance) and specific training sessions have been organised for those Member States that considered that they lack administrative capacity and knowledge regarding State aid rules.

Real life example of success story of synergies, with other SMP programmes/activities:

To carry out its enforcement action in support of the internal market, DG COMP has built specific IT tools allowing it to interact effectively with market participants, citizens and national authorities, while manage information efficiently.

First, DG COMP is adapting its IT tools to handle ever bigger case files and to support integrated, secure and efficient case and document management applications. Given the corporate rationalisation effort of the Commission, DG COMP has been named as domain leader for the CASE@EC project, collaborating with DGs AGRI, BUDG, MARE, TRADE and OLAF who have similar needs.

Second, in order to keep pace with the adoption by companies of the latest communication technologies including mobile devices and cloud-based applications, DG COMP has invested in state-of-the-art forensic IT tools and investigation and analysis capability with a view to inspections on the premises of undertakings and the subsequent analysis of very large numbers of documents and amounts of data.

Third, DG COMP has developed IT systems in the area of State aid control that strengthen enforcement of EU State aid rules. For instance, national administrations can notify State aid for approval by the Commission in a fully electronic and secure manner.

Fourth, DG COMP has put in place IT systems that are crucial for allowing the Commission and the national competition authorities (NCAs) to enforce EU antitrust and cartel rules more effectively. In particular, the NCAs and DG COMP can communicate and cooperate electronically and securely in the context of the European Competition Network, inform each other of new cases and envisaged enforcement decisions, coordinate investigations and joint enforcement actions, exchange evidence and confidential information in individual competition cases and share information on topical antitrust and cartel policy.

Last but not least, DG COMP has established IT systems that permit the Commission to conduct market enquiries and consultations with relevant stakeholders in order to evaluate, for instance, the effects of mergers or of potentially abusive practices. This has allowed the Commission to prevent harmful effects on competition (eg through higher prices, reduced choice or less innovation) in support of the internal market.

As will be made clear below these efforts and achievements provide a platform for addressing ever increasing challenges in the IT and data field which are especially relevant in for the Competition programme (see in particular section 3)

Real life example of problems due to lack of flexibility, coherence, separation from other programmes dealing with similar or complementary issues?

Since 2002, DG COMP has operated a grant-based programme dedicated to the training of national judges in EU competition law and judicial cooperation between national judges. This programme is co-delegated to DG COMP by DG JUST as part of a larger Justice Programme adopted for the period 2014 to 2020.

While the programme has produced benefits, a more coherent and flexible arrangement would be to subsume it under the envisaged Single Market Programme; in addition, given Denmark's and the UK's Treaty opt-outs the current training activities do not cover judges from those Member States. More flexibility in terms of delivery mechanisms – *e.g.* use of service contracts rather than grants – would also be desirable. A Competition programme would help addressing the varied training needs of judges more effectively, while reaching out to Member States not covered by the existing grants program.

There is a clear and unambiguous synergy between competition rules and internal market, and a coherent and consistent application of EU competition law is vital for the functioning of the internal market. Training of judges could therefore benefit from joint training actions. For example, there are cases covering behaviour of state owned undertakings, where both internal market rules and EU competition law may be concerned.

2. THE OBJECTIVES

2.1 Challenges for the programmes of the next MFF

2.1.1 Baseline scenario: no spending programme

There is currently no spending operational programme supporting EU competition policy. The baseline scenario is thus a zero dedicated budget in the area of EU competition policy.

2.1.2 Expected impacts with an unchanged policy (Baseline scenario)

With an unchanged policy, i.e. in the absence of an adequate support programme in the next MFF period, EU competition policy would not maintain its capacity to address a number of IT and data driven transformational challenges affecting virtually the entire economy. EU competition enforcers – including the Commission - are confronted with increasingly sophisticated and numerous IT tools used by economic operators; an exponential increase in electronic communications; a rapidly growing use of algorithms, Big Data, Big Analytics and artificial intelligence (AI[121]); increasing difficulties in detecting infringements (as digital tools may help conceal anticompetitive conduct) and collecting evidence and managing case files; a growing need to procure data from independent third parties; a rising need to have recourse to tailor-made tools for investigations (such as state of the art software and hardware for in-depth analysis of documents and datasets); as well as tools for economic simulations and knowledge management (see 2.1.3).

Case handlers and teams across all branches of EU competition law would benefit significantly from common, faster, more powerful and efficient case management and document systems (see box on success stories in section 1 above). Likewise, they would potentially benefit considerably from AI in connection with (i) the classification and review[122] of documents; ii) investigative and data analysis; iii) the assessment and drafting of decisions as well as iv) reviews of replies to large information requests and sector enquiries[123].

Those needs in terms of technology and the need for skilled operators are particularly acute against a background of exponentially growing electronic casefile sizes (requiring ever larger amounts of storage and processing capacity)[124] coupled with the increasing complexity of competition cases (see section 2.1.3 below)[125].

State-of-the art IT tools (including skilled operators) would also help tackle the mounting administrative burden associated with legal requirements to ensure due process in competition cases (eg access to file and the obligation for the Commission to make a full record of parties' statements)[126].

Many competition decisions are appealed to the General Court which verifies that the Commission has accurately stated the facts in the contested decisions[127]. Thus, ensuring the integrity of digital evidence

[121] Artificial intelligence is the ability of a computer or other machine to perform actions thought to require intelligence, including, among other things, logical deduction and inferences, creativity, the ability to make decisions based on past experience and the ability to understand spoken language.

[122] Such as predictive coding (reducing the number of irrelevant and non-responsive documents requiring manual review) and natural language processing (a branch of artificial intelligence that helps computers understand, interpret and manipulate human language).

[123] To this end DG COMP has signed a service contract to receive a consultancy report on "Artificial Intelligence Applied to Competition Enforcement" by June 2018, a project which may be relevant for other Internal Market Programme services. DG COMP will also launch a "Knowledge Base" prototype in Q1 2018, aimed at helping case handlers to find relevant information from various sources faster and in a unified interface.

[124] "Impacts of increasing volume of digital forensic data: A survey and future research challenges" - Volume 11, Issue 4, December 2014, Pages 273-294 (https://www.sciencedirect.com/science/article/pii/S1742287614001066).

[125] The complexity in casework also results from the more economic approach flowing from recent reforms in all branches of EU competition law.

[126] This is particularly relevant in the antitrust and cartel area; in accordance with the Intel judgment on 6 September 2015 (Case C-413/14 P) case teams will have to pay considerable attention to the recording of meetings and other contacts.

brought before the EU Courts is another challenge[128]. The Commission's data strategy recognises that it "must continue to ensure full compliance with legal and other confidentiality considerations and to guarantee a high level of security for sensitive information"[129].

Without access to state-of-the-art solutions and equipment (including artificial intelligence) to perform activities such as data analysis and forensic IT, EU competition enforcement would gradually become slower and less effective, less efficient and less relevant; under the Baseline scenario, the Commission's currently high success rate before the EU Courts would be put in jeopardy; the Commission would be less able to monitor market developments; in turn, the deterrent effect of EU competition policy would likely diminish, weakening and fragmenting the internal market. In the State aid field, suboptimal enforcement would involve State aid being granted later rather than sooner or, in the case of eg high-risk investments in sectors with fast innovation cycles, not granted at all[130], affecting the competitiveness and costs of businesses operating in the internal market[131]. Under the Baseline scenario merger control could gradually become less effective and targeted resulting in errors[132]. A further risk is that the Commission can be exposed to significant damages actions in so far as its decisions are annulled and are shown to have caused unjustified harm to firms or other parties.

In antitrust and cartels, the baseline scenario could mean that many infringements will go undetected or escape with impunity, diminishing general deterrence. By way of illustration, cartel investigations have become almost entirely digital, requiring the use of state-of-the-art IT forensic tools (see 2.1.3 below). The magnitude of the potential impact of less effective cartel enforcement (as well as for mergers), in the absence of state-of-the-art tools, in terms of customer savings appears from the graph below (for potential macroeconomic impacts see the graph at 1.2.1 above).

[127] See 'Evidence, Proof and Judicial Review in EU Competition Law' by Fernando Castillo de la Torre and Eric Gippini Fournier (2017), p. 286.

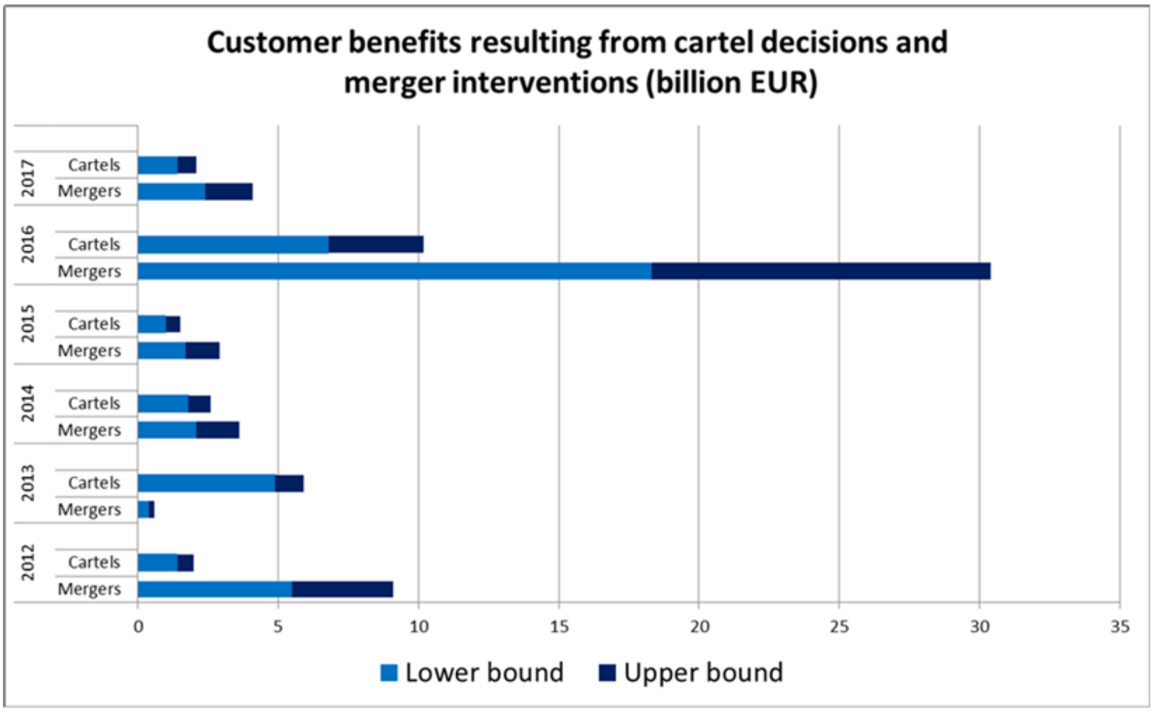
[128] Through the so-called chain of custody which must document the collection, storage, analysis, transfer and condition of the evidence.

[129] See Communication on Data, Information and Knowledge Management at the European Commission C(2016) 6626 final of 18 December 2016.

[130] These risks have been discussed at working group level in the Commission's multilateral Partnership with the Member States.

[131] Delays in State aid procedures may force businesses to have recourse to bridge-loan financing.

[132] In particular by approving mergers that entail a significant impediment to competition in the internal market or prohibiting mergers which are in fact procompetitive.



Investing in AI will therefore be of strategic importance if the Commission is to keep and increase its investigative capacity in competition enforcement in the broader context of constrained staff and budget resources in the Commission, as well as to keep up with other leading international law enforcement authorities and private law firms that are investing in AI (for more detail see 2.1.3 below).

Previous and upcoming legislative and regulatory reforms – in particular in the State aid, antitrust and cartel areas - require that EU competition rules are properly understood, interpreted and enforced at national and sub-national levels. Without being able to engage more deeply and widely in a secure manner with national authorities and courts, the enforcement of EU competition policy – and the internal market - would be further fragmented. Divergences in the way national authorities apply EU competition rules to economic operators damage the internal market, not least from the point of view of Member States and businesses as well as potential foreign investors. Such cooperation with national authorities – especially in the framework of the European Competition Network and the multilateral and bilateral State aid Partnerships – specifically require upgraded and secure IT solutions allowing for the exchange of confidential documents but also, which is equally important, frequent face-to-face meetings with national authorities and national courts for the purposes of training, peer review and the exchange of best practices and information. This is particularly so given that 85% of EU cartel and antitrust decisions have been adopted by national competition authorities since 2004 and that 97% of newly implemented State aid measures are not notified to the Commission as a result of the State Aid Modernisation reforms 2012-2014 (see 2.1.3 below).

It will also be increasingly difficult, under the Baseline scenario, for the Commission to continue to claim global intellectual leadership as the leading competition enforcer[133] in particular in the debate on the role of antitrust in the digital age[134].

[133] President Juncker's mission letter to Commissioner Vestager of 1 November 2014 asks her to focus eg on "maintaining and strengthening the Commission's reputation world-wide" and "pursuing an effective enforcement of competition rules in the areas of antitrust and cartels, mergers and State aid, maintaining competition instruments aligned with market developments" during the Commission's mandate.

2.1.3 Challenges that need to be addressed by the Competition programme

In the following challenges specific to the four areas of the Competition Programme are discussed. Ensuring state-of-the-art EU level enforcement and policy guidance, boosting partnerships with national and third country authorities as well as widening stakeholder outreach under the Competition programme would generate benefits in terms of performance, flexibility, synergies, coherence and simplification within the Commission's competition DG, vis-à-vis other Single Market Programme services[135] and in relation to Member State authorities and courts.

2.1.3.1 Challenges for EU level antitrust and cartel enforcement and policy guidance

Antitrust case files are becoming ever more challenging to manage. The file of a recent antitrust case amounted to more than 600,000 pages. In the Google comparison shopping case, the evidence on the Commission's file included *inter alia* 5.2 Terabytes of search results from Google (one Terabyte being equal to 85,899,345 pages)[136]. The Google case also illustrates that significant expenditure on expertise may also have to be incurred post-decision to assist the Commission in monitoring the implementation of decisions[137]. Needs for such expertise is likely grow in step with the increasing size and complexity of cases, not least considering that antitrust remedies increasingly require changes in companies' algorithms and data practices and the consequent monitoring of the effects of these changes.

In the detection of antitrust and cartel infringements – against an evolving technological landscape - digital investigations have become a *sine qua non* for modern competition authorities[138]; indeed, antitrust and cartel investigations are today virtually digital, requiring the application of AI both in the fact-finding phase and in conducting data analysis of large datasets through using machine learning, link analysis[139], lexical analysis[140], entity-relationship modelling[141], text clustering[142] and targeted visualization analysis[143]; such methodologies require a combination of specialised hardware and software as well as investments in highly trained operators.

Forensic IT capacity will be increasingly crucial in gathering potential evidence during on the spot inspections whilst respecting the integrity of the inspected undertakings' systems and data (eg in retrieving deleted emails) as well as ensuring the integrity of the evidence. Proof of anticompetitive conduct is by now predominantly to be found in electronic format and kept in places and maintained in a form which may facilitate that the proof is concealed, withheld or destroyed. Effective action in this area requires state-of-the-art hardware and software which need to be continuously maintained, enhanced and upgraded as well as investments in highly trained operators.

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[134] See 'Virtual Competition' by Ariel Ezrachi (2016) which notes that major economic actors influence the debate through funding of articles, academic initiatives etc (pp. 246-247 on 'Intellectual Capture').

[135] For example in areas such as the collaborative economy and public procurement (which involve national expenditure as in the case of State aid.

[136] A1 page documents with 12 point Times New Roman saved in .docx format (see https://aimblog.uoregon.edu/2014/07/08/a-terabyte-of-storage-space-how-much-is-too-much/#.WnCTbWdty5w); for the Google case in question see http://europa.eu/rapid/press-release_IP-17-1784_en.htm .

[137] In 2017 the Commission procured technical expertise to advise it on technical and economic issues relating to the monitoring of Google's compliance with the decision.

[138] To take but one example, through the use of advanced intelligence gathering methods, computer forensic capabilities and sophisticated questioning techniques, the Israeli competition authority has been able to uncover cartels, even without the cooperation of any member of the undertaking (OECD Roundtable on Ex officio cartel investigations and the use of screens to detect cartels (2013)).

[139] A technique used to evaluate connections between network nodes (such as people, organisations and even transactions).

[140] Lexical analysis involves breaking whole chunks of text into paragraphs, sentences and words.

[141] A graphical representation of entities and their relationships to each other.

[142] The task of grouping a set of texts in such a way that texts in the same group (called a cluster) are more similar to each other than to those in other clusters.

[143] Data visualization helps to understand the significance of data by placing it in a visual context. Patterns, trends and correlations that might go undetected in text-based data can be exposed and recognized easier with data visualization software.

Beyond inspections, the detection of cases or potential cases in the future is expected to require a thorough technical and economic understanding of companies' behaviour with regard to data and algorithms and other emerging technologies such as the internet of things and blockchain technology.

At the same time, the roll-out of artificial intelligence in the legal sector ('legal tech') is accelerating; investments in start-ups since the financial crisis have increased rapidly[144]. Law firms are already using artificial intelligence for purposes such as due diligence and review of contracts[145]. An often cited author as regards the impact of AI on the legal profession predicts that "The 2020s will be the decade of disruption" (overlapping with the next MFF period); AI applications have also emerged in the area of competition law[146]. A current focus is on applications able to infer meanings from data, answer natural language legal research questions as well as predict outcomes[147].

Another growing antitrust and cartel related challenge concerns the risks of anticompetitive conduct including collusion in the form of price coordination by competitors through algorithms[148]; or, in any case, enhanced risks of tacit collusion (currently not caught by antitrust and cartel rules) resulting in wealth transfers from customers[149]. A recent OECD paper draws attention to the need to carefully examine these new evolving markets (eg to consider possible changes in competition law as regards tacit collusion)[150]; according to the OECD "the economics of data favours market concentration and dominance"[151].

2.1.3.2 Challenges for EU level merger control and guidance

Over the past four years, the number of merger notifications has increased by close to 40% (from 277 in 2013 to 380 in 2017), accompanied by a rise in transaction values. Some economic sectors and industries have become increasingly consolidated. These trends are compounded by ever more voluminous case files, a development which is projected to persist into the future. Case files in some complex investigations can reach up to hundreds of thousands of documents. Manifestly, sophisticated IT tools need to be deployed to review and assess such quantities of documents filed by the merger parties.

Artificial intelligence tools will likely become crucial in the process of ensuring efficient and exhaustive discovery as well as and treatment of large bodies of evidence, both of a qualitative and a quantitative nature, and notably in the assessment of internal documents of the notifying parties and third parties as well as the handling and processing of large quantitative datasets (including econometric modelling). This is particularly so given the short legal deadlines of the EU Merger Regulation (one month since notification in normal cases, five months in case of in-depth, phase II investigations). Clearly, the process of review and assessment of evidence will – as in the case of antitrust and cartels - increasingly need to be supported and augmented by appropriate methodologies as described above in relation to antitrust and cartels.

Since the introduction of a legal test more firmly grounded on an effects-based approach in the reform of the Merger Regulation in 2004, the complexity of merger assessment has also increased considerably. Two sources of evidence have by now become an integral part of complex merger assessments: quantitative data

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[144] 'Tech revolution in law' post by Amy Stoomer dated 19 January 2018 on at the LegalNews.com website; the post reports that

[145] See 'Artificial intelligence closes in on the work of junior lawyers', Financial Times, 4 May 2017; December 20, 2016; see post 'The 10 Most Important Legal Technology Developments of 2016 by Robert Ambrogi dated 20 December 2016 which lists a number of large law firms using services by ROSS Intelligence, a startup that uses IBM's Watson platform to answer lawyers' natural-language legal research questions.

[146] Professor Richard Susskind, ibid.

[147] For developments in the use of AI in the legal sector see eg Financial Times, 12 December 2017 ('Law firms streamlining work with standardised system') and 6 December 2017 ('the super-intelligent attorney').

[148] The Commission's Final Report on the e-commerce sector of 10 May 2017 found that 53% of responding retailers track online prices of competitors, of which 67% with software and 78% subsequently adjust prices.

[149] See 'Virtual Competition' by Ariel Ezrachi (2016), Chapter 7 ('Tacit Collusion on Steroids'), pp. 70, 71, 80 ("conscious parallelism will likely become more common"); Michal S. Gal, 2017, "Algorithmic-Facilitated Coordination: Market And Legal Solutions; "Should We Be Concerned That Data And Algorithms Will Soften Competition?" (May 2017) by Paul A. Johnson.

[150] See OECD publication entitled 'Algorithms and Collusion: Competition Policy in the Digital Age' www.oecd.org/competition/algorithms-collusion-competition-policy-in-the-digital-age.htm .

[151] See OECD publication entitled " Data-driven Innovation for Growth and Well-being" (October 2014) (http://www.oecd.org/sti/inno/data-driven-innovation-interim-synthesis.pdf), p. 7; see also 'Big Data and Competition Policy' by Maurice Stucke and Allen Grunes (2016).

and internal documents. The increasing complexity of merger cases - both in terms of the concerns investigated and the remedies considered - is reflected in rising legal and consultancy bills[152]. In turn, certain of those developments oblige the Commission to rely to a greater extent on external technical expertise, market information and studies[153] (which given the short merger deadlines typically cannot be procured through a normal tender). But obtaining external expertise can also generate significant synergies and positive spillovers[154]. Similarly, the Commission experience from recent merger cases has shown that information from commercial information providers' proprietary databases (eg sector-specific data) may be required at short notice.

2.1.3.3 Challenges for EU State aid control and guidance

While State aid control (Articles 107-108 TFEU) is an exclusive power of the Commission, Member States play a crucial role in ensuring effective compliance on the ground[155]. This role has become even more important after the State Aid Modernisation (SAM) concluded in 2014, which led to a widening of the scope of the General Block Exemption Regulation (GBER). As a result, 97% of all new aid measures today are being implemented without prior Commission prior approval, a dramatic increase compared to the pre-SAM era[156]. The reform will only be completely successful if Member States implement such aid measures in full compliance with State aid rules. To address this challenge, the Commission must intensify cooperation with the Member States and ensure full State aid transparency, allowing interested stakeholders (the Commission, competitors and the wider public) to verify the conformity of the aid with the rules[157]. That is why the Commission has established bilateral and multilateral Partnerships with the Member States (see below under 'Boosting internal partnerships'). Also, to assist Member States in complying with the transparency requirements, the Commission has developed the Transparency Award Module (TAM).

The expiry of numerous hard and soft law instruments forming part of SAM in the coming years gives rise to significant additional challenges. As a key input for the post-SAM related evaluation work ahead, the Commission will rely on evaluations to be made by the Member States on the direct and indirect effects of large (above EUR 150 million) aid schemes which will be received in the next few years (the process having started by end-2017). To this end, the Commission will be required to contract additional technical expertise. Meanwhile, the Member States are requesting related assistance and training from the Commission. At the time of writing, the Commission had already approved 37 evaluation plans covering 13 Member States, with a total annual budget of EUR 48 billion (with additional plans in the pipeline)[158], corresponding to about 45% of total State aid annual spending in the EU. A trend towards larger schemes points towards a potential rise in the number of such evaluations. If the Commission were not able to properly analyse the Member States' evaluations as they are delivered, adverse effects on the internal market could follow[159].

Like antitrust, cartel and merger enforcement, State aid control needs more sophisticated IT-tools as well as AI in order to analyse data, evidence and the lawfulness of aid already granted and also to detect the

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[152] In one merger case the legal fees exceeded EUR 35 million; another discernible trend is the hiring of multiple economic consultancies (in a recent case five economic consultancies were enlisted).

[153] Recent cases have for example arisen in connection with particularly intricate remedies proposals which required the advice from engineering experts or from specialists in national law.

[154] For example, a report commissioned from a UK university assessed the Commission's approach to geographic market definition. That study (http://ec.europa.eu/competition/publications/reports/study_gmd.pdf) has become a point of reference for national competition authorities and other stakeholders.

[155] Recital 15 of Commission Regulation (EU) No 651/2014 of ('General Block Exemption Regulation) provides that "State aid enforcement is highly dependent on the cooperation of Member States. Therefore, Member States should take all necessary measures to ensure compliance with this Regulation, including compliance of individual aid granted under block-exempted schemes".

[156] See State aid Scoreboard for 2016.

[157] See http://ec.europa.eu/competition/state_aid/overview/transparency_and_evaluation.html

[158] The majority concern large regional or RDI aid schemes under the GBER or notified broadband schemes.

[159] Such as undesirable firm location effects, distortions of dynamic incentives to innovate and the crowding-out of private investment. Lack of transparency could also prevent third parties from verifying whether State aid has been granted in line with EU State aid rules, thereby reducing per-review in a situation where the Commission has withdrawn from ex ante scrutiny.

presence of aid in public interventions and anticipate developments in the economic nature of public activities and services. The relevant challenges include *inter alia*:

- Analysis of files: There is currently no IT-tool at hand to search data across individual cases for purposes of comparison; nor is there any AI-driven analytical tool that would detect certain patterns in the Member State's approach to a public financing in similar cases, predict future trends or point to relevant cases and jurisprudence[160].

- Monitoring of compliance with the General Block Exemption Regulation (GBER): The Commission has so far monitored compliance with the GBER *ex-post* without IT tools. Given resource constraints, this exercise can only cover a small fraction of block-exempted aid measures. AI could support monitoring by detecting deviations between the GBER's provisions and national aid schemes, as well as between individual aid awarded under a scheme on the one hand and the GBER and the scheme's provisions on the other hand.

- Conformity of public commercial economic operations with the 'Market Economy Operator Principle': Where the State provides its resources on market conditions, EU State aid rules do not apply. AI could be used to compare market operator behaviour in similar large projects[161].

- Existence of a market; question of the economic nature of public activities and services: EU State aid rules only apply if public funding is for activities in a market environment. Pursuant to Court jurisprudence, the question whether a market exists for public services may depend on the way those services are organised in the Member State concerned. That situation is not static and to a large extent dependent on political choices or economic developments. AI may help detect regulatory and economic developments in public services[162].

- The material selectivity of public funding: One constitutive element of State aid is the selectivity of a public measure, ie that it only favours certain undertakings and not others who are in the same factual and legal situation as the beneficiary/ies of the measure. This also applies to fiscal measures. State aid may be at hand in case a fiscal measure deviates from the reference system and its intrinsic objectives in the Member State concerned. AI tools could help in assessing the intrinsic objective of complex tax measures, detect deviations from these objectives in individual cases and also identify amendments to the reference system over time.

2.1.3.4 Boosting internal partnerships: challenges for European Competition Network

Since 2004, the antitrust and cartel rules (enforcement of Articles 101 and 102 TFEU) are enforced by the national competition authorities (NCAs) of the Member States in addition to the Commission. Together they make up the European Competition Network (ECN). Ensuring undistorted competition within the internal market depends significantly on the national competition authorities. For this model to work it is crucial that the Commission takes an active role in ensuring coherence and effectiveness of the application of the EU rules by NCAs. To that end, the Commission has set up and is coordinating horizontal working groups and sector-specific subgroups within the ECN[163]. Frequent and confidential meetings with the NCAs in these fora are required to promote a common competition culture and reduce inherent risks of divergent outcomes in the internal market due to incoherent enforcement. The continued proper functioning of the ECN also requires a secure, fully operational and interoperable IT infrastructure allowing for the exchange of confidential documents[164] in addition to meetings in person[165].

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[160] The introduction of the new CASE@EC database could be an opportunity to introduce such tools.
[161] This could facilitate and shorten the assessment of such large public investment where the advancement of a project that is potentially in the common interest depends on the timely adoption of a Commission decision authorising the public investment.
[162] For example, depending on the nature of their activities, hospitals may either fall within or outside State aid rules.
[163] For example, joint working groups deal with horizontal topics (eg cartels), as well as with key sectors of the economy (eg energy, financial services).
[164] Under the current MFF, the ECN IT infrastructure expenditure is covered by the ISA programme.
[165] Meetings in the ECN are crucial for the exchange of intelligence, the development of best practices and for ensuring a coherent approach in cases and policy matters.

These two strands of the ECN need reinforcement in view of two factors. First, the proposal for a Directive to empower the national authorities to be more effective enforcers (ECN+) – expected to be adopted in 2018 - is very likely to translate into more enforcement of the EU competition rules, reinforcing the need for close coordination and cooperation in the ECN[166]. Second, the digital transformation of markets and operators and the challenges this generates for the application of EU competition rules policy as described above are equally applicable to the ECN. Increasingly complex cases will intensify the need for early and in-depth coordination, as well as more policy meetings to agree on new methods and tools to tackle novel anticompetitive practices across the internal market. The digitisation across sectors means that businesses increasingly operate beyond national borders which in turn increases the need to coordinate and align national and EU investigations within the ECN.

The EU antitrust and cartel rules – Articles 101 and 102 TFEU - are enforced not only by the European Commission and NCAs (public enforcement), but also by national courts[167].

To ensure a coherent application of EU antitrust and cartel rules by national courts on the ground, the Commission operates a grants programme dedicated to the training of national judges in EU competition law and judicial cooperation between national judges[168][169]. It also funds regular meetings of the association of European Competition Law Judges, AECLJ, a group of supreme and appellate court judges who hear cases in their courts concerning the application of European competition law. All these measures promote knowledge and understanding of competition policy and law issues throughout the respective judiciaries in order to avoid divergent application of EU law in different Member States.

The need for the Commission to provide support to national courts and to train judges is very likely to escalate as a result of the following developments: first, increased enforcement by the NCAs as a result of powers that will be bestowed through ECN+ (and, thus, increased judicial review of NCA decisions); second, the implementation of the recent Directive 2014/104/EU on antitrust damages actions (Damages Directive), which makes it much easier for citizens and businesses to bring actions for damages before national courts for EU antitrust infringements.[170] Significant growth in new private enforcement cases across the internal market is expected, requiring the Commission to step up its engagement with national courts and its training of national judges to ensure a coherent application of EU law.[171]

2.1.3.5 Boosting internal partnerships: challenges for merger control

The EU merger regime is based on a clear division of competences between the Commission and the national competition authorities, which act as partners in ensuring consistent, efficient and effective merger control throughout the EU; for example, in connection with the referral mechanisms which give the necessary flexibility to reallocate cases. Cooperation aimed at further exchange of best practices and convergence takes place within the EU Merger Working Group since January 2010, comprising the Commission and the national competition authorities. There is a need to further strengthen cooperation and convergence through the exchange of best practices and knowledge between the national competition authorities, building on the Best Practices on cooperation between EU National Competition Authorities in Merger Review which were adopted as a result of the work of the EU Merger Working Group in 2011.

2.1.3.6 Boosting internal partnerships: challenges for State aid control

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[166] For example, the proposal will significantly extend the possibility of NCAs to provide each other with mutual assistance, requiring enhanced IT tools also at the EU level.

[167] National courts review decisions by the national authorities; they directly apply the EU antitrust rules in disputes between parties (e.g. in private litigation to declare a specific contractual clause null and void); and they award damages to consumers and companies harmed by competition law infringements (private enforcement). Over the last ten years, the Member States have notified to the Commission more than 600 judgments where EU competition law is applied by national courts.

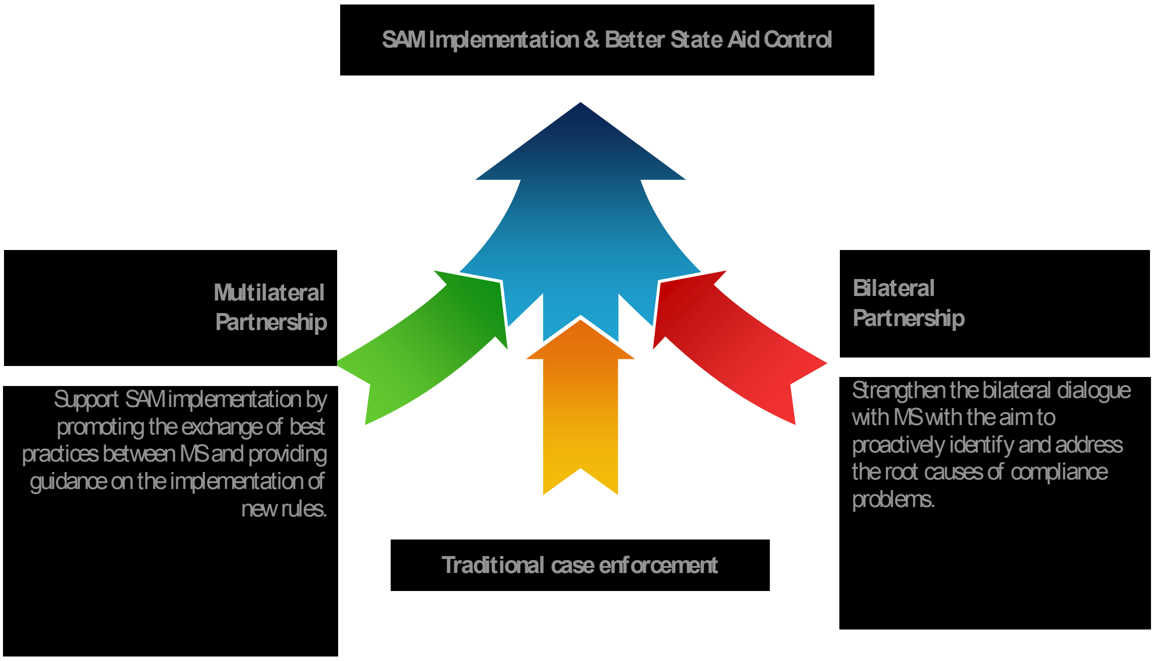
[168] The grant programme is co-delegated to DG Competition as part of the Justice Programme (as regards problems in this respect see box at the end of section 1 above).

[169] Since 2002 more than 150 projects for training of judges in EU competition law have been co-financed involving around 10 000 national judges from all Member States.

[170] The deadline to implement the Directive in Member States' legal systems expired on 27 December 2016.

[171] For example in the form increased requests by courts for disclosure of documents in the Commission's position; requests for the Commission, to provide information, opinions and observations in court proceedings etc.

A key challenge in the State aid area will be to deepen and widen the Multilateral Partnership with the Member States at all levels - the Working Group on the Implementation of the State Aid Modernisation (SAM-Working Group), the High Level Forum and thematic working groups - in order that State Aid Modernisation (SAM) can maximise its contribution to the internal market. Likewise, the Bilateral Partnerships with Member States also need to be deepened and extended. That bilateral engagement could take the form of country visits, setting up coordination and follow-up processes that facilitateinformal exchanges and are thus complementary to formal State aid procedures, as well as training and other support to Member State authorities at all levels (including regional and local authorities as well as courts). A main challenge will be to engage in reflections with Member States on how to promote structures and procedures to enhance *ex ante* compliance and carry out effective ex post controls at national level.



A particular challenge will be to assist the Member States (e.g. through workshops) in connection with the Member States' evaluations of large aid schemes referred to above. Successful experiences and best practices from Member States should be shared and used to design future aid measures more effectively. Further development of IT tools will be needed (e.g. the Transparency Award Module platform[172] ensuring greater transparency of aid to individual beneficiaries as required by SAM as well as the SANI tool aimed at speeding up the treatment of State aid notifications).

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resource for society and the internal market
Competition programme	√ Wider outreach to stakeholders concerned by EU competition policy beyond those parties most immediately interested (eg specialised lawyers)	√ Boosting internal partnerships with national authorities (including national competition authorities) and courts to ensure the effective application of EU competition in the internal market.	√ State-of-the-art enforcement and policy guidance at EU level (in particular through upgraded IT tools and recourse to external technical expertise). Boosting external partnerships with third country authorities with a view to protecting the internal market from	N/A

[172] Currently 24 Member States have joined the TAM platform.

			anticompetitive conduct.	

2.1.3.7 Challenges in reinforcing and extending external partnerships

EU competition policy has a direct role in protecting the internal market against anticompetitive conduct and activities, including when emanating from abroad. The EU Courts have ruled that the Commission has an extraterritorial jurisdiction to enforce the EU antitrust, cartel and merger rules to the extent that an anticompetitive conduct is implemented in or has effect in the internal market[173].

The Commission thus has a strong interest in engaging closely with third country authorities and in particular competition authorities, with a view to promoting worldwide convergence of competition rules, while cooperating closely in individual cases[174]. Multilaterally, the International Competition Network, comprising some 130 authorities, serves as the main forum for promoting convergence. The Commission has also signed different forms of cooperation agreements with several of its major trading partners and neighbours (such as US, Canada, China, India, Brazil and Switzerland). The challenges in ensuring effective cooperation with third country competition authorities are likely to grow in the coming decade; in the period of 2014-2015 in 52 % competition decisions adopted by the European Commission there was some form of cooperation with the competition authority of a third country; in cartel investigations cooperation took place in 69 % of all cases. A particular focus for future cooperation could be emerging economic blocs such as ASEAN and MERCOSUR which face similar competition challenges as the EU during its early years and decades.

So far cooperation has mainly concerned antitrust, cartels and mergers but recently subsidies have become a particular focus of attention and debate[175]. Decisions by third countries to grant a subsidy to a company that operates globally may affect competition in the internal market. In the negotiations of Free Trade Agreements (FTAs), which include competition and State aid provisions, the Commission aims in particular to include strong commitments on subsidies, beyond what exists in WTO, extending transparency to subsidies to services, broader consultation possibilities and conditioning the most distortive subsidies. In June 2017 the Commission signed a Memorandum of Understanding with China aimed at dialogue on State aid control and State intervention in the economy[176]. There is considerable scope for investing more in such activities, not only in terms of direct face-to-face engagement with third country authorities but also as regards the gathering of intelligence, for example mapping the use and extent of subsidies in key third countries (including at sub-federal level which often are not identified under current disciplines). The Commission is also addressing subsidies in the multilateral context, such as in WTO and OECD. Several precedents under MFF 2014-2020 exist of cooperation with third countries within mainly internal market orientated programmes[177].

2.1.3.8 Challenges in achieving wider stakeholders outreach

Surveys carried out in 2010, 2014 and 2016 demonstrate the need for wider stakeholder outreach, not least as regards State aid (see 1.2.2 above). Raising awareness among a wider group of citizens and businesses affected by EU competition rules (beyond those mostly concerned such as legal and economic advisers specialised in competition law) would increase the effectiveness of competition law through information on

[173] See in particular C-89/85 - Ahlström Osakeyhtiö and Others v Commission, ECLI:EU:C:1993:120 (concerning a cartel); C-413/14 P - Intel v Commission, ECLI:EU:C:2017:632 (concerning abuse of dominance) and T-102/96 - Gencor v Commission, ECLI:EU:T:1999:65 (concerning a merger).

[174] President Juncker's mission letter to Commissioner Vestager of 1 November 2014 asks her to focus eg on "promoting a competition culture in the EU and world-wide" during the Commission's mandate.

[175] A working group on international subsidies policy has recently been established within the multilateral State aid Partnership comprising the Commission and Member State representatives.

[176] See http://europa.eu/rapid/press-release_IP-17-1520_en.htm .

[177] See Regulation on a multiannual consumer programme for the years 2014-20, in particular Articles 5 and 8 as well as Annex I on types of action under Objective IV ("(d) administrative and enforcement cooperation with third countries which are not participating in the Programme and with international organisations"); in a similar vein, see Article 7 on eligibility of "working visits" within third countries as well as recital 10 on tax cooperation with third countries of Regulation (EU) No 1286/2013 establishing an action programme to improve the operation of taxation systems in the European Union for the period 2014-2020 (Fiscalis 2020).

types of behaviour which are not allowed under EU competition rules ('prevention is better than cure')[178]; the effectiveness of EU competition rules would also be served by apprising citizens and businesses of their legal rights under those rules (eg the right to redress and compensation if harmed by others' anti-competitive behaviour). Such awareness-raising events and activities could benefit from synergies with other activities under the Single Market Programme. More broadly, the contribution of EU competition policy to a fairer society and economy, ensuring equality of opportunity, could be conveyed under a Competition programme within the Single Market Programme, a central pillar of which is to empower citizens and businesses.

Candidate for / **Programme/line**	**Flexibility** (moving funds from one SMP programme to other)	**Simplification**	With which other SMP programmes there are potential **synergies**
Competition programme	√ / N/A	√ / N/A	√ / N/A
State-of-the-art enforcement and guidance at EU level	√	√	√
Boosting internal partnerships	√	√	√
Boosting external partnerships	√	√	√
Wider stakeholder outreach	√	√	√

2.1.4 New political priorities or emerging problems needing EU intervention (including legal commitments)

Reference is made to section 1.1.4 above to European Parliament and European Council statements on the internal market and competition policy. A number of emerging challenges have been set out in sections 2.1.2 and 2.1.3 above including the digital transformation and the need to engage more closely and effectively with national authorities and courts across all areas of completion policy as well as the need to reach out to a wider group of stakeholders. In addition, the following more specific instruments and provisions are relevant.

Article 31 of the proposal for Proposal for a Directive of the European Parliament and of the Council to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market of 22 March 2017 (COM(2017) 142 final) (expected adoption in 2018) states that "The costs incurred by the Commission in connection with the maintenance and the development of the European Competition Network System and cooperation within the European Competition Network shall be borne by the general budget of the Union within the limit of the available appropriations".

2.2 Objectives of the programmes of the next MFF

2.2.1 General objective linked to the challenges described above

The general objective of the Competition programme is to support the Single Market Programme and thereby the functioning of the internal market.

2.2.2 Specific objectives linked to the challenges described above

First specific objective: To ensure that the enforcement of EU competition policy as well as policy guidance is supported by state-of-the-art tools and infrastructure (including software and hardware) as well

[178] President Juncker's mission letter to Commissioner Vestager of 1 November 2014 asks her to focus eg on explaining and demonstrating the benefits of competition policy "to citizens and stakeholders at all levels" during the Commission's mandate.

as external technical expertise and information (falling within the "Support rule-making, standard setting and enforcement at EU institutions level" objective in the Single Market Programme).

Second specific objective: To strengthen, deepen and extend cooperation and partnerships with European public administrations (including national competition authorities and courts) in the form of direct contacts as well as interoperable IT infrastructures ensuring the exchange of confidential documents and information (falling within the "Administrative cooperation, capacity building and integration among Member States" objective under the Single Market Programme).

Third specific objective: To strengthen, deepen and extend cooperation and partnerships with third country authorities (including competition authorities) with a view to strengthening competition disciplines for the benefit of the internal market (falling within the "Support rule-making, standard setting and enforcement at EU institutions level" objective in the Single Market Programme).

Fourth specific objective: To raise awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules, thereby strengthening the effectiveness and legitimacy of those rules (falling within the "Empower citizens/consumers and businesses in particular SMEs at different stages of their development" objective under the Single Market Programme).

Challenges / **Programme/line**	Empower citizens/consumers and businesses in particular SMEs at different stages of their development	Administrative cooperation, capacity building and integration among Member States	Support rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Competition programme	To raise awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules, thereby strengthening the effectiveness and legitimacy of those rules.	To strengthen, deepen and extend cooperation and partnerships with European public administrations (including national competition authorities and courts) in the form of direct contacts as well as interoperable IT infrastructures ensuring the exchange of confidential documents and information.	To ensure that the enforcement of EU competition policy as well as policy guidance is supported by state-of-the-art tools and infrastructure (including software and hardware) as well as external technical expertise and information. To raise awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules, thereby strengthening the effectiveness and legitimacy of those rules.	

Potential for / **Programme/line**	**Simplification of your programme, and/or synergies and/or flexibility and/or performance**
Competition programme	√

2.3 Cross cutting objectives of the new MFF

Section 3.3 below in particular explains how the Competition programme would enhance performance in support of the internal market, in particular given the major leverage effect of competition enforcement in terms of macroeconomic benefits. Being included in the Single Market Programme would also lead to increased flexibility and simplification eg given the possibility to carry out multiannual projects. The Competition programme would provide ample scope for synergies (not least in terms of joint studies and data collection) with other activities under the Single Market Programme. Possible synergies are outlined in section 4.3 below.

3. PROGRAMME STRUCTURE AND PRIORITIES

3.1 Prioritisation

The prioritisation in terms of objectives broadly follows the order in which the four specific objectives are set out in section 2.2 above.

According to that logic, the most prioritised actions would involve state-of-the-art software and hardware tools (such as forensic IT, investigative and data analysis as well as artificial intelligence), accompanied by trained operators. It would also include other external technical expertise and information sources falling under the first specific objective of the Competition programme (see 2.2). Actions relating to interoperable IT infrastructures ensuring the exchange of confidential documents and information as referred to in the second specific objective of the Competition programme should enjoy the same level of priority.

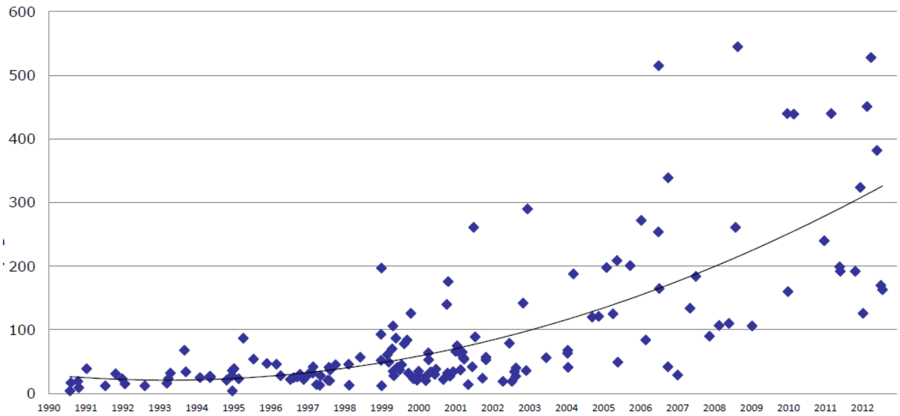
Next, as a second category, priority status should be afforded to the strengthening, deepening and extension of cooperation and partnerships with European public administrations (including national competition authorities and courts) in the form of direct contacts (seminars, trainings, workshops, meetings etc.).

Finally, a third priority would comprise the strengthening, deepening and extension of cooperation and partnerships with third country authorities (including competition authorities) (see third specific objective at 2.2) as well as actions aimed at raising awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules (fourth specific objective at 2.2).

3.2 Critical mass of funding and projects

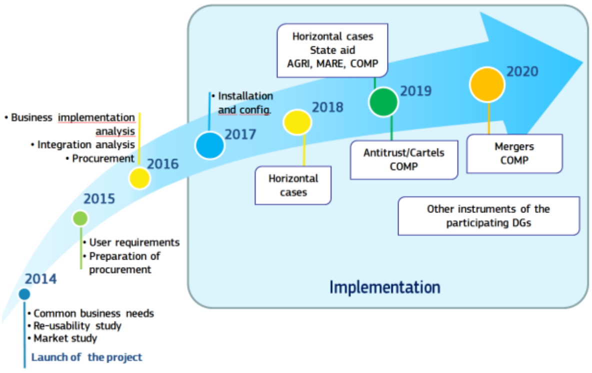
The projects and funding required to support the specific objectives in the Competition programme satisfy the critical mass criterion for several reasons. First, the scale and scope of DG Competition's activities is (similar to the internal market) economy-wide. The numerous studies and evaluations referred to under 'Lessons learnt' above (see section 1.2.1) testify to the varied nature of DG Competition's enforcement – eg in terms of sectors - in the internal market. Second, DG Competition's enforcement concerns both the private sector as a whole (antitrust, cartels and merger control) as well as all tiers of the public sector (State aid) and to the extent that public undertakings engage in economic activity (antitrust, cartels and merger control). A key task of EU competition policy is also to engage in so-called competition advocacy aimed at making other policies and regulation more competition friendly; such advocacy is directed at many stakeholders groups as well as to the Member States and third countries (see the OECD's findings on the importance of advocacy at section 1.2.1).

As regards the first specific objective of the Competition programme (state-of-the-art enforcement and guidance), the transformational IT-driven challenges outlined above (see sections 2.1.2 and 2.1.3) will necessitate projects in step with fast-moving technological developments, likely resulting in significant costs (eg in the follow-up of complex decisions) (see section 2.1.3). State-of-the-art hardware and software acquisitions also need to be accompanied by highly skilled and trained operators. In the case of possible algorithmic collusion, firms continuously modify their algorithms, requiring continuous alertness and agility (including in terms of deployment of technology) on the part of competition authorities. The increasing complexity of cases referred to in sections 2.1.2 and 2.1.3 (eg evidentiary requirements and the more economic approach) is one of the drivers of this challenge (see graph below which reflects the considerable increase in the numbers of pages in merger decisions necessitated by the more complex category of merger cases (so-called phase-two cases) (x-axis denoting number of pages in the decision):



Deep engagement with the Member States will be needed to evaluate large State aid schemes (a process which already encompasses half of all aid reported in the EU and which will extend well beyond 2020); technical expertise will also be needed in connection with remaining cases in the banking sector involving impaired assets and asset relief.

IT projects play a key role under the Competition programme; such projects are launched by DG Competition during a test phase after which synergies are found with other activities under the Single Market Programme along the lines of the current CASE@EC case management system (see graph below):



Sector inquiries (both in the antitrust and State aid areas) aimed at supporting the Commission's key priorities also generate the need for expertise and studies; the Energy union and the Single Digital Market were the focus of two of the most recent sector inquiries, which are particularly resource intensive undertakings. Deepening and broadening the analysis of the various impacts of EU competition policy (eg the impact of deterrence and on innovation) will also generate demand for studies, workshops etc. A promising novel area of research concerns the extent to which effective competition policy reduces inequalities.

Likewise, the second specific objective (Boosting internal partnerships) is likely, by itself, to generate a critical mass of funding and projects (not least joint projects conducted with the Member States). First, the confidential nature of ongoing competition and State aid proceedings requires not only the maintenance and upgrading of secure and stable IT systems which are interoperable vis-à-vis the Member States. Already in 2017, the first full year of implementation of ECN2 (the new exchange platform for the ECN), more than 16,000 documents were exchanged and this number is only expected to increase as NCAs become better acquainted with this new tool; confidential face-to-face meetings go hand in hand with day-to-day antitrust and cartel enforcement and are indispensable for sustaining a well-functioning network with the national authorities and for agreeing on a coordinated approach in applying competition rules in the internal market. Looking at the period from 2010 to 2017, a total of 202 meetings of the various ECN working groups and sectoral subgroups took place. In 2017 27 ECN meetings took place per year within 22 groups.

Second, the need for actions under this specific objective is particularly pressing if the fruits of recent (State Aid Modernisation and the Antitrust Damages Directive) and planned (ECN+) legislation are to be harvested; for example, in the area of the Commission's multilateral partnership with the Member States, this need is illustrated by the number of multilateral working group meetings with Member States[179] as well as the range of key State aid issues discussed at these events at the request of the Member States or the Commission[180].

Third, there is a need for a rapid, informal and confidential process whereby Member State authorities can seek clarification on material and procedural questions, eg in the area of EU State aid rules[181]. Reaching out to the sub-national level presents a special challenge for State aid control.

The increased enforcement activity of national authorities and courts due to the above-mentioned initiatives means that that there will be an even greater need to train national judges to deal with competition law issues. Looking at the period 2007-2016 a total of 8,020 judges received such training. To illustrate the scope for actions in this wide field, reference can be made to a recent evaluation of the need for training of judges in EU competition law[182]. Few judges deal with all aspects of EU competition law; the evaluation revealed that most judges with experience of EU competition law had dealt with only one type of enforcement action. The table shows the large number of judges that may have to deal with public enforcement (review of decisions by national authorities) and with private enforcement (ie actions for damages caused by antitrust or cartel infringements) where harm to victims in foregone compensation has been estimated to amount to several billions a year[183]. An even greater number of national judges are potentially concerned by the enforcement of State aid rules (national judges have the power, among other things, to order the recovery of illegal aid.)

Number of judges in the competent courts (EU total) (A denotes the number of judges who may potentially have to deal with competition cases; B denotes the number of judges specifically assigned to deal with competition cases)

[179] 19 State Aid Modernisation working groups have been held since 1 February 2014 while five High Level Forums took place between 10 June 2014 and 28 June 2017; the next High Level Forum takes place on 19 June 2018.

[180] The following ten overarching topics were addressed: 1) the introduction of the State Aid Modernisation at national level and awareness raising; 2) the annual prioritisation, at Member States' request, of pending State aid cases in their respective 'portfolios' with the objective of managing priority cases more efficiently, in line with national priorities; 3) the Commission's decision-making process; 4) follow-up of implementation of the so-called Timonen report (on best practices, training, networks, portfolio reviews, case management and maximising the use of the GBER); 5) maximisation of the use of the GBER; 6) ensuring compliance with GBER and general State aid requirements; 7) State aid and international competition; 8) State aid evaluation; 9) transparency; and 10) updates on further developments or additional actions taken by the Commission to support SAM implementation.

[181] Since February 2016, all Member States have used the Commission's IT-tool 'eState aid WIKI'. They have thus far submitted over than 600 queries on all major State aid rules, both as regards the notion of State aid and as regards the compatibility of aid with the internal market; by far the most queries concerned the General Block Exemption Regulation. 'eState aid WIKI' is a platform for informal exchanges on general State aid matters (thus not case-specific) between the Commission's services and the Member States and EFTA countries (including the EFTA Surveillance Authority).

[182] See 'Study on judges' training needs in the field of European competition law - Final report' by ERA (Academy of European Law), EJTN (European Judicial Training Network) and Ecorys (January 2016).

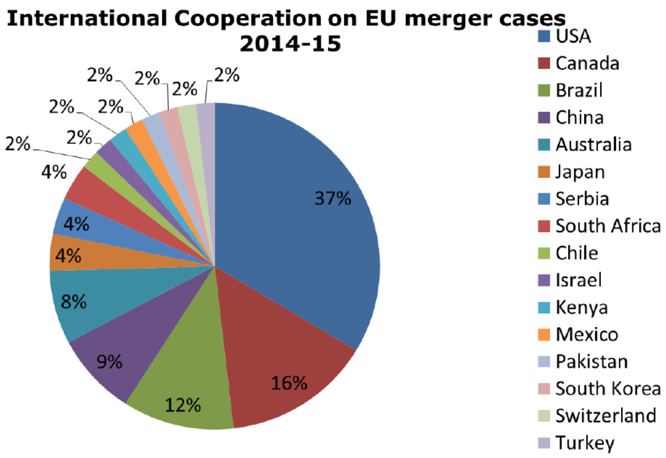
[183] The impact assessment report accompanying the antitrust damages directive estimated the compensation foregone to be as high as €5.7 to €23.3 billion per year (see SWD(2013) 203 final, 11 June 2013).

Source: ERA		First instance	Intermediate instance (if app)	Final instance
Public enforcement: (a) judicial review	A[1]	330	90	471
	B[2]	305	26	104
Public enforcement: (b) criminal sanctions	A	3 335	1 045	378
	B	0	0	0
Private enforcement	A	14 563	4 777	697
	B	459	270	56
Enforcement of EU State aid rules	A	16 192	5 058	1 258
	B	71	251	68

Actions within the third ('Boosting external partnerships') and fourth ('Wider stakeholder outreach') specific objectives would add to the overall critical mass of funding.

The number of EU and Commission competition cooperation agreements and free trade agreements containing competition and State aid clauses serves as a useful benchmark to assess the level of convergence with third countries' competition regimes. There were 21 such agreements in 2016, necessitating continued follow-up, while leaving scope for further expansion. During the next MFF period, the number of completed agreements is expected to almost double, with an estimated 39 agreements to be concluded by end-2019[184] . Bilaterally, cooperation also takes place not only with partners with whom the Commission has signed a cooperation agreement (such as the US, Canada, Japan, Korea, China, Brazil and Switzerland), but also with new and emerging agencies in countries such as Mexico. Similarly, there is room for expanding the number of technical workshops organised with third country authorities as only three such events were organised in 2016 (two with China and one with India).

The scope of the Commission's cooperation with third country competition authorities with the aim of protecting the internal market in individual cases does not only include cartel and antitrust enforcement area but also extends to merger control (see graph illustrating the range of jurisdictions involved[185]).



On the enlargement front, some of the candidate countries (eg Serbia and Montenegro) will require more assistance from the Commission to build a proper legislative framework in the area of EU competition policy. In the same vein, the European Neighbourhood Policy countries will require continued support from the Commission in the area of EU competition policy, in particular as regards State aid.

[184] https://ec.europa.eu/info/sites/info/files/file_import/management-plan-comp-2018_en.pdf
[185] Cooperation with third country agencies took place in 41 of 546 formal merger decisions adopted in 2014 and 2015, representing 7% of all merger decisions.

Similarly, at the multilateral level, the number of Commission contributions to relevant international bodies and fora can be used as a proxy for action in support towards international convergence of competition policy. The Commission provided 15 such contributions in 2016: eight to the OECD; five to the ICN (International Competition Network) and two to UNCAD. There is scope for greater contributions at the multilateral level not least as regards subsidy policy. The Commission is contributing to the discussions in WTO, and has set up a working group on international subsidies with the Member States. The Commission also continues to engage in sectoral initiatives to address subsidies in the international context, such as for steel (G20 Global Forum on steel excess capacity), for semiconductors (Regional support guidelines for the semiconductor industry) as well as for shipbuilding (OECD).

In addition, the Brexit negotiations on the withdrawal agreement and a future trade agreement will also require input on EU competition policy beyond the start of the next MFF period.

Finally, in relation to the fourth specific objective of the Competition programme, there is considerable scope for additional actions when expanding outreach beyond expert groups to categories of audiences affected by EU competition policy on the ground (such as businesses of all types, consumer organisations and regional and local authorities); indeed, the fact that in 2017 alone, officials of DG Competition were invited to give 173 lectures on EU antitrust, merger and State aid rules[186] mostly before expert audiences, illustrates the need for widening the outreach action.

3.3 Added value

In macroeconomic terms, the very significant leverage effect of EU competition policy (financed by a modest administrative budget) is incontestable as already explained in "Lessons learnt" in section 1.2.1. That finding is supported by a large body of studies[187]. For example, as regards the value added of competition policy enforcement, a study[188] from 2017 demonstrated that the Commission's cartel and merger decisions taken over the period 2012-2014 boosted GDP by 0.3% and employment by 0.2% after five years, similar to various estimates of the impact of the Services Directive[189.] The competition enforcement action – which only covered part of EU level competition enforcement – was also found to reduce inequalities between rich and poor households.

As these positive macroeconomic impacts in terms of GDP, employment and inequality reduction (see also section 1.2.1) are based on conservative assumptions and only rely on cartel and aspects of merger enforcement, they likely understate the real effects which, moreover, do not take into account the well-attested positive impacts on innovation or the effects of sanctioning and deterring abuses of a dominant position. Nor do they account for the considerable enforcement activity of the national competition authorities. While difficult to quantify, State aid control, which is focused on minimising distortions of competition in the internal market, also likely contributes considerably in macroeconomic terms[190]. There is consensus that competition as a driver of efficiencies is particularly important in knowledge intensive sectors, close to the technological frontier[191]. The order of magnitude of the contribution of State aid control, not least to fair competition in knowledge intensive sectors, is illustrated by the sheer size of large R&D&I-State aid schemes subject to mandatory State aid evaluation (see section 2.1.3 above). At the time of writing, eight approved R&D&I-aid schemes are subject to such valuation requirements aimed at

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186 Number of requests for permission to speak at external events registered by DG Competition.

187 See 'Ex-post economic evaluation of competition policy enforcement: A review of the literature' by Fabienne Ilzkovitz and Adriaan Dierx, DG Competition (June 2015); OECD Factsheet on how competition policy affects macro-economic outcomes (October 2014).

188 Dierx, Adriaan, Fabienne Ilzkovitz, Beatrice Pataracchia, Marco Ratto, Anna Thum-Thysen and Janos Varga (2017), "Does EU competition policy support inclusive growth?", Journal of Competition Law & Economics, Vol. 13, No. 2, pp. 225-260.

189 See Copenhagen Economics (2005a): "Economic assessment of the barriers to the internal market for services"; Final report.'The economic impact of the Services Directive: A first assessment following implementation', EUROPEAN ECONOMY, Economic Papers 456 (June 2012).

190 The OECD's literature review (ibid) found that to the extent to which competition enforcement or advocacy increases the level of competition, the greater the contribution to efficiencies which in turn translate into productivity and growth; see also 'Ex-post economic evaluation of competition policy enforcement: A review of the literature' by Fabienne Ilzkovitz and Adriaan Dierx, pp. 21-22.

191 See 'Ex-post economic evaluation of competition policy enforcement: A review of the literature' by Fabienne Ilzkovitz and Adriaan Dierx, p. 26.

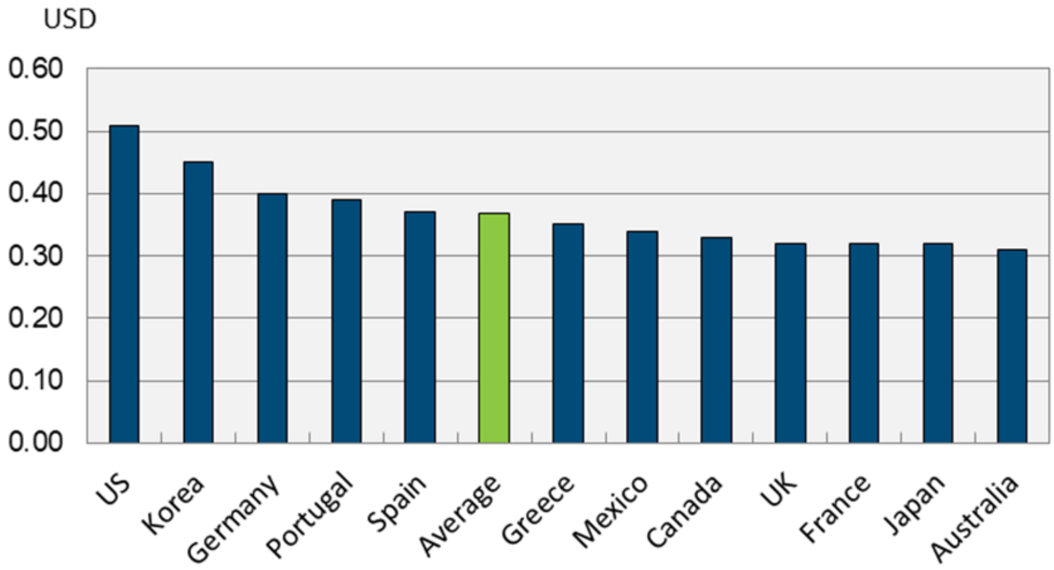
assessing these schemes' direct impact on beneficiaries as well as their indirect impacts, both positive and negative; the evaluations also covers the well as proportionality and appropriateness of the schemes. The average annual budgets of these eight schemes together amount to around EUR 5.2 billion (corresponding to 5% of total State aid spending in the EU).

State aid No	Member State	Working title	Annual budget (EUR million)	Entry into force/adoption of the decision	Final evaluation report due on
40761	UK	*Innovate UK (Technology Strategy Board)*	796	01/01/2015	30/09/2019
40098	FI	*TEKES aid for R&D*	400	01/01/2015	30/06/2020
40266	FR	*Régime ADEME Investissements d'Avenir*	300	01/01/2015	30/06/2020
40324	ES	*CDTI R&D aid scheme*	800	01/01/2015	30/06/2020
40391	FR	*Régime cadre aides RDI 2014-2020*	850	01/01/2015	30/06/2020
41471	PL	*National Research and Development Centre*	907	05/03/2015	30/06/2020
41386	UK	*SME R&D Tax Credits*	648	01/04/2015	30/09/2019
41884	DE	*Central Innovation Programme for SMEs (ZIM)*	543	15/04/2015	30/06/2019

Further work is needed to establish the full macroeconomic contribution of an effective competition policy, for example the impact on inequality reduction (a current focus of the OECD: see graph below which shows how much for each dollar of monopoly profits, a total of USD is estimated to be transferred from the 90 percent poorest to the 10 percent richest in twelve OECD countries, half of which are EU Member States)[192]. Thus, although difficult to quantify, there are also strong grounds for arguing that EU competition policy reinforces the social dimension of the internal market (see also additional sources cited in section 1.2.1).

For each dollar of monopoly profits, how much money is distributed from the bottom 90 percent to the top 10 percent?

[192] See 'The Effects of Market Power on Inequality' by Sean F. Ennis (Senior Economist, OECD Competition Division; Chris Pike, Competition Expert, OECD Competition Division) and Pedro Gonzaga (Policy Analyst, OECD Competition Division). The authors' views do not necessarily reflect the official views of the OECD or the governments of OECD member countries.



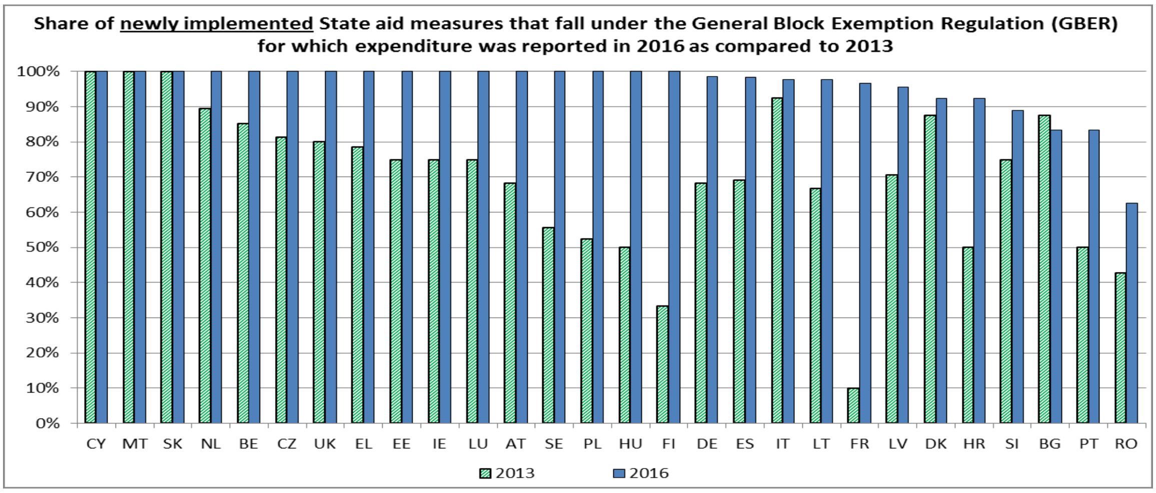
As noted at the outset (section 1.1), EU competition is *de jure* and *de facto* an integral pillar of the internal market. A suboptimal competition policy accordingly detracts from the potential of the internal market. This is particularly so in terms of the remaining gaps of the internal market on which EU competition policy has focused in recent years, including network industries such as financial services, electricity, gas transport, telecoms as well as the digital single market[193]; indeed, the literature supports the existence of significant positive gains in terms of innovation and productivity to be made downstream by stimulating competition in such network sectors upstream, such as transport, energy and telecommunications[194]. Moreover, the Commission's competition advocacy and surveillance activities vis-à-vis the Member States (eg within the European Semester) pursues the same goals the internal market legislation, i.e. the removal of unnecessary or disproportionate restrictions on competition[195]. Cartel enforcement in connection with public procurement can make public procurement in the internal market more efficient[196]; in the EU, the public purchase of goods and services has been estimated to be worth 16% of GDP[197].

In view of the macroeconomic benefits outlined above, strengthening the enforcement of and compliance with EU competition law would generate significant added value at EU level; likewise, reinforcing the networks, partnerships and other cooperation structures – especially with the Member States - would produce additional added value.

As regards State aid control, the room for Member States to give aid without prior authorisation from the Commission has – as part of the State Aid Modernisation – been greatly expanded over the last four years, in order to make the procedure simpler and more focused, thereby facilitating public investment. Continuing to facilitate such efficiency-enhancing investment (which strengthens the internal market

[193] See the annual reports on competition policy in recent years.
[194] See 'Ex-post economic evaluation of competition policy enforcement: A review of the literature' by Fabienne Ilzkovitz and Adriaan Dierx, p. 26; See also Bourlès et al. (2013) (covering 15 OECD countries during 1984-2007) finding that by increasing competition in upstream sectors by completely eliminating anti-competitive regulations would increase multi-factor productivity growth by 1 to 1.5% per year in the observed OECD countries.
[195] See recital 69 ("Where such requirements are discriminatory or not objectively justified by an overriding reason relating to the public interest, or where they are disproportionate, they must be abolished or amended") as well as Article 15(3) of Directive 2006/123/EC on services in the internal market.
[196] Studies appear to agree on the conclusion that the stronger enforcement and increased scope of cartel policies in the US and the EU in particular has contributed to the observed decline in overcharges (with the notable exception of overcharges resulting from bid rigging cartels) (see 'Ex-post economic evaluation of competition policy enforcement: A review of the literature' by Fabienne Ilzkovitz and Adriaan Dierx, p. 19).
[197] See http://ec.europa.eu/trade/policy/accessing-markets/public-procurement/ .

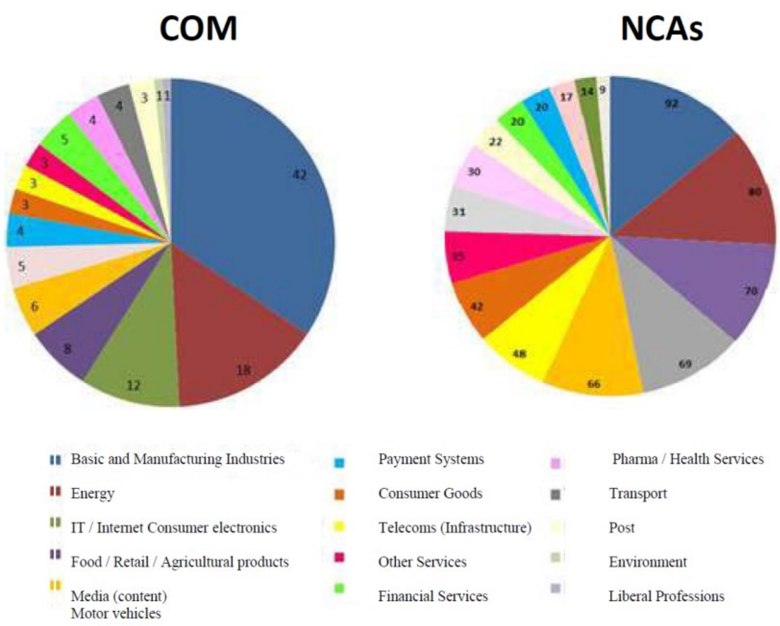
overall) would generate considerable value added. For instance, the number of RDI aid notifications dropped markedly after the SAM reform; at the same time, total spending for RDI under the reformed 2014 General Block Exemption Regulation (GBER) – ie the cornerstone of SAM – more than doubled from EUR 3.3 billion in 2015 to EUR 7 billion EUR in 2016. To reap the benefits of the new State aid architecture, investments in the multilateral and bilateral partnerships would need to be stepped up (see section 2.1.3). The overall impact of SAM on newly implemented aid measures appears from the graph below:



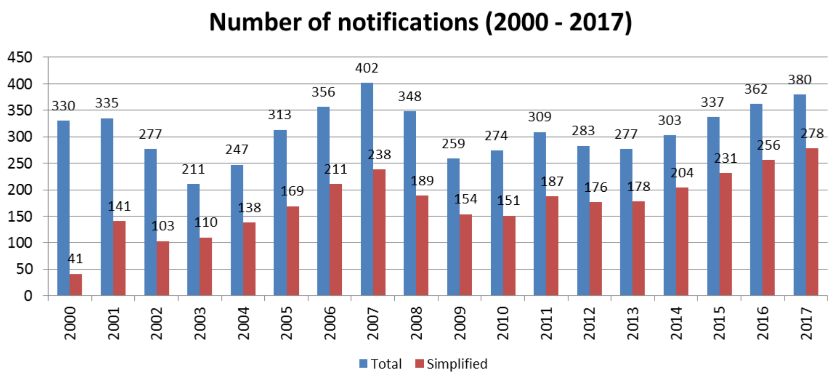
As a result of the sharing of work with national competition authorities (NCAs) within the European Competition Network (ECN), the enforcement of the EU antitrust and cartel rules is now taking place on a scale which the Commission could never have achieved on its own. Since the empowerment of the NCAs to apply the Treaty rules on antitrust and cartels in 2004, the Commission and the NCAs have adopted over 1,000 enforcement decisions, of which 85% by the NCAs. Thus scaling up the investment in the ECN is likely to further increase the added value of the Competition programme, especially after the planned strengthening of the powers and independence of the NCAs (ECN+ directive), which is expected to lead to increased enforcement by the NCAs and, as a result, increased judicial review of NCA decisions, ultimately leading to an increased need for the Commission to provide support to NCAs and national courts and to train judges. In the digital economy, increasingly complex cases will intensify the need for early and in-depth coordination in cases, as well as more policy meetings to agree on new methods and tools to tackle novel anticompetitive practices across the internal market. To take but one example demonstrating the added value of cooperation within the ECN: during 2016 a coordinated monitoring of the online hotel booking sector was carried out by the Belgian, Czech, French, German, Hungarian, Irish, Italian, Dutch, Swedish and UK competition authorities and the Commission[198]. The pie chart below demonstrates the considerable extent to which enforcement within the ECN – ie the Commission and the NCAs – during its first ten years focused on sectors where the internal market is incomplete[199].

The need for training of national judges increases also due to the very recent entry into effect of the antitrust damages directive, which aims to help citizens and companies claim compensation if they are victims of infringements of EU antitrust rules. Ensuring a coherent and consistent application of the rules to compensation by national judges is crucial for ensuring that citizens and businesses harmed by anticompetitive practices can receive adequate compensation independent of the Member State they are located in. It is noted that the amounts of foregone compensations by victims of cartels and other antitrust infringements have been considerable so far[200].

[198] The monitoring resulted in a report dated 6 April 2017 assessing the impact of enforcement in the online hotel booking sector in recent years.
[199] See http://ec.europa.eu/competition/antitrust/antitrust_enforcement_10_years_en.pdf .
[200] Estimated to amount to billions per year; the very highest estimate – around EUR 23 billion per year - is macroeconomically significant (corresponding to 0.18 percent of EU GDP in 2013) (see impact assessment accompanying the damages directive).



Investment in cooperation between the Commission and the National Competition Authorities would also be required to increase the added value from the EU's one-stop-shop merger control. Since 1990 EU merger control has helped to enable the corporate restructuring associated with the development of the internal market, EMU and globalisation, while ensuring that such restructuring - mostly in the form of concentrations - preserves and strengthens competition in the internal market. The obligation to cooperate is legal in nature ("The Commission should act in close and constant liaison with the competent authorities of the Member States from which it obtains comments and information")[201]. As an example of added value and synergies of investment by the Commission, reference is made to the study on the definition of geographic markets in Commission merger cases which became a point of reference among EU competition authorities (see section 2.1.3). Moreover, as the number of notifications increases (ie the current trajectory: see graph), the need to closely and constantly cooperate with NCAs rises.



[201] See recital 13 – and also recitals (3), (4), (5) and (14) - of Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation). The Commission transmits to them copies of notifications and of the most important documents lodged in a case. Member States may express their views throughout the procedure. In particular, in cases where in-depth proceedings have been opened or may lead to the imposition of a fine for a procedural infringement, Member States are formally consulted in the Advisory Committee. Over the last months, the Working Arrangements for the functioning of the Advisory Committee have been revised, strengthening the close and constant liaison between the Commission and the Member States' Authorities. A referral system also allows for a reallocation of specific cases, under certain conditions, between the Commission and Member States' authorities (notably if an agency other than the one initially competent appears as better placed to review the deal).

It is well established that successful advocacy in favour of competition friendly rules and regulation ultimately makes the economy more productive[202]. To this end, increased investment in boosting external partnerships (eg pushing for convergence and cooperating on concrete cases) will continue to add value (whilst protecting the internal market against anticompetitive conduct abroad).

Expanding outreach activities to encompass more categories of audiences affected by EU competition policy is also likely to add value: the better the rights and obligations under those rules are known and understood, the better they are enforced; a greater understanding of the rules and their rationale among wider groups of stakeholders would also be likely to add political support and legitimacy to EU competition policy, in particular among the Member States, increasing strengthening their resistance to lobbying efforts by vested interests and incumbent firms facing competitive threats.

From a strict legal standpoint, the issue of added value (which forms part of an assessment according to the principle of subsidiarity), does not arise in the case of competition policy which is an exclusive competence (see section 1.1). According to Article 5(3) TEU the principle of subsidiarity does not – legally speaking - apply in areas of exclusive competence. But, as appears throughout this report, a political choice has been made to enable and to share work with Member States in State aid control, antitrust and merger enforcement through numerous mechanisms and arrangements. Doing less at the centralised level, and more at the national level – within the scope of the EU exclusive competences - has helped increase the effectiveness of the enforcement of EU competition rules. The envisaged Competition programme would further entrench that political choice.

Also, the preceding added value assessment (although not strictly speaking legally required) can be considered justified from a Better Regulation perspective, in particular given that no spending programme has so far been considered to support EU competition policy. In view of the very significant leverage effect of EU competition policy in terms of consumer and customer welfare, unlocking the potential of the internal market and macroeconomic benefits, the Competition programme is also proportionate to the specific objectives set out in section 2.2; the principle of proportionality is also served by the actions envisaged under the second specific objective involving partnerships at the national level (ie without undue centralisation).

Finally, as mentioned in section 1.2.1, EU competition policy financed by an administrative budget of EUR 7.5 million (figures for 2016), impacts the overall EU budget collaterally through fines mainly in cartel and antitrust decisions (over the past decade, annual fines have averaged EUR 1.7 billion, varying between EUR 0.4 billion and EUR 4.2 billion)[203].

4.1 Consequences of a baseline scenario (ie no Competition programme) versus a Competition Programme scenario

The Competition programme would constitute a new element in the MFF context. As it has not been evaluated previously, the likely impacts of a 'no change' scenario (see in particular section 2 above) are worth reiterating briefly. If EU competition policy would remain unsupported by a programme (and continue to be financed by a modest small administrative budget) it would soon become less effective, less efficient and less relevant. It would be less coherent with the Commission's and the EU's obligation to complete and strengthen the internal market; the Commission would probably lose its current international leadership in competition policy, and thereby diminish its possibilities to shape global economic governance; thus, stakeholders' awareness of, and support for, EU competition policy would dwindle over time, resulting in a gradual loss of legitimacy across the Union.

Conversely, as outlined in section 3, in view of the very significant leverage effect of EU competition policy in terms of consumer and customer welfare, unlocking the potential of the internal market and macroeconomic benefits, an adequately funded programme would generate considerable value added in terms of an effective, efficient and relevant enforcement and development of EU competition policy, including through the strengthening of partnerships with national authorities and courts. The Commission

[202] See the graph at section 1.2.1 ("Lessons learnt") derived from the OECD publication on the impact of competition policy on macroeconomic outcomes; all relationships set out in the graph (including those relating to advocacy) are underpinned by robust evidence according to the OECD.

[203] Final report and recommendations of the High Level Group on Own Resources (December 2016), p. 71.

would also be able to maintain and reinforce its current global leadership in this important area of economic governance. Greater awareness and understanding of EU competition policy on the part of stakeholders would further reinforce such positive feedback loops.

4.2 Broad categories of actions under the Competition programme

Before addressing the specific mechanisms by which the Competition programme could be funded and delivered on the ground such as procurement and grants, it is appropriate to set out certain broad categories of actions which cover all four specific objectives of the Competition programme as defined in section 2.2 above.[204]

The broad categories of actions below have been inspired by the definition of actions under current programmes (2014-2020) in the consumer, customs and taxation as well as justice areas, adapted where appropriate to the specificities of the envisaged competition programme.

***Actions in the area of IT tools and related expertise to protect competition in support of the internal market, in particular*:**

- establishment, maintenance, development and, modernisation of IT tools such as databases, information and communication systems, specific software (eg eDiscovery software and proof of concept of software), forensic IT, investigative data (including Big Data) and economic analysis, artificial intelligence[205] as well as IT tools for the monitoring of markets and sectors relevant to competition policy;

- enlisting skilled experts necessary in connection with the use of IT tools;

- acquisition of IT equipment necessary in connection with the use of IT tools and expert work.

***Actions in the form acquisition of other expertise and information sources, including through expert meetings, to protect competition in support of the internal market*:**

- Acquisition of expertise, studies, consultations, market intelligence, databases and other information sources (eg procurement of external technical expertise in complex and time-sensitive investigations)[206];

- organisation and procurement of and participation in expert events (such as seminars, workshops and conferences);

- monitoring of markets and sectors relevant to EU competition policy.

Human competency actions, including the development and strengthening of networks with the Member States and third countries, to protect competition in support of the internal market:

- strengthening cooperation and cooperation structures with and between national enforcement bodies, national courts and other relevant Member State or third country authorities (especially the

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[204] For that reason reference to competition enforcement and competition policy is made where appropriate (in line with the approached used in the current Consumer programme (2014-2020).

[205] For example, in order to enable the treatment of large bodies of evidence both of a qualitative and a quantitative nature

[206] Acquisition of the Joint Research Centre's expertise through administrative arrangements could provide additional support.

multilateral and bilateral State aid partnerships, the European Competition Network, the Association of European Competition Law judges and the merger network);

- supporting Member State authorities (especially within the State aid partnerships, the European Competition Network and the merger network) and courts as well as third country authorities through capacity building, training, increasing transparency and stepping up exchanges of best practices and expertise as well as exchanges of enforcement officials and training (for example through the organisation of and participation in working visits, seminars, conferences, workshops and meetings of stakeholders and experts).

***Outreach actions to protection competition in support of the internal market, in particular*:**

- Organisation of and participation in seminars, conferences, workshops, meetings and working visits involving stakeholders, in particular those affected by EU competition policy, to improve their knowledge and awareness of EU competition policy (including their rights and obligations under EU competition policy) as well as to increase political support for, and therefore the effectiveness of, EU competition policy.

- Surveys (such as Eurobarometer surveys) to measure the knowledge of and views on EU competition policy.

- Support for events concerning EU competition policy organised by the Member State holding the Council Presidencies.

4.3 Synergies with other activities covered by the Single Market Programme

It is envisaged that synergies be pursued across the Single Market Programme through joint activities (data gathering and processing, IT tools etc.). This also applies to the Competition programme; in addition, a result of closer cooperation between Commission services it would be expected that additional synergies are discovered and developed during the implementation of the Single Market Programme.

Therfore, before addressing the more detailed issue of delivery mechanisms it is appropriate to outline possible areas of synergies with actions under the other activities [207] envisaged to be brought under the Single Market Programme (see table below). The possible areas and examples of synergies below are not intended to be exhaustive.

Existing programmes/activities
Interoperability solutions and common frameworks for European public administrations, businesses and citizens as a means for modernising the public sector (ISA programme)
Implementation and Development of Single Market for Financial Services
European Statistical Programme (ESP)
Standards in the field of reporting and auditing
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)

[207] Working assumption at the time of writing.

<table>
<tr><td>Company Law prerogative</td><td rowspan="22">Some areas of potential synergies with the Competition programme

Actions in the IT area (for example Artificial Intelligence to analyse and process Big Data as well as large volumes of documents and information more efficiently) could be a fertile terrain for synergies across the Single Market Programme. Synergies in the IT area would also cover enforcement and other networks which exist in the competition, consumer and customs areas (see below).

Expertise[208], studies and events could also be procured jointly; for example focusing on gaps in the internal market that may require both enforcement and regulatory action under the Treaties, such as – to name but two examples - the Digital Single Market and the Single Market for Financial Services.

Outreach events could also be broadened to encompass a wider range of internal market policies.

Synergies could also exist in the area of standardisation and intellectual property rights, including before international fora.</td></tr>
<tr><td>Consumer Programme and the consumer and contract law part of the Rights Equality and Citizenship programme (REC)</td></tr>
<tr><td>Internal market: Governance tools</td></tr>
<tr><td>Internal market: Support to Standardisation activities</td></tr>
<tr><td>Internal market: operation and development of the internal market for Goods, Services and Public Procurement</td></tr>
<tr><td>COSME</td></tr>
<tr><td>Health programme</td></tr>
<tr><td>CFF for food chain (the Food Chain Programme)</td></tr>
<tr><td>Customs and tax policy development support budget line</td></tr>
<tr><td>Health programme</td></tr>
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<tr><td>New commitments by the Commission from 2014-2020</td></tr>
<tr><td>Health Technology Assessment</td></tr>
<tr><td>Goods package</td></tr>
<tr><td>Procurement strategy and Ex-ante assessment mechanism</td></tr>
<tr><td>Single digital gateway</td></tr>
<tr><td>Type approval and market surveillance of motor vehicles</td></tr>
<tr><td>New Deal for consumers</td></tr>
<tr><td>Action Plan: Financing sustainable Growth</td></tr>
<tr><td>Proposed directive to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market</td></tr>
<tr><td>New programmes
An Ambitious Competition policy for a stronger Union in the digital age
COSME+ Scaling-up instrument</td></tr>
</table>

Potential areas of synergies in respect of other activities under the Single Market Programme

[208] Administrative arrangements with the JRC could be agreed to this effect

Synergies with 'Digital Single Market Support Programme'

Competition enforcement supports many dimensions of the Digital Single Market (DSM), for example by facilitating the use of e-commerce across borders (eg by tackling geoblocking where possible under the Treaty's competition rules[209]). A potentially wide area of synergies appears to exist, in particular in terms of acquiring and exchanging expertise and market intelligence.

Synergies with 'Digital Public Administrations for Businesses and Services (ISA2)'

Potentially significant synergies exist notably in the areas of data exchange with Member State authorities and the implementation of transparency obligations where the aim could be to boost and extend interoperability[210] both between the Commission and Member States as well as between the Member States' IT systems, whilst ensuring trust and confidentiality according to the Commission's European interoperability policy[211].

Synergies with 'Internal market – Support to Standardisation activities'

The issue of FRAND commitments by holders of standard-essential patents (ie undertakings to license such standard-essential patents (SEPs) on fair reasonable and non-discriminatory terms) within the EU's governance structures for standard-setting (eg ETSI) is central both from the point of view of view of effective standardisation as well as competition policy. In order to establish the extent to which actual licensing terms agreed by holders of SEPs are in line with their actual FRAND commitments and the specific requirements of EU competition law (as interpreted by the EU Courts), the relevant services falling within the Single Market Programme could undertake a more comprehensive study of licensing practices. Such a study could also cover national court practice in dealing with SEPs and FRAND related disputes, eg through interim measures. This would go hand in hand with the follow-up work in relation to the Commission Communication on Standardisation of November 2017, which inter alia related to FRAND and SEPs enforcement[212].

Synergies with 'COSME'

SMEs in the EU are faced with significant challenges in securing the necessary financing throughout their critical phases from seed to start-up to early expansion, and even later in their growth phase. As a rule, this is due to asymmetric information about SMEs' credit-worthiness or the soundness of their business plans. This failure in business finance markets translates into a ‘funding gap’. EU State aid rules allow public support that covers the funding gap in various stages of SMEs' growth and product development. Cooperation exploiting the synergies between State aid policy and SME policy could help target public SME support – both State aid and EU financial instruments – more precisely at market failures throughout the development phases of SMEs, thereby increasing the efficiency of public funding. Synergies can be generated through joint studies and joint outreach actions combining the Commission's COSME structures with its multilateral and bilateral partnerships with the Member States. Moreover, prior to setting up financial instruments under COSME (eg a fund), joint studies could probe the market failures and the potential to generate additional (growth) activities in the common interest, the potential to crowd in or crowd out private investors, or generate additional lending. This may lead to a more coherent definition of ‘market failure’ across policies and thus to a more efficient use of public funding (State aid and EU funds).

Synergies with 'Consumer programme' and 'New deal for consumers'

[209] https://ec.europa.eu/digital-single-market/en/policies/ecommerce
[210] https://ec.europa.eu/isa2/home_en
[211] Communication on a European Interoperability Framework – Implementation Strategy, section 2.9, in particular underlying principle 8 on security and privacy and Recommendation 15.
[212] Communication on a balanced IP enforcement system responding to today's societal challenges (COM(2017) 707 final), 29 November 2017.

Synergies could exist by drawing on the experiences from enforcement within European Competition Network and from within the CPC (Consumer Protection Cooperation)[213], a network of authorities responsible for enforcing EU consumer protection laws, for example as regards secure and interoperable IT systems. Market knowledge could be exchanged[214]. In the same vein, synergies may exist between the conduct of inspections and so-called sweeps under the CPC Regulation[215]. Joint training in for example the monitoring of online marketplaces could be envisaged[216]. Currently around half of all National Competition Authorities within the European Competition Network are also responsible for enforcing consumer protection legislation; lessons from the national level could thus be learnt on how to maximise synergies between these two policy areas.

In particular, online commerce continues its marked growth, raising issues not least from the of view of EU consumer protection and competition law raising issues for example in terms of misleading advertising, the role of e-commerce platforms as well as restrictions of competition at the distribution level. Data and the use of machine learning and algorithms play an increasingly significant role in online commerce. Against this background, the Commission services responsible for consumer, digital and competition policy could carry out joint studies of data-related issues in online commerce which would be more comprehensive for enforcement and policy-making purposes. Those services could also carry out joint surveys (Eurobarometer) of consumers, retailers and other stakeholders, including online platforms.

Synergies may exist in the area of the enforcement of consumers' rights, especially regarding ex-post evaluations, studies or monitoring exercises of the new means for private enforcement under the initiative 'New Deal For Consumers' and the Antitrust Damages Directive 2014/104.

Internal Market - Governance tools[217]

Synergies exist not least in the area of enforcement where Member State conduct may infringe internal market and competition rules at the same time, as well as in terms of sectoral focus; indeed, the Commission's Single Market Governance Communication identified single market sectors with the most growth potential, which require greater focus by Member States and the Commission (services, financial services, transport, the digital single market and energy)[218]. These priorities remain relevant today, while some additional ones have been identified in recent years the collaborative economy[219]. Also, the Internal Market Information system (IMI), an IT-based information network that links up national, regional and local authorities across borders, could involve synergies regarding the evolving multilateral and bilateral State aid partnerships. There is also a nexus between State aid policy and public procurement, in particular in the context of Services of General Economist Interest.

Customs and tax policy development support budget line

Synergies may exist in the area of training of national authorities given the existence of a decentralised network of national authorities aimed at ensuring a coherent application of EU law both in the area of customer and competition which constitute exclusive competences of the Treaty; in the customs area an extensive eLearning programme has been developed by the Commission's Taxation & Customs Union department in collaboration with a pool of customs experts from national authorities and the private sector

Customs and tax policy development support budget line

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[213] The CPC projects have used the CPC knowledge exchange platform, an IT tool developed in 2014-2015, to support collaborative work and share results with the wider CPC network.

[214] In 2016 the CPC authorities identified irregularities in 235 websites (66.8% of the total swept websites). Such exchanges would need to respect rules on confidentiality.

[215] A "sweep" is a set of checks carried out simultaneously by national enforcement authorities to identify breaches of EU consumer law in a particular sector.

[216] Such support is already provided under the auspices of the 'e-enforcement academy' aimed at developing and providing training in Internet investigations for the consumer protection cooperation (CPC) and consumer product safety networks (CSN) ('e-enforcement academy').

[217] http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/index_en.htm

http://ec.europa.eu/internal_market/strategy/docs/governance/20120608-communication-2012-259-2_en.pdf

[219] Commission Communication on 'A European agenda for the collaborative economy' (COM(2016) 356 final).

In the area of corporate taxation, a major challenge is to ensure that revenues from digital activities are attributed to the Member State where the value is generated. Corporate taxation is based on the principle that profits should be taxed where the value is created, but when it comes to the digital economy the link between value creation and taxation is not well captured by today's rules. Profits derived from digitalised business models are heavily driven by intangible assets, data and knowledge, which are difficult to identify and value. Moreover, intangible assets can be easily shifted around. Together, the current rules and the high mobility of intangible assets push down the tax contribution of more digitalised businesses, creating competitive distortions. This was already outlined in the Commission Communication on a fair and efficient tax system in the EU for the digital economy, which was adopted on 21 September 2017[220]. The Commission is currently working on a legislative package to tackle digital taxation and this initiative could be ideally complemented by joint studies and data collection by the Commission services responsible for taxation and State aid, in order to obtain a more comprehensive picture of the digital taxation landscape, supporting policy making and enforcement of tax and competition policy in this area.

Cohesion Policy and EU Funds under shared management:

The Managing Authorities of the EU Funds under shared management have to design their support schemes in line with EU state aid rules.

4.4 Delivery mechanisms

As the Competition programme is new, no experience exists in terms of previous assessments and evaluations of delivery mechanisms, for which reason that issue can only be addressed in rather summary form here.

Nevertheless, it is likely that procurement in various forms will be the predominant and most appropriate delivery mechanism under the Competition programme.

While IT related projects and expenditure (including proof of concept of software given the rapid developments in particular in artificial intelligence) will be particularly significant in this context[221], other forms of expertise will also need to be procured. Given that DG Competition largely devotes its resources to enforcement, the need for specific expertise arises in connection with individual cases in the areas of antitrust, cartels, merger control and State aid control. For that reason technical expertise in the form of consultations (as defined in the table below) is likely to play a particularly significant role (see table).

Studies	Consultations
On a specific subject (often of general interest) supporting the institution's own policies or activities	Technical/economic/legal assistance/advice, often case-related
Published (if not confidential) and catalogued by the Publications Office (PO)	Not published, nor catalogued by the Publications Office (PO)
Included in list of studies – annex to AMP	Not included in list of studies – annex to AMP

[220] Communication on a Fair and Efficient Tax System in the European Union for the Digital Single Market (COM(2017) 547 final), 21.9.2017.

[221] To take but one example in the IT field, in order to link national State aid registries to the Commission's 'Transparency Award Module' (TAM) IT-platform, the Commission needs to overcome technical issues with the automatic import of technical parameters (such as the Granting Authorities) as well as the need for consistency checks as regards possible inconsistencies between the different IT systems.

Outside the enforcement of EU-competition rules, external expertise may become necessary in the area of multilateral and bilateral cooperation with Member States, in order to gain insight in technical or sector-specific issues and thus facilitate the coherent interpretation of applicable EU-rules, or in order to efficiently produce pedagogical material for bilateral training actions.

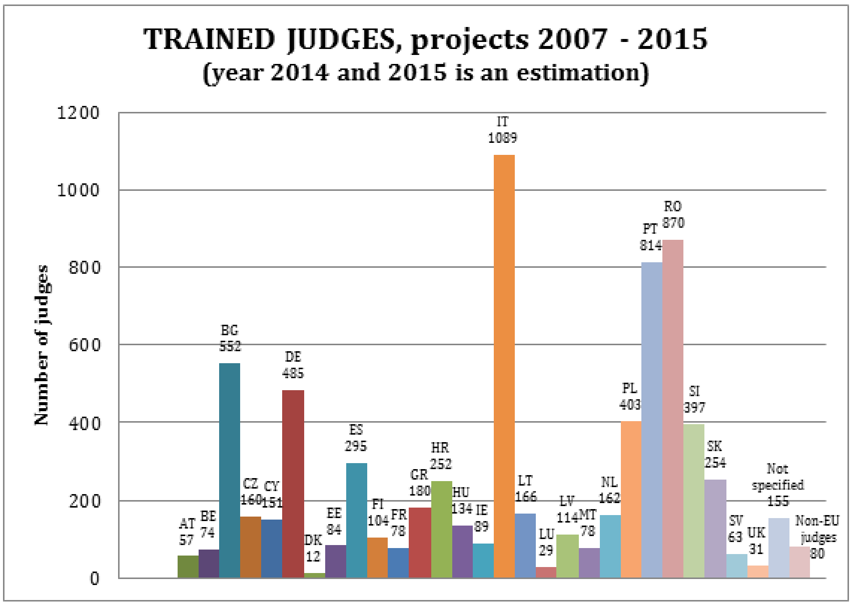
It is likely that a combination of specific contracts and framework contracts will be used. A framework contract could for example be appropriate in case several similar studies or consultations are required in a particular area (for example the evaluation of guidelines, frameworks etc adopted as part of the State Aid Modernisation which was concluded in 2014).

The most suitable type of procurement procedure for specific contracts will depend on the objective needs in each specific case (see table below).

Procurement procedures – thresholds 2018

Estimated contract value	Minimum applicable procedure	Estimated time
≥144,000 ***(New 2018)***	Open or restricted procedure - publication in OJ	6 months
>15,000 – <144,000	Negotiated procedure for middle value and low value contracts - ex-ante publicity on the internet - > 60,000 - < 144,000 - at least 5 candidates invited - >15,000 ≤ 60,000 - at least 3 candidates invited	2-4 months
≤15,000	- ≤15,000 - one single candidate	1-2 months
	Existing framework contract (FWC) (if available)	Terms of the FWC

It is not expected that extensive use will be made of grants; rather, based on experience, certain current grant-based activities may also, at least partially, be carried out under service contracts; for example, the training of judges in competition law (which has so far formed part of the Justice programme) has hitherto mainly been grant-based. In order to better target specific needs, audiences or to ensure a more even distribution of training across the Member States, service contracts could be used as an effective complementary tool.[222]



[222] Study on judges' training needs in the field of European competition law (June 2016), pp. 82, 96.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED

5.1 Preliminary remarks

As the Competition programme is new, no programme-specific lessons exist in terms of monitoring and evaluation[223]; nevertheless, extensive monitoring, reporting and evaluation activities which cover the envisaged specific objectives (section 2.2) are already in place and can be adapted to the new programme.

5.2 Monitoring

The performance of the Commission programme in delivering the specific objectives (see section 2.2) would be monitored according to a combination of output, result and impact indicators per specific objective[224]; a list of possible monitoring indicators is outlined below in table form in section 5.4. The indicators would be both quantitative and qualitative in nature.

The relevant data would be collected internally as well as externally (eg through surveys, studies and evaluations). The results of the post-SAM evaluations of large national aid schemes will constitute a new data source that will be built into the monitoring and evaluation activities in the course of the next MFF period.

As the bulk of competition policy consists in enforcement, this specificity needs to be taken into account for monitoring purposes. Each decision needs to be decided on the basis of established facts and applicable law[225]. While numerical targets for competition enforcement do not necessarily reflect its effectiveness in a meaningful way, the Commission, like most competition authorities, provides the number of decisions (or intervention rate) to indicate the level of activity and output. Competition decisions may impose fines and other conditions to produce a deterrent effect[226]; thus the greater the number of such decisions – all things being equal – the greater the deterrent effect, which in turn translates in customer savings and further down the line in macroeconomic benefits (see section 1.2.1).

Other monitoring under the SMP such as the consumer programme may also be relevant to assess the performance of the Competition programme.

5.3 Evaluation

Evaluations of EU competition policy, especially specific legal and guidance frameworks in the antitrust[227], merger control and State aid areas, are carried out regularly in accordance with Better Regulation rules and principles.

Lately, evaluations of entire branches of enforcement activities (cartels and certain merger decisions) have been undertaken to measure impacts in terms of customer savings and macroeconomic variables (such as growth, employment and inequality reduction).

Specific evaluations have assessed the impact of competition interventions in particular sectors and in particular cases (especially in merger control) (see section 1.2). Such types of evaluations are envisaged to

[223] With the exception of training of judges which form part of the 2014-2020 Justice programme.

[224] Outputs refer to those effects (most often tangible products) achieved immediately after implementing an activity, while the results look at the mid-term effects or the difference made on the ground thanks to the outputs. Impact indicators indicate the long-term effects of the programme by measuring its contribution to the broader policy areas.

[225] A specificity as regards antitrust and cartel enforcement is that a target would also depend on factors beyond the Commission's control (decisions of the parties or other market players to disclose infringements through the leniency programme, whistleblowing, complaints or the availability of information to the Commission to detect infringements ex officio). In each and every case, the Commission must fully respect the rights of defence of the parties.

[226] See section 1.2.

[227] For example a number of Block Exemption Regulations and related guidelines such as those concerning vertical and horizontal agreements.

be pursued into and throughout the next MFF period. Some evaluations could be performed in-house[228] whereas others may be outsourced[229].

Regular stakeholder surveys could be undertaken to assess impact under the relevant specific objectives of the Competition programme[230]. In previous years stakeholders' and citizens' views on competition and competition policy have been surveyed (a type of survey particularly relevant for the fourth specific objective of the Competition programme); as an example of type of survey relevant for the first and second specific objectives reference can be made to a Eurobarometer Qualitative Study on the perceived quality of DG Competition's actions[231]. Such Eurobarometer surveys could also take place under framework contracts covering other subprogrammes of the Single Market Programme.

A significant source of new data will be available in the course of the next MFF period in the area of State aid; as described in section 2 - under the State Aid Modernisation reform – the Member State must carry out evaluations of large aid schemes in order to assess to what extent the schemes in fact achieved the stated objectives (ie the positive effect) and to what extent they produced negative effects on competition and trade between the Member States[232].

Mandatory reports on aid schemes, produced by the Member States[233] and the Commission's State Aid Scoreboard[234] constitute further significant sources for evaluation purposes.

5.4 List of possible monitoring indicators

Specific Objective	Indicator	Definition	Unit of Measurement	Source of Data	Frequency	Baseline	Target
First specific objective: State-of-the-art enforcement and policy guidance							
State-of-the-art enforcement and policy guidance	Estimate of customer benefits resulting from cartel prohibition decisions.	Impact Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027

228 See evaluation on the effects of temporary State aid rules adopted in the context of the financial and economic crisis at (http://ec.europa.eu/competition/publications/reports/temporary_stateaid_rules_en.html).

229 See for example an ex-post evaluation of the regional aid guidelines (http://ec.europa.eu/competition/consultations/2013_regional_aid_guidelines/study_rag_evaluation_en.pdf).; Ex post assessment of the impact of state aid on competition, http://ec.europa.eu/competition/publications/reports/kd0617275enn.pdf.

230 See http://ec.europa.eu/competition/publications/reports/surveys_en.html .

231 This survey was based on in-depth interviews, carried out in May-July 2014 by TNS Qual + among lawyers, companies, economic consultants, business and consumer associations, Member States' ministries as well as national competition authorities who directly contributed to the work of DG Competition in 2010-2013. The results consist of six individual reports reflecting each stakeholder group's specific views, as well as an aggregate report summarizing the results of the individual reports.

232 In particular, evaluation is required for some categories of large schemes under the 2014 GBER (when their average annual State aid budget exceeds EUR 150 million). Evaluation provisions are also included in a number of Commission guidelines (Broadband, Regional aid, Risk finance, Aviation, R&D&I, Environment and energy, Rescue and restructuring). The significance of Member States' evaluation reports as an information source can be illustrated by the current and expected number of evaluation plans and the corresponding State aid budget: At the time of writing, the Commission had already approved 37 evaluation plans of 13 Member States, with a total annual budget of EUR 48 billion; corresponding to about 45% of total State aid annual spending in the EU; if the additional three evaluation plans that are currently under assessment are approved, even 15 Member States would be covered. The current trend towards larger aid schemes implies a potential rise in the number of evaluations and thus a rising significance of this data source.

233 Article 21(1) of Council Regulation No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 (now Article 88) of the EC Treaty106 provide that 'Member States shall submit to the Commission annual reports on all existing aid schemes with regard to which no specific reporting obligations have been imposed in a conditional decision […]'.

234 The State Aid Scoreboard contains data on explicitly authorised or block-exempted State aid expenditure; it is based on annual reporting by Member States pursuant to Article 6(1) of Commission Regulation (EC) 794/2004 (see http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html).

State-of-the-art enforcement and policy guidance	Estimate of customer benefits resulting from merger interventions.	Impact Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Macroeconomic benefits modelling using customer benefits as an input.	Impact Indicator	EUR	Inhouse	Regular	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Stakeholder surveys on the perception of enforcement and policy guidance.	Result Indicator	Percentage	Survey	Regular	To be defined in 2020	Increasing trend for 2021-2027
State-of-the-art enforcement and policy guidance	Number of published policy guidance texts with the purpose of interpreting antitrust, merger and State aid rules in light of market realities, contemporary economic and legal thinking as well as developments in the EU Courts' case-law.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Amount of fines imposed in antitrust, cartel and, merger decisions.	Output Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Amount of unlawful State aid to be recovered pursuant to a Commission decision.	Output Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	'Additionality': Amount of private investment leveraged by individual State aid measures, according to the counterfactual assessment made in a Commission decision (this may either be 'input' additionality (i.e. the beneficiary invests more own resources as a result of the aid) or 'output' additionality (i.e. the beneficiary generates higher output of eligible activities as a result of the aid).	Result Indicator	EUR	Inhouse; Member State reports; Member State evaluations	Regular	To be defined in 2020	Increasing trend for 2021-2027
State-of-the-art enforcement and policy guidance	Number of Commission decisions in the field of antitrust and cartels.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027[235]
State-of-the-art enforcement and policy guidance	Number of Commission statements of objections in the field of antitrust and cartels.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027

[235] It is not meaningful to set numerical targets for competition policy enforcement. Most of the indicators used to measure the Commission's performance include trends as targets (stable, increase, decrease, no target). On-going investigation by the Commission is always without prejudice to the final decision to be taken by the Commission in the case. However, DG Competition, like most competition authorities, provides the number of decisions (or intervention rate) to indicate the level of activity and output for the preceding year, also for deterrence purposes. As regards antitrust and cartel enforcement, a target would also depend on factors beyond the Commission's control (decisions of the parties or other market players to disclose infringements through the leniency programme, whistleblowing, complaints or the availability of information to the Commission to detect infringements ex officio). In each and every case, the Commission must fully respect the rights of defence of the parties. These considerations are also relevant for the following indicators: Amount of fines imposed in antitrust, cartel and, merger decisions; Number of Commission statements of objections in the field of antitrust and cartels; Number of Initiation of Proceedings in antitrust cases; Number of antitrust cases with ongoing monitoring of remedies or commitments.

State-of-the-art enforcement and policy guidance	Number of leniency applications in cartel procedures.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[236]
State-of-the-art enforcement and policy guidance	Number of Commission simplified and non-simplified decisions in the field of merger control.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[237]
State-of-the-art enforcement and policy guidance	Number of Commission merger decisions subject to commitments, withdrawals in phase two, or prohibitions (i.e. intervention decisions).	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Number of merger referral requests and decisions.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	The share of GBER expenditure over total expenditure on State aid.	Result Indicator	Percentage	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027[238]
State-of-the-art enforcement and policy guidance	The percentage of horizontal State aid of all aid in the EU.	Result Indicator	Percentage	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
State-of-the-art enforcement and policy guidance	Number of Commission decisions in the field of State aid.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[239]
State-of-the-art enforcement and policy guidance	Amounts of State aid recovered under Commission decisions in the field of State aid.	Output Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Number of aids awards above EUR 500,000 published in accordance with the State Aid Modernisation transparency requirements.	Output Indicator	Number	Member State reporting	Annual	To be defined in 2020	Increasing trend for 2021-2027[240]
State-of-the-art enforcement and policy guidance	Number of State aid measures subject to ex-post monitoring.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027[241]

[236] DG Competition's leniency applications in cartel procedures are driven by the willingness of the cartels' participants to cooperate and the time they chose to do so. As this is a factor beyond the control of the Commission, no output target can be set.

[237] DG Competition's enforcement activities in the merger area are driven by merger activity on the markets and notifications by companies. As this is a factor beyond the control of the Commission, no output target can be set.

[238] The trend may reach a plateau before 2027, as the share of GBER expenditure over total State aid expenditure was already high at the time of writing (97% of all new aid measures being implemented under the GBER, representing ; about 46 % of total spending (based on average country specific shares to reflect equally differences in Member States practice).

[239] Excluding aid in the field of agriculture. DG Competition's enforcement activities in the State aid area are also driven by notifications by Member States. As this is a factor beyond the control of the Commission, no output target can be set.

[240] As a cornerstone of its State Aid Modernisation (SAM) initiative, the European Commission has introduced new transparency requirements concerning state aid granted by Member States to undertakings. For each state aid award above €500,000, Member States will be required to publish the identity of the beneficiary, the amount and objective of the aid and the legal basis. State aid transparency builds on the practice already existing under European Structural and Investment Funds or the Common Agricultural Policy.

[241] The Commission continuously monitors the implementation of state aid measures by Member States. This ex-post monitoring exercise involves a check of the legal basis and the list of beneficiaries and an evaluation of each beneficiary, the region in which the beneficiary is located and the principal economic sector in which the beneficiary has its activities. These requirements also apply mutatis mutandis to ad hoc aid. Such information must be kept for at least 10 years and must be available to the general public without restrictions.

State-of-the-art enforcement and policy guidance	Number of State aid schemes and their annual budget subject to the evaluation obligation.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Second specific objective: Boosting internal partnerships							
Boosting internal partnerships	Number of national judges trained in EU competition law for national judges.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Regular meetings of Directors General, the ECN Plenary, ECN working groups and sectorial subgroups.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Opinions and amicus curiae briefs provided to national courts concerning the application of the EU antitrust and cartel rules and replies to requests for information from courts.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of national court judgments reported to the Commission by the Member States.	Output Indicator	Number	Reports by Member States	Annual	To be defined in 2020	Increasing trend for 2021-2027[242]
Boosting internal partnerships	Regular meetings with the national competition authorities in the Merger working group.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of envisaged decisions signalled to the Commission under Article 11(4) of Regulation 1/2003.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027[243]
Boosting internal partnerships	Number of State aid High-level fora and SAM-working group meetings under the multilateral partnership.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of sectoral and thematic working group meetings under the State aid multilateral partnership.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal	Number of country visits	Output	Number	Inhouse	Annual	To be	Increasing

[242] Under Article 15(2) of Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty the "Member States shall forward to the Commission a copy of any written judgment of national courts deciding on the application of Article 81 or Article 82 of the Treaty. Such copy shall be forwarded without delay after the full written judgment is notified to the parties."

[243] Article 11(4) states that "No later than 30 days before the adoption of a decision requiring that an infringement be brought to an end, accepting commitments or withdrawing the benefit of a block exemption Regulation, the competition authorities of the Member States shall inform the Commission". To that effect, the national competition authorities shall provide the Commission with inter alia a summary of the case.

partnerships	under the bilateral State aid cooperation.	Indicator				defined in 2020	trend for 2021-2027
Third specific objective: Boosting external partnerships							
Boosting external partnerships	Number of contributions by the Commission to increased international convergence of competition policy to multilateral fora (International Competition Network (ICN), OECD and UNCTAD).	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of technical assistance workshops organised by the Commission with third countries with a view to increased international convergence of competition policy.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of cooperation cases where the Commission cooperates with other third country competition authorities in merger and antitrust cases.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of third country competition authorities the Commission cooperates with on average per case.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of working visits to third country authorities with a view to increased international convergence of competition policy.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Fourth specific objective: Wider stakeholder outreach							
Wider stakeholder outreach	Number of outreach actions to raise awareness of EU competition policy.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Wider stakeholder outreach	Number of people/organisations reached with outreach actions aimed at raising awareness of EU competition policy.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Wider stakeholder outreach	Percentage of positive replies in opinion surveys agreeing that effective competition has a positive impact on consumers.	Result Indicator	Percentage	Survey	Regular	To be defined in 2020	Increasing trend for 2021-2027

Annex 5: Programme specific annex on *IT and business solutions for the Single Market*

1. Introduction: Political and legal context

1.1. Scope and context

The Commission's reflection paper on the EU's finances considers ''digital transnational networks'' as a major area of EU "added value", which complements actions already existing at national level. As stated in the paper, *''the EU of 27 will face a wide range of challenges in the period leading up to 2025 and beyond.''.* Among them, the ''digital transformation will undoubtedly evolve and continue for decades to come.

The programme described in this annex and which accompanies the master impact assessment relating to a new ''Internal Market'' Programme for the new multi-annual financial framework aims at ensuring that digital is harnessed and enables a faster and efficient achievement of the envisaged policy goals and its associated impact while promoting operational mutual recognition between involved entities at different levels. .

In a global context where connectedness is the norm, the cross-border aspects are on the rise. A functioning Single Market significantly relies on information exchanges between authorities. Whether, for academic qualifications recognition when going abroad to study, or for transparent electronic identification for setting up a business online, the data dimension is a crucial element that enables, in practice, the smooth free movement of data, goods, services and capital.

The Tallinn declaration[244], adopted by the members of the Council in 2017, also underlines the importance of both implementing the Digital Single Market by 2020 and adopting the main eGovernment principles, such as ''interoperability by design''.

Against that background, the new programme should build on the results achieved by both the ISA Programme for 2010-2015, and the current programme ISA^2, and be coherent with both the Tallinn Declaration and the Council conclusions on the eGovernment Action Plan[245]. It should be in line with the recommendations made by the previous evaluations of these programmes and take into account the aforementioned ''digital transformation" and the associated data ecosystem as an important exogenous factor.

[244] https://ec.europa.eu/digital-single-market/en/news/ministerial-declaration-egovernment-tallinn-declaration
[245] http://data.consilium.europa.eu/doc/document/ST-12359-2016-INIT/en/pdf

1.2. Lessons learned from previous programmes

The relevant findings can be tracked back to the IDABC[246] and the ISA programme[247]. These programmes and its successor (ISA[2]) are the main spending instruments through which DIGIT supports EU Member States.

The final evaluation of the ISA programme[248,249] confirmed that ISA tied in with other EU initiatives in the areas of internal market, competition law, geo-spatial data (INSPIRE[250]), maritime domain (CISE[251]), and open data (Pan European Open Data Portal[252]). However, the strategy taken by ISA to ensure coherence with other EU initiatives is not apparent to its stakeholders.

The final evaluation of the previous ISA Programme[253] was largely positive, describing the ISA programme as aligned with the policy priorities of the European Commission and the needs of Member States were implemented efficiently and coherently, delivering results that are reused by both Commission services and Member States.

Nevertheless, the evaluation report also highlights some shortcomings and makes recommendations to:

- put more emphasis on legal and organisational interoperability, while continuing the current ISA activities;
- support the implementation of the European Interoperability Strategy and Framework;
- update and implement a communication strategy for the programme, with a focus on targeted engagement including sector-specific stakeholders;
- develop a more systematic business-case approach;

Those points have been definitely improved in the current ISA2 programme. However, it can be pointed out as lessons learned from the current programme,

a) The need to further engage the stakeholders, mainly policy domain owners and major national Member States administrations, in the very beginning once a proposal is conceptualised. Those stakeholders should then be involved during the whole lifecycle of the definition and implementation of solutions; starting from the capturing and definition of the business requirements, to the testing, adoption and integration of the solutions in the IT systems of the concerned MS.

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246 IDABC stands for Interoperable Delivery of European eGovernment Services to public Administrations, Businesses and Citizens.

247 Decision 2004/387/EC of the European Parliament and of the Council of 21 April 2004 on interoperable delivery of pan-European eGovernment services to public administrations, businesses and citizens (IDABC), OJ L 144, 30.4.2004 (See OJ L 181, 18.5.2004, p. 25.

248 COM(2016) 550 final, Final evaluation of the ISA Programme Annexes

249 COM(2016) 550 final, Report from the Commission to the European Parliament and the Council Results of the final evaluation of the ISA programme, Brussels, 1.9.2016

250 https://inspire.ec.europa.eu/

251 https://www.efca.europa.eu/en/content/common-information-sharing-environment-cise

252 https://www.europeandataportal.eu/

253 SWD(2016) 279 - Final evaluation of the ISA programme

b) The use of pilots with the MS where they can tailor and test in the field how to integrate and benefit from the adoption ISA2 funded solutions has proved to be quite successful for both sides (the solution owner and the user Member State).

c) Data interoperability appears to be a key unlocking factor for effective cross-border exchanges. Although technical considerations need to be addressed, the main challenges seem to revolve around semantic, legal and organisational alignment between exchanging entities and their authoritative sources of data.

d) Furthermore, technical support and consultancy services in the field could be given to selected national administrations to better understand what are the main business needs of the MS towards to implement an efficient Internal Market.

More recently, the European Commission commissioned a study[254] to examine how interoperability and eGovernemt are tackled in the European Semester Process. The study, that took a deeper look at 2016 Country Specific Recommendations (CSRs), National Reform Programmes (NRPs), as well as national Operational Programmes (OPs), highlighted some recommendations that are relevant for the context at stake:

- DIGIT shall take into account the main challenges of Member States in implementing specific EU legislation.

- DIGIT shall continue complementing the work done under the European Semester process, and in particular, the CSRs produced by the Commission, with the results of the ISA2 programmes.

- A portfolio of solutions ready-to-use based on the European Semester's priorities should be proposed to Member States' administrations through ISA2 accompanying measures.

Messages received from various stakeholders confirm the above statements:

- In the Tallinn declaration[255], Member States call upon the Commission "to fully integrate digital considerations into existing and future policy and regulatory initiatives". (See lesson b) above)

- During Interim evaluation of the ISA Programme (2013), the majority of stakeholders perceived synergies as generally not well established and sometimes overlapping, which some stakeholders attribute to the lack of information communicated to stakeholders, the lack of synergies identified in the programme and the lack of a control mechanism to ensure the reuse of ISA solutions. The issue regarding duplication of efforts and overlaps among EU initiatives was also confirmed by the interim evaluation of the Competitiveness and Innovation Programme (CIP) - ICT Policy Support Programme (ICT-PSP) [256]. This evaluation mentioned that the possible overlap of the objectives of the ICT PSP Programme and the IDABC Programme (ISA predecessor) was a serious concern.

[254] Study on the main actions, plans and funding priorities of Member States towards the modernisation of Public Administrations - ISA2 action 2016.21
[255] Ministerial Declaration on eGovernment - the Tallinn Declaration – signed on 6/10/2017
[256] CIP ICT-PSP Interim Evaluation, ICT PSP, May 2009.

- At the ISA2 Committee meeting of 24/01/2018, Member States called for practical use cases and pilots (See lesson b) above)

- Study "Outcomes and benefits of ISA² Action SEMIC", recommended:

    - Continue focusing on communication and awareness-raising;

    - Promote data standards;

    - Provide solutions for increased and sustainable data quality;

    - Support the tools and approaches that lead to high-quality public services;

    - Promote data governance and management practices in public administrations.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

In the light of new emerging technologies, the increasing abundance of open data and growing connectivity between citizens, businesses and governments in Europe, adopting interoperable ICT solutions and information processing dimensions is becoming increasingly important. Entities involved in smooth running of the Internal Market can no longer fulfil their mission properly if they do not harness ICT to streamline their internal processes, redesign service delivery and put citizens and businesses at the core of policy-making, whilst relying on interconnected, interoperable networks and systems where data flows are mutually understood. The successful implementation of ISA² should lead to the reduction of the administrative burden on citizens and businesses to enable their interactions with public authorities to be faster, more convenient and less costly and increase the overall efficiency and the quality of public services.

ISA² Programme

The ISA² programme, by expanding and consolidating the activities of the ISA programmes, aims to facilitate cross-border or cross-sector interactions between European public administrations, businesses and citizens and to contribute to the development of a more effective and efficient e-administration at different levels, i.e. national, local and regional[257]. To achieve this, the programme should promote the implementation of interoperability solutions and facilitate their uptake.. A financial envelope of EUR 131 million is available for the implementation of the ISA² programme between 2016 and 2020.

While the ISA² third annual work programme for 2018 is currently under preparation, its second work programme for 2017, with a budget of EUR 25.5 million, contains 36 actions grouped around nine different clusters. The nine clusters of action are: key and generic interoperability enablers (EUR 5.4 million), information interoperability (EUR 1.8 million), access to data (EUR 3.5 million), geospatial solutions (EUR 2.2 million), eProcurement (EUR 2.1 million), supporting

[257] SWD(2016) 279 final Commission Staff Working Document Final evaluation of the ISA programme, Annexes, Brussels, 1.9.2016.

instruments for decision making and legislation (EUR 2.6 million), supporting instruments for EU policies (EUR 3.6 million), supporting instruments for public administrations (EUR 3.5 million), and accompanying measures (EUR 0.7 million)[258]. If successfully implemented, the actions of the ISA^2 programme should lead to:

- More efficient and effective access to information across borders when establishing European Public Services;
- Easier discovery and understanding of the available public services related to business or life events;
- Cost savings and improved efficiency thanks to sharing and reuse of available solutions and interoperability of information exchange at European, national, regional or local level;
- Reduction of the administrative burden imposed to legal persons for performing transactions with the governments
- Fostering of eParticipation;
- Easier access to and sharing of open government data.

Key Challenges & Priorities

The European Union needs to address new political priorities and emerging challenges in order to ensure a secure, integrated and sustainable digital single market.

Even though the overall eGovernment[259] and interoperability performance[260] is moving in the right direction, additional efforts are required , in particular regarding the provision of effective IT solutions and information processing for the efficient implementation of EU policies and legislations, and the improvement of smooth cooperation between Internal Market players and authorities.

The European Commission (DIGIT) should work closely with Member States and other sectors contributing to the completion of the internal market..

1. Identify, develop, pilot, deploy, maintain and promote the enablers that would support the Internal Market programme objectives;

   Member States confirmed their commitment to implementing the eGovernment principles in the Tallinn Declaration on eGovernment[261]. The implementation of eGovernment principles will facilitate Member States' ability to give high quality, digital public services to both citizens and businesses. The new programme should provide practical results when it comes to involving the needs of citizens and businesses in the co-creation of digital solutions.

2. facilitate sharing and re-use of solutions and best practices between Internal Market players;

[258] https://ec.europa.eu/isa2/actions_en
[259] eGovernment Benchmark 2017, Taking stock of user-centric design and delivery of digital public services in Europe, FINAL INSIGHT REPORT – VOLUME 1, DG Communications Networks, Content & Technology.
[260] State of Play of Interoperability – Report 2016, DIGIT.
[261] Tallinn Declaration on eGovernment at the ministerial meeting during Estonian Presidency of the Council of the EU on 6 October 2017.

3. ensure the promotion and uptake of the digital elements and their associated communities that contribute to an efficient Internal Market programme;

4. undertake the necessary activities to ensure digital aspects are harnessed by design into Internal Market activities and optimally benefit citizens, businesses and administrations.

As confirmed by stakeholder consultations, it is important for public administrations to transform their internal processes and accelerate their ability to adopt digital transformation efficiently. ICT should be harnessed in order to improve the efficiency of processes and delivery of services in sectors such as, such as e-Procurement, eInvoicing[262], eHealth[263], eJustice[264] and digital transportation. For example, in order to fully enforce the EU competition law, it is essential to further intensify and deepen the cooperation between the Commission and the national competition authorities by adopting state-of-the-art, interoperable IT solutions allowing for the swift and secure exchange and processing of data. Regarding this "data" dimension, the ability to safely exchange, process and optimise the usage of the information flows supporting the Internal Market is a core element that spans across the whole Internal Market portfolio.

To this end, the new programme should build on the current achievements of ISA^2 and other initiatives under the current MFF, but also build more synergies[265] within the Internal Market in order to address the digital skills gaps[266], to promote the use of open data[267] and to harness new technologies (artificial intelligence, blockchain and big data) that would ensure enhanced effectiveness in policy goals[268].

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
IT and business solutions for the Single Market	√	√	√	√
√ -relevant to the objective, N/A not relevant				

[262] Directive 2014/55/EU of the European Parliament and of the Council on electronic invoicing in public procurement, 06.05.2014.
[263] Draft Council Conclusions 14078/17 on Health in the Digital Society – making progress in data-driven innovation in the field of health, Brussels, 28 November 2017.
[264] Ares(2017)5947429 Inception Impact Assessment, Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1206/2001 of 28 May 2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters, Directorate-General for Justice and Consumers.
[265] As several previous evaluations of ISA and IDABC, EU Council Conclusions, European Parliament Resolutions have shown and upcoming European Commission initiatives foresee.
[266] We refer to the Digital Single Market supporting programme that will be led by CNECT.
[267] COM(2017) 9 final, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Building a European Data Economy.
[268] Council Conclusions EUCO 14/17 European Council Meeting, Brussels 19 October 2017.

2.2. Objectives of the programmes of the next MFF

The general objectives of this initiative are

- To support the efforts of the Member States and European Institutions in modernising and digitising the public sector organisations at all levels[269].
- To provide inclusive and user-friendly end-to-end digital public services and processes to all citizens and businesses in the Union[270].
- To contribute to the reduction of administrative burden by promoting administrative cooperation, interoperability through digital means and user engagement to allow citizens and businesses to enjoy user-centred services that address their needs.
- To ensure that policy makers in the EU have the necessary capabilities for making more evidence-informed policies, deciding rapidly between alternative options and better monitoring implementation.

The specific objectives of this initiative are:

- To facilitate the engagement and participation of public, private and civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.
- To identify, develop, pilot, deploy, maintain and promote the digital enablers that would support the Internal Market programme objectives and facilitate information exchanges at all levels;
- To facilitate sharing and re-use of solutions and best practices between Internal Market players;
- To ensure the promotion and uptake of the digital elements and their associated communities that contribute to an efficient Internal Market programme;
- To undertake the necessary activities to ensure digital aspects are harnessed by design into Internal Market activities and optimally benefit citizens, businesses and administrations

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
1. To support the efforts of the	The publication of open	The provision of IT tools to public		The digitisation, adoption of

[269] Public administrations and public institutions in the European Union.

[270] COM (2016) 179 final, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, EU eGovernment Action Plan 2016-2020, Brussels, 19.4.2016.

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Member States and European Institutions in modernising and digitising the public sector organisations at all levels	government data will allow easier access to information.	authorities (building on the results of ISA[2] and other programmes) will strengthen administrative and judicial cooperation.		common standards and interoperability will affect all sectors, including healthcare. Health sector in particular, can benefit from more efficient internal processes, better information sharing, and communication with patients.
2. To provide inclusive and user-friendly end-to-end digital public services and processes to all citizens and businesses in the Union	eParticipation tools will support the representation of citizens' interests. eProcurement will facilitate the functioning of the internal market and the interactions with businesses.			
3. To contribute to the reduction of administrative burden by promoting administrative cooperation, interoperability through digital means and user engagement to allow citizens and businesses to enjoy user-centred services	Will lead to increased sharing and reuse of standardised open data, benefiting other public administrations, businesses and citizens.	The provision of IT tools to public authorities (building on the results of ISA2) will strengthen and simplify administrative and judicial cooperation.		

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
that address their needs.				
4. To ensure that policy makers in the EU have the necessary capabilities for making more evidence-informed policies, deciding rapidly between alternative options and better monitoring implementation.	The abundance of open data and the use of data analytics will contribute to better policy making.		The assessment of ICT implications will ensure that policy making takes into account ICT and the latest technological developments.	

3. Programme structure and priorities

To accelerate the transformation of the European society, the deployment of cross-border, cross-domain digital solutions (e.g. for secure cross-border exchange of information between authorities, for the delivery of online public services to citizens and/or business, for information processing…) needs to be pursued and the take-up must be supported at all levels of public administrations.

From the business processes, to the data that need to be stored, exchanged and retrieved, or to the applications used to execute these processes, an effective Single Market entails unavoidably the development of new ICT solutions or the adaptation of existing ones.

In order to support such digital aspects of the Single Market Programme, the proposed programme therefore consists of a framework with three main structural elements (''strands'')

Interoperability, sharing & reuse - Information Processing - Digital Solutions & Services

I. Interoperability, sharing & reuse

As stipulated in the Treaties of the European Union (EU), the EU's internal market guarantees four 'freedoms' - the free movement of goods, capital, services and people between the 28 Member States.

Common policies supported by interconnected, interoperable networks and systems ensure these freedoms. People are free to work and relocate and businesses are free to trade and operate in all EU Member States. In doing so, they inevitably have to interact electronically with Member State public administrations and authorities who in turn need to cooperate. Public administrations themselves have to be able to exchange data. Ensuring such ability to interact towards mutually beneficial goals, involving the sharing of information and knowledge is at the core of interoperability at large.

The main activities under this strain will aim at establishing and promoting the use of common specifications, interoperability solutions, common frameworks and the necessary governance structures for sharing and reuse. Liaison with broader digital programmes that having a more ambitious and generic interoperability scope will be ensured and the necessary adaptation/specialisation for the Internal Market context will be implemented.

Establishing interoperability between different Member States and sectors within the scope of the Single Market initiatives will also contribute to productivity gains through the reuse of solutions and to reducing the digital heterogeneity that puts at risk the digital single market.

II. Information Processing

Any Single Market initiative shares the Information Society traits where the creation, distribution, use, integration and manipulation of information are unavoidable activities.

For example, Industrial installations and aircraft operators have to report on CO2 emissions under the Emissions Trading System. In the same vein, Airline companies have to report to law enforcement authorities on passengers' data to prevent terrorism and National authorities have to exchange information on criminal records. Contracting authorities have to publish notices and data on their public procurement activities. All these examples illustrate some information processing activities that most probably rely on digital means.

This strand will foster activities like collection, storage, retrieval, consultation, filtering, exchange, analysis or reporting, etc. of any kind of meaningful data (text, image or video) in the scope of the Single Market.

III. Business, citizens and public Adminsitrations Solutions and Services

Whenever "information is processed" under the Single Market, it is likely that some sort of business processes will have to be established or modified. The subsequent mixture of automated and non-automated (e.g. paper based) processes will undoubtable rely on any sort of digital solution (a new surveillance system gathering seismic information from distributed sensors; the sectorial specialisation of existing generic digital building blocks; digital transformation of public procurement).

Against this background, the activities under this strain will ensure the sufficient design, piloting and uptake of digital solutions that are fit-for-purpose and reusable. It will ensure that generic digital services are adapted to the specific needs of the Internal Market while securing compliance with mainstream digital policies and IT corporate standards. Generic digital building blocks might therefore be combined to offer fit-for-purpose Internal Market solutions.

Advisory capabilities, providing support services and technical assistance for effective implementation will further complement the envisaged package and facilitate the uptake of the solutions by the Member States.

Given that technology is constantly evolving and that it is unlocking innovative ways to efficiently tackle Single Market challenges (e.g. block-chain, Artificial Intelligence, Mixed reality, Big Data Analytics…), ensuring that such technological progress benefits the Single Market completion and smooth functioning will equally be an integral part of this strain.

Legal basis

The legal basis for the new programme is Article 172[271] (ex Article 156 TEC) of the Treaty on the Functioning of the European Union (TFEU), as was the case for previous programmes. Under this article and Article 170, the EU can implement measures to ensure the interoperability of networks, in the field of technical standardisation for example, and may also allocate funding to projects of common interest supported by Member States.

Subsidiarity principle

According to the principle of subsidiarity, as set out in Article 5(3) of the TFEU[272], actions at EU level may only be taken if the envisaged aims cannot be achieved sufficiently by the Member States alone and can therefore, by reason of the scale or effects of the proposed actions, be better achieved by the EU.

Like the previous programmes (i.e. IDA, IDABC, ISA and ISA^2), and given the trans-national character of the proposed action, the principle of subsidiarity applies as the programme falls under the shared competence of the European Union.

Member States are primarily responsible for modernising and digitising their administrations at national and sub-national levels. However, some countries are still lagging behind in terms of eGovernment, interoperability, and process & organisation maturity and performance. All these factors may adversely affect the establishment and functioning of the internal market. EU action is needed to support the Member States in improving their performance, as well as operational capabilities, within and across borders.

In particular, cross-border exchanges of information between administrative or law enforcement authorities, cannot by their very nature, be solely decided by Member States acting alone, since more than one Member State is involved. This can be only achieved through the creation of common or interconnected information systems, standards & specifications or services at Union level. Even if these are in place or in the process of established by ISA^2, CEF and other Commission standardisation initiatives, there is a need for improved interoperability and efficiency, which calls for concerted action at EU level.

[271] C 326/13 Consolidated Version of the Treaty on the European Union, Part Three Union Policies and Internal Actions, 26.10.2012.

[272] C 326/13 Consolidated Version of the Treaty on the European Union, 26.10.2012.

As the programme will also ensure EU coordination on collaborative public service design, co-creation and delivery, there is a clear scope for the application of the subsidiarity principle in this EU action.

Proportionality principle

In accordance with the principle of proportionality, as set out in Article 5(4) of the TFEU[273], the new programme will not go beyond what is necessary in order to support the Single Market through enhanced interoperability, standardisation and administrations' increased operational capabilities.

Given the legal basis of the ISA^2 programme[274] and the fact that the new programme does not deviate but builds upon and expands the priorities of the ISA^2 programme, this programme complies with the principle of proportionality.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

The current funding mechanism of the ISA^2 is direct procurement by the European Commission[275]. In practice, the Work Programme is agreed via comitology but the implementation of subsequent actions is distributed amongst Commission Services that rely on procurement for implementation. This procurement that relies on existing framework contracts or new call for tenders can take the shape of full outsourcing (complete delivery done outside) or co-sourcing (i.e.: via external consultants on premise for delivery).

For the activities that entail a policy dimension, the work is carried out internally by European Commission officials.

In addition to the above delivery modes, the current ISA2 programme is envisaging to partially rely on grants (possibly 1/3rd of its spending budget), given that lessons learnt have pointed to the lack of financial incentives for interoperability uptake and have suggested harnessing such financial incentives.

When it comes to the ambition of the future " - IT and business solutions for the Single Market " Programme, it is clear that the delivery mix highlighted below will be the most appropriated options as:

- Direct Procurement via Framework contracts only would hamper a close Policy drive and limit incentives for uptake;

- Regular Procurement only (i.e.: tendering) might not allow relying on the available expertise distributed amongst the European Commission services;

- Internal implementation only might take away the focus on the Policy Delivery goals and amount to a negative return on investment compared to partial outsourcing/procurement besides leaving untapped the market potential for innovative options, for instance;

[273] C 326/13 Consolidated Version of the Treaty on the European Union, 26.10.2012.
[274] C 326/13 Consolidated Version of the Treaty on the European Union, Part Three Union Policies and Internal Actions, 26.10.2012.
[275] https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en

In addition to these aspects, relying on Executive agencies is a relevant consideration for some specific aspects:

- Provided that there is sufficient critical mass for a positive return, the "grants" management would benefit from being delegated to such an Agency while the programming component would remain at Directorate-General level to ensure a policy drive.

- Similarly, the procurement aspects might be positive candidates for Agency externalisation and might lead to positive economies of scales for bulk, mechanistic and mature activities;

- For internal "operational elements/functions" (IT tools, Audit Services …) for which there are mature common approaches and sufficiently aligned rules with marginal business specificities, relying on a Common Support Centre is an approach that seems favourable and synergy/efficiency friendly.

In addition to the above options, and although the ''shared management'' mode has not been retained, it is worth noting that its contribution is crucial to ensure effective delivery of the envisaged objectives and associated policies. Against this background, strong cohesion with the EC Services and business portfolios relying on this shared delivery mode would need to be ensured at governance levels (for example via complementary ex-ante conditionality in the national operational programmes).

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

It is important to regularly monitor and evaluate the new programme to assess whether its objectives continue to meet the identified stakeholder needs. The evaluation of the - IT and business solutions for the Single Market Programme should examine the relevance, effectiveness, efficiency, and utility, including stakeholder perceived quality and satisfaction with the programme, as well as sustainability and both internal and external coherence of the programme's actions.

The evaluations must examine the benefits of the actions for the identified stakeholders and their coherence with other EU initiatives and the European Commission's 10 major priorities[276]. When evaluating the impact and the involvement of stakeholders of the programme, it is important to take into account the standardisation organisations, researchers and the private sector, especially SMEs, where relevant.

The evaluations will also verify synergies with other EU programmes and initiatives, in particular with other synergetic programmes that complement the Digital landscape (e.g.: CEF2; Digital Europe Programme…). Both an interim and a final evaluation of the new programme will need to take place, respectively, 3 and 6 years following its inception. As was the case with the ISA programme, the interim evaluation of this proposed programme might not be able to capture all of the aforementioned dimensions, such as utility, as not all aspects of the programme might have had a significant impact on the programme stakeholders during this initial period of analysis.

[276] https://ec.europa.eu/commission/priorities_en

Furthermore, the evaluations shall assess the performance of the - IT and business solutions for the Single Market for Citizens and Business Programme against its objectives as specified in the specific objectives section. The achievement and the impact of programme's objectives could be monitored through the many indicators such as:

- the level of awareness and reuse of the interoperability solutions in line with the priority on Interoperability, Sharing & Reuse;
- the level of awareness and implementation of the European Interoperability Framework in line with the priority on the Interoperability, Sharing & Reuse;
- the numbers of supporting instruments for public administrations delivered and used in line with the priority on the Interoperability, Sharing & Reuse;
- the amount of data collected and processed and the reuse of the data shared, where possible, in line with the priority of Information Processing;
- the number of times public administrations stated that they took into account the guidance on the sufficient design and uptake of digital solutions in line with the priority of Digital Solutions & Services.

Moreover, the evaluations shall contain, where applicable, information regarding the qualitative and quantitative assessment of the digital solutions offered by the programme.

More detailed indicators for measuring the result and impact of the specific actions of the programme shall be defined in the annual work programme. More specifically, the measures proposed for the evaluation of the programme's action might be structured in the following categories:

- Process metrics (e.g. cost, risks, time) – metrics specifically related to the efficiency of the management of the programme;
- Generic metrics (applicable to all actions, e.g. evaluation of the policy impact, stakeholder involvement)
- Action specific metrics – metrics specifically related to the effectiveness and impact of the programme actions.

The monitoring of the programme will take place on a quarterly basis and will aim to assess the following:

- Qualitative achievements of individual actions of the programme (e.g. publication of studies, update of solutions, etc.);
- Effectiveness monitoring of the individual actions of the programme (e.g. Number of downloads of core vocabularies, number of stakeholder communication activities, number of legal solutions assessed, etc.);
- Assessment of how the programme actions meet users' needs;
- Identification of any risks and issues associated with the execution of the programme.

It is suggested to mainly rely on the National Interoperability Framework Observatory (NIFO) community as a key and primary source of monitoring intelligence. The table below provides nonetheless an initial set of indicators mapped against the specific objectives of the programme.

Specific Objective	**Indicator**	**Definition**	**Unit of measurement**	**Source of data**	**Frequency of measurement**	**Baseline**	**Target**
To facilitate the engagement and participation of public, private and civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.	The number of users of IT Solutions under the Internal Market Programme that have a direct Public facing dimensions	Output	number	Internal -	Yearly	Tbd in 2020	Increasing trend for 2021-2027
To facilitate the engagement and participation of public, private and civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.	User centricity score of some public facing Digital Solutions	Output	Number/benchmarking	Externally conducted evaluation	Yearly	Tbd in 2020	Increasing trend for 2021-2027
To facilitate the engagement and	Number of data sets that have	Output	Number	tbd	Yearly	Tbd in 2020	Increasing trend for 2021-

participation of public, private and civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.	been produced/published in open standards						2027
To identify, develop, pilot, deploy, maintain and promote the digital enablers that would support the Internal Market programme objectives and facilitate information exchanges at all levels;	Number of digital assets/components that have been developed/reused/uptake		number	Ideally Join-up unless impossible for security purposes.	yearly	Tbd in 2020	Increase in reuse rate;
To identify, develop, pilot, deploy, maintain and promote the digital enablers that would support the Internal Market programme objectives and facilitate information exchanges at all levels;	Number of successful cross-border pilots launched	results	number	Participants Survey + internal	18 months	tbd	Success rate increase
To ensure the promotion and uptake of the digital	Number of conferences/enga	Output	Number	Internal -	Yearly	Tbd in 2020	Increasing trend for 2021-

elements and their associated communities that contribute to an efficient Internal Market programme;	gement initiatives around Single Market digital elements						2027
To ensure the promotion and uptake of the digital elements and their associated communities that contribute to an efficient Internal Market programme;	Reuse of Single Market digital assets (core vocabulary; building block, framework…)	Result	Number	NIFO survey combined with joined-up and possible results of technical assistance	Yearly	Tbd in 2020	Uptake increase
To facilitate sharing and re-use of solutions and best practices between Internal Market players;	Extent to which Member States include the principles of the European Sharing and Reuse Framework in their policies at national level	Result	Number – scale 0 to 12	NIFO Questionnaire, National Interoperability Framework Observatory	Every 18 months	Tbd in 2020	Increase in scale compared to previous baseline
To undertake the necessary activities to ensure digital	Extent to which ICT is taken	output	Number	NIFO Questionnaire,		TBD in 2020	100% at the end of the program

aspects are harnessed by design into Internal Market activities and optimally benefit citizens, businesses and administrations	into account when preparing new Internal Market related legislation			National Interoperability Framework Observatory			me

6. EVIDENCE, SOURCES AND QUALITY

For the purpose of completing the Impact Assessment, various data sources, both primary and secondary were consulted. In order to piece together the legal and political context of the new initiative, to identify the main lessons learn from previous initiatives as well as the main challenges and priorities of the new programme, a long list of secondary sources was compiled. The secondary sources analysed for the impact assessment included relevant EU legislation, relevant non-binding European initiatives (including Communications, Strategies, Action Plans, etc.), upcoming EU initiatives (such as proposals for regulation and inception impact assessments), relevant Council Conclusions and European Parliament Resolutions, and interim and final evaluations of the relevant programmes, such as ISA, IDABC, and CEF. In order to obtain an overarching image of the state-of-play of digital government at the European level initiatives and legislations initiated by various DGs, including DIGIT, DG CONNECT, DG GROW, DG JUST, DG HOME, DG MOVE, were analysed. This helped to ensure that the identified political priorities and challenges of the programme were in coherence with the ongoing initiatives related to digital government at EU level.

Furthermore, in order to further assess Member States' needs in the area of digital government and to put forward the priorities of Digital Public Administrations for Citizens and Business, publications of the European Commission as well as internal studies shedding light on the topic of digital government in Europe were consulted[277]. This complemented the policy priorities and challenges identified in the analysed official EU texts.

In order to strengthen the reliability of the identified priorities and Member States' needs, primary data from identified digital government stakeholders was collected. Interviews were also conducted in the field of digital Public Administration. Interviewees included Bulgarian, Italian and French Member State representatives working in the digital government domain, Open Forum Europe, representing the civil society perspective, members of the academia and think tanks, digital government expert working in OECD as well as Digital Europe. The different perspectives and areas of expertise of the consulted stakeholders allowed to further refining programme priorities. More detailed information on the interviewees can be found in the Sub-Annex 2 of the Impact Assessment.

[277] Such as Study on the main actions, plans and funding priorities of Member States towards the modernisation of Public Administrations - ISA2 action 2016.21, SC117 EIS Action Review Background Document, State of Play of Interoperability in Europe report 2016, eGovernment Benchmark Report, yearly eGovernment factsheets, Big Data Analytics for Policy Making report, Outcomes and benefits of ISA² Action SEMIC, among others.

Sub-Annex 2: Stakeholder consultation

Besides the cluster Open Public Consultation of the Internal Market programme, takeholders in the digital government domain were consulted through interviews. The interviews focused on gathering interviewees' perspectives on the importance of digital government for Member States, Member States' existing challenges and future priorities to deliver digital government, lessons learnt from previous European Commission initiatives in the digital government domain and its future role to support Member States in this domain – most of them being relevant for the Internal Market pruposes.

Digital Government as a priority in the EU

All consulted stakeholders unanimously agreed that the role of digital technologies is crucial for the transformation of public administration. There was also widespread agreement that digital transformation is seen as a political priority across EU, as Member States increasingly recognise the magnitude and the importance of digital transformation.

Member States' challenges

The interviewees identified multiple challenges that Member States face. The list below summarises the most recurring ones:

- Need to **overcome legacy processes and infrastructures**. According to the stakeholders, citizen-driven cross-border digital public service delivery can only be realised if public sector operations and decision-making processes are transformed to overcome constraints of legacy systems and analogue structures and systems. E.g. the Bulgarian digital infrastructure dates back to 1970s.

- Need to **ensure inclusiveness of digital services** and digital government more broadly by **improving the digital skills of both citizens and civil servants**. It is important to focus on the digital skills of civil servants, as they will be ultimately responsible for delivering and implementing digital government. It is equally important to improve digital skills of citizens to ensure that they can benefit from digital government;

- Need to **overcome the initial costs of digitisation**, especially for the Member States that are lagging behind when it comes to digitisation. Upgrading systems and infrastructures to ensure interoperability and to achieve the smooth exchange of data between public administrations is a costly process and several Member States require support in order to realise this.

In addition, the following Member States' challenges were mentioned, but on a less frequent scale:

- Inefficient of no use of public data – there is still a lack of sharing and reuse of open data across EU, despite the fact that data will be at the core of public sector transformation;

- Lack of implementation of digital government priorities at the local level;

- Continuous lack of legal and semantic interoperability, preventing cross border administrative cooperation and delivery of digital public services;

- Need for a broader mentality shift at the political level of what public sector will look like in the future. There is a need for a better understanding and more professionals in the digital government domain at the political level in order to drive the transformation forward.

Role that the EU could play

The Commission should continue to focus on providing support to, and coordination of efforts among, Member States to strengthen back office and internal processes of the public sector and it should continue to work on achieving common standards in the EU. The Commission should continue to focus on providing support in areas where Member States cannot achieve success individually, such as promoting interoperability, standards and common infrastructure (common 'building blocks').

Furthermore, the interviewees mentioned that the EU could provide tailored advice to Member States helping them to tackle specific challenges related to digital government. The Commission could then provide dedicated training and support in order to help Member States reach a higher maturity of digital government. One way this could be done is to help a Member State to identify gaps in its maturity between what has been achieved in another Member State in a certain domain that it would like to succeed in (To-Be) and where it is (As-Is) thereby building a plan to achieve that goal.

Most interviewees agreed that prior to launching an initiative, it is important to have a common approach at the EU level of how and in which direction the public administration should change. It is important to ensure coordination, evaluation and monitoring of the numerous interconnected EU initiatives related to digital government.

Lessons learnt from EU initiatives

Several interviewees stressed the fact that the implementation of the EU initiatives is lacking as most of them are not mandatory and that the European Commission mainly relies on soft law instruments in the digital government domain. It is also important to ensure that the design of the new initiatives take into account its long term sustainability.

The Commission should work towards developing and implementing better tools for the evaluation of impacts and better reporting practices of the results of different funding priorities. The interviewees stressed that, currently, there are not a lot of clear results from EU programmes in the digital government domain. There appears to be a lack of 'evaluation' culture with regard to measuring real impact of EU spending.

An exchange of best practices between Member States should be encouraged more and facilitated.

Other interviewees had fewer lessons learnt to share either due to lack of their experience with the EU initiatives or because they had a positive outlook on the success of the initiatives.

Future Priorities

- Continued focus on standards, exchange of data between administrations, increasing interoperability;

- Harnessing big data, automation of services and AI;
- Universal adoption of e-Authentication;

Strengthening cyber security;

Sub-Annex 3: Evaluation results

For the purpose of completing the Impact Assessment, and more specifically, for the completion of section 1.2 and 4 the following programme evaluations were taken into account:

- ISA Programme Interim[278] and Final Evaluation[279];
- Results of the public consultation[280] of the European Interoperability Framework revision;
- IDABC Interim[281] and Final[282] evaluation;
- CIP ICT-PSP Interim Evaluation[283].

[278] COM(2013) 5 final, Report from the Commission to the European Parliament and the Council, Interim evaluation of the ISA Programme, Brussels, 18.1.2013.
[279] COM(2016) 550 final, Final evaluation of the ISA Programme Annexes
[279] COM(2016) 550 final, Report from the Commission to the European Parliament and the Council Results of the final evaluation of the ISA programme, Brussels, 1.9.2016
[280] https://ec.europa.eu/isa2/sites/isa/files/eif-public-consultation-factual-summary-en.pdf
[281] Interim evaluation of the IDABC programme, final report
[282] COM(2009) 247 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Final evaluation of the implementation of the IDABC programme, Brussels, 25.9.2009
[283] CIP ICT PSP Second Interim Evaluation, Final Report, 2011.

Annex 6: Programme specific annex on *European Statistical Programme' (ESP)*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

The European statistical programme, pursuant to Article 13 of Regulation (EC) 223/2009 on European statistics, shall provide the framework for the development, production and dissemination of European statistics, setting out the main fields and the objectives of the actions envisaged for a period corresponding to that of the multiannual financial framework. It shall be adopted by the European Parliament and the Council. The current European statistical programme is laid down in Regulation (EU) 99/2013. It has been extended by Regulation (EU) 2017/1951 but will expire at the end of the current multiannual financial framework in 2020. The post-2020 European statistical programme will therefore have to be established.

The general objective of the programme is to provide high-quality, comparable and reliable statistics on Europe which underpins the design, monitoring and evaluation of all the Union policies and helps policy makers, businesses, academia, citizens and media to make informed decisions and participate in the democratic process and debate about the present state and future of the Union. This will ensure the availability of the statistics required to underpin the Single Market and other key policies of the next multiannual financial framework, in particular those outlined in the Commission reflection papers. The statistics provided through the programme will also empower businesses and citizens to take informed decisions. EU added value will be realised by providing comparable and trustworthy statistics while maintaining the balance between the needs of a wide range of users and response burden on citizens and businesses.

In order to achieve its objectives, the programme will finance actions to improve data availability, as well as to enhance skills and to foster the uptake of new technologies by national statistical offices and Eurostat. In this regard, the ECOFIN Council in November 2017 has highlighted the need to ensure that human and financial resources are adequate for the investment in and maintenance of statistical infrastructure at European and national level in order for the European Statistical System to meet the need for regular, high quality, official statistics at Member State and EU level in the context of the challenges created by globalisation and advances in technology.

1.2. Lessons learned from previous programmes

The evaluations[284] of the ESP 2013-2017 programme have shown that it brought significant added value to the EU. It was run efficiently, delivering comparable and high quality statistics that were used for the design and monitoring of EU policies. It also formed a solid basis for informed decisions by governments, business and citizens.

This was made possible by the use of EU harmonised methodologies, quality criteria, and assurance mechanisms and also, by coordinating EU spending. In practice, this means that statistics need to be developed as official statistics, based on the European Statistical Programme, by Eurostat and the national statistical systems of Member States. This partnership, the European Statistical System (ESS), should be led by Eurostat.

[284] A first mid-term evaluation of the ESP 2013-17 was completed in 2015: http://ec.europa.eu/eurostat/documents/64157/4375449/02-Final-evaluation-report-2008-2012-1_EN-ACT-part1-v5.pdf.
A second one is being conducted back-to-back with the impact assessment of the post-2020 ESP.

In parallel, the evaluations indicated that further improvements of timeliness, relevance, coverage and a greater level of detail of European statistics are needed. A permanent capacity to respond faster to emerging new data needs has to be developed. Globalisation, digitalisation and rapid technological change challenge the foundations of measuring economic performance, i.e. GDP and key economic indicators. Therefore, substantial efforts also need to be invested in developing new methodologies. Data collections need to be adapted using all available data sources.

The current extension of the ESP for the period 2018-2020 contains first measures to close the most urgent data gaps and increase timeliness of European statistics. In particular, the extension of the programme contains measures for the production of new and better statistics in support of a more social Europe. For example, the programme will provide better data on income and inequalities as well as skills and equal opportunities on the labour market. Furthermore, the integration of migrants into the labour market will be better monitored. In addition, the ESP (2018-2020) includes the development of the 'proofs of concept' for smart statistics in a number of EC political priorities.

The analyses indicate that European statistics should continue to be produced within the context of the European Statistical System, under the leadership of Eurostat. In parallel, the current strong dependency on national statistical systems to produce European indicators sometimes results in a slower response to new emerging information needs. To this end, new approaches using all available data sources, not only data provided by the Member States' national statistical authorities, must be explored.

The European approach to statistics, as outlined in the Regulation (EC) No 223/2009 on European Statistics, has not yet been fully implemented. If the activities included in the Law were to be implemented, for instance using specifically designed survey schemes at Eurostat level, along with modelling techniques, and using all available sources (not only national), Eurostat could produce new indicators and statistics faster and more flexibly to meet the emerging needs.

The Commission Communication on Data, Information and Knowledge management has called for better recognition and use of the data held by the Commission as a strategic asset. As other DGs outside the programme also collect data for policy purposes, there is room for synergies and efficiencies in the collection and use of statistical data across the DGs in the Commission, in particular concerning impact assessments and performance measurement of various EU programmes. Preliminary findings from an ongoing IAS audit on the coordination and quality of statistics in the Commission point in the same direction.

Eurostat implements an ongoing dialogue with its main stakeholders, in particular through annual hearings with the Commissions DGs, frequent meetings with producers (national statistical institutes) at both technical and senior management levels, with the European Statistical Advisory Committee (ESAC), businesses and users of European statistics, including media, academia, researchers, etc. As part of this ongoing dialogue, a series of consultations and discussions have already been conducted on the needs and expectations for European statistics after 2020.

In order to collect stakeholders' views on their needs for statistics in the period after 2020, quality of statistical information, in particular timeliness and relevance, the ways European statistics is communicated, the planned consultation activities include:

- Open public consultation
- Consultation of the European Statistical Advisory Committee
- Consultation of the Commission Directorates General
- Targeted consultation of National Statistical Institutes

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

The ongoing European statistical programme 2013-2020, financed from heading 1a of the current MFF (budget lines 29.02.01 and 29.01.04.01), is under central direct management by the Commission (Eurostat). The MFF envelope for the implementation of the programme was set to EUR 57,3 million for 2013, EUR 234,8 million for the period 2014 to 2017 and EUR 218,1 million for the period 2018-2020.

From a financial point of view, the programme is implemented by awarding contracts mainly in the domains of statistics and IT services, and by grants mainly to national statistical authorities. A specificity of the programme is that Regulation (EC) No 223/2009 on European statistics allows for direct awards of grants to national statistical authorities.

The baseline scenario used as a benchmark for the assessment of the policy options is the current European statistical programme laid down in Regulation (EC) 99/2013 (as amended by Regulation (EU) 2017/1951) with its statistical outputs and actions to improve the statistical production processes in Member States.

Despite progress in improving European statistics under the previous (2013-2017) and extended (2018-2020) European statistical programmes, the evaluation has shown that users highlight existing information gaps and demand further improvements of timeliness and relevance as well as a greater level of detail of European statistics. Therefore, continuing with the status quo of the current programme would imply that the European statistical programme cannot bring full added value to EU policies and that the relevance of European statistics will gradually decrease over time. For new EU policies in particular, Eurostat will not be able to produce in-time statistics with the required level of disaggregation across regions and population groups.

The challenges for the next programme can be defined as follows:

- Insufficient availability of high quality statistical information for the design and monitoring of new EU policies (e.g. on globalisation, digitalisation of the economy, security)
- Insufficient agility to address new demands and to provide faster evidence on emerging topics and deeper analysis of the effects of globalisation, new technological developments and socio-economic trends.
- Statistical reporting requirements on economic operators as well as citizens.
- Insufficient analysis provided by European statistics on today's complex realities and interlinkages, and for improved communication and engagement with users, especially EU citizens.

A main problem driver concerns the fast changing nature of the issues that EU policies need to address (e.g. globalisation, migration, security), which also means that official statistics must be able to react more rapidly without increasing the burden on respondents. As a result, the next European statistical programme needs to become more agile and innovative, going beyond established methods and data sources.

The second driver of the problem is the rapid technological change and spread of information via social media, which confront traditional producers of statistics with a new reality demanding urgent and bold responses for European statistics to remain a highly trusted information source. Today, European citizens are universally connected and digitally aware. They have a multitude of new data sources at their disposal, access to which could not be easier or more tempting. Providers of other, non-official data, increasingly compete with official statistics by producing more timely, but often less reliable information. In this 'post-truth' era, reliable and trustworthy official statistics are needed more than ever.

Consequently, the post-2020 European statistical programme will increase the relevance and value-added of European statistics by closing existing and emerging information gaps and by improving timeliness and coverage of the data. In order to do so, the programme will support Eurostat and national statistical authorities to make better use of multiple data sources, advanced data analytics methods and digital technologies.

2.2. Objectives of the programmes of the next MFF

European statistics, produced under Eurostat's leadership, are an indispensable part of the EU's sound and evidence-based policymaking under the current MFF, addressing all policy areas of the Union as stipulated in Article 338 of the Treaty. That Article also sets out requirements as regards the production of European statistics, stating that they must conform to standards of impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality.

In order to ensure the continued provision and development of European statistics on all policy areas of the EU, thus going far beyond the scope of the Single Market, the European statistical programme needs to be continued under the next MFF.

In response to the challenges listed under 2.1, and the conclusions drawn from the evaluation and stakeholders consultations, the programme will put particular emphasis on the following areas:

- Underpinning key EU and national economic, social and environmental policies with the production of relevant, comprehensive and high quality European statistics tailored to policy needs.
- Providing more detailed regional statistics on topics relevant for EU policies and close to citizens.
- Using innovative data collection methods like 'Internet of Things' sources and smart systems, to produce data on smart cities, health, mobility and farming.
- Improving timeliness and agility by introducing specifically designed survey schemes and by producing statistics centrally at Eurostat using various data sources and modelling techniques and not only data provided by the Member States' national statistical authorities.
- Coordinating the production of statistics by other Commission services, and setting-up a data hub for the Commission in cooperation with other DGs (DIGIT, Connect, JRC).
- Delivering added-value for policy design and monitoring by providing new data analytics services in the framework of the Data, Information and Knowledge management and the Data4Policy initiative.
- Providing better statistical insights for EU citizens by communicating statistical information more pro-actively, in a simpler and more understandable way and by supporting fact-checking and myth-busting functions of the Commission.

General objective **of the European statistical programme under the post-2020 MFF:**

To provide high-quality, comparable and reliable statistics on Europe which underpins the design, monitoring and evaluation of all the Union policies and helps policy makers, businesses, academia, citizens and media to make informed decisions and participate in the democratic process and debate about the present state and future of the Union.

The *specific objective* to realise the programme's general objective, which will be translated into success criteria for monitoring purposes, is the following:

To produce and communicate high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European Statistical System and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart systems and digital technologies.

3. PROGRAMME STRUCTURE AND PRIORITIES

The structure of the programme will underpin the Commission's political priorities in order to maximise the EU value added of European statistics.

The investments will ensure that new and improved statistics will be delivered in support of the political priorities under the new MFF. The implementing actions will be selected based on their potential to increase the relevance and use of European statistics for important policy areas and to close data gaps as regards newly emerging political priorities.

First priority will be given to actions needed to maintain the high quality and relevance of statistics which feed into the budgetary surveillance of the EU and which underpin the enhanced Stability and Growth Pact, European Semester exercise and the Investment Plan for Europe.

Secondly, the development of new statistics to close identified data gaps will be prioritised according to the political needs in the context of the next MFF, such as

- The digital economy with a special focus on the collaborative economy;
- The future of the Economic and Monetary Union;
- Single Market, SME creation and growth, including monitoring entrepreneurship from a gender perspective;
- Trade policy and globalisation;
- The European Agenda on Migration;
- Geospatial information for economic, social and territorial cohesion policy;
- Data on passenger mobility, multimodality, intelligent transport systems;
- Evidence in support of the European Defence Action Plan (EDAP) and the European Defence Fund.

Furthermore, timeliness and/or coverage of statistics for other key policy areas will be improved, such as the European Pillar of Social Rights, the Energy Union and Climate Action, the environment and the circular economy, and the future Common Agricultural Policy.

Under the specific objective, priority will also be given to actions that improve the communication and accessibility of statistics to a wider audience and promote user engagement with the aim to counter the spread of 'fake news'.

- In order to increase the agility and responsiveness of European statistics, the programme will include actions on 'Smart statistics', exploiting data sources like the 'Internet of Things' and smart systems to produce data on smart cities, health, mobility and farming;
- Big data sources like mobile phone and traffic data or web-scraping;
- Innovative survey schemes and modelling techniques to deliver faster statistical evidence;
- Data hubs and data analytics services to deliver added-value for policy design and monitoring in the Commission in line with the Data4Policy initiative;
- Solutions for better data sharing and matching across and with Member States;
- Fostering statistical literacy and developing new tools to consume and share European statistics and to support myth-busting initiatives of the Commission;
- Protection of data and statistical confidentiality.

Furthermore, the establishment of new partnerships with other, non- official data providers such as the private sector is of utmost importance in order to facilitate access to privately-held data that increasingly becomes relevant for statistical purposes. Priority will also be given to foster existing partnerships with administrative data holders as well as academia and media.

The evaluation of the ongoing and previous programmes has shown that the European statistical programme features a critical mass of projects which were efficiently managed by Eurostat.

The necessity for EU action and the EU added value is demonstrated for all funding priorities, as the European statistical programme directly supports all EU policy areas. Comparable and high quality European statistics are a precondition for effective, efficient and performance-oriented policies under the next MFF.

The objective of the programme cannot be sufficiently achieved by Member States alone. Only a coordinated approach at EU level on the basis of an EU legal act will ensure the necessary coherence, comparability and quality of statistical information at European level in all domains covered by the programme. Moreover, the challenges identified in section 2.1 apply to all Member States and the European Statistical System as a whole and can therefore be addressed effectively only with EU action. The development and re-use of common tools and technologies for statistics is also more efficient if coordinated at EU level.

Art. 338 TFEU, in Part seven related to General and Final Provisions, provides the legal basis for statistics. It stipulates that *the European Parliament and the Council may adopt measures for the production of statistics where necessary for the activities of the Union*. It also states that *European statistics must conform to standards of impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality*. These provisions indicate that the scope of the European statistical programme goes beyond providing statistics for the Single Market, as it covers all activities of the EU that require statistical information. Moreover, the Treaty stipulates that special quality standards apply to European statistics.

Regulation (EC) 223/2009 on European statistics specifies in Art. 13 that the European statistical programme should be adopted by the Parliament and the Council and that the programme has to be implemented in accordance with Art. 14 and 17.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

The programme will be designed to benefit from the delivery mechanisms that have proven to be efficient and effective in the implementation of the existing European statistical programme. The appropriations will support actions for the development, production and dissemination of European statistics needed for the purposes of achieving the general and specific objectives of the programme, focussed on actions with high EU added value. The operational appropriations will be used under direct management for procurement, grants and actions with international organisations when appropriate.

Grants to national statistical institutes and other national authorities will be used to foster a more agile development of statistics for policy-making through the use of new methods and technologies. Due to the specificity of national statistical institutes and the other national authorities responsible in each Member State for developing, producing and disseminating European statistics, they may receive grants without a call for proposals in accordance with the Financial Regulation and as stipulated in Art. 5(3) of Regulation (EC) 223/2009. In that context, Eurostat will resort to a standard co-financing rate of the grants up to 70% and up to 95% for collaborative networks. Collaborative networks within the European Statistical System, as foreseen under Art. 15 of Regulation (EC) 223/2009, allow sharing of expertise and fostering specialisation on specific tasks.

In the implementation of the specific objective, a greater share of procurement at EU level in relation to grants will be undertaken whenever it is more cost and time efficient for the collection of data. Areas where a higher share of procurement might be beneficial concern for example innovative survey schemes, private-sector data sources, or data analytics services.

Under the programme, new data needs will be increasingly met through multi-source data integration and 'smart statistics' rather than by means of traditional statistical surveys. While this will require additional up-front investments, it will reduce the burden on businesses and generate data that is more timely available for policy-making. This strategy will also imply a stronger use of public-private partnerships in areas such as data sharing, data science skills and data analytics methods. This involvement of public-private partnerships to complement the cooperation with national statistical systems to produce European indicators, in order to improve response time to new information needs, will entail an increased use of procurement procedures.

The programme's cost of control will be improved by substantially increasing the average size of transactions managed by Eurostat.

In terms of financial flexibility, and as put forward in the reflection paper on the future of EU finances, the programme could put aside a reserve for unexpected data collections and analytical services.

Unit costs for staff were introduced by Eurostat in 2015. The development of simplified cost options to be used generally by all DGs for common cost categories will be monitored and implemented as soon as possible.

While there is no overlap with other existing programmes, the statistical activities and data collections of Eurostat and other Directorates-General could be better coordinated and streamlined. To strengthen the interaction and allow a better monitoring of those programmes, major spending programmes should refer specifically to resources allocated for European statistics.

It is expected that the current practice of supplementing the programme's budget with sub-delegated credits will be continued, in order to cover data collections specifically requested by policy DGs. As the implementation of sub-delegated credits in Eurostat relies on the availability of human resources, those limited resources would mainly be directed towards data production in policy areas where Eurostat can maximise added-value (e.g. through its quality assurance mechanisms).

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

The specific objective of the programme defined in section 2.2 will be accompanied by an indicator designed to measure the performance of the programme. The indicator should be strongly tied to the objective and fulfil the other criteria elaborated by DG BUDG under the 'EU Budget Focussed on Results' initiative, namely that they should be result oriented, budget related, easy to monitor, and robust.

In order to measure the performance of the programme in delivering on the specific objective, it is proposed to use the indicator 'Impact of statistics published on the internet: number of web mentions and positive/negative opinions', based on in-house data collected by Eurostat.

It is proposed to carry out an interim evaluation of the programme by end of 2024, to ensure that enough data is available on the programme and to take into account the results of the final evaluation of the previous European statistical programme 2013-2020.

It is proposed to have the ex-post evaluation of the programme completed by end of 2029, when a sufficient level of data will be available. Both the interim and ex-post evaluations would cover at minimum the evaluation criteria deemed compulsory at Commission level at that time. As with previous programmes, both evaluation reports will be submitted to the European Parliament and to the Council after consulting the European Statistical System Committee and the European Statistical Advisory Committee.

Sub-Annex 1: Evidence, sources and quality

1. EVIDENCE, SOURCES AND QUALITY

The impact assessment had to be prepared in a very short period of time, starting at the end of 2017 to be concluded by March 2018. As a consequence Eurostat decided to prepare it without the support of external studies and based it almost entirely on existing documents, such as annual activity reports and monitoring of activities, results of user satisfaction surveys, results of Commission Directorates- General (DGs) hearings, reports of critical projects and reports on the cost of producing European statistics. The full list of documents includes also the results of several stakeholder consultations done in the past years. In addition some new targeted stakeholder consultations could be quickly organised and their results could be exploited. Such consultations concerned national statistical institutes, Commission DGs and the European Statistical Advisory Committee (ESAC).

List of external sources used for the impact assessment:

- European Statistical Governance Advisory Board (ESGAB) reports 2015-17
- European Statistical Advisory Committee opinions
- Report of the Internal Audit Service on the production process and the quality of statistics not produced by Eurostat
- Feedback of Commission DGs during the targeted consultation

List of internal sources (Eurostat) used for the impact assessment:

- Annual activities reports 2015, 2016 and 2017
- Master plans 2015-17
- Monitoring reports to EP and Council
- ESP previous impact assessments and evaluation reports
- Results of the User Satisfaction Surveys 2015-17
- Results of DGs hearings 2015-17
- Reports on cost of producing European statistics
- Survey on burden in business statistics
- Reports on ESS Vision 2020 projects
- Monitoring of activities per objectives
- Report from the Power from Statistics conference
- Reports on big data projects
- HR reports 2015-17
- Eurostat's impact on the web 2015-17
- Website reports 2015-17
- Inventory of statistics produced by other DGs than Eurostat
- Reports on antifraud prevention
- ABAC extractions, 2015-2017
- Microdata access reports
- Statistics on datasets published

Sub-Annex 2: Stakeholder consultation

Eurostat implements an ongoing dialogue with its main stakeholders, in particular through annual hearings with the Commissions DGs, frequent meetings with producers (national statistical institutes) at both technical and senior management levels, with the European Statistical Advisory Committee (ESAC), businesses and users of European statistics, including media, academia, researchers, etc. As part of this ongoing dialogue, a series of consultations and discussions have been conducted on the needs and expectations for European statistics after 2020.

The following stakeholder categories were consulted on the evaluation of the current ESP and on the future ESP:

- **Users** of European statistics (DGs of the European Commission, public administrations, businesses, researchers, academia, public at large). Users of European statistics is the basic source providing feedback to Eurostat on the quality aspects of European statistics as well as their insights on new priorities which need to be taken into account in the future statistical programmes.

The key challenge for statistical data users is to choose and understand the available information in order to turn statistics into knowledge that serves as a basis for the decision making process. With this in view, it is therefore important to reinforce the dialogue with users and continue assessing from their point of view, what should be the priorities for European official statistics for the next programming period.

- **Producers** of European statistics. Producers of European statistics are mainly National statistical institutes (NSIs) and Other National authorities (ONAs) producing official statistics in the Member States as part of the European Statistical System (ESS).
- **Respondents** (providing data to producers).The Respondents' category includes all types of respondents who provide data to the NSIs and/or ONAs and Eurostat. They are businesses, households, public and private partnerships, institutions and bodies.

With the increased user demand and new priorities for European statistics more data need to be collected from the respondents which in turn increases the response burden on respondents and producers of statistical information.

Therefore, it is more important than ever to search for new data sources and to have close partnerships with stakeholders who own, collect, and process or store data sources, including public private partnerships. Relations with public and private partners, including expert communities may help bridge data, knowledge or expertise gaps. A digital transformation taking place across the globe provides for ever increasing availability of data. This trend is of strategic relevance for official statistics and offers a huge opportunity to improve the timeliness and relevance of official statistics as well as to lower response burden. Therefore, producers of European statistics as well as respondents providing data for the production of it is an important category of European statistics stakeholders and therefore their opinion and views, in particular as regards the response burden as well as possibility to use other data sources will be taken into account for the preparation of the ESP beyond 2020.

It should be noted that for the extension of the European statistical Programme 2018-2020, Eurostat initiated numerous activities, e.g. investigating the opinions of users of European statistics via web based user satisfaction surveys (USS), specific surveys for media representatives, and a series of user conferences. However, due to the tight deadlines of the preparation of the next MFF, Eurostat concentrated on feedback from a selected number of stakeholders for the post-2020 ESP:

- Consultation of the Commission Directorate-Generals
- Consultation of National statistical institutes
- The European Statistical Advisory Committee (ESAC)
- The statistical user/stakeholder conferences

Consultation of the Commission Directorate-Generals

In January 2018, as an integral part of the consultation process, Eurostat launched a consultation of all Commission Directorate-Generals (DGs) and services, which are the main users of statistical information. The objective of the consultation was to assess the high-level needs for the future ESP so that high relevance of European statistics in a longer-term perspective is ensured. An important aspect of such needs relates to those high-level indicators the DGs intend to use to monitor and evaluate the next generation of spending programmes under their responsibility. The consultation covered the following questions:

- In addition to the European statistics currently available, which statistical data would be needed and for which policy areas under the next MFF (e.g. as identified in the Commission reflection papers)? Please rank by order of priority.
- Which policy areas will require more complete and/or timely European statistics?
- In the context of the need to further reduce costs and burden, can you indicate existing European statistics which could be simplified?
- In which way could Eurostat support the monitoring of your spending programmes under the next MFF?
- For which policy areas could additional Eurostat services provide added value?

Feedback was received from 23 DGs. The following general remarks could be highlighted:

- The need for statistical data and/or Eurostat services in different statistical domains will remain important regardless of the changes in the political agenda or resource pressure.
- Eurostat data are and should be used extensively, as the Better Regulation guidelines require the use of quantitative evidence for impact assessments, evaluations and policy monitoring, e.g. for modelling activities supporting the Better Regulation process; to build performance measurement frameworks in the context of the European Semester and in general to measure the results and the impacts of the DGs policy initiatives.
- Eurostat could offer additional services to the DGs, such as training and counselling on statistical methodology (when running studies on data collection or on the development of indicators), also in new and rapidly evolving areas such as big data techniques; dissemination of statistics (as e.g. in the reuse of Eurostat's dissemination chain); facilitating the acquisition of commercial data sources; supporting in finding statistics for particular purposes; centralizing acquisition of external (paid and unpaid) data.
- More and more data will come from non-conventional sources (precision farming, satellites, social networks crowdsourcing, etc.).
- Eurostat is seen as playing an important role in developing expertise for accessing, processing and analysing such data in areas that are relevant for the Commission policies.
- Eurostat could promote and make more use of the possibilities offered by the new technologies to compile statistics in a cost-efficient manner, such as Big Data and Internet of things.

The Commission DGs indicated a number of statistical domains where additional statistical data will be needed to be able to reflect on the challenges as identified in the Commission political agenda:

- High quality statistics produced by Eurostat is needed for the defense sector.
- Competitiveness statistics and data for growth and productivity measurement should become a regular statistical production.
- Digital economy with a special focus on collaborative economy. The Communication on a European Agenda for the collaborative economy published in June 2016 commits the Commission to monitor "both the evolving regulatory environment and economic and business developments" within this sector. Given the rapid growth of the collaborative economy and the lack of statistics on this very sector, the new ESP could be a good framework for the systematic collection of these data in the future.
- Circular economy. The recently announced Plastic Strategy, which aims at improving the value chains and the quality of plastics recycling (through better design, reuse), reducing plastic waste and littering (in particular marine litter and micro plastics), is very likely to call for additional data and statistics.

- There is a need to develop an EU-wide survey on the prevalence of gender-based violence within the ESS.
- Eurostat is encouraged to foresee in its post-2020 ESP a legal act for the regular collection of Passenger Mobility Statistics.
- In order to support MSs in addressing migrants' integration the information gap on education needs and qualification levels of the asylum seekers needs to be closed.
- The SDGs include the reduction by at least half of the proportion of people living in poverty until 2030. However, the UN has not defined a uniform poverty indicator for the purpose of this target. For the EU, such analysis needs to be carried out by Commission services. Therefore, one of the priorities for Eurostat could be to develop new indicators of poverty and inequality that can be used in the SDG context. The focus of these efforts could be extreme poverty.

The Commission DGs identified specific statistical domains, where improvements are needed in some of the quality aspects, in particular timeliness and coverage:

- Environmental accounts and energy statistics. Further improvements in the coverage, quality, timeliness and comparability of statistics in this area should be supported by the new ESP.
- Further improvements are needed in the priority areas, like water statistics, chemicals indicators, waste indicators, indicators for nature, biodiversity and ecosystems, plastics and plastic statistics, forest statistics, soil indicators, agro-environmental indicators.
- Timeliness can be improved for other types of European Statistics which are also used for transport policy needs (e.g. Research & Development data and Structural Business Statistics).
- Basic statistics such as structural business statistics, business demography etc. has to be maintained while striving to improve their timely delivery and fuller coverage.
- Improvements in timeliness of social inclusion statistics derived from EU-SILC should be another priority.
- It would be useful to explore the feasibility of an earlier provision of government finance series gathered though the ESA national accounts system.
- There is a need for regional data on public expenditure on education and more harmonised, complete and detailed data on private expenditure on education.
- The reporting framework to be established under the Energy Union Governance proposal will reduce respondents' burden of the Member States, as the number of current reporting obligations will decrease and the whole structure will be put under one common umbrella (e.g. reports relating to national action plans on energy efficiency and renewable energies will also be integrated under Governance related reporting). Monitoring under the Energy Union Governance regime will need to draw on the timely European statistics.
- More timely European statistics needed on the Balance of Payments, Foreign Direct Investment.
- More complete statistics on foreign affiliates (regarding sectors covered, it would be useful to have similar data also on non-services sectors as well as better coverage by sectors, including to the extent possible with estimations replacing missing data) would be helpful.
- Healthcare statistics and in particular healthcare expenditure statistics currently collected will be of increasing importance during the period covered by the next ESP. It is expected that the data collection not only be completed and continued, but also improved with respect to timeliness and reporting detail.

Consultation of national statistical institutes

Taking into account the new challenges posed for European statistics in a changing environment as well as the fact that National Statistical Institutes of the MSs (NSIs) are important players in the production of European Statistics, Eurostat worked very closely with the NSIs to elaborate the European Statistical System (ESS) priorities beyond 2020. The outcome and concrete priorities were extensively discussed with the NSIs during 2016-2017. Discussions were held on the following issues: changing economies and societies, fast changing of data use and user needs, data revolution aspects and impact on statistics, budget constraints. New strategic priorities were formulated taken into account the current stance and the dynamics of the external environment.

Important priorities distinguished covered the following:

- **New/additional needs for statistics to measure emerging phenomena** in the societies, which in some cases are not well captured today, e.g.: migration, economic and social inequality, environmental, climate change and energy issues, circular economy, globalisation, digital market, new production models caused by digitisation (such as the sharing economy, the blurring of boundaries between workers and self-employed, goods and services, producers and consumers), combining statistical and geospatial information, measuring progress towards 2030 sustainable development goals.
- **Quality-related improvements driven by users' needs**: improving the timeliness, granularity and comparability of statistics are the quality elements where improvements in the outputs are most sought after; reducing the inherent asymmetries in statistics on cross-border flows within the EU; ensuring the high relevance of new and existing statistics through systematic dialogue with users.
- **Better communication of European statistics**: aligning statistical products and communication methods with the needs, level of knowledge and skills, as well as life or business situations and other characteristics of different user groups; getting closer to citizens, especially the younger generation, in addition to professional users; exploring the possibilities offered by new and existing communication channels; tailoring the choice of communication channels, services and messages to different user groups so as to bring statistics closer to users and ensure high end user value; going beyond the publication of pure facts and figures to help users understand them; describing figures as attractively and clearly as possible, offering simple and clear messages, basic interpretation and visual aids ready to be re-used by the press through different communication channels; more focus on visualisation, infographics and interactive tools; being open to on-demand services; moving from data to information and knowledge, and pushing boundaries towards more data analysis, story-telling and horizontal reports; supporting fact-checking, thus contributing to the importance of trusted data and restoring the standing of facts; promoting linked open data initiatives.
- **More agility and interaction in responding to user needs:** improving identification and analysis of data users and their needs; upgrading existing mechanisms of two-way communication with users to discuss their needs, explore their difficulties in using statistics, anticipate their future needs, and offer relevant products and services; exploring the possibilities of going beyond the traditional business model, for instance by offering experimental statistics, including blending our sources with third party data, certifying data published by non-official or non-statistical providers, offering linking of statistical and non-statistical data and data protection services, etc., while carefully considering the associated benefits, risks and implementation options.
- **Stronger user capabilities:** guiding users and helping them understand how statistics can help shape solutions in private and business life (e.g. more story-telling); promoting new uses of statistics; helping to educate both professional users (policy-makers, journalists, researchers) and ordinary citizens, especially young people, to increase statistical literacy and reduce the risk of misinterpretation and manipulation of information based on statistics.
- **Development of new methods for producing statistics:** being more agile, experimenting with data to optimise data sources and statistical products; continuously seeking new and innovative ways to produce statistics, with state of the art methodologies, efficient processes and modern technologies, including digitisation and automation of statistical processes; exploring the possibilities of improving statistical production based on the exchange of microdata between ESS members; carefully considering ways to reduce the response burden.
- **Making the best of the data revolution:** stepping up analysis and exploitation of new data sources; investing in data integration with a view to benefiting from multiple data sources and unleashing the potential of big data to support statistical production; where useful, acquiring access to privately-held data sources through a collective action, coordinated and led by Eurostat

and supported by the adoption of an enabling EU legislation; further enhancing the use of administrative data sources for statistical purposes.

- **Relations with external stakeholders:** seeking ways to establish close relations with the relevant private sector organisations building on partnership; in particular, cooperating with the technology sector to ensure that statistical production and dissemination is based on modern technology (e.g. access to privately-held data for statistical purposes; integration of data from multiple sources; semantic web standards to support and feed statistical production; modern visualisation techniques); enhancing cooperation with research and academia in developing methods for all phases of the statistical process, especially as regards developing methods and technical solutions for the use of big data and analytical interference from data and statistics.

Consultation of the European Statistical Advisory Committee (ESAC)

The ESAC, which unites users, respondents, academia, and businesses organised various workshops to discuss the future needs for statistics. The discussions focussed on the impact of the changed environment on production of European statistics, measurement of these changes, concrete actions as well as the impact of them. The outcome of these events includes a wealth of input from the users/methodologists as well as businesses with the view to improve European statistics and the way it is produced and communicated.

Eurostat launched a targeted consultation (end of January – mid February 2018) asking for the ESAC opinion on the priorities for the post-2020 ESP. In particular, Eurostat was interested in receiving feedback as regards the following:

- Options to increase the relevance of European statistics for different user groups.
- Areas where timeliness or completeness (e.g. breakdown, availability by countries, regions, components, etc.) of statistical information needs to be further improved in relation to main user needs or new phenomena.
- Less important statistical fields which could be discontinued in the next European Statistical Programme for the sake of burden and cost reduction.
- Measures to increase agility and/or to further decrease response burden (e.g. new ways of collecting data, etc.).
- Proposals to improve the communication of European statistics and the engagement of users.

To summarise the ESAC position paper, which is a reaction to the Eurostat consultation, the following issues could be taken into account for the elaboration of the post-2020 ESP:

- Official statistics plays and should play a fundamental role in providing insight into the economy and society and that they are vital to the wellbeing of the EU societies and citizens.
- The ESS needs to retain its unique selling point of assured quality, while improving practice in the directions of speed of delivery, extracting information from new data sources, and response to new questions.
- The ESS should pay increasing attention to training and improving statistical skills at all educational levels and also to improving citizens' statistical literacy, including that of non-users.
- The ESS is expected to aim at better coordinating the production of statistics by other Commission services.
- Data generation processes evolve rapidly, and therefore care and attention are needed to ensure that official statistics which are based on, or are taking advantage of, new sources of “big data” are sustainable, and are consistent over time.
- Special attention should be paid to the challenge of ethical data governance. The issues of ethical data governance are becoming more important with the advent of new kinds of data, but they are not the same issues as technical matters concerning whether the new kinds of data are “good enough” for some purpose, or issues of how to capture or use such data. Ethical data governance should be addressed in the next ESP.
- ESAC identified a continuing need for adequate geographical breakdowns of the published data, particularly in monitoring change in social conditions at sub-national level. ESAC appreciates that important work is already under way in different countries and in different statistical domains, in

order to provide statistics down to NUTS 2 level. However, the aim should be to provide statistics broken down to at least NUTS 3 level to support national and regional policy-making.

- Additional issues having an impact on the value of statistics should be addressed, especially those of “post truth reality” and the digital-information era. The individuals and institutions should be clearly informed about the quality of different types of official statistics coming from the ESS and other European institutions. In today’s rapidly changing data environment, helping users know where to go, and what data can be trusted, is critical. Reinforcing the ESS brand is also very important.
- One major trend shaping the world is urbanisation, closely connected to the new reality of globalisation and migration. The EU Urban Agenda is a new method of working with the aim to promote the economic, social and environmental transformations of cities through integrated and sustainable solutions. Monitoring progress of Sustainable Development Goal 11 “Sustainable Cities and Communities” requires a broad set of selected indicators describing cities and their residential areas and other human settlements. Hence the request for regional and urban statistics is an urgent issue at European, national, sub-national, regional and local levels. Providing the requested geographical breakdowns in practice would be more feasible if statistical data were geocoded.
- Digitalisation, international cooperation and partnerships call for common standards. The ongoing development of common standards and data interoperability will be valuable for both capacity building and efficiency gains and will also have a positive impact for users.

High-level stakeholder conference "Power from Statistics"

This conference was organised in October 2017 to determine which topics will be relevant to decision makers and citizens in the future and how European statistics could best deliver this information. The Conference brought together a multidisciplinary audience, consisting of policy makers, journalists, business leaders, academics and official statisticians from all over Europe to discuss the needs and challenges facing evidence-based policy-making to discuss priorities of European statistics, quality aspects and the value of statistics for knowledge based societies, etc. and covered such topics as trends in migration, globalisation, new economic and business models, sustainable development and science, and statistics and society. The following could be distinguished which will require a proper reflection in the post-2020 ESP:

- New data sources (open data, citizens sourcing, and private data) can make the policy cycles more agile and better informed. Access to new data sources requires new partnerships: data collaboratives (data cooperatives or data pooling, research intelligence products, application programming interfaces, trusted intermediary, etc.). Sharing of data should be motivated by reciprocity, research and insights, regulatory compliance and responsibility. There were concerns expressed as regards the use of private data sources: privacy and accuracy, data quality, competitive concerns, and cultural challenges. In order to overcome risks and avoid them, mitigation actions are necessary throughout the whole statistical production cycle. The biggest risk is to miss the opportunity and not share data or not use private data sources. Eurostat should be at the forefront on these developments and actively engage with stakeholders on data collaboratives.
- The rapid technological change and spread of information via social media confront traditional producers of statistics with a new reality demanding urgent and bold responses for European statistics to remain a highly trusted information source. Providers of other, non-official data, increasingly compete with official statistics by producing more timely, but often less credible information. In this 'post-truth' era, reliable and trustworthy official statistics are needed more than ever.
- European statistics on migration as well as on other domains on the Eurostat's website should be clear, understandable and user friendly. There is a need to simplify the presentation of data, use interactive tools and always test on consumers; narratives, storytelling, visualisation should be improved. Availability of timely data was indicated as a challenge. For this purpose, there is a

need to exploit new data sources. It will help to reflect on what currently is needed for policy makers, e.g. the flow of migrants, their living conditions, etc. Questions related to migration should also be integrated to existing surveys like Labour force survey to complete the picture. Close cooperation with the Commission DGs is indispensable; division of labour and responsibilities between statistical offices and researchers should be clearly established.

- The ESS should play a leading goal in measuring the SDGs. To fulfil this role it is crucial to shorten the time lag between the policy makers' requests/need and the time when statistics is produced. Cooperation with industries should be strengthened, so that it is possible to foresee the scenarios for which the data will be needed.
- With the globalisation phenomenon, a quick reaction of statisticians is needed. So far it is not properly reflected by statistical information. Global value chain is only one side of it; however more information needed on jobs, etc. Better cooperation in terms of capturing globalisation is needed between the national accounts and business statistics. Business statistics needs to be modernised.
- Capturing emerging phenomena. New economic and business models are emerging, which are not yet captured by European statistics and may not be part of traditional measurement of GDP and production. This leads to a search of new techniques and measures. Data harvesting from the web or web scraping, machine learning could be examples of those. It is quite complicated to find the right data reflecting on the collaborative economy. Eurostat does it partly, however with a big time lag. Access to privately owned data sources could solve the problem. Eurostat has to continue discussions with the private data owners and establish partnerships with them.

The *Open Public Consultation* was jointly carried out as part of the 'Investment cluster' by the Secretariat General of the Commission and took place between 10 January and 9 March. Beside such areas as investment, research and innovation, SMEs and Single Market, the questionnaire covered European statistics. The results received cannot be interpreted as representative of the whole EU since out of 4052 respondents only few (8) commented on European statistics. 5 of them considered that there is a lack of comparable statistics on fire (fire safety) across Europe.

Sub-Annex 3: Evaluation results

Eurostat has conducted two mid-term evaluations of the current ESP. The first one[285] covered the implementation of the programme in the years 2013 and 2014 plus relevant progress accomplished in 2015. It was completed in 2015 and it also considered the results of the final evaluation[286] of the linked "Programme for the Modernisation of European Enterprise and Trade Statistics" (MEETS), which finished at the end of 2013, to check that the two programmes were coherent and well-coordinated.

The first mid-term evaluation concluded that 17 out of the 23 detailed objectives were well on track for completion. Limited difficulties were experienced in relation to the other six, these being economic governance (1.2.2), people's Europe (3.2.1), geospatial, environmental, agricultural and other sectoral statistics (3.3.1 and 3.3.4), priority setting and simplification (2.1) and partnership within the European Statistical System and beyond (1.1). In particular for the objective on priority–setting and simplification, substantial reductions could not be obtained with the existing mechanism to fix negative priorities. New approaches for priority setting are being therefore implemented in the ESS and proposals for framework regulations have been adopted for agriculture statistics, business statistics and social statistics to simplify the production of statistics in those fields. The quantitative evaluation, based on the percentages of planned activities that were completed or on track and of the outputs produced for each objective, was accompanied by a qualitative evaluation. The analysis indicated that all projects classified as critical on the basis of their strategic importance, the number of staff involved or the financial resources invested, had been successfully concluded or were on track. Good progress had also been made on projects related to modernisation of the production system. The evaluation also indicated that the projects involving collaboration between the members of the ESS showed good results, with the European Statistical System collaboration networks and the European Statistical System 2020 Vision implementation projects having made particularly good progress. Measuring the costs of producing statistics and the burden on respondents proved to be more difficult, with different methodologies being used in the Member States. Eurostat therefore launched in 2015 a first cost assessment survey on production of official statistics in the European Statistical System.

The evaluation also recommended taking care of some critical issues by giving the following recommendations:

1. Give particular attention to those objectives where problems have been encountered.
2. Secure sufficient resources to maintain the necessary level of investment for the modernisation of the production of European statistics.
3. Identify and implement projects at EU level which can maximise EU added value.

The evaluation found out that the ESP continued to be relevant, as its objectives still corresponded to the needs of the EU. It also stated that Eurostat had made efficient use of its resources, both financial and human and that the ESP continued to produce a clear EU-added value. Finally, it concluded that the ESP was well coordinated with other EU initiatives in the same field, both other Eurostat programmes, such as the MEETS programme, and statistics produced by other Commission Directorate-Generals.

A second mid-term evaluation started at the end of 2017 to support the impact assessment of the post-2020 ESP. It was conducted back-to-back with the impact assessment and it covers the years 2015, 2016 and 2017. Its report is presented as an annex of the impact assessment.

[285] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0309&rid=1
[286] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0444&rid=1

The percentages of planned outputs that were achieved or on target had bene constantly over 90 %, to pass 95 % in 2017. As a result, 20 of the 23 detailed objectives of the ESP can be considered on track to be accomplished by the end of the programme. The remaining three objectives only showed limited problems, which will have to be taken care of in the remaining period of the programme. Those are detailed objective 2 on economic governance, detailed objective 4 on economic globalisation and detailed objective 18 on dissemination and communication.

In the years which are included in the current evaluation, 2015-2017, the total budget spent has been about EUR 172 million. Almost another EUR 94 million have supplemented the ESP own budget as credits sub-delegated by other DGs to cover data collections that were specifically requested by policy DGs.

The budget has been spent in the three priority areas of the programme. The first priority area "Statistical outputs" deals with the production of European statistics. In this area the money has been spent mostly for grants used to provide financial support to MSs. MSs use the support for improving their national statistical systems and for implementing actions to initiate new data collections. All MSs have benefited from grants, allowing them in the end to produce more and better quality data. As a result the total number of disseminated datasets increased by 722 datasets or around 15%, in the three years being evaluated.

The second priority area "Production methods of European statistics" supports the production by improving the way statistics are produced, their quality and the way they are disseminated. In this area grants were given to MSs to strengthen the quality and efficiency of statistical production through innovative statistical methods and tools. MSs used the money to participate in the modernisation projects of the European Statistical System Vision Implementation Programme (ESS.VIP). In this same area procurements were used either to finance part of the projects of the ESS.VIP or to finance the modernisation of the statistical infrastructure used for the regular production and dissemination of the statistics. This allowed addressing some of the weaknesses identified in the first mid-term evaluation. Examples of the results are the modernisation of the IT infrastructure to exchange data with MSs, the renovation of Eurostat website, the implementation of a series of new visualisation tools and of new ways to reach out to users.

The third priority area "Partnership" aims at supporting the production and quality of the statistics by improving the cooperation inside the ESS and with other international organisations and third countries. In this area the budget was mostly used to support the development and production of statistics in countries outside the EU, with particular emphasis on enlargement and the European Neighbourhood Policy. This has allowed regularly publishing data from some non-EU countries, especially to support the enlargement process and the negotiations.

In spending the budget no major problems have been encountered and there were no infringements. Eurostat put in place an effective system of anti-fraud measures, which prevented cases of fraud.

The evaluation results show that the programme has been run efficiently. So far:

- A trend of internal productivity is observed.
- The financial implementation shows an execution rate for the ESP's budget of 98.87%.
- Execution on available commitment and payment appropriations both exceeded the targets set in Eurostat's Management Plan.
- Costs and burden are decreasing but slowly and they are difficult to measure.
- All activities of the ESP are monitored in a timely and efficient way.
- Concerning the ESP relevance, the ESP has contributed and continues to contribute to satisfy the users' needs and to the design and monitoring of policies but more is needed:
- The number of users and the quantity of data extracted from the Eurostat website have increased substantially.
- Eurostat is more and more mentioned as a reference source of data on the Internet.
- Users are generally satisfied with the quality of Eurostat's data and services but they demand more, especially regarding timeliness and comparability of data.

- More microdata sets are available for users, and the number of requests has steadily increased.
- New dissemination tools have made it easier for users to consult European statistics.
- New modern ways of reaching out to users (social media) are used.
- When approving Eurostat's annual work programmes, the European Statistical Advisory Committee (ESAC) has expressed some general concerns to be taken into account for the future, including the need for adequate resources.
- Important stakeholders suggested that changes are needed in the way official European statistics are produced to stay relevant.
- Eurostat consulted every year the other DGs of the Commission and could in a majority of cases, but not all, accommodate their requests.
- The European Governance Advisory Board has suggested that changes are needed to exploit the advances in data sources and maintain the official European statistics as relevant.
- The modernisation of the statistical production is progressing and delivering results but now it is time to implement those results in the ESS.
- Work on Big Data and official statistics advanced and implementation can start. However, data governance issues may require changes in the business model.

The evaluation also shows that the ESP is coherent internally and externally with other initiatives aiming at producing statistics:

- The different components of the ESP interact well together to contribute to the general objective of the programme.
- Eurostat coordinates the production of statistics in the Commission and will improve such coordination.
- Sub-delegated credits were needed to supplement the programme's budget to cover data collections that were specifically requested by policy DGs.

Finally, the ESP implementation has shown that the programme has produced and continues to produce a clear EU-added value for its main objectives. The EU added-value of the programme is demonstrated by the harmonised provision of comparable and high-quality data for EU countries. The ESP as a harmonised system with common quality standards for the production of statistics is unparalleled in the world. A similar level of harmonisation, comparability and quality cannot be achieved at Member State level alone to make essential contributions to Union activities, in particular the 10 political priorities of the Commission.

The evaluation work has shown that in general the structure of the ESP is fairly complex, with objectives and sub-objectives, covered by areas and measured by indicators which sometime are not clearly distinct one from another. It is then inherently difficult to understand and to monitor, therefore it is recommended to simplify the structure of the future post-2020 ESP.

Annex 7: Programme specific annex on *Implementation and Development of Single Market for Financial Services*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

The current prerogative budget line managed by DG FISMA "Implementation and development of the single market for financial services" is intended to cover expenditure arising in connection with measures contributing to the completion of the internal market and its operation and development in the area of financial services, financial stability and the capital markets union. In order to achieve this, the budget line consists of measures contributing to, among others, greater proximity to citizens and businesses including by a broader consultation of stakeholders, monitoring the implementation of legislation by Member States, a comprehensive review of regulations (with a view to assessing the impacts of the measures taken for the sound operation of the internal market for financial services and proposing changes when necessary), and guaranteeing the completion and management of the internal market, especially in the fields of pensions, free movement of capital and financial services whilst preserving financial stability. .

The current Commission's priorities include boosting Jobs, Growth and Investment, working towards a deeper and fairer internal market and working towards an energy union. These priorities have been again mentioned by President Juncker in its 2017 State of the Union speech, emphasising the completion of an Energy Union, a Security Union, a Capital Market Union, a Banking Union and a Digital Single Market.

DG FISMA's work carried out with the support of this prerogative line contributes directly to at least three of these essential work streams, including working towards an energy union thanks to the recent work that will have growing importance in the coming years thanks to the sustainable finance initiative.

Regarding the completion of the Banking Union, there is still work ahead of us to achieve it and if we want that banks operate under the same rules and under the same supervision across the continent. There is a need to reduce the remaining risks in the banking systems of some of our Member States.

Should we want a stronger European Union, we need to pursue our work towards a stronger single market, also in the area of financial services and capital markets in building a Capital markets Union. .

In the context of Europe continuing to lead the fight against climate change, sustainable finance work stream that started some months ago should take growing importance in the years to come.

Sustainable finance is the provision of finance to investments taking into account environmental social and governance considerations.

All these work streams will not be possible without the support of the budget made available through the prerogative budget line.

1.2. Lessons learned from previous programmes

No evaluation has been conducted as the previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation. A conventional evaluation would be very difficult to achieve given the wide-ranging and constantly changing activities to adapt to new political priorities that are covered by this budget line (studies, surveys, subscriptions to databases, development and maintenance of information systems in support of the business, etc.). More recently, we could mention, in the context of the objective “a new boost for jobs, growth and investment”, the progress made in 2017 on the implementation of the Capital Markets Union Action Plan. 2/3 of the 33 actions were delivered in the first 20 months. This was made possible thanks to budget devoted to specific studies and the data gathered in the different databases to prepare evidence-based proposals. Similarly, it is worth mentioning the Consumer Financial Services Action Plan as well as the progress made on the Banking package to improve resilience and reduce risks in the banking sector, contributing to the objective of “a deeper ad fairer internal market with strengthened industrial base”. Finally, the adoption by the Commission in December 2017 of the EDIS proposal and the EMU package in the context of the completion of the banking union, contributing to the objective of “a deeper and fairer economic and monetary union”.

The previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation.

There could be potential synergies for studies, subscriptions to databases, communication activities, Eurobarometer surveys, where, given the small budget currently available for the different policy areas currently covered by FISMA prerogative line could benefit from activities funded under other policy fields of the future Internal Market Programme.

DG FISMA is already cooperating with other DGs, in particular with DG ECFIN- although not in the IMP framework-, in order to share the costs burden of acquiring data under respective framework contracts. It is foreseen to further expand this cooperation and save costs wherever possible.

There is also little to no overlap with other DGs, as concerns the engagement with stakeholders. In action to facilitate a better dialogue and information exchange with stakeholder will therefore need to be funded by this ‘programme’. Efforts are already being made to streamline this engagement by bringing together stakeholders in the form of workshops and conferences rather than individual meetings. This approach saves costs in terms of workhours spent in stakeholders meetings but requires funding in order to organise these larger, collective stakeholder engagement meetings.

No problem due to lack of flexibility, coherence, separation from other programmes dealing with similar or complementary issues have been observed.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

As already mentioned, the previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation allowing the DG to pursue its work and objectives related to the Implementation and development of the single market for financial services and therefore to cover for expenditure arising in connection with measures contributing to the completion of the internal market and its operation and development in the area of financial services, financial stability and the capital markets union, among others.

Essential achievements have been made in these areas in the course of the current MFF. This does not mean that the work is over and that no further improvements will be required based on the monitoring and evaluation of the new functioning frameworks.

Better Regulation requires a continuous assessment, including monitoring financial markets and the implementation of legislation, assessing whether the existing legislation is fit for purpose and proposing changes when necessary, and identifying potential areas for action where new risks emerge, with a continuous involvement of stakeholders throughout the policy cycle. The activities covered by the prerogative line all aim to improve evidence based policy making.

Lack of data and quantitative input to effectively monitor developments on financial markets, identify risks to financial stability, assess policy options and analyse the effectiveness of measures taken is a problem that this budget line contribute to tackle. Similarly, the budgetary means provided, even if very scarce, contribute to obtain adequate level of information regarding arising financial stability risks, competition issues and market malpractices, as well as stakeholders' engagement and feedback channels, especially as concerns users of retail financial services.

The capital markets union (CMU), one of the flagship initiatives of the current Commission, is a plan to mobilize capital in Europe. It is designed for all companies, including SMEs, and infrastructure projects that need capital to expand and create jobs.

Deeper and more integrated capital markets provide businesses with a greater choice of funding at lower costs, offer new opportunities for savers and investors and make the financial system more resilient.

The creation of a true single market for capital in the EU by 2019 is a key element of the Investment Plan announced by the Juncker Commission in November 2014. However, once the plan will have been implemented, the Commission should not stop acting but to the contrary pursue its actions to ensure that the objectives pursued will have long-term effects on jobs and growth and ultimately contribute to a stronger Union.

The challenges faced by the CMU initiative will remain if we do not pursue our actions, and if we do not monitor and evaluate their added value.

In response to the financial crisis, the European Commission pursued a number of initiatives to create a safer financial sector for the single market. These initiatives form a single rulebook for all financial actors in the Member States. They include stronger prudential requirements for banks, improved protection for depositors and rules for managing failing banks.

This single rulebook is the foundation for the banking union.

As the financial crisis evolved into the euro area debt crisis it became clear that deeper integration of the banking system was needed for the euro area countries, which are particularly interdependent. That's why, on the basis of the European Commission roadmap for the creation of the banking union, the EU institutions agreed to establish a single supervisory mechanism (SSM) and a single resolution mechanism (SRM) for banks. The banking union applies to countries in the euro area. Non-euro area countries can also join.

As a further step to a fully-fledged banking union the Commission put forward a proposal for a European deposit insurance scheme (EDIS) in November 2015. This would provide stronger and more uniform insurance cover for all retail depositors in the banking union.

The first two pillars of the banking union – the SSM and the SRM – are now in place and fully operational. However, to complete the banking union, a common system for deposit protection has not yet been established and further measures are needed to tackle the remaining risks of the banking sector. In October 2017 the European Commission published a communication urging the European Parliament and the Council to progress quickly in the adoption of these measures and to complete all parts of the banking union's architecture.

Once this essential work will be completed, again, the EU action does not come to an end. Monitoring implementation in Member States will be crucial to the functioning of the Banking Union. In addition, new challenges are arising and will take on growing importance in the years to come with the emergence of the Initial Coin Offerings (ICOs) and crypto-currencies, currently unregulated and that may put the financial stability at risk.

In the context of Europe continuing to lead the fight against climate change, the Commission is currently finalising its strategy on sustainable finance on the basis of the recommendations included in the final report by its High-Level Expert Group on Sustainable Finance (HLEG). These strategic recommendations are directed towards a financial system that supports sustainable investments.

Delivering an EU strategy on sustainable finance is a priority action of the Commission's Capital Markets Union (CMU) Action Plan, as well as one of the key steps towards implementing the historic Paris Agreement and the EU's Agenda for sustainable development. To achieve the EU's 2030 targets agreed in Paris, including a 40% cut in greenhouse gas emissions, we need around €180 billion of additional investments a year. The financial sector has a key role to play in reaching those goals, as large amounts of private capital could be mobilised towards such sustainable investments. The Commission is determined to lead the global work in this area and help sustainability-conscious investors to choose suitable projects and companies.

Indeed Finance has a big role to play in funding a sustainable future and moving towards a low-carbon society, where renewable energy and smart technologies improve our quality of life, spurring job creation and growth, without damaging our planet.

The European Union has taken the lead in efforts to build a financial system that supports sustainable growth. In 2015, landmark international agreements were established with the adoption of the UN 2030 Agenda and Sustainable Development Goals and the Paris Climate Agreement. The EU has set itself ambitious climate, environmental and sustainability targets, through its 2030 Energy and Climate framework, the Energy Union and its Circular Economy Action Plan.

These commitments, and the growing awareness of the urgency to address environmental challenges and sustainability risks, call for an effective EU strategy on sustainable finance.

Work in this area will intensify in the years to come requiring under the new MFF the support provided so far by the current prerogative budget line.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Prerogative line Internal market for financial services	√ To provide evidence based policy making for a deeper and more integrated Capital Markets Union so as to ensure long-term effects on jobs and growth and contribute to a stronger Union.	√ In the context of the completion of the Banking Union, monitoring the implementation in the Member States will be crucial for its functioning.	√ Delivering an EU strategy on sustainable finance is a priority action of the CMU Action Plan, as well as one of the key steps towards implementing the historic Paris agreement and the EU's agenda for sustainable development.	N/A
√ -relevant to the objective, N/A not relevant				

Candidate for

Candidate for / **Programme/line**	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Prerogative line Internal market for financial services	N/A - The previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation. There could be potential synergies for studies, databases, communication activities, Eurobarometer surveys, where, given the small budget currently available for the different policy areas currently covered by FISMA prerogative line could benefit from activities funded under other policy fields of the future Internal Market Programme.			
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

Objectives will remain unchanged.

This 'programme' aims to ensure that DG FISMA can meet the goals set out in its mission statement, namely monitoring the effectiveness of reforms and ensuring that EU legislation is fully implemented as well as to respond to emerging financial risks.

It specifically aims to facilitate a better assessment of policy options that are being considered for inclusion in legislative proposals as well as measures taken in the past, especially as concerns their effectiveness and efficiency.

It also pursues the objective to meet the EC's commitment as regards Better Regulation and evidence-based policymaking.

Finally, it intends to facilitate a more efficient information exchange and dialogue with stakeholders.

DG FISMA should receive sufficient budgetary support to pursue its work and objectives related to the Implementation and development of the single market for financial services" and therefore to cover for expenditure arising in connection with measures contributing to the completion of the internal market and its operation and development in the area of financial services, financial stability and the capital markets union, among others.

Its work towards the Capital Markets Union, the Banking Union and the work on sustainable finance contributing to the fight against climate change will remain the core tasks for the forthcoming MFF, in addition to the monitoring of existing acquis, assessing the effectiveness of the measures taken with a view to the sound operation of the internal market for financial services and the evaluation of the overall impact of the internal market on businesses and the economy, identifying areas where legislation can be improved, as well as remaining vigilant to potential new financial risks and tackle them as appropriate.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Prerogative line Internal market for financial services	Pursue actions related to Capital Markets Union so as to ensure long-term effects on jobs and growth and contribute to a stronger Union.	In the context of the completion of the Banking Union, monitoring the implementation in the Member States will be crucial for its functioning.	Delivering an EU strategy on sustainable finance is a priority action of the CMU Action Plan, as well as one of the key steps towards implementing the historic Paris agreement and the EU's agenda for sustainable development. Work in this area will intensify in the years to come requiring additional support under the new MFF.	

		New challenges arising with the emergence of ICOs and cryptocurrencies, currently unregulated may put the financial stability at risk.		

Candidate for

Potential for / Programme/line	Simplification of your programme, and/or synergies and/or flexibility
Prerogative line Internal market for financial services	N/A - The previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation. There could be potential synergies for studies, databases, communication activities, Eurobarometer surveys, where, given the small budget currently available for the different policy areas currently covered by FISMA prerogative line could benefit from activities funded under other policy fields of the future Internal Market Programme.

3. PROGRAMME STRUCTURE AND PRIORITIES

Commission activities carried out through the procurement of studies, purchase of access to databases, conformity assessments, communication activities, development and maintenance of information systems.

In particular, the 'programme' aims to facilitate the following:

- Producing analysis, evaluations and impact studies on the effectiveness of the measures taken with a view to the sound operation of the internal market for financial services and the evaluation of the overall impact of the measures on businesses and the economy,

- Assessing policy options that are being considered for inclusion in legislative proposals, especially as concerns their effectiveness and efficiency,

- Broadening the strategy regarding the development of statistics on financial service sectors and statistical development projects in cooperation with Eurostat and the OECD,

- Supporting activities that enhance supervisory convergence and cooperation,

- Improving payment systems and retail financial services in the internal market,

- Increasing the proximity to citizens and businesses with a targeted communication and including the development and strengthening of dialogue with these stakeholders.

EU action in this area is required given the increasing interconnectedness, cross-border activities and complexity of financial institutions and markets. In order to assess risks to financial stability and monitor the functioning of the internal market, a holistic, European view is necessary.

Member States are unable and/or unwilling to fully analyse issues arising from cross-border activities and interconnectedness between national markets. While it is important to engage with national regulators and supervisors and gather information on national markets from them, it is much more efficient as well as effective to piece this information together at the European level.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Commission activities carried out through the procurement of studies, purchase of access to databases, conformity assessments, communication activities, development and maintenance of IT systems. There are no alternative ways to continue obtaining the necessary data and information and to conduct the actions supporting DG FISMA's mission.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Commission activities carried out through the procurement of studies, purchase of access to databases, conformity assessments, development and maintenance of IT systems and communication activities.

Performance can be assessed based on the percentage of delivery of the initiatives foreseen in the Management Plan

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
A new boost for jobs, growth and investment	Employment rate population aged 20-64			EUROSTAT	Yearly	69.2% (2014)	At least 75%
A deeper and fairer internal market with a strengthened industrial base	FINTEC – composite indicator of financial integration in Europe			ECB	Yearly	O.5/0.3	Increase
A deeper and fairer economic and monetary union	CISS – Composite indicator of systemic stress			ECB	Yearly	0.25 in normal times 0.8 in a crisis mode	stable

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

Not applicable as the previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation.

Sub-Annex 2: Stakeholder consultation

Not applicable as the previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation

Sub-Annex 3: Evaluation results

Not applicable as the previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation.

Sub-Annex 4: [any other initiative specific annex…..]

Not applicable as the previous source of funding is a prerogative line under Article 54(2) of the Financial Regulation.

Annex 8: Programme specific annex on *Standards in the field of reporting and auditing*

1. Introduction: Political and legal context

1.1. Scope and context

The programme provides EU funding to three European and international organisations in the field of financial reporting:

- the European Financial Reporting Advisory Group (EFRAG);

- the International Financial Reporting Standards Foundation (IFRSF);

- the Public Interest Oversight Board (PIOB).

This programme underpins the EU legal framework on financial reporting (accounting and auditing), an essential element of the legislation regulating EU capital markets. This remains fully relevant in the context of the EU's efforts to establish a Capital Markets Union, which is one of the main objectives of President Juncker, as stated again in his 2017 State of the Union. The programme was established to overcome long-standing concerns about the non-diversified, voluntary and precarious funding that the three beneficiaries previously relied upon, which undermined the continuity and independence of these organisations.

The programme has a financial envelope EUR 57 007 000 for the period 2014-2020, broken down as follows:

- EFRAG: EUR 23 134 000[287];

- IFRS Foundation: EUR 31 632 000;

- PIOB: EUR 2 241 000.

Funding is provided to the three beneficiaries by means of an operating grant.

EU added value of this programme in the next Multiannual Financial Framework (MFF)

In a global economy, there is a need for a global accounting language. International Financial Reporting Standards (IFRS) developed by the International Accounting Standard Board (IASB) are adopted and used in many jurisdictions around the world. Such international accounting standards need to be developed under a transparent and

[287] The 2014 Regulation (No 258/2014) allocated a financial envelope of EUR 43 176 000 to the programme for the period 2014-2020 and EUR 9 303 000 to EFRAG for the period 2014-2016. The programme was amended in 2017 (Regulation No 2017/827) to extend EFRAG's funding for the full duration of the programme, increasing the financial envelope for the programme to EUR 57 007 000 for the period 2014-2020 and the EFRAG's allocation to EUR 23 134 000 for the same period.

democratically accountable process. In 2002 the EU decided to adopt international accounting standards in order to enhance the global competitiveness of its companies, and to not develop "regional" EU standards, but the EU kept the discretion whether or not to endorse a particular international standard. In order to ensure that global standards are of high quality and compatible with Union law, it is essential that the interests of the Union are adequately taken into account in that international standard-setting process; this why the European Financial Reporting Advisory Group (EFRAG) ensures that the EU is speaking with one voice and the interests of Union are adequately taken into consideration in that process. Regarding auditing, it is important to make sure that the International Federation of Accountants (IFAC) standard setting activities are properly responsive to the public interest. The Public Interest Oversight Board (PIOB) is responsible for monitoring the due process of the standard setting process.

The objectives and rationale for the programme identified in the 2012 ex-ante evaluation[288] remain relevant.

The objective to improve the conditions for the efficient functioning of the internal market by supporting the transparent and independent development of international financial reporting and auditing standards must be pursued in the future to preserve the EU's international influence.

In particular, it remains the case that no significant further progress towards establishing national funding mechanisms in EU Member States can be expected and any new funding mechanisms that may be established would not compensate for the withdrawal of EU funding (most large MS have already establised a funding mechanism). Moreover, the renationalisation of funding of bodies related to standards-setting in financial reporting would run counter to the thrust of the Capital Markets Union project. It could also undermine the EU's efforts to speak with a more unified voice in international economic and financial fora.

1.2. Lessons learned from previous programmes

The programme was subject to an ex-ante evaluation published in 2012, which also analysed the (limited) experience gathered from the predecessor programme. The programme's main strategic objective is to ensure stable, diversified, sound and adequate funding for the three beneficiaries. A secondary strategic objective, particularly relevant for the IFRSF, is to preserve the EU's international influence in the field of financial reporting. The discontinuation of EU funding was rejected on the grounds that it would not allow the programme objectives to be achieved. Alternative delivery mechanisms, in particular establishing national funding mechanisms in EU Member States, were explored for EFRAG and the IFRSF but were not considered realistic.

288 SWD(2012)444 final of 19.12.2012.

In addition, the beneficiaries report on a yearly basis and the Commission engages in numerous interactions with the beneficiaries throughout the year, notably by participating in their governance structures as a member or observer. On this basis, the Commission also submits an annual report to the European Council and European Parliament. These reports have all shown that the programme objectives are being achieved.

There have been no audits by the Court of Auditors.

As far as the funding of EFRAG is concerned, the EU put in place the first financing programme of this body in 2010 to make it independent from the private sector and national standard setters. The programme covered the period 2010-2013. The Commission proposed to prolong its financing for the period 2014-2020. However, in the context of discussions on the financing regulation the European Parliament and the Council decided to shorten the proposed financing period of EFRAG from seven to three years (2014-2016) in order to ensure that EFRAG delivers on the implementation of its governance reform, which they fully supported**.**

In 2014, the evaluation carried concluded that the governance reform of EFRAG was successfully implemented. It involved a fundamental revision of the EFRAG Statutes and the EFRAG Internal rules to incorporate a new governance structure. As a result, the decision was taken to amend the Financing Regulation by prolonging the financing of EFRAG for the period 2017-2020[289]. As regards the Commission proposal to amend the Financing Regulation by prolonging the financing of EFRAG for the period 2017-2020, it referred to an ex-ante evaluation, which accompanied the Commission proposal of the Financing Regulation for the period 2014-2020 given that the financing period 2017-2020 was already covered and the proposed amounts of financing remain unchanged.

In the context of the public consultation on the operations of the European Supervisory Authorities in 2017, the Commission sought feedback about possible synergies between the roles of ESMA and EFRAG in the endorsement process for international accounting standards. Such synergies, which could go as far as integrating EFRAG's role within ESMA, could realise economies of scope. However, stakeholders' feedback was overwhelmingly opposed to grant a stronger role to ESMA in this area (only few market or prudential *supervisors* favoured significant changes in the role and/or governance of EFRAG). The Commission is therefore not pursuing this option further at this stage.

As regards the PIOB, there is a diversification of funding sources, with a substantial contribution from IFAC but below a two-thirds threshold, as stipulated in the Regulation. The PIOB is responsible for monitoring the due process of the international standard setting process in the areas of audit and assurance, education, and ethics.

[289] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014DC0396

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

As indicated in section 1, no significant further progress towards establishing national funding mechanisms in EU Member States can be expected for the next MMF and any new funding mechanisms that may be established would not compensate for the withdrawal of EU funding. Moreover, the renationalisation of funding of bodies related to standards-setting in financial reporting would run counter to the thrust of the Capital Markets Union project. It could also undermine the EU's efforts to speak with a more unified voice in international economic and financial fora.

In terms of implementation modalities, given the limited scale and targeted nature of the programme, there does not appear to be scope to simplify programme design or implementation modalities. There does not appear to be any possibility to merge programmes that would achieve significant reductions in administrative costs (which are minimal).

Any scenario implying a reduction of the programme's financial envelope would require across-the-board cuts in the funding at least of the two main beneficiaries (IFRSF and EFRAG) because they are the most important beneficiaries of the funding. This would inevitably require a significant scaling-back of EFRAG and IFRSF's activities and could potentially undermine the IFRSF's ability to function as an effective global standards-setter.

As regards the PIOB, the role of the PIOB may be strengthened in the future by the outcome of the Monitoring Group Consultation Paper concerning "proposals for strengthening the governance and oversight of the international audit-related standard setting boards in the public interest", which was published on IOSCO's website on 9 November 2017.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Programme to support specific activities in the field of financial reporting and auditing	N/A	N/A	The EU legal framework on financial reporting is an essential component of the Capital Markets Union project. Continuity and independence of the 3 organisations supported, working towards standards settings in financial reporting and auditing and supporting EU's efforts to speak with a unified voice in international economic	N/A

			and financial for a is essential.	
√ -relevant to the objective, N/A not relevant				

Candidate for

Candidate for / Programme/line	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Programme to support specific activities in the field of financial reporting and auditing	N/A – Given the size of the programme and the implementation mechanism, further simplification would be extremely difficult to achieve. Also taking into account the specificity of the programme (operating grant to identified beneficiaries), flexibility and synergies appears impossible to reach.			
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

The strategic objectives and rationale for this programme will remain relevant in the future (until the end of the next MFF, i.e. 2027).

In the next Multiannual Financial Framework (MFF), the Commission's main objectives with this programme will remain to ensure that the EU despite not being the author of standards in the field of financial reporting , can still exercise an appropriate level of influence over the international standards setters, to ensure high quality international accounting standards, which are fit for EU companies; Therefore it needs to ensure a stable, diversified, sound and adequate funding for the three beneficiaries (EFRAG, IFRSF and the PIOB). A secondary strategic objective, particularly relevant for the IFRSF and the PIOB, must be continued to preserve the EU's international influence in the field of financial reporting. The discontinuation of EU funding is currently not an option. It would undermine the Commission's credibility and it would jeopardise the functioning of these beneficiaries. Alternative delivery mechanisms, in particular establishing national funding mechanisms in EU Member States, were explored for EFRAG, the IFRSF and the PIOB but were not considered realistic.

As part of future evaluation of this programme, under the next MMF, the beneficiaries should continue to report on a yearly basis and the Commission should remain engaged in numerous interactions with the beneficiaries throughout the period, notably by participating in their governance structures as a member or observer. On this basis, the Commission would be able to submit an annual report to assess whether the programme objectives are being achieved.

The Commission should report main achievements and activities in the previous years. That report should also examine developments in respect of the expanded public good criterion of Regulation No 2017/827 and provide a detailed overview of the developments in the field of International Financial Reporting Standards (IFRS).

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Programme to support specific activities in the field of financial reporting and auditing			The EU legal framework on financial reporting is an essential component of the Capital Markets Union project. Continuity and independence of the 3 organisations supported, working towards standards settings in financial reporting and auditing and supporting EU's efforts to speak with a unified voice in international economic and financial for a is essential.	

Candidate for

Potential for / Programme/line	Simplification of your programme, and/or synergies and/or flexibility
Programme to support specific activities in the field of financial reporting and auditing	N/A – Given the size of the programme and the implementation mechanism, further simplification would be extremely difficult to achieve. Also taking into account the specificity of the programme (operating grant to identified beneficiaries), flexibility and synergies appears impossible to reach.

3. PROGRAMME STRUCTURE AND PRIORITIES

It is appropriate to continue the financing of the IFRS Foundation, EFRAG and the PIOB for the period 2021 to 2027 in order to meet the long-term objectives of the Union programme to support specific activities in the field of financial reporting and auditing.

Priorities

The priorities with the financing of these three bodies will remain the same, namely:

- Ensuring high-quality accounting standards and high standards of transparency, accountability and integrity;

- Playing a central role in ensuring that investors are equipped with important information relating to the balance sheet, the profit and loss statement and cash flow, financial statements support effective corporate governance;

- Ensuring the interests of the Union are adequately taken into account in that international standard-setting process;

- Ensuring that the process through which IFRS are developed and approved delivers standards that are consistent with the requirements of the legal framework of the internal market;

- Assessing the actions taken within EFRAG in order to ensure high standards of democratic accountability, transparency, and integrity which, inter alia, concern public access to documents, open dialogue with European institutions and various stakeholders, the establishment of mandatory transparency registers and rules on transparency of stakeholders' meetings as well as internal rules, in particular prevention of conflict of interests;

- And finally assessing how the work of PIOB contributes to the enhancement of audit quality, including the integrity of the auditing profession.

Critical mass

Our estimations for the future financing should be based on the figures of the current Programme, the beneficiaries' budget projections, the expected inflation rate and should take into account the current context of budget austerity. From a policy point of view in order to produce the intended impact, we think that the current level of funding should be maintained.

There is a critical mass of Union co-financing under which :

- the financing structure will not be stable enough (is based on voluntary contributions). It currently comes from stakeholders that have a direct interest in the work of the beneficiary (this is the case of the IFRS Foundation and the PIOB and it partly applies to EFRAG);
- The financing received from the other sources would not be sufficient to cover its public interest mission (this is typically the case of EFRAG).

In addition, in the case of the IFRS Foundation, Europe can maintain its seat in the Monitoring Board (the body overseeing the IFRS Foundation) if it contributes to the funding of the Foundation.

The overall objective of co-financing the accounting bodies proposed is to support the adoption of IFRS and its acceptance as a global single accounting language and to preserve the EU’s weight and voice in influencing the setting of IFRS at the same time. Therefore it would be rational to co-finance the international body (the IFRS Foundation) and the European technical body (EFRAG) at the same time in a coordinated manner.

The EU co-financing is also expected to contribute to enhancing the independence of the beneficiaries in the field of accounting by allowing them to move from voluntary and/or private funding sources to stable, predictable, public financing. The EU grant also contributes to boosting the beneficiaries’ reputation and thus helping them in attracting financing from other sources and in the recruitment of highly qualified independent experts.

In the case of EFRAG, it is also expected that fair burden sharing among Member States is enhanced. Also, the EU co-financing should equip EFRAG with sufficient financial resources to carry out its European public interest mission.

In the case of the PIOB, the aim is strengthen the independence of the organisation: an oversight body must not be financially dependent on the stakeholders it oversees. Public oversight may be inefficient or at least not credible otherwise.

See also section 2.1.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Since the EU seeks to support the development of accounting and audit standards by the beneficiaries in the public interest rather than supporting specific projects or activities implemented by these beneficiaries, the selected delivery mechanism was an operating grant. Alternative delivery mechanisms were explored and rejected in the context of the 2012 ex ante evaluation. These considerations remain valid for the financing of the IFRS Foundation, EFRAG and the PIOB for the period 2021 to 2027.

The duration of a new programme could be aligned with that of the MFF and as said above the current level of funding should be maintained .

However, if a trade-off *between the suitability of the funding mechanism and the level of funding which may be actually available due to budgetary constraints,* one can consider a fall compared to the current programme, mainly as a result of potential reductions of the EU's funding contribution to the IFRSF.

These could arise for three reasons: anticipated increases in the IFRSF's self-generated income, increased contributions from other jurisdictions and cost-savings within the IFRSF, for example due to the reduction in number of members of the IASB (the IFRSF has already agreed to reduce the IASB's size from 16 to 14 members). Overall, this could be consistent with ca. 15% reduction[290] in the programme's financial envelope, assuming that EU Member States do not reduce their national contributions to the IFRSF.

This would still leave the Commission as the single most important contributor to the IFRSF's budget and the EU as a whole (including funding from EU Member States) as the region that makes the largest financial contribution to the organisation. However, if EU Member States reduce their own contributions proportionately to the EU's, the IFRSF would likely have to scale-back its activities.

[290] i.e. a maximum of approx. EUR 1 300 000 per annum taking the commitment appropriations for 2020 as a reference.

With regard to EFRAG, its role may be affected and strenghtened by the outcome of the Action Plan on financing sustainable growth which will be published around 7 March 2018 and the Fitness on the EU framework for public reporting by companies that we plan to publish around 21 March 2018.

If the budgetary constraints implies a reduction of up to 30% of the programme's financial envelope of approx. EUR 2 600 000 per annum taking the commitment appropriations for 2020 as a reference, such a reduction would require across-the-board cuts in the funding at least of the two main beneficiaries (IFRSF and EFRAG). This would inevitably require a significant scaling-back of EFRAG's activities, even if the reduction falls more heavily on the IFRSF, as it is unlikely that EFRAG could raise sufficient funding from private sources or national funding mechanisms to make-up the shortfall. Moreover, if EU Member States reduce their own contributions to the IFRSF in proportion to the EU's, the IFRSF would have to significantly scale-back its activities. **This could potentially undermine its ability to function as an effective global standards-setter.**

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

The beneficiaries should continue to report on a yearly basis and the Commission should remain engaged in numerous interactions with the beneficiaries throughout the year, notably by participating in their governance structures as a member or observer.

On this basis, the Commission can submits annual reports to the European Council and European Parliament. These reports have to show that the programme objectives are being achieved (see priorities of the funding in section 3).

No targets can be imposed to the beneficiaries like the number of endorsement advice provided by EFRAG to the Commission on financial reporting matters and outreach activities. The EU co-financing is expected to contribute to enhancing the independence of the beneficiaries in the field of accounting and auditing and to preserve the EU’s weight and voice. Imposing targets against which success will be measured would be counterproductive because one may influence the governance of the beneficiaries..

Arrangements for monitoring and evaluate the programme

The Commission's concern is to make sure that the Community money is spent to the purposes it was targeted at and in a cost-effective way.

The Commission should therefore continue to monitor closely the fulfilment of the respective work programme of the beneficiaries and clarify funding issues by participating in their monitoring bodies (e.g. Commission should remain member or observer of the IFRF Monitoring Board, of the Supervisory Board of EFRAG, of the Monitoring Group of the PIOB). The Commission should in particular evaluate their governance in terms of transparency, the prevention of conflicts of interest and the diversity of experts, and the steps that have been taken to ensure broad representation of interests and public accountability.

In addition, the Commission should:

- Analyse the annual reports produced by the three beneficiaries
- Evaluate their financial statements and audit reports
- Discuss matters with other possible fund providers
- Arrange visits to the three beneficiaries' premises when deemed necessary to verify the financial systems and controls.

For EFRAG in particular, the evaluation should also include the assessment of the quality and efficiency of EFRAG's technical work based on its work programme and the documents issued and whether the expanded public good criterion has been respected during the endorsement process undertaken during the previous year.

- *Efficiency* would be measured by scrutinizing whether EFRAG delivered the documents (e.g., comment letters, input to the IASB's discussion papers) envisaged in its work-programme.

- *Quality* could be measured by delivering the documents on time and possibly by examining the percentage of EFRAG's comments taken into consideration by the IASB.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
To improve the conditions for the efficient functioning of the internal market by supporting the transparent and independent development of international financial reporting and auditing standards	Number of countries using the IFRS Percentage of standards endorsed in the EU compared to the number of standards issued by the IASB			IFRS FISMA	Yearly yearly	135 (2017) 97%	Maintain positive trend 100%

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

The programme was subject to an ex-ante evaluation published in 2012, which also analysed the (limited) experience gathered from the predecessor programme.

In addition, the beneficiaries report on a yearly basis and the Commission engages in numerous interactions with the beneficiaries throughout the year, notably by participating in their governance structures as a member or observer. On this basis, the Commission also submits an annual report to the European Council and European Parliament. These reports have all shown that the programme objectives are being achieved.

In 2014, an evaluation of the funding of EFRAG was carried out and concluded that the governance reform of EFRAG was successfully implemented. It involved a fundamental revision of the EFRAG Statutes and the EFRAG Internal rules to incorporate a new governance structure. As a result, the decision was taken to amend the Financing Regulation by prolonging the financing of EFRAG for the period 2017-2020[291]. As regards the Commission proposal to amend the Financing Regulation by prolonging the financing of EFRAG for the period 2017-2020, it referred to an ex-ante evaluation, which accompanied the Commission proposal of the Financing Regulation for the period 2014-2020 given that the financing period 2017-2020 was already covered and the proposed amounts of financing remain unchanged.

Sub-Annex 2: Stakeholder consultation

In the context of the public consultation on the operations of the European Supervisory Authorities in 2017, the Commission sought feedback about possible synergies between the roles of ESMA and EFRAG in the endorsement process for international accounting standards. Such synergies, which could go as far as integrating EFRAG's role within ESMA, could realise economies of scope. However, stakeholders' feedback was overwhelmingly opposed to grant a stronger role to ESMA in this area (only few market or prudential *supervisors* favoured significant changes in the role and/or governance of

291 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014DC0396

EFRAG). The Commission therefore decided not to pursue this option further in its proposal on the ESAs’ Review.

Sub-Annex 3: Evaluation results

See sub-annex 1

Annex 9: Programme specific annex on *Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)*

1. Introduction: Political and legal context

1.1. Scope and context

In March 2009, the Commission adopted a comprehensive strategy to mitigate the fallouts of the global financial crisis. The annex to this strategy contained a proposal to provide direct funding to European retail investor stakeholders to strengthen their voice in EU policy-making. In June 2010, 22 Members of the European Parliament issued a cross-party appeal urging civil society to develop financial services expertise and offer an alternative voice to industry advocacy.

By the end of 2011, a pilot project in capacity building came into being. It provided financial support for the development of financial expertise in organisations representing European end-users and other non-industry stakeholders. Through this pilot project and the subsequent preparatory action, the Commission awarded, via an open call for proposals, operating grants to two non-profit entities (and only applicants), Finance Watch and Better Finance between 2012 and April 2017 included (on average, **€1.45 million** per year). All EU financing received did not exceed 60% of their annual budget.

In parallel, the Commission was adopting a package of legislative reform measures for the financial industry (>40 acts between 2009-2014) introducing new levels of governance in EU financial supervision, new regulatory/supervisory requirements for different financial services and new transparency/consumer protection obligations. Comprehensively, the regulatory framework became even more specialised and sophisticated. Hence the need for new civil society stakeholders to develop financial services policy expertise and understand the implications of new rules for consumers and investors in order to define appropriate advocacy strategies.

Based on an evaluation carried out in 2015, the Commission proposed on 15 June 2016 a Regulation to provide for multi-annual financing in the form of **action grants** to non-industry stakeholders specialised in financial services. The Regulation, as adopted by co-legislators, establishes a capacity-building programme with a budget of **€6 million** covering 1 May 2017 till 31 December 2020. The programme is currently being implemented, with the second tranche of payments to be approved by Q1 2018. Finance Watch and Better Finance were designated as sole beneficiaries of the Programme. Therefore, continue to co-finance these organisations is therefore necessary in the context of the new Programme.

1.2. Lessons learned from previous programmes

In 2015, the Commission conducted an evaluation of the pilot programme with a view to a potential follow-up, in the form of multi-annual funding with an appropriate legal basis.

The evaluation was published in the Commission Staff Working Document of 22 December 2015.

The evaluation presented the following main findings:

- Since first receiving EU financial support, Finance Watch and Better Finance have grown into expert non-industry organisations, the one complementing the other in terms of scope of activities/membership reach.
- Finance Watch and Better Finance worked on different policy areas and targeted different audiences. With the exception of retail finance, they collectively managed to cover most of the EU financial political agenda since 2012.
- Both organisations managed to provide policy makers with other views (e.g. through parliamentary hearings at EU and national level) than those expressed by the financial sector, helping to balance other advocacy interests during EU law-making.
- Finance Watch was assessed as more present on the Brussels policy-making scene whereas Better Finance was found more effective in the second- and third-level legislative activities of the ESAs.
- Both were found to possess substantial expertise and proper communication capacity through websites, press releases and conferences for the benefit of their members and the wider public alike.
- One area for further growth was the ability of the two organisations to build the capacity of their own members to influence EU policy making.
- Both remained heavily dependent on EU funding in 2015.
- The evaluation found evidence of their added value in relation to national members and also to European consumers in a way that national consumer advocacy groups have not been able to deliver.

The evaluation work was conducted by a contractor between January and June 2015. It included desktop research and a targeted consultation (on-line survey and interviews) leading to the conclusions described immediately above.

Desktop research involved:

- extensive organisational descriptions
- a full list of deliverables by each beneficiary including all publications (responses to consultation, policy papers, research reports),
- a full list of conferences organised since 2012 (topics, number of participants), press releases, key documents and other communication activities.
- an evaluation grid converting the high-level questions set out in the terms of reference into measurable parameters by establishing a judgement criterion (norm), and indicator for meeting the norm, and defining the ways of measuring the indicators (e.g. through desktop research, online survey or interviews).
- survey and interview questionnaires based on the evaluation grid.
- interviews with various stakeholders

Surveys

The contractor conducted two internet-based surveys, one per beneficiary based on the detailed questionnaire derived from the evaluation grid. They were open to responses between the 12th of March and the 10th of April 2015. The surveys organised for this evaluation aimed to generate data on beneficiaries' performance across a broad range of stakeholders (member organisations, associate members, individual experts, Commission officials, MEPs and supervisors from the three European Supervisory Authorities (ESAs)). The Finance Watch survey response rate was 47% out of 109 stakeholders. The Better Finance survey response rate was 39% out of 95 stakeholders. All stakeholders had a history of engagement with either beneficiary dating back at least three years.

Interviews

The Commission provided a list of stakeholders to the contractor who held structured interviews with 24 stakeholders including mainly policy-makers (MEPs, Commission officials, officials from the ESAs), officials from National authorities and other relevant financial experts. The Commission conducted the interviews with their fellow colleagues at DG FISMA and other DGs.

Real life example of success story of synergies, with other IMP programmes:

Financial services support many policies and activities that are aimed at stimulating growth and societal well-being. In this sense, the activities of Finance Watch and Better Finance aimed at improving the readability of EU financial regulation to EU citizens and sharpening the focus of EU policy making on smaller stakeholders have far-reaching effects.

Some brief examples of synergies with other IMP programmes are the following:

The European Commission is financially supporting EFRAG, the European Financial Reporting Advisory Group through a budget line (120203) included in the IMP. One of the ways Better Finance seeks to scale up its advocacy at EU level is to participate in expert groups. In October 2017, Better Finance managed to join EFRAG as a non-contributing member.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

How the Programme currently works

The Capacity-Building Programme involves the preparation and submission by beneficiaries of annual work programmes. As of 2018 (the first full year of implementation of the programme) these work programmes are approved and first instalments of the annual grant are paid during the first quarter. Each beneficiary has its own comparative advantage so the programme is implemented in different ways, though some commonality exists (e.g. type of outreach activities). Broadly speaking, both beneficiaries use the EU grant to organise awareness raising events, to conduct research and publish expert studies, to develop and implement advocacy campaigns, to carry out member coordination and secure new memberships. Finance Watch, as distinct from Better Finance, also has a dedicated work stream focussing on own strategic development, underpinned by a strategic plan. Better Finance is best known for its annual report on the performance of long-term pension products and focusses on retail investment products. Finance Watch is actively engaged in most policy areas covered by DG FISMA while developing also a niche of expertise in sustainable finance. Policy and expert advice are of high standards in both organisations.

In general terms, since 2012, Finance Watch has received approximately 80% of available funds every year and Better Finance the remaining 20%. Up to the end of the preparatory action, operational appropriations were on average in the order of €1.45 million per year. (See table)

Operating grants

YEAR	INSTRUMENT	AMOUNT	BENEFICIARIES
2012	Pilot project	€1.25 million	Finance Watch, Better Finance
2013	Pilot project	€1 million	Finance Watch, Better Finance
2014	Preparatory action	€1.75 million	Finance Watch, Better Finance
2015	Preparatory action	€1.75 million	Finance Watch, Better Finance
2016-April 2017	Preparatory action	€1.5 million	Finance Watch, Better Finance
TOTAL	**€7.25 million**		

Action grants

YEAR	INSTRUMENT	AMOUNT	BENEFICIARIES
May –December 2017	Programme	€1.1 million	Finance Watch, Better Finance
2018 (projected)	Programme	€1.5 million	Finance Watch, Better Finance
2019 (projected)	Programme	€1.5 million	Finance Watch, Better Finance
2020 (projected)	Programme	€1.5 million	Finance Watch, Better Finance
TOTAL	**€7.25 million**		

Challenges for the next MFF

The next MFF will need to support Commission efforts to continuously improve the delivery of the Single Market for citizens and businesses. It is still costly and time-consuming for EU citizens and businesses to rights under the Single Market as not all the required information, procedures and assistance services needed to operate cross-border are online, they are not well known, of insufficient quality or not accessible to cross-border EU users. This is particularly true of financial services which also present an additional challenge – **a very detailed and voluminous regulatory and supervisory framework** (>50 pieces of primary legislation; >200 pieces of secondary legislation). The global financial crisis which started to impact the European financial system at the end of 2007 shed light on gaps in the relevant EU legislative framework. This was revised principally between 2009-2014 focussing on improving resilience to future crises, strengthening EU financial stability and reinforcing the consumer protection dimension.

The impact of this legislation on all EU citizens can be considerable, particularly if the risk of financial instability is not properly reduced. Yet, the expertise on financial sector legislation is highly concentrated among experts working for regulatory and supervisory authorities and those working for the financial services industry. Civil society representatives (including parliamentarians and NGO experts) are often not well equipped to assess the quality of financial services legislation and policies. It is therefore in the public interest to build up an industry-independent capacity to assess financial services legislation and policies which will create more awareness of the issues and help raise the quality of the democratic debate on EU financial services policy. The Capacity-building programme is addressing this problem.

The Commission consults widely on its policy-making. As part of its continued efforts to improve the end-user impact of its policies and also to reduce the risk of regulatory take-over (strong industry influence), the Commission needs influential end-user representatives to participate in advocacy activities. The Capacity-building programme builds on positive experience with the pilot project and preparatory action before it. The two beneficiaries provided quality input to public consultations supporting subsequent decision-making. Their advocacy throughout the whole policy cycle and involvement in different Commission and European Supervisory Authority expert groups has supported the Commission's roles as policy initiator and enforcer, especially work on regulatory technical standards and implementation of directives.

Looking towards the future and challenges that still lie ahead, EU financial support has been crucial to help establish Finance Watch and Better Finance as credible advocates of consumers and other non-industry stakeholders. While they have improved their expertise over time, their financial situation still relies on continued EU support. It would also be helpful for other potential beneficiaries to emerge, in order to widen the circle of non-financial stakeholders participating in EU policy-making.

Assuming positive outcomes of the 2019 evaluation foreseen for the current programme, capacity-building of non-industry stakeholders in financial services could continue after 2020. Current levels of funding cater adequately for the growth of the beneficiaries and allow them to deliver results expected of them under the programme. Lower funding would endanger the financial viability of the two current beneficiaries, the breadth of their research and outreach activities and the effectiveness of their campaigns. The Commission would in turn lose capable non-financial stakeholders and miss out on insights into very concrete impacts of policy and legislative measures in the area of financial services. At the level of the EU single market, a cumulative loss of consumer confidence due to rules that are not understood, or worse, investment decisions that turn out to be based on misplaced trust, could create shocks in the EU financial system and threaten financial stability. At the level of EU citizens, personal financial decisions turned awry could put at risk savings and livelihoods.

This being a small programme with a moderate budget, the current set-up works fine. DG FISMA is in charge of both the policy content that keeps beneficiaries active and the financial management of the EU grant. Other DGs have capacity-building programmes, some of which will be included under the internal market framework programme.. Some administrative gains are to be expected for the European Commission. The approach is yet untested with current beneficiaries. Their current policy counterpart should not change allowing not just for continuity but also for beneficiary confidence in the new system to develop within a reasonable timeframe – provided that the programme continues with the same level of funding and the same two beneficiaries apply and are accepted for the next programme. At the present juncture, synergies with other programmes to be managed as part of the SMP are not immediately clear.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resource for the society and the internal market
Capacity-building programme enhancing the involvement of consumers and other financial services end-users in Union policy making in the area of financial services.	Citizens need better information about financial services in order to take the right personal financial decisions.	N/A	Increasingly since the financial crisis, the Commission is seeking to preserve a balanced and structured interaction with stakeholders to improve the calibration of its rules.	N/A
√ -relevant to the objective, N/A not relevant				

Candidate for / **Programme/line**	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Capacity-building programme enhancing the involvement of consumers and other financial services end-users in Union policy making in the area of financial services.	N/A – Given the size of the program and the implementation mechanism, further simplification would be extremely difficult to achieve. Also taking into account the specificity of the programme (action grants to identified beneficiaries), flexibility and synergies appear impossible to achieve.			
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

The general objective of the continued Capacity-building programme under the next MFF should be to support the Commission's need for non-industry expertise in financial services. It would be desirable for the IMP to contain a mechanism to support better performing programmes it finances through funds recouped from unspent appropriations elsewhere in the IMP.

The specific objectives Regulation EU 2017/826.

1. To further enhance the participation and involvement of consumers and other financial services end-users in Union and relevant multi-lateral policy-making in the area of financial services
   => Linked with the rule-making challenge: *Increasingly since the financial crisis, the Commission is seeking to preserve a balanced and structured interaction with stakeholders to improve the calibration of its rules.*

2. To contribute to the information of consumers and other financial services end-users about issues at stake in the financial sector
   => Linked with the empowerment challenge: *Citizens need better information about financial services in order to take the right personal financial decisions.*

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Capacity-building programme enhancing the involvement of consumers and other financial services end-users in Union policy making in the area of financial services.	Citizens need better information about financial services in order to take the right personal financial decisions.	N/A	Increasingly since the financial crisis, the Commission is seeking to preserve a balanced and structured interaction with stakeholders to improve the calibration of its rules.	N/A

Potential for / **Programme/line**	**Simplification of your programme, and/or synergies and/or flexibility**
Capacity-building programme enhancing the involvement of consumers and other financial services end-users in Union policy making in the area of financial services.	N/A – Given the size of the program and the implementation mechanism, further simplification would be extremely difficult to achieve. Also taking into account the specificity of the programme (action grants to identified beneficiaries), flexibility and synergies appear impossible to achieve.

3. PROGRAMME STRUCTURE AND PRIORITIES

The Capacity-building programme is small and targeted. Continuity in the next MFF is the minimum requirement for its sustainability.

Currently, there are two beneficiaries – two associations representing the interests at European level of consumers, small investors and other non-industry users of financial services. Their operating budgets are modest (calculated at €2.5 million cumulatively in the beginning of 2018) of which up to 60% is funded through the EU grant. The current annual level of funding (€1.5 million per annum) constitutes the critical mass of funding needed to make the programme work effectively.

Funding at EU level is required both to mitigate the risk of regulatory take-over and to support effective non-industry financial stakeholders with as broad a reach as possible. An effective way of balancing the Commission's stakeholder mix is to rely on civil society and end-user representatives who possess the capacity to operate on a European level.

Experience with the current beneficiaries illustrates how challenging it is for them to cover as many European citizens as possible. To the best of our knowledge, national consumer or other end-user groups focussing on financial services are at different levels of development. The overall picture is very fragmented across the EU, with some Member States having hardly any such organisations. One of the reasons why Finance Watch and Better Finance do not have a pan-EU network of members is precisely that they struggle to find the right or adequately resourced counterparts in all Member States.

From a policy perspective, the cross-border dimension of the end-user impacts of EU financial services policy is central to efforts to broaden stakeholder policy inputs. For example, insights provided by Finance Watch and Better Finance respectively in relation to sustainable finance and pension products have been helpful in ongoing work to develop a Capital Markets Union (CMU). Part of the potential of the CMU lies precisely in offering EU citizens the prospect of shopping across borders for the best non-bank investment products.

It is reasonable to consider that if the Programme were to be terminated, the two beneficiaries would not find alternative financial support immediately. Their future could be in jeopardy. At the present juncture, there is no independent alternative available. The lack of EU funding could inhibit new entrants should the Programme be terminated.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Possible issues to consider in terms of simplification:

- The Commission should guide the two beneficiaries and promote coherence and complementarity of their annual activities. There is not much overlap currently. However, this is an area worth monitoring on an annual basis to ensure full added value of EU spending.

- The Annual work programme template could be revised to elicit from beneficiaries more precise reporting data or qualitative information that could be used for standard Commission budget reporting documents. For example, one of the beneficiaries, Finance Watch, has over time developed a niche for itself in sustainable finance. Commission budget reporting requires DG to quantify the support of any of their financial programmes to UN climate change targets. Currently, there is no standard system to collect this information from Finance

Watch. Better Finance is also starting to look at sustainable finance from a retail investment perspective. Possibly, this is an area of growth.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Before 1 December every year, beneficiaries submit their application for a grant for the year n+1. The application is based on a detailed template which among others requires information about planned outreach activities. In this context, beneficiaries usually provide statistics as a baseline to determine their progress in achieving desired communication outcomes by the end of n+1.

Since it is difficult to accurately and objectively measure increase in influence, two proxies have been chosen:

1. Number of position papers/responses to public consultations – this is the core business activity for both beneficiaries and is illustrative of how closely they follow the EU's policy agenda, both on a reactive and pro-active basis. Public consultations should continue throughout. For this reason, a corresponding decline in beneficiary advocacy is to be expected, giving them time to strengthen lesser-developed activities (e.g. new research projects as part of a pro-active agenda; creation of new websites to overcome technical difficulties with current ones, expansion of membership, etc.). For the purposes of the MFF impact assessment, we are recommending that beneficiaries maintain a positive trend, ideally no less than 30 position papers/responses to public consultations. The 2017 baseline was 56.

2. Updated list of Twitter followers – the beneficiary Twitter accounts are efficient communication tools with a strong multiplier effect. They usually contain links to the specific locations on the respective websites of the two beneficiaries. They also refer to third-party content (EU institutions, member associations, national authorities, etc.). The decision to follow content uploaded by Finance Watch and Better Finance on their respective Twitter feeds belongs to Twitter followers alone. Since it is the expression of a choice, it can count as an indicator of interest in the activities of the two beneficiaries. Data on Twitter followers is updated in real time and can be checked directly by visiting the Twitter pages of the two beneficiaries. At the end of 2017, Twitter followers cumulatively stood at 1740. By 2020, beneficiaries should aim to exceed 2500 followers together.

In line with the multi-annual nature of the Capacity-building programme, these two indicators should be monitored once a year, every January/February.

Systematic reporting of progress related with these outcome indicators can usefully feed into evaluation reports of the performance of the programme.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
To further enhance the participation	Number of position papers and	Proxy value to measure pro-activity of	Position paper or response to EU public	Beneficiaries' annual	Annual.	56 (2017)	Maintain positive

and involvement of consumers and other financial services end-users in Union and relevant multi-lateral policy-making in the area of financial services.	responses to public consultations for both beneficiaries.	beneficiaries to influence EU policy-making in the area of financial services.	consultation.	reports.			trend. (minimum threshold for 2020 = 30)[292]
To contribute to the information of consumers and other financial services end-users about issues at stake in the financial sector.	Number of Twitter followers.	Proxy value to capture the reach of the beneficiaries' information dissemination activities.	Twitter followers.	Beneficiary Twitter accounts for most up-to-date data.	Annual.	1740 (2017)	>2500

[292] Target set based on the expected decrease of legislative proposals submitted by the Commission in 2019 and 2020.

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

An evaluation was carried out in 2015. The adopted Regulation establishing a capacity-building programme with a budget of **€6 million** covering 1 May 2017 till 31 December 2020 is currently being implemented. Two beneficiaries were designated. The Programme is subject to a review based on an evaluation report foreseen by the end of 2019. A recital also establishes that any prolongation, modification or renewal of the Programme should be subject to an open call procedure to select future beneficiaries.

The evaluation conducted in 2015 of the pilot programme with a view to a potential follow-up, in the form of multi-annual funding with an appropriate legal basis was published in the Commission Staff Working Document of 22 December 2015.

The evaluation work was conducted by a contractor between January and June 2015. It included desktop research and a targeted consultation (on-line survey and interviews).

Desktop research involved:

- extensive organisational descriptions
- a full list of deliverables by each beneficiary including all publications (responses to consultation, policy papers, research reports),
- a full list of conferences organised since 2012 (topics, number of participants), press releases, key documents and other communication activities.
- an evaluation grid converting the high-level questions set out in the terms of reference into measurable parameters by establishing a judgement criterion (norm), and indicator for meeting the norm, and defining the ways of measuring the indicators (e.g. through desktop research, online survey or interviews).
- survey and interview questionnaires based on the evaluation grid.
- interviews with various stakeholders

Surveys

The contractor conducted two internet-based surveys, one per beneficiary based on the detailed questionnaire derived from the evaluation grid. They were open to responses between the 12th of March and the 10th of April 2015. The surveys organised for this evaluation aimed to generate data on beneficiaries' performance across a broad range of stakeholders (member organisations, associate members, individual experts, Commission officials, MEPs and supervisors from the three European Supervisory Authorities (ESAs)). The Finance Watch survey response rate was 47% out of 109 stakeholders. The Better Finance survey response rate was 39% out of 95 stakeholders. All stakeholders had a history of engagement with either beneficiary dating back at least three years.

Interviews

The Commission provided a list of stakeholders to the contractor who held structured interviews with 24 stakeholders including mainly policy-makers (MEPs, Commission officials, officials from the ESAs), officials from National authorities and other relevant financial experts. The Commission conducted the interviews with their fellow colleagues at DG FISMA and other DGs.

Sub-Annex 2: Stakeholder consultation

See sub-Annex 1

Sub-Annex 3: Evaluation results

In 2015, the Commission conducted an evaluation of the pilot programme with a view to a potential follow-up. This evaluation was published in the Commission Staff Working Document of 22 December 2015.

The evaluation presented the following main findings:

- Since first receiving EU financial support, Finance Watch and Better Finance have grown into expert non-industry organisations, the one complementing the other in terms of scope of activities/membership reach.
- Finance Watch and Better Finance worked on different policy areas and targeted different audiences. With the exception of retail finance, they collectively managed to cover most of the EU financial political agenda since 2012.
- Both organisations managed to provide policy makers with other views (e.g. through parliamentary hearings at EU and national level) than those expressed by the financial sector, helping to balance other advocacy interests during EU law-making.
- Finance Watch was assessed as more present on the Brussels policy-making scene whereas Better Finance was found more effective in the second- and third-level legislative activities of the ESAs.
- Both were found to possess substantial expertise and proper communication capacity through websites, press releases and conferences for the benefit of their members and the wider public alike.
- One area for further growth was the ability of the two organisations to build the capacity of their own members to influence EU policy making.
- Both remained heavily dependent on EU funding in 2015.

The evaluation found evidence of their added value in relation to national members and also to European consumers in a way that national consumer advocacy groups have not been able to deliver.

Annex 10: Programme specific annex on *Company law and anti-money laundering*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

Company law and corporate governance

One of the priorities of the current Commission has been to establish a deeper and fairer internal market, and a stronger Single Market is seen as a precondition for a stronger Union in the 6th scenario for the future set out in the State of the Union speech of 2017 as the most desired scenario. This should be a single market where the freedom of establishment is guaranteed, where companies can compete on their merits and innovate and where stakeholders, such as employees, shareholders and creditors of companies, can have confidence that their rights are protected. Freedom to conduct business is a right recognised by the Charter of Fundamental Rights of the European Union. Freedom of establishment, which includes in particular companies, is one of the four freedoms of the internal market.

Against this background, EU action in the area of company law and corporate governance aims at fostering a sound and predictable legal environment for business, while ensuring sufficient protection of all the interests that may be affected by different business operations. At the same time, promoting a more responsible and sustainable approach to business is crucial. Funding under the IMP related to company law would contribute to such EU action.

It would also be necessary to provide for the maintenance and further development of the Business Registers Interconnection System (BRIS, established on the basis of Directive 2012/17/EU), including for anti-money laundering related issues (beneficial ownership registers).

Anti-money laundering and counter terrorism financing

Fight against money laundering and terrorism financing has been one of the Commission top priorities. Crime has no boundaries. In the context of internal market, financial flows are integrated and money can flow swiftly from one Member State to another, allowing criminals and terrorists to move funds across countries avoiding detection by authorities.

An EU coordinated action in all Member States is the only way to make sure that cases of money laundering or terrorist financing are detected as early as possible, blocked and investigated.

As indicated above, an EU coordinated action in all Member States is key to ensure that cases of money laundering and/or terrorist financing are detected in early stages, blocked and investigated. Recurring financial money laundering scandals in which EU financial system seems to have been misused seems to indicate that there are flaws in the Member States' enforcement of EU AML/CFT legal framework.

Even if Member States are primarily responsible for delivering the Single market on the ground, the Commission as a guardian of the Treaties and the EU as a whole has an interest that this delivery is done in a coherent and coordinated way, and that citizens and businesses enjoy the same rights and the same opportunities throughout Europe. In addition, cross border activity requires good cooperation between national authorities, but the EU has a key role to play in ensuring that such cooperation is effective, efficient and corresponds to the needs of citizens and businesses.

1.2. Lessons learned from previous programmes

The budget line "Company law" for company law/corporate governance and anti-money-laundering/counter terrorism financing has not been subject to evaluation or consultation due to the fact that it was financed under the Commission's prerogatives under Article 54(2) of the Financial Regulation.

The yearly budget allocated under the on-going Multi-Annual Financial Framework amounted in principle to around 1 Mio EUR (due to increasing needs in particular in the anti-money-laundering area and constant needs in the area of company law, the amount was increased to 1,7 Mio EUR in 2018).

Experience in executing the budget shows that there could be potential synergies for instance for studies, where, given the small budget currently available for Company law and anti-money laundering policy, these policies could benefit from activities funded under other policy fields of the future Internal Market Programme to the extent that this allows covering the topics on which carrying out a study in these specific policy areas is required. Possible synergies could also be obtained as regards communication activities.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

<u>**Company law and corporate governance**</u>

In the area of company law and corporate governance, funding would mainly contribute to addressing challenges related to **rule-making, standard setting and enforcement at EU institutions level.**

Based on the current acquis as well as a number of legislative proposals which are about to be presented or already in legislative negotiations, the Commission has a number of reporting obligations in company law and corporate governance stemming directly from EU legislation. To comply with these obligations, it will be necessary to deliver a number of studies, and possibly to organise meetings, workshops and conferences that would need to be financed by the Commission. As guardian of the Treaties, the Commission also has the obligation to monitor the transposition of EU legislation. Also to this end, data collection is necessary.

New priorities that can currently be identified are emerging issues, such as the Sustainable Development Agenda which will also be promoted by a Reflection paper forward looking into the next Commission's mandate, increased attention to human rights issues in the context of companies' activities, continuous developments in the digital area. They will constantly create new challenges for adaptation of the regulatory framework and are prone to generate needs for studies preparing appropriate policy responses.

Related to the maintaining and developing the project of business registers interconnection, funding would also contribute to challenges related to **administrative**

cooperation and integration among Member States. The Commission is obliged under Directive 2012/17/EU to provide for the business registers interconnection (BRIS). Funding is currently ensured under the Connecting Europe Facility (CEF). To the extent that funding cannot be ensured under the successor programme to CEF, it would also be necessary to provide for the maintenance and further development of BRIS, including for anti-money laundering related issues (beneficial ownership registers connection).

In detail, the challenges to be addressed by funding related to company law and corporate governance are the following:

- The regulatory framework in the area of company law and corporate governance has not reached sufficient maturity to allow the full exploitation of the potential of the Single Market: company law directives and regulations provide a legal framework which has an impact on investments, with more uncertainty in company law making the EU less attractive for investors, resulting in untapped potential. Also, in the absence of a reliable legal framework in company law, companies have difficulties to access markets in other MS which can deter them, in particular SMEs, from doing cross-border business. This leads to unnecessary costs for companies and hinders or prevents them from using the opportunities offered by the Single Market. Relevant stakeholders (employees, creditors, minority shareholders and other third parties) are faced with uncertainty as to their rights and protection in cross-border situations. At the same time, emerging issues (such as the Sustainable Development Agenda, increased attention to human rights issues in the context of companies' activities, continuous developments in the digital area) constantly create new challenges for adaptation of the regulatory framework. Company-law dedicated funding is needed to address these regulatory failures and challenges on the basis of solid data collection, for instance on existing Member States laws, market practices, economic assessment of existing and future solutions etc. This could be provided by external studies and consultative stakeholder activities for which dedicated funding is required.
- There is continuous need to evaluate and enforce existing legislation: there is an extensive acquis in the area of company law and corporate governance; also a Company law package with a number of targeted amendments to be presented by the Commission in the first quarter (tbc) of 2018 will bring new changes. Insufficient knowledge on the application of the existing acquis and on transposition measures in Member States puts at risk the appropriate pursuit of the objectives of the relevant legislation. Evaluation and enforcement in the area requires extensive data collection, where necessary supported by stakeholder consultation, to be financed by company-law dedicated funding.
- Relevant stakeholders are not sufficiently informed about new legislation or accompanying non-legislative measures (such as guidelines) or on new and still developing digital tools (e.g. BRIS). Also, as cross-border activity of companies is continuously developing, the current degree of exchange of information between national authorities is insufficient, including on IT solutions and best practices, possibly with a view to developing common approaches at EU level. Also, it could be relevant to further develop cross-border, interoperable, digital e-government solutions in the company law area. Therefore, company-law dedicated funding needs to be used to inform, advise and assist relevant stakeholders (including through communication measures) and to promote the necessary information exchange between national authorities and where appropriate cross-border digital solutions.

- The Commission has an obligation to deliver the following reports:
    - report on the application of Directive 2012/17 (business registers interconnection/BRIS): by June 2022, could be advanced in order to accelerate further development;
    - reports on the application of the amended Shareholders Rights Directive: by June 2022 and by June 2023;
    - evaluation reports relating to the different proposals forming part of the Company Law Package: 4 years after the end of the transposition deadline, i.e. earliest second half of 2025;
    - report on the application of the proposal for a directive on investment firms supervision: 3 years after the end of the transposition deadline, i.e. approximately mid-2023.

Anti-money laundering and counter terrorism financing

In the area of anti-money laundering and terrorism financing there are significant and evolving challenges which need to be addressed at EU level. The recent terrorist attacks and recurring financial scandals call for stronger action in this area To address the cross-border phenomena, the EU Anti-money laundering/Counter terrorism financing framework has defined common rules, however, despite substantial and steady progress in this area, more effort and additional measures to close any potential gaps are still needed to effectively combat money laundering and terrorist financing.

Based on Directive 2015/849/EU (4th Anti-money Laundering Directive) and its recent amendments (to be formally adopted and published in spring 2018), the Commission has a number of obligations in the anti-money laundering policy field stemming directly from EU legislation in the AML field. To comply with these obligations, it will be necessary to deliver a number of studies, to organise meetings, workshops and conferences that would need to be financed by the Commission. As guardian of the Treaties, the Commission also has the obligation to monitor the transposition and implementation of EU legislation. Also to this end, data collection is necessary.

In detail, the challenges to be addressed by funding related to **anti-money laundering and counter terrorism financing policies** are the following:

- Anti-Money Laundering (AML) policy has recently received an increased attention by the Commission and EU institutions and has become a top political priority. In particular, the Panama committee of the European Parliament was inquiring, among others, about the Commission work in ensuring the correct and timely transposition, application and enforcement of the 4th Anti-Money Laundering Directive and its amendments by EU Member States. In this respect, the Commission will have a number of new obligations to report (also specifically on its own actions to verify that Member States take action in compliance with this Directive and to assess emerging problems or new developments in the Member States). Therefore, it is of a very high political importance that the Commission provides a continuous quality detailed check of the Member States' laws transposing EU legislation as well as their correct application and enforcement in practical terms.
- The Commission obligations stemming directly from the 4th Anti-Money Laundering Directive (2015/849) and its amendments:

- o to adopt an implementing act on technical specifications and procedures necessary to provide for the **interconnection of Member States' central beneficial ownership registers**. The Commission is obliged under amendments to Directive 2015/849/EU to provide for the beneficial ownership registers interconnection (via BRIS). Funding of BRIS including the BO registers interconnection is currently ensured under the Connecting Europe Facility (CEF). To the extent that funding cannot be ensured under the successor programme to CEF, it would also be necessary to provide for the development of BO interconnection via BRIS and its maintenance.

- o This is a particularly important obligation stemming from the amendments to the Directive 2015/849 that must be flagged from the financial perspective concerns the Commission's obligation to provide for the interconnection of Member States' central registers of beneficial ownership. This interconnection will be carried out through BRIS (Business Register Interconnection System). According to our information it should be covered by the CER2 programme
- o to adopt an implementation Commission decisions on the list of high risk third countries for the purposes of Article 9 of the Directive. In this framework, the Commission has committed to deliver its own methodology with the aim to develop its self-standing list of high risk third countries in line with Article 9 of Directive 2015/849.
- o The Commission has an obligation to deliver a number of reports stemming directly from the anti-money laundering Directive.
  1) To summarise and explain the **statistics** referred to in Article 44 (annual report)
  2) to adopt a **supranational assessment report on risks of money laundering and terrorist financing** (report every 2 years)
  3) **to adopt a Report on the implementation of this Directive (**2 years after the date of transposition and every three years thereafter):

  In this Report the Commission must report on certain specific subjects that will require additional expertise:

  - Account of specific measures adopted and mechanisms set up at Union and Member State level to prevent and address **emerging and new developments presenting a threat** to the Union financial system

  - **Follow-up actions undertaken at Union and Member State level on the basis of concerns brought to their attention**, including complaints relating to national laws hampering the supervisory and investigative powers of competent authorities and self-regulatory bodies

  - Account of the **availability of relevant information for the competent authorities and FIUs** of the MS for the prevention of the use of financial system for the purposes of ML and TF

  - Account of the **international cooperation and information exchange between competent authorities and FIUs**

- Account of necessary Commission actions to **verify that MS take action in compliance with this Directive and to assess emerging problems or new developments in the MS**

- Analysis of the feasibility of specific measures and mechanisms at Union and MS level on the possibilities to collect and access **BO information of corporate and other legal entities incorporated outside the Union**

- Analysis of the **proportionality of the measures referred to in Article 20(1)(b) (PEPs)**

- Evaluation of how **fundamental rights** and principles recognised by the Charter have been respected

The Report could include where appropriate **proposals with respect to**:

- **Virtual currencies**: empowerment to set-up and maintain a central database registering users' identities and wallet addresses accessible to FIUs and self-declaration forms for the use of virtual currency users
- Improve **cooperation between AROs of the MS**
- **A risk based application of the measures in Article 20(1)(b) (PEPs)**

4) to adopt a Report by June 2019 to assess the **framework for FIUs cooperation with third countries** and obstacles and opportunities to **enhance cooperation between FIUs in the Union** including the possibility of establishing coordination and support mechanism

5) To adopt a Report by 26 June 2020 to assess whether **all trusts and legal arrangements which have a structure or functions similar to trusts governed under the law of MS** were duly identified and made subject to the obligations as set out in the Directive.

6) To assess the conditions and technical specifications and procedures for ensuring secure and efficient **interconnection of central automated mechanisms (bank account registers).**

7) To adopt a report by 31 Dec 2020 to assess the necessity and proportionality of harmonising the information included in the registers and assessing the need for the interconnection of the **land registers.**

8) To adopt a report (no date indicated) on the need and proportionality of **lowering the percentage for the identification of BO** of legal entities in light of any recommendation issued in this sense by international organisations and standards setters with competence in the field of preventing ML and TF as a result of a new assessment, and present a legislative proposal if appropriate.

- Commission complies with its obligation to contribute to the Financial Action Task Force (FATF) budget for its membership in FATF:

The fight against money laundering has been a top political priority of the European Union for a number of years, based on the need to protect the financial system from misuse. The European Commission is a Member of FATF and as such has an obligation to contribute to its annual budget. The Company law prerogative budget line has been used for the financing of the FATF contribution on annual basis. FATF, an inter-governmental body established by the G7 in 1989 and based in the OECD premises, is the foremost international body devoted to combating of money laundering and – since the events of 11 September 2001 – the financing of terrorism.

- Training of obliged entities on anti-money laundering rules (Directive 2015/849 - 4th AMLD and its amendments)

  The 4th AMLD with transposition deadline on June 2017, imposes many additional and complex obligations on "obliged entities" (professionals applying the anti-money laundering rules in practice such as banks, real estate agents, lawyers). It is essential to provide targeted courses to such obliged entities.
  Recently, delivering training for legal professionals (notaries and lawyers) that are covered by the 4th AMLD has been envisaged. The Report on the supranational risk assessment on money laundering and terrorist financing published by the Commission in June 2017, has shown that the knowledge and also the practical application of the rules of the Directive by legal professionals is rather limited. At the same time this issue received European Parliament's attention.
  For this reason, training of legal professionals on AML rules at EU level has been envisaged to proactively help practitioners to apply correctly the AML rules and improve the current situation.
  Given the fact that the list of obliged entities subject to the 4th AML Directive covers also other professionals whose training is also essential, it would be beneficial to extend the training programme in the future (after 2020) also to other obliged entities.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Programme 1	√ / N/A + few words of explanation	√ / N/A + few words of explanation	√ / N/A + few words of explanation	√ / N/A + few words of explanation
Company law prerogative		√ As regards company law, the current degree of exchange of information between national authorities is insufficient, including on IT solutions and best practices Ensure that Member States competent authorities in anti-money laundering field cooperate between each other to ensure cross-border cases of money laundering and terrorist	√ Technological evolution and emergence of new policy challenges which may lead to fragmentation and legal uncertainty Lack of/difficulty to collect high quality data and evidence Costs and burden for businesses due to legal uncertainty or fragmentation; uncertainty for stakeholders in the exercise of their rights	

		financing are detected.	New challenges in the anti-money laundering and counter terrorism financing field emerge, criminals detect gaps in the AML/CTF legal framework and/or in its enforcement. Ensure that the EU rules on anti-money laundering and terrorist financing are up-to-date. Ensure that authorities competent in anti-money laundering field can deliver a high level of compliance by obliged entities of the rules of anti-money laundering legislation Ensure that the EU financial system is protected through strengthened implementation of EU anti-money laundering legal framework	
Business registers interconnection including Beneficial ownership registers interconnection		√ Develop and maintain tools and platforms required by EU law (e.g. maintain interconnection of the business interconnection as required by Directive 2017/1132 and develop interconnection of MS beneficial ownership registers under Directive 2015/849 – 4th AMLD including the most recent amendments – 5thAMLD)		
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

The specific objectives of this prerogative line are the following as regards the two policy areas covered:

- **Company Law:** support the development of the EU regulatory framework in the area of company law and corporate governance with a view to making business more efficient and competitive while providing protection for stakeholders affected by company operations; ensure appropriate evaluation and enforcement of the relevant acquis; inform and assist stakeholders and promote information exchange in the area.

- **Anti-money Laundering and counter terrorism financing (AML/CTF):** to ensure the correct and full implementation and application of EU legal framework for anti-money laundering and countering terrorism financing (AML/CFT) by the

EU Member States, to develop future AML/CFT policies to address new challenges in the AML/CTF field.

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Company law prerogative		Promote information exchange between national authorities, including on IT solutions and best practices, in the area of company law Ensure efficient cooperation between Member States authorities competent in the field of anti-money laundering to detect cases of money laundering and terrorist financing.	Gather up-to-date information (and provide solutions when gaps in regulations are identified/evaluate existing legislation), including by developing state-of-the art tools Facilitate dialogue with civil society and other stakeholders (feedback gathering) Facilitate introduction of new technologies Ensure the development, implementation and monitoring of high-quality and effective Single Market rule making and standard setting (in the company law and anti-money laundering and counter terrorism financing field) Ensure high-quality and effective enforcement actions	
Business registers interconnection including beneficial ownership registers interconnection		Develop and maintain tools and platforms required by EU law (e.g. maintain interconnection of the business interconnection as required by Directive 2017/1132 and develop interconnection of MS beneficial ownership registers under Directive 2015/849 – 4th AMLD including the most recent amendments – 5thAMLD).		

3. PROGRAMME STRUCTURE AND PRIORITIES

This budget line being a prerogative line – i.e. a line to be used by the Commission at its own prerogative in view of new challenges and needs as part of policy strategy and coordination –, there is no relevance to define in advance a particular structure and it would be impossible to establish priorities at the start of the Multi-Annual Financial Framework. The key consideration here is to define the critical mass of funding needed to allow effective policy strategy and coordination by the Commission.

Over the 2014-2020 period, funding amounted in principle to around 1 m/yr. Due to increasing needs in particular in the anti-money laundering area and constant needs in company law, the budget had been increased to 1,7 Mio in 2018. Significant increase would be necessary (expected around 2-3 €m/yr) in a situation where the interconnection of registers required to be administered by the Commission according to the legislation in the field of company and anti-money laundering law would not be financed under the Digital Europe programme). In any event, some increase will be necessary – as already shown by the increase for 2018 – as there are new challenges in the field emerging and new obligations on the Commission imposed by EU legislation. Certainly, any reduction would have non-negligible consequences as it would prevent carrying out several much needed studies or other activities.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

The budget of this prerogative line is mainly used to support policy and legislative developments, monitoring and follow-up and to ensure an efficient implementation of the Commission's right to initiative and efficient governance of the EU legislative process. This includes procurements for impact assessment, evaluation, market studies, conformity checks, experts groups, etc. Therefore, it is appropriate to continue to implement this budget within DG JUST.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

For a prerogative line, it is impossible to determine in advance the use of the allocated funds and thereby to define specific indicators as to the outputs, results or impacts. It is therefore proposed to monitor and evaluate performance on a financial basis, as is currently the case with the existing budget line: Commission services will focus on timely budget execution.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
Company Law: support the development of the EU regulatory framework in the area of company law and corporate governance with a view to making business more efficient and competitive while providing protection for stakeholders affected by company operations; ensure appropriate evaluation and enforcement of the relevant acquis; inform and assist stakeholders and promote information exchange in the area.	Timely budget execution	Execution of more than 95% of budget by year-end	Use of budget available	ABAC (Commission financial system)	Annual	>95%	>95%

Anti-money Laundering and counter terrorism financing (AML/CTF): to ensure the correct and full implementation and application of EU legal framework for anti-money laundering and countering terrorism financing (AML/CFT) by the EU Member States, to develop future AML/CFT policies to address new challenges in the AML/CTF field.							

Annex 11: Programme specific annex on *Consumer programme and New Deal for consumers*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

Retail markets, fuelled by households' consumption, generate more than 56% of the EU GDP and therefore represent the biggest share of the value added generated in the Single Market. In the EU, retail markets are regulated by an extensive acquis of harmonised consumer rights and product safety laws, including laws to ensure consumer redress and efficient administrative cooperation in the relevant harmonised fields of consumer rights and product safety. In addition, Article 169 TFEU provides that the Union shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests.

The Consumer Programme 2014-2020 promotes in particular the development and enforcement of consumer rights in the EU and supports measures to inform and empower consumers. It builds on and consolidates the achievements of the 2007-2013 Consumer Programme.

It funds actions under the following four objectives:

- Safety: to consolidate and enhance product safety through effective market surveillance throughout the Union.
- Consumer information and education, and support to consumer organisations: to improve consumers' education, information and awareness of their rights, to develop the evidence base for consumer policy and to provide support to consumer organisations, including taking into account the specific needs of vulnerable consumers.
- Rights and redress: to develop and reinforce consumer rights in particular through smart regulatory action and improving access to simple, efficient, expedient and low-cost redress including alternative dispute resolution.
- Enforcement: to support enforcement of consumer rights by strengthening cooperation between national enforcement bodies and by supporting consumers with advice.

Among the Consumer Programme's key achievements, the following can be highlighted:

- Consumer product safety: effective monitoring of EU markets and enforcement of EU product safety law via the EU rapid alert system for dangerous consumer products (over 20.000 alerts on dangerous products since 2004), strengthening of capacities of national enforcers through co-funding of exchange of officials and of coordinated enforcement actions;

- Consumer information and education: Strengthening of capacities of national consumer organisations via the umbrella organisation BEUC, consumer education with the creation of the Consumer Champion and Consumer Classroom projects and awareness-raising actions on consumer issues (e.g. energy, consumer rights with consumer credits or online dispute resolution);

- Development of a solid evidence basis for policy making and enforcement at EU and national level through a consistent monitoring of how the single market is performing for consumers through the Consumer Scoreboards and a series of in-depth market studies to investigate specific problems in consumer markets and specific areas (e.g. consumer vulnerability, e-commerce, online marketing, environmental claims, comparison tools) and behavioural studies to test policy options in terms of their impact on consumer behaviour. These studies also provided key evidence to ascertain the demand side of key strategies and policies of the Commission (e.g.: DSM, Energy Union, Internal Market, retail financial markets);

- Enforcement and redress: EU wide screenings of websites (more than 5000 websites have been reviewed thanks to coordinated "sweeps") to identify and follow-up on infringements of EU consumer laws. Breaches of consumer rights made by large traders with EU level operations were addressed in the area of on-line games, car rental, and social media. About 100 000 consumers per year have been receiving concrete assistance by the ECC-Net to resolve their disputes with traders established in another Member State. The Commission set up in 2016 the ODR platform to provide consumers and business an easier access to alternative-dispute-resolution procedures when shopping online.

- Development of IT tools (in some cases based on legal obligations stemming from the EU consumer laws) to facilitate the swift and secure exchange of information and the cooperation between national authorities (e.g. EU's Rapid Alert System for non-food dangerous products and the CPC-System for enforcers of consumer laws in MS).

The legal and political commitments which underpin the existing consumer programme are still all fully valid (see sub-annex 3 with the relevant legal obligations). Furthermore, our evaluation of the actions funded under this programmes shows they are still highly relevant and efficient.

Recent developments: the New Deal for consumers

In May 2017, the Commission finalised a thorough evaluation of the EU consumer and marketing law which concluded on the need to better enforce rules and support redress when consumers have been harmed by breaches to consumer laws. This need is underpinned by recent large-scale issues for consumers created by problems such as the "Dieselgate", dual quality standards of foodstuff, or massive flight cancellations.

As a consequence, President Juncker stressed in his 2017 State of the Union speech that "in a Union of equals, there can be no second class consumers" and that he was "shocked when consumers are knowingly and deliberately misled". The Commission therefore announced in its work programme for 2018 a 'New Deal for Consumers'. This project is proposing an overhaul of consumer laws and redress means and new policy activities in order to take into account the impact of the further digitalisation of consumer markets on consumer protection.

This new strand of action will require specific financial support to ensure that the proposed package of measure deliver on the ground. In particular to ensure:

- equal treatment of consumers across the Single Market in relation to double quality standards;
- stronger enforcement capacities of Member States
- EU level market intelligence to implement the new Consumer Protection Cooperation Regulation adopted end 2017;
- enhanced product safety especially to take into account new technological developments such as Internet of Things, robotics and artificial intelligence;
- strengthening of consumer protection at international level in order to address the challenges of the global economy and their impacts on the economic interests and safety of EU consumers;
- support to qualified entities for the revision of the Injunction Directive which will be one of the legal instrument proposed in the New Deal package.

1.2. Lessons learned from previous programmes

The current evaluation covers two separate evaluations that are carried out simultaneously, whilst respecting the different scopes and nature of the evaluation.

The purpose of the Consumer Programme 2007-2013 evaluation is to assess the main outcomes and results achieved and to identify the main problems and solutions with regard to its implementation, including against recommendations from the mid-term evaluation of the same programme. Actions covered by this programme are also being assessed for their sustainability.

The purpose of the mid-term evaluation of the Consumer Programme 2014-2020 is to review the achievement of the objectives of all the measures (at the level of outputs, results and impacts, the latter to the extent possible), the state of play regarding the implementation of the eligible actions set out in Article 4 and the specific actions referred to in Annex I of the Regulation, the allocation of funds to the beneficiaries, the efficiency of the use of resources and the programme's European added value, taking into consideration developments in the area of consumer protection and other consumer-relevant EU policies, with a view to a decision on the renewal, modification or suspension of the actions.

The evaluation equally addresses the scope for simplification, the programme's internal and external coherence including possible synergies/complementarities with other EU programmes.

The midterm evaluation of the current Consumer Programme is on-going and the first results show a general satisfaction of the stakeholders in terms of relevance and effectiveness of the activities. The European Consumer Centres, E-enforcement academy (training programme for enforcement agencies), and the RAPEX system, scored highly, as well as the support to BEUC and for all the networking and stakeholders events. The reasons and influencing factors for "lower scores" relate mostly to the lack of flexibility of the programme to address new market challenges driven by fast and often unpredictable societal and technological changes. In addition, there are specific limitations in the Member States for an optimal uptake (e.g. Limited staff/financial resources/skills of NGOs or authorities). Finally the production of evidence is widely valued but the timeframe is too slow.

Overall the objectives and priorities of the Consumer Programme are assessed as being still fully relevant and should be continued. Additional priorities could be given to sustainable consumption, a uniform and high level of consumer protection throughout the EU, support to consumer organisations at the Member State level (e.g. jointly with the Member States in their role as consumer watchdogs.

To achieve coherence at the capacity of consumer organisations, there seems to be limited overlaps with other programmes, but quite a significant potential for increasing synergies with activities in other areas. There seems to be significant room for improvement regarding administrative burdens related to the programme delivery with a huge demand for simplification as regards grants for joint actions and exchange of officials.

Regarding programme activities administrated/implemented by Chafea, results so far point to efficiency, management and high staff turnover issues linked to a lack of critical size.

Suggestions for changes to the programme include the need for more flexibility (i.e. a much less prescriptive programme), better planning process with however the ability to react fast to new policy demands or market developments and better possibilities for developing linkages to third countries (especially in the area of enforcement).

These lessons are also very relevant for the new funding needs under the New Deal for Consumers policy line. Indeed, most stakeholders and types of actions will be the same. However, the need to support centrally certain types of activities will be reinforced: e.g. the development of relevant market information for enforcement purposes, the development of adequate testing facilities for connected objects. There will be also a need to provide efficient and speedy direct (and sometimes small scale) support to enforcement capacities in the Member States both for competent authorities and qualified entities in the sense of the revised injunction directive.

2. THE OBJECTIVES

2.1. Challenges for the Consumer and New Deal for consumers programme of the next MFF

In the next MFF, the three first main challenges identified for the Internal Market Programme are relevant for the continuation of the consumer programme and for the new funding needs under the New Deal for consumers. The fourth challenge regarding health is also relevant in so far as dangerous products may seriously and physically harm people. However, in the present state of management of dangerous products in the EU, it is not considered material in terms of public health threat.

The specific problems are the following:

- Consistently high level of non-compliance to key consumer rights, insufficient redress obtained by consumers, regular occurrence of massive issues harming consumers across the Internal Market.
- Shortcomings of the existing regulatory framework and enforcement tools to address new safety and economic risks linked to the globalisation of the production chain, direct internet sales (including from outside the EU) and the continuous appearance of innovations in consumer products and services enabled by the rapid digitalisation of all sectors of the economy such as connected products, artificial intelligence, robotics, new online business models, etc.;
- Insufficient capacities and knowledge of consumers and other relevant active actors in representing or protecting consumers, such as consumer organisations and national competent authorities (national, regional and local level) to follow the rapid development and complexification of retail markets, to act to counterbalance market asymmetries and to advocate for consumers interests;
- Limited capacities of consumers and SMEs to meet the challenges stemming from the transition to a green, circular and low-carbon economy and thus to efficiently contribute to this transition on retail markets
- Increasing share of the population at risk of being excluded from more complex and digitalised markets and falling in vulnerability patterns.

These problems are expected to become greater over time as consumer transactions intensify due to globalisation and digitalisation.

The drivers are the following:

- Technological developments, globalisation and digitalisation lead to new sophisticated, complex products and services being offered very easily and rapidly to a large number of consumers across borders.
- Increase of market asymmetries due to a risk of higher concentration of market power of large internet platforms and multinational companies (e.g. in the car industry, energy, telecom, …)
- Budgetary constraints are increasing stretching resources of national authorities and weakening existing models to strengthen consumer organisations and empower consumers
- Demographic developments such as the increasing ageing of population and growing social inequalities but also new patterns of consumption in particular by the youngest generation (partly due to more work –life balance).
- Environment challenges make natural resources more scarce

The consequences are the following:

- Lack of confidence of consumers in the internal Market, sub-optimal competition conditions.
- The emergence of new technologies (e.g. 3D printing, Internet of Things, advanced robotics), new materials (e.g. bio- or nano-based), new processes (e.g. increasing online sales, data driven production, artificial intelligence), often combined with cyber-criminality (e.g. hacking of connected devices and services) create new challenges for policy makers, enforcers and market surveillance authorities and weaken the effectiveness of their enforcement actions - widespread infringement of consumer rights can then spread rapidly and harm millions of consumers while obtaining redress for consumers becomes increasingly difficult.
- Technological developments and digitalisation whilst being powerful tools to stimulate the economy and offer more choice for the consumers, require strong, empowered consumers able to face new challenges. For instance in the area of financial services block-chain technologies, digitalisation of the banking system (fintech) and new funding models (crowd-funding) bring new opportunities but also risks. As not all consumers are able to follow (due to their age and lack of digital skills), the share of the population becoming vulnerable risk is increasing as well as the consequential social divide, financial exclusion and over-indebtedness;
- Rising consumption worldwide increasingly threatens the environment as it competes for scarcer resources. Without engaging consumers into more sustainable consumption patterns, the EU will not be able to meet its goals on a green, circular and low-carbon economy. The choices made by millions of consumers can indeed support or hamper these developments and incur in cost savings for both individuals and the society as a whole

Summary problem tree for consumer related activities, regrouped under the IMP main challenges

	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU level
• Drivers	• Growing number of products/ services being offered rapidly to consumers across borders due to technology. • Increase of consumer markets asymmetries due to the development of new marketing models (digital only, multiplication of intermediaries) and new products (IOT, robotics, AI). • Change in consumption patterns linked to demography (ageing population, change in rural/city repartition) • Increase share of the population at risk of vulnerability (due to technology and educational gaps) • Increased need for sustainable consumption behaviour (due to increased environmental deterioration)	• Member States are the prime authorities responsible for the application and enforcement of EU rules, but can have limited knowledge, capacity and incentives to apply EU rules at national level or suffer from budgetary constraints • Globalisation of markets create global challenges for enforcers and increase the risk of fragmented regulatory response • Increased need for cross-border management of dangerous/fraudulent products and services • Complex tools/technology evolution	• Limited civil society/ consumer engagement • Lack of/difficulty to collect high quality data and evidence
• Problems	• Limited and complex information to the various stakeholders involved in retail markets and especially consumers and their representatives • Limited e-procedures to support problem solving for consumers in cross border situations • Market asymmetries insufficiently addressed • Insufficient representation of consumer interest at the EU level • Insufficient incentive for sustainable consumption • Increasing risk of consumer vulnerabilities and inadequacy of consumer assistance schemes	• Limited cooperation/exchange of best practises between authorities • Member States and Commission IT tools not interoperable and not digitised • EU rules are not equally or sufficiently enforced or applied across the EU by Member States authorities • National rules may hinder internal market principles • Not up-to-date competence of authorities.	• EU rules and standards could be not up to date or not future proofed (evolving context) • EU decisions not underpinned with state of the art tools and evidence • Costs and burden for businesses due to legal uncertainty or fragmentation; uncertainty for stakeholders in the exercise of their rights • Lack of relevant and up to date information on business practices non-compliant to EU laws that concerns several or all the Member States at the same time

• Consequences	• Less attractive cross-border business, leading to limited competition and consumer choice, as well as higher prices • Consumers/businesses not using their rights to the full extent • Increase in the share of the population at risk of vulnerability	• Each Member State develops unique solutions instead of building on best practice of others • EU solutions differ from global solutions, imposing cost on global exporters or insufficiently safeguarding the Single market • Dangerous/fraudulent products and services can be sold in all MS • Divergent enforcement, serious distortions of competition, compliance problems and infringements, high costs to businesses and consumers, unequal level of protection of consumers	• Imprecise, not fit for purpose or easy to circumvent rules, e.g. in the area of dual quality of products • New markets and/or business models remain unregulated causing detriments to consumers. • Views of minority stakeholders not sufficiently reflected in the decision process • Difficult and costly investigations of illegal practices especially cross border • Difficulty to implement coordinated enforcement measures on problematic practices affecting several or all the MS at the same time

2.2. Assessment of impacts of new funds attributed to support the New Deal for Consumers

The New Deal package follows a Fitness Check of EU consumer law, an evaluation of Directive 2011/83/EU on Consumer Rights, both published in May 2017, and a Recommendation on Collective Redress, published in January 2018. Results show that, while the substantive rules are overall fit for purpose, their effectiveness is hindered by lack of awareness and by insufficient enforcement and consumer redress opportunities. In 2016, 20.1% of EU consumers reported consumer rights-related problems and 24% of traders thought compliance with consumer law was not good enough. This leads to consumer detriment and disruption of fair competition for traders.

The problems identified are widespread and have the same causes across the EU. In cases of widespread illegal practices affecting consumers in several Member States, enforcement must be based on a common and uniform substantive law framework. The Fitness Check Report found that the most important added value of EU consumer law is that the harmonised rules enable national enforcement authorities to address cross-border infringements harming consumers in several Member States more effectively. At the same time, the harmonised rules allow traders to trade cross-border more easily and at lower cost.

The focus was on problem drivers that have not yet been addressed otherwise. The proposed intervention aims to support in particular the New Deal objectives to ensure remedies for victims of unfair commercial practices, a strengthened mechanism for collective injunctions and redress and overall stronger enforcement of consumer laws and product safety laws, including via international cooperation.

The New Deal Package was subject to intensive and extensive public consultations and targeted consultations which showed that Consumer associations support all the proposed measures of the New Deal, except on information requirements and the right to withdraw. Business associations support the suggested interventions on transparency for online marketplaces, “free” digital services (partly), information requirements and the right to withdraw. There is some resistance from business associations to the proposed interventions on penalties, remedies, collective injunctions and redress and “free” digital services. Many Member State authorities support the proposed interventions on remedies, collective injunctions and redress, transparency for online marketplaces and “free” digital services. Some express concerns about interventions on penalties, remedies and the right to withdraw

The proposed intervention will make consumer redress easier and more effective, and thus reduce consumer detriment which will be beneficial particularly for vulnerable consumers. It will also have preventative effect through increased deterrence, which will result in higher compliance rates among traders. The intervention will also support the implementation of the revised CPC Regulation and its effective functioning. By introducing improved redress opportunities and by filling gaps in current protection for digital transactions, consumer trust will be enhanced. Law-abiding traders will benefit from a more level playing field. Compliant traders, including SMEs, will have reduced costs because of better awareness on requirements, a simplified legal and enforcement framework. Positive impacts can also be expected for the environment, by ensuring greater deterrence for misleading green claims which will allow compliant traders to enjoy their competitive advantage resulting from the use of valid green claims and encourage more traders to invest in sustainability.

Improved compliance with EU consumer law will ensure that consumer rights become more tangible for the individual consumers and thus enhance citizens' and businesses' acceptance of the added value of EU rules and the Internal Market. The Intervention on collective injunctions and redress can contribute to better access to justice and are also likely to have positive impacts on vulnerable consumers and on the environment.

2.3. Specific Objectives of the consumer related parts in the IMP

The general objective of the consumer related parts (hereafter the consumer pillar) in the IMP is to ensure a high level of consumer protection in the Internal Market and in particular full compliance to the consumer acquis by businesses; smooth functioning of the internal market, for the benefit of both consumers and traders; empowerment of consumers and their representatives; full redress opportunities for consumers who may have been harmed; effective enforcement by competent authorities; and reliable evidence on retail markets. These objectives support the overall EU strategy for smart, sustainable and inclusive growth, a Digital Single Market and the New Deal for Consumers proposed by the Commission on 11 April 2018.

The Consumer Pillar will do so by contributing to protecting the health, safety and the legal and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests, and supporting the integration of consumer interests into other policy areas. This pillar is not only about consumers' interest but also traders in order to ensure a fair level playing field in retail markets. The Programme shall complement, support and monitor the policies of Member States. In addition, the programme will strive to keep our market information, surveillance and enforcement cooperation tools abreast of constantly evolving markets because of the impacts on consumer goods and services and marketing strategies generated by digitalisation, connected objects, artificial intelligence, and direct trade from third countries. It will ensure that the EU consumer policy and legislative developments supports new societal needs such as promoting sustainable consumption, addressing consumer vulnerability in certain markets. It will address better the gaps in enforcement capacities among the Member States and will enable EU level cooperation to address market issues of Union dimension (i.e. spreading across all national markets). It will allow national authorities and qualified entities to ensure the highest and most consistent level of compliance of businesses to consumer and product safety laws, and that consumers obtain the redress they deserve in case of problems.

The general objectives will be pursued through the following specific objectives:

	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level
Consumer Programme	• Ensuring consumers are aware of their rights and of consumer safety issues • Strengthening consumer organisations' roles in consumer policy-making and advocacy at EU and national levels • Reducing vulnerability of consumers also linked to negative consequences of market digitalisation • Enabling assistance and redress systems for individual consumers including support to the ADR bodies, the ODR Platform, and the ECC-Net	• Ensuring enforcement authorities competent in consumer and product safety laws can deliver a high level of compliance to the acquis • Ensuring the availability of market intelligence tools and joint actions in the field of product safety including in relation to testing of dangerous products	• Providing a high quality general information on consumer markets and conditions and behaviours and on safety issues
New Deal for Consumers	• Ensuring qualified entities in the meaning of the Injunctions directive can deliver on their injunctive role • Promoting sustainable consumption behaviours	• Enabling effective and coordinated EU-level enforcement actions in the field of consumer law and product safety • Enabling effective enforcement cooperation with third countries	• Integrating and developing information on consumer markets with a view to develop evidence for enforcement actions at the EU level • Generating evidence on market issues stemming from new technologies (IOT, IA, mobile e-commerce)

2.4. Proposal simplification and synergies

Our ongoing evaluation shows that Member States want more efficient, streamlined, and flexible financing (e.g. through new delivery modes). In doing so, preference should be accorded to solutions providing for economies of scale.

There are potential synergies for market studies. This is notably the case of market studies and analysis of emerging/new business models, possibly also behavioural studies, where synergies could be achieved with DG COMP.

There are other areas such as training actions to enhance business respect for consumer rights and uptake of ADR/ODR or by better integrating market sources for the Single Market Information scoreboard which is managed by GROW and already provides for dedicated sections on the activities of the CPC and the ECC-NET networks or the "Your Europe" portal which is signposting ECCs and is regularly enriched with ECC studies and advice. A common online publication hub dedicated to citizens could be envisaged with the conclusion of the new Digital Single Market Portal proposal. There are also general synergies to be found in a better integration of the IT tools ensuring communication among the various networks for example by using the same common off the shelves software and having a central team to provide support for the management of the relevant communities and the parametrisation of the instances.

There could also be synergies with other programmes, for example the product safety awareness actions for small businesses/SMEs could fit very well as an action under the II COSME programme. Another example, we are starting to explore with CNECT the link between cybersecurity and product safety, in particular to help SMEs to produce "safe by design" products. Making use of the JRC could also be a potential path for scientific support to product safety.

We should also develop synergies, for example, the ODR platform could be used as a hub for multiple consumer related issues. The same site could be modified in order to dispatch consumers in a more efficient manner (e.g. linking it to the ECC-Net for instance). A one-stop shop element regarding redress should be favoured.

Given our different target groups, synergies could rather be achieved in the development stage than in the execution stage (e.g. development of framework training capacity building activities, development of a common internal market branding for communication campaigns).

There is limited potential for synergies on content, which inherently differ from one DG to another. In particular, each DG should maintain a core budget to do all the activities linked to legislation and policy making (preparation, implementation and follow-up), such as for instance conformity checks, monitoring etc.

3. PROGRAMME STRUCTURE AND PRIORITIES

objective	*Type of action/name of action*
Empowerment of citizens, consumers and businesses	
Ensuring consumers are aware of their rights and of consumer safety issues	Awareness raising campaigns on consumer rights, and product safety Development of networks and new channels to relay the information, elaboration of testimonials. Capacity and synergies building between economic operators and consumers so that they endorse their respective responsibilities and roles and address cross-cutting problems
Strengthening consumer organisations' roles in consumer policy-making and advocacy at EU	Training and support to the operation of consumer organisations

and national levels	
Reducing vulnerability of consumers also linked to negative consequences of market digitalisation	Training of consumer organisations and other relevant bodies Development of market intelligence e.g. on the sharing economy, behavioural aspects in some sectors and/or in general
Enabling assistance and redress systems for individual consumers including in a cross border context	Support to the ADR bodies, the ODR Platform, and the ECC-Network
Ensuring qualified entities in the meaning of the Injunctions directive can deliver on their injunctive role	Support and training of qualified entities
Promoting sustainable consumption behaviours	Development of intelligence Awareness raising campaigns, training and support to relevant NGOs
Administrative cooperation and integration among Member States	
Ensuring enforcement authorities competent in consumer and product safety laws can deliver a high level of compliance to the acquis	Training and support to Member states competent authorities
Ensuring the availability of market intelligence tools and joint actions in the field of product safety including in relation to testing of dangerous products	co-ordinated market surveillance activities, a rapid and effective exchange of information through RAPEX, the system established by the GPSD; capacity-building and the exchange of good practices between EU enforcement authorities; the development of common enforcement tools, joint testing of products
Enabling effective and coordinated EU-level enforcement actions in the field of consumer law and product safety	Support to networking, exchange of best practices, study visits, provision of IT tools, e-enforcement training academy
Enabling effective enforcement cooperation with third countries	Support to exchange of best practices and joint projects between EU authorities and authorities from 3rd countries, including within the OECD. Joint trainings with MS to businesses from 3rd countries
Rule-making, standard setting and enforcement at EU institutions level	
Providing a high quality general information on consumer markets and conditions and behaviours and on safety issues	The consumer scoreboards and specific market studies
Integrating and developing information on consumer markets with a view to develop evidence for enforcement actions at the EU level	The retail markets observatory
Generating evidence on market issues stemming from new technologies (IOT, IA, mobile e-commerce)	Specific market studies

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

The intended funding needs to be flexible and combine various tools such as procurements, grants, logistic support to Member States. It is intended to use an executive agency, provided such an agency can reach a critical size to make it efficient and in a position to implement the vast majority of the programme from drafting the terms of reference or call for proposals, to evaluation of bids and proposals, to management and audits of the projects and their evaluation.

The governance system should be a committee meeting annually.

One of the characteristic of the consumer programme is the fairly small amounts involved per project, the limited absorption capacity of NGOs and public administration beneficiaries and their incapacity to manage complex accounting requirements. The mechanism should therefore be considerably flexible in order to allow choosing on a case by case basis whether to use procurements or grants. For grants these should be extremely simple, not bound by the use of a complex IT system (such as the one of RTD) and as far as possible they should be operation support with a limited number of conditions. A new model of funding of local NGOs and authorities based on direct management by the Member States may be explored.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
Consumer programme and New Deal for consumers							
General performance indicator	Improvement in the Consumer Conditions Index	Composite indicator reflecting consumers and traders perception on the functioning of retail markets	Index 100= maximum theoretical score	Consumer Scoreboard (Commission)	Every two years	65 (2016) (current target for 2020: 66)	Improvement of 3 points over the period
Strengthening consumer organisations' roles in consumer policy-making and advocacy at EU and national levels	% of consumers who trust consumer organisations to protect their rights as consumers	% of consumers who agree (strongly agree or agree) that they trust consumer organisations to protect their rights as consumers	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two year	72% (2016)	75% at the end of the reference period
Enabling assistance and redress systems for individual consumers including in a cross border context	Number of visits to the websites of the ECCs.	Total number of unique visitors on ECCs websites	Nb	ECCs	yearly	4.3mio (2016)	+1% per year
Ensuring qualified entities in the meaning of the future Directive on representative actions (replacing the current Injunctions Directive) can deliver on their role to bring	Increased capacity of qualified entities	Number of qualified entities participating in cooperation and exchange of best practices mechanism	Nb	Commission	Every two years		At least one qualified entity per country at the end of the period

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
representative actions [subject to adoption of the Directive on representative actions]							
Ensuring enforcement authorities competent in consumer and product safety laws can deliver a high level of compliance to the acquis	% of compliance rate in first level SWEEPS of the CPC network	% of websites checked by CPC authorities in a CPC sweep and found compliant to consumer law	%	Commission	yearly	N/A	Above 40% on average over the period
	% of RAPEX notifications entailing at least one follow-up action (by other Member States)	% of RAPEX notifications entailing at least one follow-up action (by other Member States)	%	Commission	yearly	46% in 2017	Increase of 30 % over the MFF period to 60 %
Ensuring the availability of market intelligence tools and joint actions in the field of product safety including in relation to testing of dangerous products	Number of joint actions performed	Number of joint actions performed	Nb	Commission	Every two year		At least 3 at the end of the period
Enabling effective and coordinated EU-level enforcement actions in the field of consumer law and product safety	Number of coordinated EU-level actions performed	Number of coordinated EU-level actions performed	Nb	Commission	Every two year		At least 3 at the end of the period
Providing a high quality general information on consumer markets and conditions and behaviours and on safety issues	Publication of a relevant set of indicators on retail markets	Number of EU level report on consumer markets or conditions published by the Commission	Nb	Commission	yearly	1 per year	1 per year
Ensuring consumers are aware of their rights and of consumer safety issues	% correct answers to 3 questions on consumer knowledge of relevant legislation	Average percentage of correct answers given by consumers on 3 questions related to the following topics: rights in case of the reception of unsolicited products, faulty product guarantee and distance purchase cooling-off period.	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two years	49% (2016)	53% at the end of the reference period
Reducing vulnerability of consumers also linked to negative consequences of market digitalisation	% of consumers who feel vulnerable because of the complexity of offers, terms and conditions	% of consumers who have declared to feel vulnerable or disadvantaged (either " to a great extent" or "to some extent") when choosing and buying goods or services, because of the complexity of offers, terms and	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions	Every two years	21.3% (2016)	19% at the end of the reference period

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		conditions		Scoreboard)			
Promoting sustainable consumption behaviours	% of consumers who are influenced by the environmental impact when choosing goods/services	% of consumers who declared that considering everything they have bought during the last two weeks, the environmental impact of any goods or services also influence their choice (one of the following answers: "yes, for all or most of the goods/services bought"," yes, but only for some", "Yes, but only for one or two")	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two year	49.8% (2016)	53% by the end of the reference period

Sub-Annex 1: Stakeholder consultation

The focus has been on implementing a broad-scale interview process with key stakeholder organisations in all 28 Member States, Norway and Iceland, as well as with EU level stakeholder organisations. Questionnaires for these targeted interviews were approved by Commission services and the interviews themselves were held during December 2017 and February 2018.

In larger Member States where the number of relevant stakeholder organisations is greater, i.e. Bulgaria, Croatia, Czech Republic, France, Germany, Greece, Hungary, Italy, Poland, Spain, Sweden and the UK, interviews were held with:

- Ministry in charge of consumer policy and/or the consumer agency (where relevant);
- The national authority responsible for enforcement of consumer legislation that is part of the European enforcement network ('CPC Network');
- Other national authorities responsible for policy and enforcement of consumer legislation and other prioritised consumer relevant legislation (digital economy and society, energy/sustainable consumption);
- National representative of the Consumer Safety Network (CSN);
- RAPEX contact point;
- National consumer organisations;
- The European Consumer Centre/ODR contact point;
- Main national business association(s).

In the remaining Member States, i.e. Austria, Belgium, Cyprus, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Romania, Slovakia, Slovenia, Iceland and Norway interviews were held with:

- Ministry in charge of consumer policy or the consumer agency (where relevant);

- The national authority responsible for enforcement of consumer legislation that is part of the European enforcement network (‘CPC Network’);
- National representative of the Consumer Safety Network (CSN) or RAPEX contact point;
- Main national consumer organisation;
- The European Consumer Centre/ODR contact point.

The consultation process also took place in meetings with relevant EU networks, such as ECCG, FSUG, CPN and CPC where the effectiveness of current actions and future needs were discussed. These meetings took place during January and February 2018.

Furthermore, there was also the Commission’s online public consultation conducted as part of a larger exercise combining several consultations.

Sub-Annex 2: Evaluation results

The midterm evaluation of the current Consumer Programme is on-going and the first results show a general satisfaction of the stakeholders in terms of relevance and effectiveness of the activities. According to the interim results, highest scores in terms of effectiveness were provided regarding Exchange of enforcement officials, E-enforcement academy (training programme for enforcement agencies), and support to BEUC, the European Consumer Centres, the RAPEX system, and networking and stakeholders events in general. Where lower levels of achievements are reported, the reasons and influencing factors seem to relate mostly to new market challenges driven by fast and often unpredictable societal and technological changes. In addition, there are specific limitations in the Member States that affect an optimal uptake (e.g. limited staff/financial resources/skills of NGOs or authorities). Finally the production of evidence (studies, scoreboard etc.) is widely accepted as an effective instrument; however question marks remain regarding the timeline of studies compared to the needs of the policy process and the policy uptake of results.

Overall the objectives and priorities of the Consumer Programme are assessed as being still fully very relevant and should be continued. Additional priorities could be given to sustainable consumption, to activities that contribute to a uniform and high level of consumer protection throughout the EU, and to support to consumer organisations at the Member State level (e.g. jointly with the Member States in their role as consumer watchdogs).

In terms of coherence, there seems to be little overlaps with other programmes, but quite a significant potential for increasing synergies with activities in other areas. In terms of efficiency, there seems to be significant room for improvement regarding administrative burdens related to the programme delivery and scope for simplification as regards grants for joint actions and exchange of officials.

Regarding programme activities administrated/implemented by Chafea, there is no pattern that would indicate that activities managed by Chafea are more or less effective. However issues have been noted relating to efficiency of programme management, relating *inter alia* to delineation of responsibilities with DG JUST, the reportedly high staff turnover, and complex administrative procedures in some areas.

Suggestions for changes to the programme include the need for more flexibility (i.e. a less prescriptive programme), better planning process with however the ability to react fast to new policy demands or market developments and better possibilities for developing linkages to third countries (especially in the area of enforcement).

These lessons are also very relevant for the new funding needs under the New Deal for Consumers policy line. Indeed, most stakeholders and types of actions will be the same. However, the need to support centrally certain types of activities will be reinforced: e.g. the development of relevant market information for enforcement purposes, the development of adequate testing facilities for connected objects. There will be also a need to provide efficient and speedy direct (and sometimes small scale) support to enforcement capacities in the Member States both for competent authorities and qualified entities in the sense of the revised injunction directive.

Sub-Annex 3: Legal commitments under the Consumer Programme 2014-2020

List of legal commitments under their respective legal basis:

- **Directive 2013/11/EU (ADR):**
  - Development of a IT tool to assists consumers
    (a) clarify the legal basis and availability and appropriateness of ADR for an issue they may have;
    (b) select the appropriate ADR body for their issue;
    (c) structure their complaint and
    (d) directly communicate their complaint to the appropriate ADR body in circumstances where direct communication with a trader and/or the ODR platform has not worked
  - Training for ADR entities (through public procurement, i.e. a contractor that organises relevant training courses)
  - Support and facilitate the networking of national ADR entities and the exchange and dissemination of their best practices and experiences.
  - Take accompanying measures to raise awareness of ADR entities and their procedures and to promote ADR take-up by traders and consumers.
  - Action in support of capacity building through training available in various languages and exchange of best practices and expertise for staff members

- **Regulation 524/2013 (ODR):**
  - Develop the ODR platform (and be responsible for its operation, including all the translation functions necessary for the purpose of this Regulation, its maintenance, funding and data security.
  - Actions in support of facilitating access to alternative dispute resolution schemes, including through a Union-wide online system
  - Actions to support the preparation by the Commission of consumer ADR/ODR protection legislation and other regulatory initiatives, monitoring the transposition by Member States and the subsequent evaluation of its impact, and the promotion of co-regulatory and self-regulatory initiatives and monitoring the real impact of those initiatives on consumer markets
- **CPC Regulation 2006/2004 and implementation of revised CPC (Regulation 2017/2394)**
  - CPC IT tool
  - Sweeps questionnaires and data processing

    - Support to exchange of officials and study visits other capacity building activities of authorities
    - Market surveillance tools to develop evidence based Enforcement prioritisation

- **GPSD – Directive 2001/95/EC:**
    - "Promote and take part in the operation in a European network of the authorities of the Member States competent for product safety, in particular in the form of administrative cooperation"
        - Budget for running the Consumer Safety Network (CSN)
    - Facilitate Member States' "information exchange on risk assessment, dangerous products, test methods and results, recent scientific developments as well as other aspects relevant for control activities" …. "improved cooperation at Community level with regard to the tracing, withdrawal and recall of dangerous products"
        - Budget for horizontal co-ordinated product safety activities by national authorities
    - Facilitate "the establishment and execution of joint surveillance and testing projects"
        - Budget for product specific co-ordinated product safety activities by national authorities
    - Facilitate "the exchange of expertise and best practices and cooperation in training activities"
        - Budget for the Exchange of Officials
    - Consult a "Community" Scientific Committee on serious risks posed by certain products to the health and safety of consumers in several Member States
        - Budget to contribute to the operation of scientific committees
- **GPSD – Directive 2001/95/EC art. 12 and Regulation 765/2008 art. 22:**
    - Operate RAPEX
        - Budget for the maintenance and the further development and modernisation of the RAPEX IT galaxy (more budget will be needed than during previous years under the 2014-2020 programme because of the needed total revamp of RAPEX and the future addition of international exchange of information modules)
- **Retail Financial services Regulations including PAD and consumer credit: workshops with MS**
- **Main consumer acquis: case law database, awareness raising actions**
- **General treaty obligation to support consumer representation especially at the EU level with BEUC and ANEC.**
- **Co-financing of ECCS as part of their potential role to host contact points for the ODR Regulation, the Geoblocking new Regulation, the Service Directive, the package travel Directive.**
- **Implementation of EU consumer law Directives.** Besides the still ongoing transposition checks of the Consumer Rights Directive, the new challenge for the coming years will be

the transposition check of the new Directives 2015/2302 on package travel and linked travel arrangements (PTD) due in 2018.

- **Evaluation of existing legislation. Need to carry out evaluations of the EU Directives, in particular of the new PTD due in 2019 and 2021 as required by that Directive.**

Annex 12: Programme specific annex on *Internal Market - Governance tools*

1. Introduction: Political and legal context

1.1. Scope and context

During the last 15 years the Commission has developed a number of Internal market governance services (*Your Europe* (YE) portal, *Your Europe Advice* (YEA), *SOLVIT*, *Internal Market Information* (IMI) system and the *Single Market Scoreboard* (SMS) aimed to ensure that the Single market works in practice for businesses, citizens and public authorities. These services, managed by the Single Market Service Centre help citizens and businesses reaping the benefits of the Single market and contribute to an EU serving better people *"needs and wishes to live, study, work, move and prosper freely across our continent and benefit from the rich European cultural heritage"*, in line with the commitments of the Bratislava Declaration, adopted on 16 September 2017.

Since 2006 the **YE** on line portal brings down barriers to unlock opportunities, by explaining to both citizens and businesses EU rights and rules in jargon free language, including their national application. **YEA** offers citizens and businesses tailored information and advice on their rights in the Internal Market, free of charge and in all 24 EU languages, including re-direction to the authority or other body (local, national or European) best placed to solve their problem.

SOLVIT is a network between Member States' administrations set up in 2002 by the Commission and the Member States, aimed to deliver fast, effective and informal solutions to cross border problems citizens or businesses encounter when their EU rights in the Internal Market are denied by a public administration.

IMI is a multilingual online application offered as a service to Member States, allowing authorities to ask each other questions notify each other of developments and store information they need to share. The Commission is legally responsible for ensuring the security, availability, maintenance and development of its software and IT infrastructure. The system has been developed as a generic on-line application, which today provides an IT solution for administrative cooperation in 12 Internal Market policy areas.

The **SMS** provides an annual evaluation of the functioning of the Single market and Member States' performance, according to measurable indicators, for Single Market governance tools and in several policy areas.

All these services and tools help up-hold a **Deeper and fairer internal market** and to setting up a **Digital Single Market**, two of the 10 Juncker's Commission priorities for the period 2014-2019. By explaining the rights and administrative formalities, solving problems and enabling administrations to share information needed to apply EU laws correctly, they achieve a positive impact in the citizens' daily lives and the businesses' ability to start-up, scale-up and trade across borders, giving at the same time more visibility to EU's positive intervention.

In addition, the planned **single digital gateway** to be based on the Your Europe portal should ensure a centralised access for EU citizens and businesses to all the information necessary when using their rights to mobility in the EU. It should also ensure full access to online procedures in a non-discriminatory way (if a procedure is available for a national of a specific Member States, it should also be accessible to users from other Member States). It will impose on Member States an obligation to create full online access to the most important and most often used procedures. It includes a strong incentive to Member States to adopt ambitious cross-border and national e-government strategies, so EU citizens and business can benefit fully from the available technological developments. Relevant eGovernment actions under the European Sttuctural and

Investment Funds should be designed in line with the single digital gateway requirements.

1.2. Lessons learned from previous programmes

By explaining the rights and administrative formalities, solving problems and enabling administrations, the Internal market governance tools improve citizens' daily lives and businesses' ability to start up, scale up and trade across borders, and increasing the visibility of the Single Market. Continuously improving the functioning of the Single Market for citizens and businesses is essential, taking into account the steady increase in cross-border activity.

Within the Commission, the Your Europe portal has become one of the most visited EU portal in Q4 2017 and the third most consulted interinstitutional EU portal with 20 million visits over the year 2017 and more than 2 million visits a month in January 2018. Compared to the previous period (2007-2013) where Your Europe reached 14,6 million visits in the four years after its launch (2010), it is estimated that the number of visits would increase to more than 100 million for the period 2014-2020., These figures, prove its success in helping citizens and businesses to overcome obstacles in the Single Market. According to regular user surveys, it's seen as a best practice example with interactive content and all the performance targets in terms of language coverage, number of visits and user satisfaction have been constantly met year after year since its launch.

Still, a persistent lack of awareness about EU rights emerged from recent Eurobarometer research showing that only 6% of EU citizens feel that they are well informed about their rights as a citizen of the EU and only 36% feel that they are fairly well informed[293]. In the public consultation on the single digital gateway, 80% of businesses found complying with national requirements difficult and 60% of citizens who have tried to find which national requirements they should fulfil when moving to another Member State found this difficult or somewhat difficult to do[294]. The lack of EU knowledge also impacts negatively the turnout of citizens to the elections of the EP. According to Eurobarometer[295], as much as 84% of the respondents thought that the turnout would have been higher if more information was provided on the impact of the EU on their daily lives.

SOLVIT provides a free, unique and efficient problem solving service in comparison to costly and lengthy legal proceedings at the national level and formal infringement proceedings at the EU level and providing greater benefits to the Single Market than the individual cases solved. The most recent SOLVIT assessment (SWD(2017)210 final), carried out to underpin actions identified to strengthen the network and accompanying the SOLVIT Action Plan adopted on 2 May 2017[296], highlighted shortcomings requiring improvements, notably as regards the administrative capacity, staffing levels, expertise and positioning of SOLVIT centres within national administrations; meeting the quality criteria set out in the 2013 SOLVIT Recommendation; the lack of systematic and

[293] Eurobarometer 430: European Union citizenship – March 2016.
[294] Commission staff working document synopsis report on the stakeholder consultation on the single digital gateway Accompanying the document Proposal for a regulation of the European Parliament and of the Council on establishing a single digital gateway to provide information, procedures, assistance and problem solving services and amending Regulation (EU) No 1024/2012 (SWD/2017/0212 final - 2017/086 (COD)).
[295] Flash Eurobarometer 431: Electoral Rights – March 2016.
[296] COM(2017)255 of 2 May 2017.

structured set-up for the handling, follow-up and reporting of problems detected in SOLVIT linked to breaches of EU law by the Member States; and the limited awareness of SOLVIT as a problem-solving tool, especially among start-ups, SMEs and other businesses. With regard to the latter, businesses have submitted over the period 2015-2017 only a small fraction of the total number of cases in SOLVIT, compared with those submitted by individuals as highlighted in the following table:

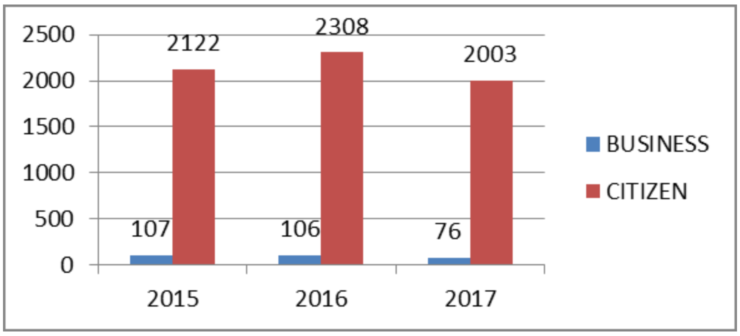


Table 1: Business vs citizens cases EU 28, source SOLVIT database

The latest YEA evaluation report (Invitation to Tender N° MARKT-B.TF1/7/2013) concluded, in 2014, that it meets the objective of providing a service that is fast, of high quality and offering advice that empowers its users and its cost is overall reasonable. More recent Commission services' internal assessment shows a slight decrease in the number of YEA enquiries.

The use of IMI has been steadily increasing over the years: In 2017 more than 33,500 exchanges were recorded in the system, representing a 25% of increase compared to the year before. Amongst other forms of cooperation more than 110,000 bilateral information exchanges have taken place since 2008. The system is used by more than 7,800 public authorities and 18,300 registered users. More than 85% of the users confirm that the system is easy to use and appreciate the Commission's continuous investment in improving the functionality of the system. IMI already replaces 12 IT systems with a capacity for replacing more. This multipurpose tool for administrative cooperation is characterized by a rational and cost efficient approach to IT development: if IMI is reused to support additional administrative cooperation procedures, there is no need for specific development, independent support and separate maintenance services. IMI can bring synergies and efficiencies, contributing to the IT rationalisation, thereby enhancing synergies and efficiencies and its added value at EU level for the good functioning of the Single market, provided that its recognition as the default corporate tool for administrative cooperation in the Internal Market is preserved and sufficient resources are allocated.

Real life example of success story of synergies, with other IMP programmes:

Examples of recent SOLVIT cases showing how it helped concrete businesses to benefit from swift proper enforcement of EU rules in customs and safety and health at work:

- A Hungarian company not obtaining correct invoices for tax free refunds within the EU from an Austrian company raised the issue without success with the Austrian financial authority. After SOLVIT intervention, the Austrian supervisor clarified conditions for full tax refund. Following this clarification, the concerned Austrian company changed its practice of issuing invoices and further streamlined business practices by the creation of a new and less restrictive refund form.
- After having been fined in the Netherlands in July 2017 because wrong placement of recording equipment in the vehicle, a Estonian lorry driver submitted his case to SOLVIT invoking incorrect

interpretation of the provisions under Regulation (EU) No 165/2014 governing conditions for inspections of tachographs: Since in this case, the tachograph had been verified in accordance with those rules, following SOLVIT intervention the Dutch authority agreed to withdraw the fine.

However, significant obstacles persist for both citizens and businesses interested in moving to, selling products or providing services in another EU country. Finding relevant, accurate and understandable information online as well as being able to access and carry out administrative procedures online is crucial for those willing to use the advantages of the Single Market, but often remains complicated, time-consuming and expensive, if at all possible as set out in the impact assessment on the single digital gateway[297].

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

The good functioning of the Single market is not a given and has not materialized yet in a number of areas. 25 years later, citizens and businesses are still confronted with administrative complexity, technical barriers or lack of enforcement on the ground. This becomes evident in the increasing number of cases submitted to the Single market assistance and problem-solving services, in particular Your Europe Advice and SOLVIT.

In line with the main objective of the Single Market Strategy[298] - improving opportunities to access markets across borders and bringing the Single Market's practical benefits to all citizens and businesses -, the existing governance tools (YE, YEA, SOLVIT, IMI and the SMS) aim to provide information and advice, assistance and problem-solving services, based on close connection between Member States' administrations, thereby helping citizens and businesses to reap the benefits of the Single market and ensuring that it works in practice for them on the ground.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Internal Market governance tools	√ • *Enable citizens/businesses to have easier access to more comprehensible information, procedures and assistance services* • *Improve problem-solving tools in cross-border situation*	√ • *IMI to become the corporate tool to manage cross-border policy challenges.* • *The coordination group of the Member States for the single digital gateway will increase cooperation and integration.*	√ • *Make better use of the information in SOLVIT for EU law enforcement actions and the design of future policies.* • *The common quality criteria of the single digital gateway will help to provide businesses and citizens a consistent approach to information across borders.*	**N/A**
√ -relevant to the objective, N/A not relevant				

[297] SWD(2017) 213 final

[298] COM (2015) 550 final of 28 October 2015.

Candidate for

Candidate for / Programme/line	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Internal Market governance tools	**N/A**	**√** • *IMI already replaces 12 IT systems with a capacity for replacing more supporting IT rationalisation.*	**√** • *The single digital gateway will join various sectoral information and assistance sources under one access point, preventing duplication and fragmentation.*	
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

As stated above, it remains time consuming and costly for EU citizens and businesses to exercise their Single Market rights as not all the required information, procedures and assistance services needed to operate cross-border are online, they are not well known, of insufficient quality or not accessible to cross-border EU users.

The single digital gateway aims at significantly improving the online availability, quality and accessibility of information, assistance services and procedures which are relevant for citizens and businesses in the EU, all to more so when they want to operate and move within the Single Market. It is based on close cooperation between the Commission and Member States for an effective, step by step implementation of the various requirements of the project. The effective implementation of the single digital gateway will be ensured by the creation of a coordination group which will be a forum for cooperation between the Commission and the Member States.

The single digital gateway contributes to the Digital Single Market strategic objective of modernising the public administration, achieving cross-border interoperability and facilitating easy interaction with citizens, also reflected in the e-Government Action Plan It is in line with the Commission's digital transformation objective of creating a streamlined web presence and avoiding further fragmentation caused by new portals and contact points. It is in line with the recommendations of the European Interoperability Framework.

By significantly improving the user experience, the initiative will greatly improve citizens' and businesses confidence in the Single Market. Digitisation of procedures and provision of accurate and reliable information as well as easier access to assistance services will smoothen cross-border exchanges, generate efficiencies and reduce red tape, thereby contributing to the creation of new job opportunities and growth.

In spite of a successful track record with EU citizens, Single market information and problem solving tools remain underused, particularly by businesses. Your Europe Business is currently covered and financed by COSME while Your Europe Citizens is not related to any programme. A more coherent approach is needed in the future. There is a need to keep investing on boosting the quality, the visibility and the transparency of the Single Market governance tools, raising awareness to maximise their impact, notably via promotion focusing on businesses which rarely use today assistance and problem-solving tools such as YEA or SOLVIT. Making full use of feedback on the functioning of the Single market from the existing governance tools is essential, as well as continuing to ensure its transparent evaluation through the Single Market Scoreboard. The latter is recognised as *"a useful tool to monitor the application of EU law"* by the EP and Council, that have both asked in several occasions for its further expansion.

Moreover, gradual expansion of IMI for any legislation in the field of the internal market would reinforce its role as the "default tool" for administrative cooperation, bringing synergies through IT rationalisation.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Internal Market governance tools	• *Enhanced access to information, advice, improved problem-solving services and procedures on a cross-border basis*	• *Improve management of cross-border Single Market challenges, while promoting IT rationalisation*	• *Giving SOLVIT a more prominent role in the overall EU Law enforcement.* • *Ensure the coherent application of the single digital gateway quality standards*	

3. PROGRAMME STRUCTURE AND PRIORITIES

In the context of the ongoing digitalisation of the Single Market and with a view to the implementation of the single digital gateway, a comprehensive upgrade of the Your Europe portal is required. The single digital gateway will be based on the Your Europe portal with a new common user interface (search engine) managed by the Commission.

The high added value, in comparison to their limited cost, of Internal market governance tools and services, giving visibility to the EU's positive role in the citizens' daily lives and allowing businesses to reap the benefits of the Single market, needs to be fully taken into account. Even if generally the amounts provided under the Single Market Governance tools budget line have enabled the EU to fulfil its obligations as a result of its prerogatives in this area so far, the issues that have emerged during the current MFFs (see above) need to be addressed in the upcoming MFF period. As recommended in the REFIT Platform Opinion adopted on 21 September 2017, *"sufficient human and financial resources must be available to make sure that all the support networks for the Internal Market (IMI, SOLVIT, Points of Single Contact etc.) can operate efficiently and have enough visibility"*[299]. Moreover, the Commission has to meet existing legal commitments in terms of IMI support to 12 Single Market policy areas and upcoming new ones, and in view of the role of the Your Europe portal[300] as backbone of the single digital gateway and the new enhanced role of SOLVIT in the enforcement policy.

The outcome of the Brexit negotiations might imply long transitional arrangements impacting the running and demand of most of these services. This might be rather

[299] REFIT Platform Recommendations – Internal Market: XII.2.a and XII.4.c - "Internal Market Information System and Single Market Centres" (https://ec.europa.eu/info/files/refit-platform-recommendations-internal-market-xii2a-and-xii4c-internal-market-information-system-and-single-market-centres_en).
[300] http://europa.eu/youreurope/index.htm

demanding for assistance and problem-solving services such as YEA and SOLVIT. Quality improvement, more prominent role in the overall EU Law enforcement and awareness raising efforts of both services should increase their number of users. Further expansion of the Scoreboard to ensure that this on-line tool even better reflects the actual functioning of the Single Market, providing a more comprehensive and accurate view of how it works in practice, might be resource intensive too.

The provision of IMI remains a legal obligation for the Commission for all areas currently listed in the annex of the IMI Regulation[301] and those for which pilot projects have been formally launched such as train driving licences[302]. The continuity of services needs to be ensured and ready to address increase in system usage. Moreover, there is a legal obligation to launch a new IMI module for Public Documents[303] and the Commission made political commitments to ensure the technical implementation of the SOLVIT Action Plan. Several other pieces of legislations which are currently in different stages of adoption in the legislative process will use IMI and will thus lead to the launch of new modules in the system: e.g. European Services e-Card[304], notification procedure for authorisation schemes and requirements related to services[305], firearms, General Data Protection Regulation. This gradual expansion of IMI for any legislation *"in the field of the internal market"* should reinforce its role as "default tool" for administrative cooperation's role.

As stated above, the single digital gateway will provide a single entry point to information, assistance, problem-solving services and e-procedures. At EU level, it should reduce fragmentation and lack of awareness by making different contact points and problem solving mechanisms more findable and accessible, and by ensuring that any services available through it respect certain minimum quality standards.

The single digital gateway regulation leaves ownership and responsibility for supplying national information, national procedures and assistance and problem solving services to the Member States. At the same time, with regard to e-procedures, it addresses the existing cross-border access' obstacles, eliminating discrimination and reducing administrative burden on citizens and businesses that operate or want to operate in other Member States, without affecting the substance or competence regarding any such procedures. The measures do not extend beyond what is necessary to solve the identified problems and to achieve the identified objectives. However, the regulation requires Member States to offer a number of key procedures fully on-line and to make them fully accessible for cross-border EU users according to an agreed timetable. This will significantly reduce administrative burden and eliminate the disproportionate hurdles

301 Regulation (EU) No. 1024/2012 of the European Parliament and of the Council of 25 October 2012 on administrative cooperation through the Internal Market Information System and repealing Commission Decision 2008/49/EC (OJ No. L 316 of 14.11.2012, p. 1).

302 Commission implementing decision of 14 February 2014 on a pilot project to implement the administrative cooperation obligations set out in Directive 2007/59/EC of the European Parliament and of the Council by means of the Internal Market Information System (OJ No. L 45, 15.2.2014, p. 36–39).

303 Regulation (EU) 2016/1191 of the European Parliament and of the Council of 6 July 2016 on promoting the free movement of citizens by simplifying the requirements for presenting certain public documents in the European Union and amending Regulation (EU) No 1024/2012 (OJ No. L 200, 26.7.2016, p. 1–136).

304 COM(2016) 824 - Proposal for a regulation of the European Parliament and of the Council introducing a European services e-card and related administrative facilities; and COM(2016) 823 - Proposal for a directive of the European Parliament and of the Council on the legal and operational framework of the European services e-card introduced by Regulation.

305 COM(2016) 821 - Proposal for a directive on the enforcement of the Directive 2006/123/EC on services in the internal market, laying down a notification procedure for authorisation schemes and requirements related to services.

faced by EU citizens and businesses from a different Member State to comply with the rules applicable in other Member States.

The necessary ongoing monitoring and evaluation measures of the single digital gateway will be based on direct user feedback about the quality, availability and findability of the services offered. In addition, users will be encouraged through a second feedback tool to report problems encountered with the Single Market. This user feedback is an efficient way for steering quality management but also for gathering evidence about success/obstacles in the functioning of the Single market. When implemented as an integral part of an information system, it should provide quick and accurate picture of strengths and weaknesses. It is a low-cost option replacing expensive ongoing evaluation machinery.

Improving the functioning of the Single Market is based on articles 21(2), 48 and 114(1) of the TFEU. In its Single Market Strategy, the Commission proposed improving opportunities to access markets across borders and bringing the Single Market's practical benefits to citizens and businesses. Ensuring further development of the Internal market governance tools should contribute to a well-functioning Single market for citizens and businesses, taking into account the steady increase in cross-border activity.

Action at EU level is required to ensure consistent development of the Single Market tools, non-discrimination and linkage of user-friendly services. Individual actions by Member States have led to some differences in approach, and such differences impose additional costs on firms, in particular SMEs, when operating in cross-border situations, discouraging many of them from scaling up internationally. Member States should create full transparency about their applicable rules, expanding the good practices already established in many areas to the overall service package provided to citizens and businesses by the Single Market Service centre, as this is an essential requirement for doing business, working, studying or traveling within the EU.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Running all these services (Your Europe, Your Europe Advice, Internal Market Information (IMI) system, SOLVIT and the Scoreboard) is currently financed through the Single Market Governance Tools' administrative budget line 02.030400, with the exception of the Your Europe Business part, which is an implementing action supported by COSME[306]. In 2017, the budget line amounted to EUR 3.650.000, covering expenditure arising in connection with activities deployed for the business management, content development, IT maintenance, development and hosting, as well as promotion of these tools. The financing available under the existing financial framework (EUR 25.975.000) represents less than 0,00001% of the EU budget.

More concretely, the Your Europe (YE) budget appropriation covers the costs for the further development of the content management tool (YEST) and addition of new functionalities to adapt to new challenges, maintenance, support and training activities; it does also cover organisation of 2 annual meetings of the YE Editorial Board, composed by Member States' representatives and chaired by the Commission, as well as promotion activities. It is currently managed by an internal team of 5 people, supported by an

[306] In 2017 the budget for Your Europe Business was covered under COSME (yearly EUR 450,000 operational and EUR 105,000 administrative credits)

external team of 5 editors/webmasters. Analysis of the delivery of the Your Europe Business which has been delegated to EASME under the current multiannual financial framework shows that duplication of work has evolved between the parent Commission service and the Executive Agency and that the delegation has so far not provided the desired simplification of the delivery. It would therefore no longer be considered suitable for delegation as analysis shows that effective delivery can be better achieved by fully integrating delivery with the other Internal Market governance tools.

The Your Europe Advice (YEA) service is provided through a contractor (ECAS, European Citizens' Action Service) managing a network of 60 legal experts with EU law background, expertise and experience in national law and administration in all Member States, financed by the Commission which also takes care of the political guidance, maintenance and further adaptation of the YEA database application to the citizens and experts' needs (1 official). Delegation to the Executive Agency of the purely day-to-day management of such a contract is an issue which might eventually be suitable.

As far as SOLVIT is concerned, workshops with Member States' SOLVIT centres (2 per year) and newcomers' trainings are an essential element for the good functioning and the success of the network, as well as promotion activities following the adoption of the SOLVIT Action plan in May 2017. Within the Commission, the SOLVIT team is composed of 4 officials, ensuring coordination with national SOLVIT centres, with other networks (i.e., EDCC, EEN, YEA, etc.), bodies (i.e., European Ombudsman), external stakeholders and services.

The IMI budget and portfolio are managed by an internal team of 6 officials, supported by an external team of 2 IT experts and a project manager position (1 AD official) seconded to DG DIGIT, following the MoU with this DG to ensure IT developments needed for further expansion of the system (which started with the Services Directive in 2008 and is now supporting administrative cooperation for 12 legislative areas within the Internal Market).

The coordination and annual edition of the on-line Single Market Scoreboard is ensured in-house by one official, with dedicated technical support from IT and web experts from the IMI team.

The continuity of all these services needs to be ensured so as to ensure they are ready to address an expected increase in system usage as a result of awareness raising campaigns following political (i.e., SOLVIT Action Plan, Council calls to expand the Scoreboard, etc.) and legal commitments (i.e., IMI expansion to new policy areas, Your Europe's role in the future deployment and up-take of the single digital gateway).

The ongoing initial investment covering the establishment of the single digital gateway is based on an implementation plan with a detailed list of actions which need to be carried out to ensure the timely launch of the gateway. The costs of implementing the single digital gateway are divided into initial investment costs and annual running costs. The initial investment started in 2018, and the last part of it (€ 3 millions) falls on 2021. The running costs will be €1.5 million in 2021 and € 2millions/year thereafter.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

The **Single Market Scoreboard** aims to give an overview of the practical management of the Single Market by carrying out an EU-wide monitoring exercise of governance tools and policy areas on a yearly basis. The Member States' performance is evaluated based on reliable indicators. To make the results visually more attractive and easier to understand and compare, this evaluation is translated into 'traffic light' charts with green, yellow and red cards for good, average and bad performance. The Scoreboard allows for comparison of results over the years and amongst Member States building a good basis for informed decisions or to exercise peer pressure.

Enhancing access to information through the **Your Europe (YE)** portal requires close cooperation and dedication from both the Commission and the Member States. YE is running an **annual online user survey** on both the citizens and business part of the portal. The 2018 survey confirms a constantly very high level of user satisfaction: 94% of YEB users and 95% of YEC users are satisfied with the portal. Moreover, the Scoreboard monitors whether Member States support this website in an adequate way. On an annual basis it is checked and evaluated, whether national governments provide content (i.e., national rules implementing the Single Market acquis) and whether they are promoting it to their own citizens and businesses. If Member States do not meet these information requirements, an information gap is created, making it difficult for citizens and businesses to make informed decisions or to fully enjoy their rights. The Scoreboard also monitors the number of visits to both sections of YE (Citizens and Business), showing that there is a growing interest in and need for the information provided. The fact that Member States' performance is monitored and evaluated via a 'traffic light' system with red green or yellow cards certainly keeps them motivated and ensures that they are not relenting in their efforts.

The Scoreboard also monitors the efficiency of **Your Europe Advice (YEA)** by checking on the speed of replies, the aim being to reply to enquiries within 3 working days. But it also monitors the number of enquiries to YEA and shows the relation between this number and the improved information on YE (more relevant and user-friendly information reduces the need of inquiries). It highlights the main subject areas dealt with and thereby raises awareness for where people's real problems with the Single Market lie and obstacles to exercising EU rights persist.

The Scoreboard monitors the **SOLVIT** resolution rate by country – the aim being to solve all cases submitted so the network plays a more prominent role in the overall EU Law enforcement – but also the time taken to handle a case (first response time, preparation time and resolution time). Looking at the Scoreboard results from 2013 until today, it can be said that the overall performance of Member States' SOLVIT Centres has definitely improved. In 2013 a majority of countries showed a medium performance (yellow cards). Over the years this has changed and nowadays most of the Member States show a good performance (green cards). In addition to this, the Scoreboard provides useful background information on the distribution of SOLVIT cases amongst the Member States and their caseload, helping to make decisions on staffing numbers - only efficient SOLVIT centres can ensure the smooth resolution of problems submitted to them. Furthermore, the Scoreboard highlights problem areas and thereby shows where the Single Market is not properly functioning, as well as barriers to the free movement of people, goods and services in the EU should be removed.

All Member States involved in **IMI** have to make an effort to make this network run smoothly. The Scoreboard offers IMI a platform to fulfil is legal reporting obligation under Article 25(1) of the IMI Regulation and, in addition to the monitoring via quantifiable indicators like the speed in accepting and answering requests, the Scoreboard has – upon Member States' request – introduced qualitative indicators like *"the efforts made by an authority as rated by counterparts"*. This shows the importance the Member Stats attach to a fair and meaningful monitoring by the Scoreboard. It also keeps track of the number of exchanges of information through IMI and keeps track of the areas in which IMI is used promoting IT rationalisation.

The draft **single digital gateway** regulation states that an assessment report on the functioning of the gateway and of identified Single Market obstacles will be submitted to the European Parliament and the Council two years after the adoption of the Regulation and every two years thereafter. An evaluation is also planned to take place five years after the entry into force of the Regulation. The single digital gateway coordination group, a central co-ordination body in the single digital gateway governance structure will assist the Commission in monitoring the performance of the gateway and the state of application of the Regulation.

Particular monitoring is needed in those Member States that have large gaps in the availability of information and procedures online, especially concerning the access of foreign citizens. The planned governance structure based on very close cooperation of the Member States and the Commission should help in bringing all Member States up to speed.

The results of the monitoring efforts should guide continuous improvement of the services and will also be used for a Commission report on the functioning of the single digital gateway to the European Parliament and the Member States every two years. A full evaluation should take place four years after entry into force of the single digital gateway regulation.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
Enhancing access to information through the Your Europe public information website	Visits and user satisfaction	Number of visits to the Your Europe portal and user satisfaction	One individual person visiting a single webpage in a single on-line session.	YE users statistics	Yearly measurement	20,1 million / 90% of user satisfaction / 2017	Stable number of users (over 100 million visitors over the whole period) and user satisfaction
Enhancing access to information through the Your Europe public information website, ensuring full coverage of national information citizens and businesses need, in line with Annex I	Succesful search	Percentage of businesses and citizens who indicate they have found the information they were looking for.	One individual person visiting a single webpage in a single on line session.	YE/SDG user statistics	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 90%

of the SDG proposed Regulation							
Enhancing access to advice and assistance through YEA	YEA performance	Performance of the YEA service in terms of number of enquiries received, ensuring continuted high quality and speed of replies	Individual enquiries	YEA user statistics	Yearly measurement	22662 enquiries received (of which 19042 eligible) in 2017	+/-20.000 eligible cases per year.
Giving SOLVIT a more prominent role in the overall EU Law enforcement.	SOLVIT performance	Maintain the performance standard of SOLVIT while ensuring good availability, particularly with regard to businesses	Number of days between receipt and closure of a case.	SOLVIT network statistics	Yearly measurement	2.414 cases in 2017: 64 days average.	+/- 60 days average.
Improve management of cross-border Single Market challenges, while promoting IT rationalisatio n	Policy areas covered by IMI	IMI performance in terms of policy areas covered	Policy area	IMI statistics	Yearly measurement	12 policy areas covered in 2017	Integrating at least 1 to 1.5 new policy area every year
Improve management of cross-border Single Market challenges, while promoting IT rationalisatio n	EPC applications	IMI performance in terms of submitted EPC applications	Each individual EPC application	IMI and EPC statistics	Yearly measurement	2.309 EPC application s submitted in 2017	Duplicating the issuance of EPC, depending on the expansion of the covered professions.
Improve management of cross-border Single Market challenges, while promoting IT rationalisatio n	IMI bilateral requests	IMI performance in terms of number of bilateral requests	Bilateral requests	IMI statistics	Yearly measurement	14.764 requests sent	Increase use of the system of 10% per year.
Improve awareness of services available through the gateway	Monthly users	Trends in average number of monthly users.	One individual person visiting a single webpage in a single on line session.	User statistics	Monthly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Monthly increase from benchmark in month 1
Eliminate or overcome duplication complexity, improve findability of information, advice,	Monthly users	Trends in average number of monthly users.	One individual person visiting a single webpage in a single on line session.	User statistics	Monthly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Monthly increase from benchmark in month 1, towards target of 90%

problem-solving services and procedures on a cross-border basis							
Improve quality across the board for all information, assistance and problem-solving services, as well as e-procedures	Satisfaction with quality	Percentage of business and citizens who indicate satisfaction with quality (based on criteria).	Quality criteria to be defined in the SDG Regulation.	User statistics	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 90%
Ensure that EU citizens and businesses can complete the most important part of their interactions with the administration online	Ability to complete procedures on-line	Percentage of businesses and citizens who indicate that they have been able to complete the available procedures fully online.	Individual users	User statistics	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 95%
Make all procedures indicated in the SDG fully accessible for non-national citizens and businesses	Ability to complete procedures on-line	Percentage of cross-border businesses and citizens who indicate that they have been able to complete the available procedures fully online.	Individual users	User statistics	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 95%
Get a more systematic overview of obstacles encountered by cross-border users	Feedback	Usability of data from user feedback tool and from assistance services regarding obstacles in the Single Market and quality of resulting report	Data received through the user feedback tool	User feedback	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Positive feedback from stakeholders on usefulness of reporting on Single Market obstacles

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

For EU citizens and businesses with a cross-border perspective, the benefits of having full online access to reliable information and user friendly procedures in a language that they can understand is considerable. As part of the Europa platform of the Commission, the existing Your Europe portal respects the corporate "Information Providers Guide"[307], i.e. the Europa-specific quality standards on content (definition, drafting, SEO …) and design (structure, layout, usability, accessibility…). The 2013 Commission Communication on an *"Action Plan for boosting Your Europe in cooperation with the Member States"* was positively welcomed by both the EP and the Council. One year later, the results of the Your Europe Advice evaluation report (Invitation to Tender N° MARKT-B.TF1/7/2013) were made available.

Improved knowledge about rights and opportunities, and better-quality online services may also contribute to more firms and citizens claiming these EU rights. An example is the principle of mutual recognition for intra-EU trade in goods that is currently not well-known among businesses. A study on information and assistance needs has concluded that businesses could save between EUR 11 and 55 billion annually for researching nine business topics[308]. As for the benefits for citizens, they can only be indicated by estimating the number of hours saved. A single entry point to all relevant information, through the Your Europe portal, would reduce by 60% the 1.5 million hours that citizen currently spend on researching online seven essential topics before going abroad. If these costs, time and hassle could be avoided, not only for businesses but also for citizens, more people would be encouraged to expand their activities across borders due to much increased transparency. Furthermore, e-procedures reduce the risk of administrative errors and corruption.

Finding clear and comprehensive information about the applicable requirements is only a first step. Administrative procedures have to be completed in order to comply with them. Digitising key procedures reduces compliance costs and increases the rate of compliance with the applicable regulations. With regard to problem-solving services, the most recent SOLVIT assessment (SWD(2017)210 final) was carried out in 2017 to underpin actions identified to strengthen the network and accompanying the SOLVIT Action Plan adopted in May of that year.

The study about administrative formalities[309] has calculated that the costs of cross-border businesses are 50% higher compared to domestic businesses, and that the aggregate cost difference (between the same number of domestic and cross-border businesses, for nine procedures) is EUR 131 million. Almost half of the additional costs for cross-border businesses is caused by translations (EUR 60 million) , followed by additional costs for

[307] http://ec.europa.eu/ipg/index_en.htm

[308] Study on information and assistance needs of businesses operating cross-border within the EU, including gap and cost analysis, Ernest & Young, 2017. See annex 19 for the methodology.

[309] Study about administrative formalities of important procedures and administrative burden for businesses, Ecorys, 2017 See annex 19 for the methodology.

gathering information (mostly advice, EUR 30 million), submitting documents (EUR 22 million, mostly travel costs if submission in person is required, certification (EUR 11 million) and collecting data and documents (EUR 7 million). The savings for domestic businesses from digitalisation are much greater and in the order of magnitude of EUR 6.5 billion for just nine businesses procedures, and EUR 48 million for cross-border users.

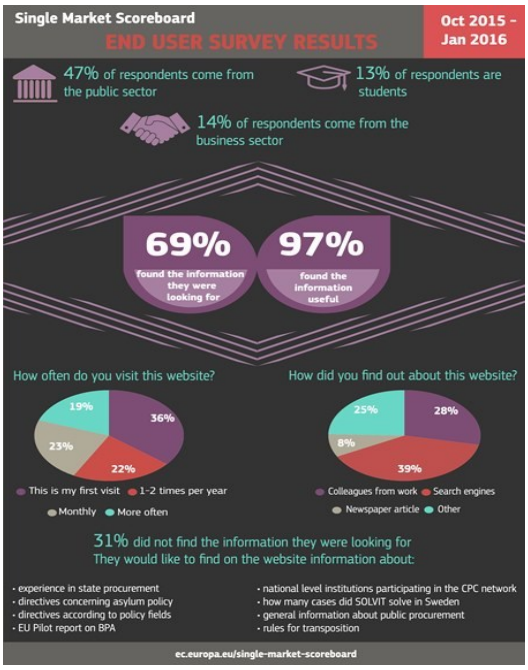
Sub-Annex 2: Stakeholder consultation

The overall consultation process on the single digital gateway started in November 2015 and closed in December 2016. It included a dedicated stakeholders' workshop, an online public consultation as well as numerous bilateral discussions with stakeholders and Member States. The process highlighted a strong consensus among business and citizens around the importance of the main pillars to be covered by this initiative.

The main elements that emerged from the consultation were the need to tackle the quantity and quality of single market related information, online procedures and assistance services available, a broad support for the aims of the initiative and a high level of interest concerning the concrete implementation by stakeholders. Businesses and citizens considered that having access to all applicable information would be useful to make informed decisions. Member States considered that minimum information is already being offered and that it would be challenging to offer all information online. A majority of respondents preferred to carry out cross-border procedures online. They considered it important to remove some of the remaining obstacles in the single market.

Member States had concerns with regards to feasibility, notably regarding authentication and mutual recognition of e-signatures and regarding potential cost of putting all procedures online.

To get a better overview of the **Single Market Scoreboard**'s readers and their satisfaction, an end user survey was carried out in the form of a pop-up questionnaire from October 2015 to January 2016 which provided for the following results: 47% of the respondents came from the public sector; 14 % came from the business sector and 13% were students. As for the information presented on the Scoreboard: 69% found the information they were looking for and 97% found the information useful.



Similar satisfaction surveys are run on a yearly basis with regard to the Your Europe portal. The 2018 survey confirms a constantly very high level of user satisfaction: 94% of YEB users and 95% of YEC users are satisfied with the portal.

Sub-Annex 3: Evaluation results

The ex-post evaluation of the existing (regulatory and non-regulatory) framework relevant to the single digital gateway pointed to a number of problems that concern the individual services, as well as their lack of effectiveness, efficiency and coherence as a package of Single Market services for citizens and businesses.

As far as the effectiveness of individual services is concerned, recurring and cross-cutting problems pointed out are: lack of visibility and findability online, lack of quality and under-use. 92% of consumers and businesses are unaware of any online services at European level that they could turn to in case of problems. In addition, gaps exist with regard to national-level information, which is either not online or only in national language, and procedures can often not be carried out online by foreign users – even where this is possible for domestic users. The existing legal framework also contains a number of gaps. Cross-border accessibility remains one of the key development points in order for contact points and other portals to fully support the Single Market.

The EU-level assistance and problem-solving services such as Your Europe Advice and SOLVIT are considered cost efficient when taking into account the savings and other benefits these services provide to businesses and citizens as compared to much more costly private alternative services. However, the national-level assistance services (PSCs, PCPs and PCPCs) can only be considered as partially efficient. The cost effectiveness aspect is difficult to assess, as data are missing, but they are under-performing for businesses as far as their effectiveness is concerned. Moreover, the low quality of their websites represents a missed opportunity to reduce the number of requests through better online up-front information, and thus to be even more cost-efficient.

Annex 13: Programme specific annex on *Internal Market – Support to Standardisation activities*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

European standardisation is the cornerstone of the effective functioning and the completion of the Single Market, as standards' issues affect 80 percent of world commodity trade. Overall, there are 20.000 European standards developed by CEN-CENELEC for products and services and 35.000 standardisation deliverables by ETSI. Each European standard replaces at least 34 national standards (members of CEN, CENELEC are not comprised only of the EU28 but also of EFTA and candidate countries).

Standards are important for the implementation of the EU safety and environmental legislation, particularly under the "New Approach". This is because the Directives include only the essential safety requirements wheras standards prescribe the practical ways for meeting the set requirements. Standards are a tool for EU industrial policy because they set a common ground for competition (i.e all EU telecom firms are competing by using the same GSM standards while in the USA each firm has its own technical specifications). Promoting European standards worldwide allows EU companies, in the cases where EU standards are being accepted, to compete under the same conditions as the native companies.

The Commission provides financial support to the:

- European standardisation organisations for activities related to the quality of standardisation, standardisation work in the various sectors, the visibility and promotion of the European standardisation system and
- organisations representing small and medium-sized enterprises (SMEs) and societal stakeholders active in standardisation activities, to promote the participation and interests of the stakeholders in the European standardisation system, improving their information and use of standards whilst demonstrating to them the benefits..

However, the standardisation environment is changing because of the higher position that standardisation now has in the political agenda. New elements are being added, namely the increased amount of standardisation activities to be carried out by the European standardisation organisations in response to the Communication COM(2016) 176 on ICT standardisation priorities, as well as the actions envisaged in the Rolling Plan for ICT Standardisation. Moreover, new technologies and the progressive integration of digital solutions in industrial global value chains, as well as the fast evolving international context, are putting pressure on the European Standardisation System to provide new standards' categories (i.e electronic standards, Machine-to-Machine standards) in very short time frames. This can still be leveraged to contribute more to EU jobs and growth but it will require important investments from the European Standardisation System and the EU financial contribution will be decisive.

The Commission responded to these challenges by proposing the Joint Initiative on Standardisation [C(2016)3211] which was signed on 13 June 2016 in Amsterdam together with actors of the European Standardisation System. The Joint Initiative on Standardisation consists of concrete actions to improve and modernise the system, and its outcome is expected by the end of 2019. These actions will also require financial support from the Commission.

1.2. Lessons learned from previous programmes

In 2015 the Commission, based on 2013 and 2014 data assessed the performance of the European Standardisation System (ESS) including the EU Regulation 1025/2012 since its entry into force in 2013, in terms of effectiveness, efficiency, coherence, relevance and EU added value.

The evaluation has built on the results of the Independent Review of the European Standardisation System (ESS) published in April 2015.

Areas where effectiveness has been fostered and which would indicate that progress is being made are:

- Transparency- positive findings were the publicly available planning of the Commission on standardisation and the publication on internet of the working plans of the standardisation bodies;
- Inclusiveness- while at the European level SMEs appear to be largely represented at policy and technical level (e.g. in 2014, SMEs were represented at technical level in more than 80% of CEN's and Cenelec's technical bodies and ETSI's working groups), the involvement of the other stakeholder groups is more limited;
- Timeliness -the time to develop new standards requested by the Commission decreased from 5 years, on average, in 2009 to 3 years in 2013;
- Union financing of Standardisation activities - there is a perception among European Standardisation organisations and other organisations receiving EU funding that the Regulation has increased administrative burden. The assessment of such burden showed that it represents a reasonable share of the amount provided by the EC fundingThe Vademecum on European Standardisation in support of Union Legislation and policies and the recent Commission decision to implement lump sums in line with Article 17(4) of the Standardisation Regulation are expected to improve the situation in order to make the access to Union funding easier and more predictable.

Efficiency was assessed in terms of impact to the economy, which was found positive but the data reffer to national studies performed in France, Germany and UK. They lack European data to be assessed.

In terms of coherence, EU added value and relevance the evqluqtion showed that removing trade barriers (replacing 28 national standards and their corresponding Regulations with one European standard) and fostering a Single Market represent by far the major potential for EU added value of European standardisation

Overall, the conclusion of, the evaluation was that no major problem in the application of the legal framework had been identified, while some areas for impr ovement, have been identified. They concern areas of improvement identified to be addressed in relation to the overall European standardisation system and areas in relation to the standardisation activities supported by EU funds. The Commission is working with its partners from the European standardisation system to address these issues and modernise the fucntioning and delivery of the system.

The areas to be improved in relation with the overall standardsation system are:

- speed and timeliness elaboration of standards necessary for early market uptake;
- link SMEs and innovation with standardisation;
- Efficient and effectivestandardisation support on legislative and policy needs by better definition of these needs, by improving the verification of compliance of standards with the given legislation or policy and by removing conflicitng national standards;
- inclusiveness of weaker stakeholders (representing conumer, environmental,

workers interests and SMEs) in the standardisation process at European and international level;

- support to competitiveness of European businesses at global level by adapting the European stakeholder needs to match with the non-EU processes and by adapting standards developed outside the EU system, like in ICT within the European standardisation system.
- enhance communication channels between the Commission and the European standardisation system and optimise the administrative procedures and the reporting requirements;

The areas to be improved in relation with the standardisation activities supported by EU funds are:

- speed up the process leading to the conclusion of the grant agreements (time to contract) by employing simpler and faster working methods
- streamline of administrative and financial procedures for the management of grant agreements by providing practical guidance to all involved actors in order to enhance the common understanding of the rules;
- Simplify and rationalise the reporting requirements by allowing electronic and comparable data to be gathered in a database, by establishing key qualitative or quantitative indicators to measure the impact and performance of the actions;
- regularly monitor the overall Union financing, the results of the simplification measures and the opportunities to move further towards a more performance-based system.

2. THE OBJECTIVES

Union financing of activities of the European standardisation organisations and of the organisations representing SMEs, workers, consumers and environmental interests in standardisation is limited to an amount of EUR 23 million annually (22,264 million euros for 2017 and 2018 respectively). 42% of the budget is given to support the operating costs of those organisations The rest 58% is given to actions related with the elaboration and use of standards. Since 2013, the Commission has reduced the amount granted to the European standardisation organisations for their operating costs by 33%, in order to finance standardisation actions that correspond to the policy objectives of the Commission and that are in line with the Union's priorities.

So far, only the standardisation priorities that have been taken up under the annual Union work programme for European standardisation (Article 8 of Regulation (EU) no 1025/2012) and the Rolling Plan for ICT standardisation (Commission document elaborated with the support of the ICT Multi-Stakeholder Platform (MSP) set up by Commission Decision (2011/C349/04) of 30 November 2011) would be eligible for receiving Union financing. Since the adoption of the Communication COM(2016) 176 on ICT Standardisation Priorities, some of the actions described in the five priority areas (5G, data, cloud, cybersecurity and Internet of Things) could also become eligible. The annual Union work programme for European standardisation, and the Rolling Plan for ICT standardisation are essential tools to identify standardisation work, which has taken priority in terms of the Union's financing also.

Moreover, the support given to the organisations representing SMEs, workers, consumers and environmental interests in standardisation plays a significant role (20% of the EU budget of standardisation is dedicated to the Annex III organisations) in strengthening the representation of relevant stakeholder groups (SMEs, consumers, environmental interests and workers) in European standardisation and pursues its objectives in terms of the inclusiveness of the system.

Standards matter because they promote innovation, enable interoperability, increase quality and safety, enable jobs and growth, support global value chains, and help to overcome costly fragmentation in the single market and in the digital single market thanks to the modernised European standardisation process.

The Union financing is targeting standardisation work in areas of public policy (e.g. standards and/or preliminary and ancillary work in the area of consumers' or workers' health and safety, equal opportunities for disabled people, air quality, environmental protections, climate change, security, or transactions between business and public administration), that otherwise would not be funded by industry or the NSBs, at least not to such a large extent considering the timing required also

Since 2015, the refugee crisis and the EU's role of stabilising the troubled areas that feeds the crisis, as well as protecting its citizens from terrorists' attacks, is creating a new need for standardisation in Defence and Security (i.e drones, detectors, databases). Restricted access and the increased use of raw materials that the Circular economy action aims to tackle require standards to support the whole process to make recycling possible and economically viable. Ensuring that Europe produces affordable energy for our industry, cities, roads and everyday activities requires adding renewables to the existing energy mix and setting European standards. This, in turn will improve energy storage capacities, build smart energy hubs and make all such systems interoperable.

Standards are crucial for innovation and progress in the Single Market and digital single market: they increase safety, interoperability and competition and help remove trade barriers. They are essential for European productivity and competitiveness. The action contributes to the functioning and delivery of the European standardisation system in support of the Union policies and legislation.

Standards are needed to support the compliance of goods with the essential requirements of the EU legislation,

Standards are needed to provide interoperability between systems (i.e. transport, energy, security, defence and data systems)

Standards are needed to create platforms for exploitation of innovative ideas by all economic operators shifting the competition between operators from the technological differences to the successful application and adaptation of the innovative technology to the market

The following policy options and their implications have been considered:

a. Budget maintenance at the same level under the new MFF

- Ensure the basic functioning of the system by providing financial support to the central secretariats of the ESOs and of the Annex III organisations (as referred in Regulation (EU) No 1025/2012) and verify the quality of standardisation work.
- Minimise the EU funding for the elaboration of the relevant scientific and technical data and laboratory testing which are necessary to support the development of the standards.
- Ask the European standardisation system to finance, using its own resources, the implementation of the actions agreed under the Joint Initiative on Standardisation.

b. Increase the budget by 20%

- Maintain the financing of European standardisation and cover standardisation needs for new ICT areas, in particular for the digitisation of industry.
- Support the improvement and modernisation of the European standardisation system with the implementation of the actions agreed under the Joint Initiative on Standardisation, such as improvement of the IT systems and the setting up of new procedures to provide the necessary information to the stakeholders and users of standards.

2.1. Challenges for the programmes of the next MFF

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Programme 1	√ / N/A + few words of explanation	√ / N/A + few words of explanation	√ / N/A + few words of explanation	√ / N/A + few words of explanation
Support to Standardisation activities	√ Consumers, environmental, workers and SMEs interests are important in standardisation because the standards affect these areas	N/A	√ One harmonised European standard replaces 28 national standards and provides conformity of compliance with the essential requirements of the EU respected legislation	√ / Standardisation contributes in the harmonisation of health services and on implementation of health and safety regulations on food consumption and in working areas
√ -relevant to the objective, N/A not relevant				

Candidate for

Candidate for / Programme/line	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Programme 1	√ / N/A	√ / N/A	√ / N/A	
Support to Standardisation activities	√	√	1 Digital Single Market Support Programme 2 Modernising European Public Administrations and Services (ISA2) 9 Consumer Programme 12 Internal market – operation and development of the internal market for Goods and Services 13 Health programme 14 CFF for food chain 15 Customs and tax policy development support budget line	
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

Challenges	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among	Rule-making, standard setting and enforcement at EU	Health as a resources for the society and the internal market

Programme/line		Member States	institutions level	
Support to Standardisation activities	Promotion of the participation and interests of the stakeholders in the European standardisation system, improving their information and use of standards and showing them the benefits of these.		Development and use of standards in support of Union legislation and policies for safety reasons and in areas which are new or dominated by few players and Union financing is necessary to assure the participation of start-ups and newcomers in that market	Development and use of standards in support of Union legislation and policies for safety reasons and in areas which are new or dominated by few players and Union financing is necessary to assure the participation of start-ups and newcomers in that market

Candidate for

Potential for / Programme/line	Simplification of your programme, and/or synergies and/or flexibility
1 Digital Single Market Support Programme	
2 Modernising European Public Administrations and Services (ISA2)	
5 Implementation and Development of Single Market for Financial Services (prerogative line)	
9 Consumer Programme	synergies and/or flexibility
12 Internal market – operation and development of the internal market for Goods and Services	
13 Health programme	
14 CFF for food chain	synergies and/or flexibility
15 Customs and tax policy development support budget line	

3. PROGRAMME STRUCTURE AND PRIORITIES

The primary objective of the Regulation (EU) No 1025/2012 is the development of standards. Therefore, the financial support for the functioning of the European standardisation

organisations is a condition sine qua non for elaborating new European standards and updating the catalogue of the 4500 harmonised standards in support of EU Regulation.

Funding of standardisation priorities that have been taken up under:

i. the annual Union work programme for European standardisation (Article 8 of Regulation (EU) no 1025/2012) and;

ii. the Rolling Plan for ICT standardisation (Commission document elaborated with the support of the ICT Multi-Stakeholder Platform (MSP) set up by Commission Decision (2011/C349/04) of 30 November 2011) would be eligible for receiving Union financing. The standardisation priorities included in the AUWP reflect and support first the Commission priorities and secondly support the implementation of legislative acts with harmonised standards.

The programme is structured around the European standardisation organisations that are the recipients of the standardisation requests and produce European standards.

Funding is focused in support of:

functioning of European standardisation organisations;

standardisation priorities that have been taken up under the annual Union work programme for European standardisation (Article 8 of Regulation (EU) no 1025/2012) and the Rolling Plan for ICT standardisation (Commission Decision 2011/C 349/04);

functioning organisations representing small and middle-sized enterprises (SMEs) and societal stakeholders in standardisation activities.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

The financing is under direct management and according to the provisions of the articles 15 to 17 of the EU Regulation 1025/2012 through operating, action grants, and procurement contracts.

- Operating grants providing support to standardisation activities performed by CEN, Cenelec and ETSI and of the organisations mentioned in the Annex III of the EU Regulationin No 1025/2012 for a total amount in 2017 of € € 9 252 323

Action grants to the CEN, CENELEC, ETSI and ECOS for elaboration of standards and associated work for a total amount of € 9 653 377

- Administrative arrangements with JRC for € 325 000
- Action grants to the CEN, CENELEC, ETSI for elaboration of standardisation work in the field of ICT for a total amount of € 2 577 136

Procurement contracts for verification of quality of standards intented to be published in the OJEU thus to offer presumption of conformity with the essential requirements of the respected legislative acts –Framework contract for € 4 000 000

- Procurement contract for the study requested by the Council on the economic and social impact of European standardisation estimnated € 2 000 000
- Procurement contracts for Technical consultancy contract, in order to assist the work related to web-publishing for € 173 439 in 2017

The conclusion and management of the framework contracts, of the grant agreements and of the procurement contracts is done by the unit responsible for standardisation in DG GROW. The action grants related with ICT are concluded and managed by the unit responsible for ICT in DG GROW. The procurement contracts affect a big number of services in the Commission. In order to ensure that the result satisfies all theese services the works are followed through steering committees.

However, the centralisation of the Financial services has limited the number of colleagues with experience in financial management. To anticipate the lack of expertise to manage the grants within the unit and the Directorate consider necessary to tranfer of the management of the grants to an executive agency. The expertise of the agency in financial matters would ensure a solid financial management.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

The Commission monitors the performance by KPIs that have been integrated in the Framework contracts with CEN, CENELEC and ETSI. Also, every standardisation organisation receiving EU funding has to report annually to the Commission on the implementation of the EU Regulation 1025/2012. These reports provide qualitative analysis of the performance. Finally the impact of standardisation in the internal market is measured by the implementation rates of CEN/CENELEC standards by its national members

Specific Objective	**Indicator**	**Definition**	**Unit of measurement**	**Source of data**	**Frequency of measurement**	**Baseline**	**Target**
Impact of standardisation in the internal market	> 90% average of all EU members	Percentage of agreed EU standards that have been published/enforced at National level	Active published European standards at National level /Active European standards	CEN, CENELEC	TRIMESTRIEL	90% average of all EU members	95% average of all EU members

Annex 14: Programme specific annex on *Internal market – operation and development of the internal market for Goods, Services and Public Procurement*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

Under the current budgetary period of 2014-2020, the expenditure of Commission services and their various partners arising in connection to the completion of the internal market of goods and services, as described below, is financed from the "Operations and development of the internal market for goods and services" budget line 02.0301 with a budget of EUR 159.089.000. Its main components are:

- **Horizontal support for the Single market of goods**

The Single Market for goods can only function well and be fair for people and businesses if all market players play by the rules. The EU has the following tools requiring financing spending:
Market surveillance: joint actions have been financed since 2013 leading to limited successful outcome, improving coordination across Member States. In addition, expenses have also covered the organisation of ADCO meetings and the maintenance of ICSMS system.
Conformity assessment and accreditation: part of the budget is spent on coordinating conformity assessment and to support accreditation. In particular, the European Accreditation organisation has been financed with an operating grant per year of 375.000€ from the period 2010-2013 and 600.000€/per year in the period 2014-2017. In addition, expenses cover organisation of meetings of notified bodies and the maintenance of NANDO IT system (80.000 per year).
Mutual recognition: the evaluation of the functioning of the mutual recognition principle and its potential impacts on the internal market was financed from this budget.

- **Prevention of technical barriers for goods and information society services**

Directive (EU) 2015/1535 (Single Market Transparency Directive, hereinafter 'the SMTD') defines a preventive mechanism to avoid potential barriers to the internal market of goods and information society services. In order to enable the authorities of all EU Member States to go through the national drafts notified and react when appropriate, the translation into all EU languages of the draft national technical regulations notified is indispensable. Since 2016, the contract concluded for the needs of translations in the context of the SMTD covers also the translation of the national regulatory texts once adopted. This allows for the appropriate follow-up to the notifications by all the parties and the creation, in the medium term, of an EU database including all the national technical regulations notified.

- **Automotive**

The work performed under this budget covers the needs for Better Regulation in the automotive sector as well as the emergency response to the emissions scandal. The budget was spent to perform studies required in order to update the many regulations in this sector covering all aspects of type approval of vehicles while another part of the budget was used to finance new facilities and work for the new market surveillance tasks, in the aftermath of the emissions scandal and in starting these market surveillance activities by the Commission.

- **Services**

Support for policy-making in services is oriented towards analysis of legal frameworks, gathering of data, doing regulatory mapping and assessing the economic impact of restrictions and reforms. The output then feeds into policy preparation, implementation and follow-up of new initiatives. These activities are labour-intensive and require contacts in all Member States. As the services sector has politically very sensitive aspects, a major component of policymaking consists of communication and negotiating efforts, including meetings and conferences with stakeholders, conducting surveys, engaging in promotional activities and conducting studies to support policy-making. The current budget has made this possible. It should be noted that there are legal obligations concerning the monitoring and evaluation arising from the Services Directive, the Postal Services Directive and the Professional Qualifications Directive that cannot be avoided and the current budget allowed to meet.

- **Public Procurement**

In order to underpin the procurement policy, resources are used to perform targeted studies and evaluations on specific topics such as cross-border procurement, joint procurement, green procurement, procurement in the health and waste sector, have been carried out. Also direct support to policy measures and enforcement, such as impact assessments and evaluations, compliance and transposition checks have been undertaken. Awareness-raising activities (e.g. conferences) are also organised to better use public procurement rules and tools and trigger changes.

- For continuously updating the **legal framework for harmonised products** (construction products, eco-design, electrical and electronic products, machinery and other mechanical products, chemicals, medical devices, cosmetics and intellectual property), the existing Internal Market budget line under the current MFF has provided significant added value, by enabling the financing of different types of studies to support the development and evaluation of robust Internal Market legislation, by catering for the practical needs for having in place harmonisation tools (mandates, standards, other technical specifications etc.) of high quality, as well, support to Committees, external partner bodies, international bodies or legal interpretation and enforcement.

1.2. Lessons learned from previous programmes

There has not been one evaluation on the whole budget line, but rather on some of its main elements in the area of "Horizontal support for the Single market of goods" from which lessons learned can be extracted.

The REFIT evaluation on the functioning of market surveillance (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2017:0469:FIN) found that the current approach of financing individual joint actions of market surveillance authorities without a more coherent framework for coordination has little effect in curbing the tide of non-compliant products that can be found on the single market. In addition, while national authorities professed a willingness to participate in joint actions, they criticised the heavy administrative burden that joint actions represent.

The evaluation found that the problem of non-compliant products within the Single Market is driven by four main factors, namely (1) fragmentation of the organisation of market surveillance in the EU, (2) resources constraints for market surveillance authorities, (3) low deterrence of the current enforcement tools, notably with respect to imports from third countries and e-commerce and (4) important information gaps (i.e. lack of awareness of rules by businesses and little transparency as regards product compliance).

REFIT evaluation on the functioning of Mutual recognition https://ec.europa.eu/docsroom/documents/26976 found that another problem highlighted by the Single Market Strategy is the suboptimal functioning of the mutual recognition principle. Its inadequate application makes it harder for companies seeking access to markets in other Member States, leading to lost opportunities for the economy at large. Economic operators are often required to produce specific documentation or carry additional tests; this increases their costs and discourages them from expanding to new markets.

To overcome these problems, funding should be targeted at raising awareness and training on the mutual recognition principle, including specific actions for sectors in which mutual recognition could achieve the greatest increase in EU competitiveness. Funding should also target cooperation among national authorities to enhance their "mutual recognition culture" and built trust in different legal systems and product related requirements.

Moreover, prevention mechanisms have allowed that potential breaches to the internal market of goods and information society services are identified and corrected. Since 2014, almost 3,000 draft national technical regulations have been notified and the Commission and the Member States have expressed concerns via more than 1,400 formal reactions.

Support for policy-making in **services**[310] is oriented towards analysis of legal frameworks, gathering of data, doing regulatory mapping and assessing the economic impact of restrictions and reforms. The output then feeds into policy preparation, implementation and follow-up of new initiatives. These activities are labour-intensive and require contacts in all Member States. As the services sector has politically very sensitive aspects, a major component of policymaking consists of communication and negotiating efforts, including meetings and conferences with stakeholders, conducting surveys, engaging in promotional activities and conducting studies to support policy-making. The current budget has made this possible. It should be noted that there are legal obligations concerning the monitoring and evaluation arising from the Services Directive, the Postal Services Directive and the Professional Qualifications Directive that cannot be avoided and the current budget allowed to meet.

In order to underpin the **procurement policy,** resources are used to perform targeted studies and evaluations on specific topics such as cross-border procurement, joint procurement, green procurement, procurement in the health and waste sector, have been carried out. Also direct support to policy measures and enforcement, such as

[310] Study on the economic impact of the Services Directive (http://publications.europa.eu/en/publication-detail/-/publication/42b77185-3a91-4e32-bca1-118e8e48ec84) and its update (http://ec.europa.eu/DocsRoom/documents/13327/attachments/1/translations)

impact assessments and evaluations, compliance and transposition checks have been undertaken. The activities undertaken in the current framework have been well-spent. They have allowed the analytical underpinning and knowledge basis to start helping Member States to implement the new legislative framework adopted in 2014. However, more is to be done as public authorities have expressed the need for more support tools, in particular to facilitate the practical implementation of the rules and options.

For sectoral purposes (construction products, electrical and electronic products, machinery and other mechanical products, chemicals, medical devices, cosmetics and intellectual property.
) and more specific policies (CPR and Ecodesign), the existing Internal Market budget line under the current MFF has provided significant added value, by enabling the financing of different types of studies to support the development and evaluation of robust Internal Market legislation, by catering for the practical needs for having in place harmonisation tools (mandates, standards, other technical specifications …) of high quality, as well, support to Committees, external partner bodies, international bodies or legal interpretation and enforcement. Some of these studies have identified overarching issues in the legal framework, including cases of significant regulatory burden.All this is essential to ensure the proper functioning of the Internal Market at grass root level, where it counts

Real life example of problems due to lack of flexibility, coherence, separation from other programmes dealing with similar or complementary issues?

The budget for medical devices and cosmetics managed by DG GROW, currently is part of the Health Programme run by DG SANTE (for medical devices) and the Consumer Programme run by DG JUST (for cosmetics) resulting in difficulties when managing the budget. Hence both should move under GROW management under the next MFF.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

- **Horizontal support for the Single market of goods**

As the Single Market Strategy has highlighted, a serious problem of enforcement of EU product rules persists to the detriment of honest manufacturers and traders as well as consumers. The evaluation of Regulation (EC) No. 765/2008 has shown that there is a need for an increased EU level intervention.
The problem of non-compliant products within the Single Market is driven by four main factors, namely (1) fragmentation of the organisation of market surveillance in the EU, (2) resources constraints for market surveillance authorities, (3) low deterrence of the current enforcement tools, notably with respect to imports from third countries and e-commerce and (4) important information gaps (i.e. lack of awareness of rules by businesses and little transparency as regards product compliance).

To fight these problems, more and better targeted funding is needed (e.g. for the procurement of testing capacities or purchasing of samples). Funding should also go towards a better coordination and information exchange amongst national authorities and provide a more coherent and long-term framework which enables joint actions to focus on the essential rather than their administration. EU coordination can only be as strong as the capacities of the national market surveillance authorities allow. Therefore a necessary complement to stepped-up joint actions, will be peer review and performance monitoring of market surveillance in and by Member States, as well as assistance to capacity building, modernisation of control systems and tools, to ensure ultimately more equivalent market surveillance throughout the Single Market.

Another problem highlighted by the Single Market Strategy is the suboptimal functioning of the mutual recognition principle. Its inadequate application makes it harder for companies seeking access to markets in other Member States, leading to lost opportunities for the economy at large. Economic operators are often required to produce specific documentation or carry additional tests; this increases their costs and discourages them from expanding to new markets. To overcome these problems, funding should be targeted at raising awareness and training on the mutual recognition principle, including specific actions for sectors in which mutual recognition could achieve the greatest increase in EU competitiveness. Funding should also target cooperation among national authorities to enhance their "mutual recognition culture" and built trust in different legal systems and product related requirements.

- **Prevention of technical barriers for goods and information society services**

More market integration will not be achieved unless the emergence of new barriers within the Single Market is prevented. The effective implementation of the SMTD depends much on the translation of notifications since this allows Member States to react to the drafts notified thus taking full ownership of the internal market. The number of notifications received has kept to a similar level in the last years. The same applies to the number of reactions (detailed opinion and comments) issued by the Commission and by the Member States. At the same time a low number of notifications of some MS compared to the others suggest that a certain number of technical regulations remain un-notified, impeding the prevention of barriers and rendering the identification of systemic issues very difficult. Moreover, in the recent years, the Commission is committed to follow up with Member States the reactions to the notified drafts and to create a repository of EU technical regulations available for EU businesses, for both of which the translation of the final adopted national texts is necessary. These mentioned work streams will likely raise the number of notifications and translation needs.

- **Automotive**

The recent emission scandal proved the importance of compliance with the regulations, not only inside a laboratory but also in the real world. The Commission has provided immediate response by proposing a new type approval and market surveillance regulation and by finalising the new emission rules which require vehicles to be tested under real driving conditions on the road. Still it is likely that only strong market surveillance by the Commission will assure that the new rules are followed and nobody tries in the future to cheat the standards, providing non-conform products to the

European citizens. We therefore need to invest and continue investing in the next MFF in surveillance activities by the Commission, similar to what is done by EPA in the US in order to minimise the possibilities for such scandals in the future.

- **Services**

Overall, it is necessary to keep modernising the regulatory framework for the Single Market for services in line with the market developments, and to make it supportive of competition and integration to better benefit consumers, businesses and employees. Of particular importance is an ambitious implementation of the Services Directive and of the Professional Qualifications Directive.

For example, 47 million people work in regulated professional services, such as doctors, pharmacists, architects, accountants or real estate agents, which accounts for 22% of the total EU labour force. More than 600 different generic professions exist in the EU, with close to 6.000 regulated professions. It was estimated that there would be at least 700.000 more jobs in those services, should existing requirements be made less stringent. It is essential to have a good understanding of the models, the effects and economic implications, the current trends and developments and the dynamics in professional regulation.

Services in the public interest, including postal services, continue to evolve rapidly and it is necessary to gather information on developments (adjustments to the universal service obligation for postal services to users' needs, technological developments).

To be able to focus on the most harmful problems in service provision, we need to understand the effect of remaining restrictions in specific sectors to assess their economic impact and to assess the need for possible new legislative proposals. Furthermore, we need to ensure that the Single Market legislation is flexible enough to accommodate new business models. An example is the spread of platform-based collaborative economy businesses that have often bumped into a regulatory minefield, and where European initiatives are needed to preserve the Single Market. Our work on regulatory mapping and analysis also contributes to the European Semester, in particular to the country-specific recommendations.

- **Public procurement** represents 14% of EU GDP. It represents a strong lever to increase innovation, support environmental and social objectives and a means to improve public administration and spending. Accompanying the legal framework, a large number of flanking measures are needed to make the rules work properly on the ground. In its recent Communication (COM (2017) 572) the Commission has pledged to develop support tools for public authorities to make procurement work better in practice. The areas where improvement is needed are greater uptake of innovative, green and social criteria; professionalisation of public buyers buyers (including those using European Regional Development Funds); improving access to markets for SMEs and in third countries; increasing transparency, integrity and quality of data; digitisation of procurement processes; and more cooperation among public buyers. This obviously requires resources.

- **Legal framework for harmonised products**

To ensure a regulatory environment that promotes innovation and responds to new technological and societal challenge, the internal Market product legislation requires constant evaluation, reviews, compliance and transposition checks and related studies.

Such services are the means to collect evidence, data and stakeholder views, which are instrumental in maintaining the regulatory framework up-to-date and adjusted to evolving market needs. This is of particular importance with a view to the significant transformation that industry is currently undergoing in the context of digitisation. IoT enabled, smart, connected devices, key innovative technologies, like artificial intelligence, big data, robotics, etc. present huge business opportunities that European companies must be enabled and encouraged to seize. At the same time the regulatory framework has to cater adequately for any associated new risks. The regular review of the regulatory framework and decision making based on sound impact assessments are important pillars of the Commission's Better Regulation Policy and in particular of the REFIT programme. The day to day operation of the Internal Market legislation requires the Commission to take legal actions and decide on technically complex issues, for example on safeguard clauses, decision to publish or not to publish harmonised standards, etc. As the required technical expertise is not available in house the Commission must have recourse to external sources.More specifically, this also concerns the Construction Product Regulation (CPR) implementation and on-going review which require relevant feasibility and other studies.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States Enforcement at national level	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Internal market for goods and services budget line	N/A	√ Enhance Member States' capacity to enforce EU harmonised product rules. Facilitate administrative cooperation of MS in several areas: market surveillance, mutual recognition, prevention of technical barriers, services, public procurement.	N/A	N/A
√ -relevant to the objective, N/A not relevant				

Candidate for

Candidate for / **Programme/line**	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Internal market for goods and services budget line	√ The budget for medical devices and cosmetics currently is part of the Health Programme run by DG SANTE (for medical devices) and the Consumer	√ / N/A	√ Consumer Programme, Food programme, Competion programme on enforcement.	

	Programme run by DG JUST (for cosmetics). Both should move under GROW management			
√ -relevant to the objective, N/A not relevant				

2.2. Objectives of the programmes of the next MFF

The Single Market cannot be supported with non-budgetary policy only. Co-investment in a better functioning Single market thus needs more sustained financing and more flexibility to address unforeseen challenges, as shown in the case of car emissions or dangerous products. EU and the national levels should also co-invest in strengthening advisory and assistance functions to develop administrative capacities of Member States.

The Single Market Strategy is the plan to unlock the full potential of the Single Market, enabling people, services, goods and capital to move more freely, offering opportunities for European businesses and greater choice and lower prices for consumers. However, sometimes, these benefits do not materialise because Single Market rules are not known or implemented or they are undermined by other barriers. And in a rapidly changing environment, the Single Market needs to adapt to new ideas and business models.

- **Horizontal support for the Single market of goods**

The "Goods Package" adopted on 19 December 2017, addresses many shortcomings of mutual recognition and market surveillance that were identified in the Single Market Strategy and corroborated by the accompanying evaluations. Yet, there are many problems that cannot be solved by law but that require closer cooperation between Member States, better integrated networks, trainings, information campaigns and other actions that integrate the internal market on the ground.

Cooperation and trust are necessary for the successful functioning of **mutual recognition**. They will help to increase a mutual understanding of the different national approaches and concerns. This will be fostered by trainings, exchanges of officials and enhanced administrative cooperation. In addition, the Commission will work more closely with specific countries and sectors to make mutual recognition work. An online platform will allow authorities to connect with each other.

While Member States are best placed to monitor their market and impose sanctions, the current **market surveillance** landscape is too fragmented to effectively enforce EU product legislation without EU support. Therefore the current lack of resources (staff, budget, laboratory capacity) needs to be addressed. Increased EU funding will provide the necessary vehicle to facilitate coordination and an effective enforcement. This is to be done through an EU Product Compliance Network within the Commission. There will be administrative support for joint investigations that are necessary to coordinate the

500 national authorities' enforcement. The Network will allow authorities to pool knowledge, organise exchanges of officials, develop a common intelligence picture, create efficiencies so that controls are based on a more targeted and strategic approach. The Network will also provide standardised training on priority areas and assist in joint procurement of testing facilities. The Network will be a quality catalyst for a common European perspective on market surveillance. Enforcement authorities will coordinate better to share more information about investigations and illegal products through regular meetings and common IT tools. Capacity building support to strengthen national market surveillance would be based on comprehensive national enforcement strategies, rather than ad-hoc co-funded projects.

Accreditation is an important tool for the implementation of the EU policies related to the Internal Market, consumer safety and international cooperation. In this respect all stakeholders must ensure that the latest state of the art is always incorporated into the accreditation process. As accreditation is based on Harmonised Standards, EU, EA and the European Standards Organisations have the additional mission to ensure that these Harmonised Standards used for Accreditation of **Conformity Assessment** Bodies continue to be in line with the International Standards. The increased responsibility and trust placed in accreditation brings a great responsibility for EA itself and its members. Therefore it is essential that EA continues to receive a wide EU support in order to be able to implement its tasks. Furthermore communication is pivotal to achieving the consistent implementation of Regulation 765/2008.

- **Prevention of technical barriers for goods and information society services**

The translation budget is essential to guarantee the proper functioning of the SMTD and thus contribute to the full potential of the internal market of goods and information society services. Indeed, it would be virtually impossible to keep the deadlines for reaction imposed by the SMTD should the translations into all EU languages be provided either by the notifying Member State or by each Member State for its own assessment needs. Moreover, the risk of diverging translations and of lack of accuracy would increase exponentially. Ultimately, the potential lack of timely availability of the draft national acts into all EU languages would discourage the Member States from reacting formally within the deadlines prescribed by the SMTD and would have an impact on the ownership of internal market by Member States.

- **Automotive**

Increased market surveillance activities in the area of cars **by the Commission** are a necessity in the aftermath of the emissions scandal. Only with regular surveillance activities will the products be kept in conformity and cases of defeat devices uncovered.

- **Services**

To keep the Single Market functional the Commission needs to ensure that the regulations are fit for purpose and adhered to by the Member States.

This requires information on evolving national regulations and other policy measures as well as economic assessments to support our policy and to maximise EU added value. The international dimension of trade in services is increasingly important, and there are more and more requests for entering into specific arrangements with third countries. In view of the staff limitations, improving the Single Market has become more dependent on the availability of external contractors to provide factual support in terms of surveys, regulatory mapping and promotional activities.

The Commission will continue to monitor the regulatory environment, and economic and business developments of collaborative economy. It will ensure that existing EU law is consistently applied across the Single Market and will continue to look for ways to encourage the balanced development of the collaborative economy alongside existing ways of doing business.

Since 2014, the Commission has coordinated a process of mutual evaluation of regulated professions requiring EU countries to assess and possibly reform existing frameworks. The Commission will continue to support the recognition of professional qualifications through detailed rules for countries to use when reviewing existing professional regulations or proposing new ones. Countries will also need to demonstrate that public interest objectives cannot be achieved through means other than limiting access to, or conduct in, the professional activities in question.

The Commission needs to review the regulatory environment that has contributed to the flat productivity growth of the retail sector. The Commission will suggest best practices based on well-functioning solutions in different EU countries that will contribute to reducing barriers and making it easier for retailers to open outlets across the EU.

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- **Public procurement:**

The governance of the procurement systems needs to be improved in the EU; further efforts are still required to ensure the efficiency, transparency and integrity of the process. Some of the main missing links are the lack of relevant quality data, the inability to match related data from different databases, the insufficient sharing and reuse of data, and a shortage of skills and tools for analysing available information.

- **Legal framework for harmonised products**

Maintaining Internal Market and product legislation fit and up-to-date with the digital age and limiting administrative burden requires investing in evaluation and impact assessment studies, cumulative cost assessments, feeding into Better Regulation and REFIT exercises. There is a continued need to ensure that legal actions of the Commission are based on sound technological evidence and analysis.

Challenges / **Programme/line**	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market

Internal market for goods and services budget line		Support the completion of the single market of goods and services.		

Candidate for

Potential for / Programme/line	Simplification of your programme, and/or synergies and/or flexibility
Goods and Services budget line	The budget for medical devices and cosmetics currently is part of the Health Programme run by DG SANTE (for medical devices) and the Consumer Programme run by DG JUST (for cosmetics). Both should move under GROW management
Goods and Services budget line	There are several synergies between the market surveillance activities and those of the Consumer Programme, Food Programme and Competition Programme in the area of enforcement.

3. PROGRAMME STRUCTURE AND PRIORITIES

The general internal market budget line combine small amounts and high added value They result from legal commitments, are used for the provision of services to citizens and businesses or are indispensable to the completion/ deepening of the Single market. EU added value includes co-investing in common goods for which action at EU level is not only relevant but indispensable in the EU beneficiaries' eyes. Protection of consumers, health and safety, innovation are domains where European citizens expect the EU to act and to deliver. So this line should not only be shielded from possible cuts, but a moderate increase would improve the enforcement of harmonised product rules, EU citizens' and businesses' satisfaction, giving visibility to the EU’s positive role in the citizen’s daily lives or allowing companies, especially SMEs to reap the benefits of the Single market.

- **Horizontal support for the Single market of goods**

Given the necessity to address **conformity** of the level of product safety required in goods when pursuing the goal of a deeper and fairer Single Market, the Goods package envisages a considerably increased budget for market surveillance. In fact, increased funding is essential if the measures foreseen in the Goods Package are to make a meaningful difference for EU product safety and the principle of mutual recognition. The administrative support structure of the EU Product Compliance Network that provides continuous support to national authorities in the coordination of their market surveillance tasks and exchange of information is necessary in fulfilling the EU’ goals for the Single Market for products. The necessary funding from the operational budget for this Network, including ADCO groups and ICSMS, would amount to 21M€ for the set-up phase of 2020-2022 and 10M€ operational budget annually from 2023 onwards[311]. Over the life-span of the MFF this network needs to be consolidated and expanded and consequently its cost will evolve. In addition, funding should foresee expenses related

311 The total costs, human resources and operational budget of the Compliance and Enforcement initiative aimed at strengthening the Market Surveillance framework of Regulation (EC) N° 765/2008 are estimated at around **22M€ per year** (financial statement of COM (2017)795).

to expert groups, evaluations, public consultations, studies. In addition, to strengthen market surveillance, direct aids to Member States enforcement capacities will constitute an important financial need. Another important financial need is digital compliance and traceability of products including of imports from third countries, in order to support industrial stakeholders to develop the practical and technical tools to meet their obligations under EU law. Over the period 2021-2027 around 157M€ would be needed for the continuation of the measures launched by the Compliance and Enforcement initiative. However, additional funding needs would need to be further assessed in order to extend support for national enforcement capacity building, digital compliance and traceability. A continued financing of accreditation and conformity assessment should maintain the current levels of reliability of accreditation in the EU. Expenses should also cover organisation of meetings of notified bodies and the maintenance of NANDO IT system.
Improving the application of the mutual recognition principle would include additional expenses related to trainings, exchanges of officials, enhanced administrative cooperation, etc.

- **Prevention of technical barriers for goods and information society services**

The continuation of the current translation budget will allow continuing the efficient management of the SMTD taking into account the perspective of (i) an increase in the number of notifications and (ii) the additional needs related to the translation of final texts. Indeed, the translations into all EU languages are essential for the assessment by the Member States of the draft national acts notified within the prescribed deadlines. In the broader perspective, the smooth operation of the SMTD will foster the active contribution of Member States in preparing reactions, thus supporting Member States in taking ownership of their participation in the internal market.

- **Automotive**

Appropriate funds should cover the full extent of the planned market surveillance activities (checking of around 120 vehicles per year, i.e. to a level similar to the US).

- **Services**

The current level of budget is the minimum allowing for analysis of existing legal frameworks, gathering of data and assessing the economic impact of the existing restrictions and reforms, with an inclusion of a limited number of new initiatives and reviews.
As the Members States expect more and more evidence for policy initiatives, and as cuts in headcount make external tendering the preferred way of performing many tasks, there are pressures to increase the budget even in the absence of major new policy initiatives. Such initiatives will require funds on top of the current budget level.

- **Public procurement**

The continuation of the current budget would allow for, more support tools and policy measures could be developed by the Commission, covering the six priority areas recently defined by the Procurement Strategy (COM (2017) 572). Therefore, a substantial improvement in procurement practice by contracting authorities in Member States can be achieved.

- **Legal framework for harmonised products**

Internal Market legislation requires constant evaluation, reviews and related study. Therefore, we need to ensure the continuity of the available budget to address our obligations to implement the Internal Market legislation, ensuring that it is well-designed, up-to-date and based on sound evidence and analysis.

- **Cosmetics and medical devices**

When it comes to the Single market for goods, another area of improvement identified concerns two key sectors for EU industry which, put together, represent more than 2.5 million jobs and more than EUR 190 billion of sales: cosmetics and medical devices. Following past internal reorganisations, the budget for activities related to rules harmonising these sectors (expert groups, technical supports and IT databases[312]) **does not fall under the internal market budget line** and is currently part of the Health Programme run by DG SANTE (for medical devices) and the Consumer Programme run by DG JUST (for cosmetics). From both a practical and risk minimisation reasons it would be an advantage to have the financing of both activities (EUR 8 million on an annual basis) operated by the DG to which the policy area belongs, ie DG GROW[313].

<u>**Added value**</u>

The internal market for goods ensures that economic integration does not stop at reducing border barriers but aims to achieve a deeper level of integration. Mutual recognition, conformity assessment, accreditation, and market surveillance are **cornerstones for a fair single market for goods**. Without them, there can be no fair competition between businesses and consumer protection and safety cannot be guaranteed. Therefore, all of the activities currently carried out under the single market budget line should continue.

Market surveillance is carried out by the authorities of the Member States by checking and testing products both on the market and arriving at the external border of the Union. Internal borders do not exist for products – it is vital that they do not exist for national market surveillance authorities either. Improving cross-border action and cooperation is the key to making market surveillance more effective.
The EU aspects of neither accreditation nor market surveillance could be financed exclusively by Member States. In both cases, EU financing is provided in addition to national financing and supports aspects that go beyond merely national tasks and that are to do with cross-border effects of their work, such as recognition of test results or the coordination of market surveillance inspections.

The mutual recognition principle is being applied primarily by national authorities. But to make the principle effective, action at EU level in terms of training, awareness, cooperation and coordination is essential. To be effective, the application of the

[312] e.g. the CosIng database for information on cosmetic substances and ingredients, which is one of the most consulted databases of the Commission with almost 1.5 million visits per year.
[313] Similarly, with regards to internal market governance tools, it would make sense to transfer the COSME appropriations used to finance Your Europe business to the internal market budget lines.

principle needs to be based on common solutions to be applied equally by all national authorities. Only such common procedures can guarantee that national authorities will apply the principle in the same manner, thus allowing companies to benefit from an equal treatment regardless of the country where they try to market their product.

The prevention mechanisms introduced by the SMTD are at the heart of the internal market. The objective of the Directive, i.e. the avoidance of potential barriers to the internal market deriving from national technical regulations for products and for information society services, needs for its own nature to be achieved at EU level. Moreover, the availability of draft national technical regulations in all EU languages within a reasonable time frame is key for Member States to react formally to potential barriers to the internal market, thus taking full ownership in their contribution to its development.

For the automotive sector, the legal basis for EU intervention is Article 114 TFEU insofar as the preparation of new legislative proposals is concerned. The proposal for a new type approval regulation of 27/01/2016 includes provisions providing for an active role of the Commission (JRC) in the supervisory system of type approval legislation. If adopted by the co-legislator and providing for an active role for the Commission, it will provide the legal basis for activities of the JRC in this respect.

However, the Single Market is not an area with fully harmonised rules. Beyond the basic principles and the areas in which fully harmonised rules have been agreed, citizens and businesses will still need to comply with national rules whenever they exercise their Single Market rights. Therefore it is essential for the functioning of the Single Market that citizens and businesses can easily find out what these rules in any of the Member States are. It is equally essential that the procedures for compliance with such rules should not entail a significant additional regulatory burden for foreign users compared to domestic users.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

The activities subject to this impact assessment do not form part of a programme: several sectoral units are using this budget line for support to the internal market.

Instruments: grants, procurement or any other intervention necessary are used to achieve the objectives

Channels of intervention: direct support to the main beneficiaries

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Summary for the main IA text:

The evaluation of Regulation (EC) No 765/2008 and the preparation of the proposal on compliance and enforcement revealed important gaps in available information and the quality of data reported by Member States. It will be essential to establish a robust system to verify whether and to what extent the proposal has been effective in reaching its objectives, and whether the objectives have been met efficiently (i.e. at least cost), as well as the reasons for its success or shortcomings. Meanwhile, a number of the current reporting requirements for market surveillance authorities need to be simplified in order to alleviate the administrative burden for authorities.

The most efficient scheme for a future evaluation is to use ICSMS as a main source of information and, on the basis of the indicators, to assess whether the proposal was effective and efficient, relevant given the needs and its objectives, coherent both internally and with other EU policy interventions and achieved EU added-value. The monitoring through ICSMS would be completed by the work of the EU Product Compliance Network and the provision by Member States of more reliable and more comprehensive information on compliance rates and enforcement activity as part of their national enforcement strategies.

By using ICSMS the monitoring of operational activity could take place on an ongoing basis at least yearly (e.g. number of mutual assistance requests, restrictive measures taken). The review of Member States enforcement strategies, market studies, user surveys and the identification and implementation of common priorities by the EU Product Compliance Network would allow on a yearly to bi-annual basis an analysis of progress towards higher level indicators (e.g. control levels in Member States, compliance gaps, usage of compliance assistance schemes). In this regard, an important task for the EU Product Compliance Network would be to set up and monitor overall performance indicators and perform peer reviews.

To provide an adequate basis for the monitoring and evaluation of the initiative, reference levels will be established to form a consolidated baseline. The methodology to monitor trends in (non)compliance will be examined, to complete the information from market surveillance controls where possible with surveys based on sampling , across sectors or in a selection and for special supply channels (e-commerce, imports). An evaluation by the Commission of the functioning of the new legislative framework could be foreseen in the mid-term (e.g. after 5 years of implementation).

Periodic assessment of the impact and implementation of the Services Directive and the Professional Qualifications Directive are legal obligations. For postal services we have the responsibility to collect statistical data.

For the services markets, we rely on the indicators of restrictiveness in services markets. There are a series of such indicators produced by OECD (PMRs, STRI and now also intra-EU STRI). The Commission has also developed its own indicators, starting from the indicator of barriers in business services and on construction and continuing with the restrictiveness indicator. Restrictiveness can be indirectly measured by measurements such as sectoral business churn rates and gross operating rates. Services markets performance can also be measured by looking at the key economic metrics, such as productivity growth, cross-border trade and cross-border investments.

Since 2014, the European Commission has been collecting data on postal services in cooperation with the Postal National Regulatory Authorities (NRAs) in the context of the 'EU Postal Survey'[314]. The aim of these postal statistics is to provide the Commission, regulators and national policymakers with comparable data on the main postal and parcel developments across the European Union. The data is collected annually from 33 countries that participate in the data collection exercise on a voluntarily basis including the 28 EU Member States, the Former Yugoslav Republic of Macedonia, Serbia, Iceland, Norway and Switzerland.

Better information regarding national regulations and other policy measures as well as economic assessments will continue to be necessary to support policy and to maximise EU added value. Further, analysing the effects of digitisation and supporting firms to adapt to change are important to enhance employment and growth.

[314] http://ec.europa.eu/growth/sectors/postal-services/statistics_en

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
• Increased cross-border and coordinated market surveillance for harmonised non-food products[315]	Joint market surveillance campaigns	Joint market surveillance campaigns in the area of harmonised product legislation with 80% or more participating MS	Number of campaigns	ICSMS	yearly	5-7 campaigns/year with over half MS participating (2017)	**2021-2023 :** 15 **2023-2027:** 30-40
	National enforcement strategies building enforcement capacities		Number of strategies supported	ICSMS	yearly	- limited, ad-hoc best-practice exchange measures (2017) - 3 pilot strategies (2020)	**2021-2023:** 7 **2023-2027:** 10
	Peer reviews of Member States' enforcement strategies and performance	In-depth peer reviews of member states' market surveillance conducted by the EU Product Compliance Network	Number of peer reviews	EU Product Compliance Network	yearly	None (2017)	**2021-2023:** 3 **2023-2027:** 5

[315] Regulation n° (EC) 765/2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products, Proposal for a Regulation on Compliance and Enforcement of Union harmonisation legislation on products (COM(2017)795, 19.12.2017)

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

IA on Enforcement and Compliance; Evaluation of Regulation (EC) No. 765/2008; Meetings of the Market Surveillance Group, etc.

IA on the revision of the Mutual Recognition Regulation, Evaluation of the functioning of mutual recognition, Meetings of the Mutual Recognition Committee

Stakeholder workshops on businesses' experience (2014-15) of the Services Directive
Work plan for reporting on national reforms in services markets
Access to insurance for services provided in another Member State
Commission staff working document - A Single Market Strategy for Europe - Analysis and Evidence - Accompanying the document Upgrading the Single Market: more opportunities for people and business

Study on the economic impact of the Services Directive (and its update)

Assessment of barriers in business services and their economic impact

Study on administrative formalities and costs involved in accessing markets cross-border for provisions of accountancy, engineering and architecture services

Study on simplification and mutual recognition in the construction sector under the Services Directive

Market access requirements in the short-term accommodation rental sector

Public consultations on the proposals in the Single Market Strategy, for example on notifications proposal

Impact assessments on the proposals in the Single Market Strategy, for example on e-card proposal

Article 23 of Directive 2008/6/EC requires the Commission to report on the application of the Directive to the European Parliament and Council every four years, providing appropriate information on developments in the sector. The last report has been adopted in November 2015. This Application Report summarises how the Postal Services Directive (Directive 97/67/EC as amended by Directives 2002/39 and 2008/6/EC) has been implemented across the European Union and the main developments that have taken place in the postal market since. https://ec.europa.eu/growth/content/report-application-postal-services-directive-adopted-0_en

Ecodesign + Energy Labelling]

Review of the Ecodesign EU Regulation 548/2014 on power transformers

Impact Assessment study for an ecodesign regulation on machine tools and welding equipment

Impact Assessment study for an ecodesign regulation on enterprise servers

Evaluation of Machinery Directive

Evaluation of Lifts Directive

Evaluation of Aerosol Dispenser Directive

Evaluation of Low Voltage Directive (planned for 2018/19)

Evaluation of EMC Directive (planned for 2019/2020)

Impact Assessment Review Noise Emissions Directive

Impact Assessment Road circulation of self-propelled machinery

Impact Assessment Delegated Act Software Defined Radio

[CPR]

Analysis of implementation of the Construction Products Regulation

Supporting Study for the joint evaluation and impact assessment for the Construction Products Regulation (CPR) review

Supporting study for the evaluation of the relevance of EOTA tasks

Fitness check on the construction sector

Study on the information needs of users of construction products

Study on the Economic Impacts of the Construction Products Regulation

Report on the operation of Directive 2015/1535 (2014-2015) –adopted by the Commission on 20 December 2017

TRIS database

EUROPEAN
COMMISSION

Brussels, 7.6.2018
SWD(2018) 320 final

PART 2/2

COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT

Accompanying the document

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) No 2017/826

{COM(2018) 441 final} - {SEC(2018) 294 final}

EN EN

Annex 15: Programme specific annex on *COSME*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

This is the impact assessment for the successor to COSME - the EU programme for the competitiveness of enterprises, in particular SMEs - for the post-2020 Multi-Annual Financial Framework. It builds on the results of the evaluations performed on the individual parts of the COSME programme as well as on the interim evaluation of the programme. It satisfies the requirements of the Financial Regulation in respect of preparing an ex-ante evaluation. The COSME programme could be adopted as a stand-alone programme or as one of the pillars of the Single Market Programme.

The COSME programme (2014-2020) addresses the market failures affecting SMEs and promotes entrepreneurship and the creation and growth of companies. COSME is a small EU programme, with a budget of €2.3 billion for the period 2014-2020, with a high impact, due to its leverage effect, flexibility and visibility among beneficiaries, Member States and the European Parliament.

COSME contributes to addressing current trends and new challenges, and could bring important results to any of the 5 scenarios presented in the reflection paper on EU finances. Its EU added value lies in addressing jobs and growth through an extended network of intermediaries that allows COSME to be present across the EU and beyond. COSME contributes to reducing economic divergences between Member States by offering financial instruments and business support through the intermediaries to all kinds of SMEs. As pointed out in the White Paper on the Future of Europe, there is also scope to strengthen industrial and cluster cooperation towards the emergence of European "Silicon Valleys" (scenarios 3-5).

The Council called in its conclusions on the renewed EU Industrial policy strategy for the "further development of the European cluster policy, with the aim of linking-up and scaling-up regional clusters into cross-European world class clusters, based on smart specialisation principles, in order to support the emergence of new value chains across Europe".[1]

In its draft report on the next MFF[2] the European Parliament states its support to a renewed and budgetary reinforced COSME programme in order to support SMEs.

[1] http://www.consilium.europa.eu/en/press/press-releases/2018/03/12/eu-industrial-policy-strategy-council-adopts-conclusions/ These conclusions echoed that of stakeholders expressed for instance during the 2018 EU Industry day and the 2017 GROWyour REGIOn conference, see https://ec.europa.eu/growth/content/300-participants-co-create-inspiring-future-cluster-initiatives-grow-your-region-conference_en.

[2] http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2F%2FEP%2F%2FNONSGML%2BCOMPARL%2BPE-615.478%2B01%2BDOC%2BPDF%2BV0%2F%2FEN

The Committee of the Regions, in its opinion on the future of the COSME programme[3], calls for a renewed and strengthened successor programme. In particular, easing access to finance for the broadest possible range of SMEs, extending and upgrading EEN, promoting entrepreneurship and continue the mentoring scheme for new entrepreneurs (formerly Erasmus for Young Entrepreneurs) are identified as priority areas.

The EESC has in several occasions supported the continuation and the further development of the COSME programme, including in a recent opinion on "Think Small First"[4].

[Table 1: Synergies with other MFF related proposals - to be developed with other services]

Proposed programmes for the new MFF	Links to future COSME+
European Regional Development Fund **European Social Fund** **European Agricultural Fund for Rural Development** **European Maritime and Fisheries Fund**	The future European Regional Development Fund (ERDF) will dedicate an important part of its budget to support and develop the business environment ecosystems. The collaborative approach as applied under the thematic Smart Specialisation Platform for Industrial Modernisation, where both regional RIS3 partnerships of Managing Authorities of Structural Funds and cluster partnerships supported under COSME is foreseen to be strengthened, notably during the implementation of the Joint Cluster Initiatives. The EEN has a strong regional presence, often using ERDF funded infrastructures and complementing the ERDF supported SME advisory, incubation, scale-up, technology transfer etc. services and funding. It also supports the cooperation with initiatives financed by European Territorial Cooperation programmes under the ERDF (like for example the inter-regional cooperation and mutual learning projects involving SMEs and SME support bodies). The Green paper on Entrepreneurship in Europe called on to better foster entrepreneurial interest and talent amongst different groups (including the young, women and immigrants) by making people more aware of self-employment as an attractive career option, and by providing them with the necessary education and skills to turn their ambitions into successful ventures. In line with the needs the mentoring scheme for new entrepreneurs will enable people with skills technical as well as personal to create business as well as new jobs. This complements the European Social Fund support. Also the EAFRD and the EMFF provide support to SMEs in their respective sectors.
InvestEU Fund	The SME loan guarantee facility is expected to be implemented under the SME Window of the InvestEU Fund.
Framework Programme (FP) 9	SME participation in the Framework Programmes continues to be a priority both for their participation in collaboration projects and by specific actions like the SME Instrument and the future EIC. Enterprise Europe Network helps SMEs participate in the FP and provides key account management services to the beneficiaries of the SME Instrument. The EEN plans to continue playing an important role with tailored support to SME in FP9. The Scaling-up instrument can leverage the commercialisation of innovative

[3] http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%203215/2017
[4] https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/sme-think-small-first

	solutions from FP9 and help to bring them to a larger group of SMEs, including through the Joint Cluster Initiatives.
Digital Europe Programme	Cooperation is ongoing in the framework of the Start-up initiative with the EEN. The Scaling-up instrument has the potential to make a contribution to the uptake of digitialisation amongst SMEs and a related Joint Cluster Initiative for digital industries, if chosen, could also link cluster partnerships to other initiatives and key actors of the Digital Europe Programme, which could also support the implementation of Scaling-up instrument.
Programme for the Environment and Climate Action, including Energy Efficiency	SMEs are key stakeholders and contributors to climate action activities. As one of its activities, the Enterprise Europe Network and Joint Cluster Initiatives encourages SME to become more resource efficient, e.g. through the implementation of the Scaling-up instrument. The Network operated sector group on renewable energy, environment and sustainable construction to help them build partnerships in the EU and abroad and make use of the European Resource Efficiency Knowledge centre (EREK). The Scaling-up Instrument will support the uptake of low-carbon and resource-efficient solutions and could be specifically be supported through the Programme for the Environment and Climate Action, including Energy Efficiency. The clusters participating in the partnerships of the Joint Cluster Initiatives can facilitate the recruitment of relevant SMEs for joint international business projects, as done for instance in the EU's Low-Carbon Business Actions in Brazil and Mexico supported through the EU Foreign Partnership Instrument.
External instrument, including a prominent Neighbourhood Window	The needs of the economy and European industry should be taken into account in EU external policies, instruments and actions, in particular regarding the financial arm of EU economic diplomacy. Supporting access to finance for European business internationalisation will help to make concrete steps towards important external policy objectives such as climate change, circular economy, sustainable development goals and migration. It will also create jobs and growth in Europe, improbe business competitiveness and access to fast growing markets outside Europe. As the internationalisation of European businesses need both investment inside and outside Europe, the financial instrument under the external policy of MFF will be complementary to the Invest EU financial instruments. Facilitating cooperation with SMEs from Neighbouring Countries will be part of several COSME+ actions. As an example for EEN and the mentoring scheme for new entrepreneurs intermediary organisations are present in nearly all Neighbouring Countries. The clusters participating in the partnerships of the Joint Cluster Initiatives can facilitate the recruitment of relevant SMEs for joint international business projects, as done for instance in the EU's Low-Carbon Business Actions in Brazil and Mexico supported through the EU Foreign Partnership Instrument.

1.2. Lessons learned from previous programmes

1.2.1. COSME Interim Evaluation

The interim evaluation of COSME gives an overview of the programme implementation and **positive results achieved** during the first three years of the programming period. The programme implementation is on track to reach the objectives set out in the legal basis by the end of 2020. COSME actions have been judged as highly relevant in addressing the challenges related to fostering economic growth and creating employment opportunities and as strongly aligned to the evolving needs of SMEs.

The strength of the programme lies in particular in the use of intermediaries who have a direct and longstanding contact with SMEs for the implementation of the programme. COSME exploits the proximity of these intermediaries to SMEs and facilitates the integration of services provided by COSME with services provided by these intermediaries in their national and regional contexts. This allows for the provision of customised SME support tailored to the needs and challenges of specific sectors, such as tourism, textiles, creative industries etc. and to reach a high multiplier effect of actions. COSME has thus a **good level of European added-value**. The European dimension constitutes the very essence of the design of COSME actions. Moreover, COSME actions have helped to enhance national, regional and local level measures for SME support and the teaming up of actors across EU value chains to boost internationalisation and industrial modernisation.[5] The feed-back from beneficiaries is generally positive with a substantial majority reporting a good cost-benefit ratio for their participation.

The interim evaluation also sets out a number of **proposals on how to further improve the performance of the programme**:

First, as stipulated by the COSME regulation, some 80% of the budget is used for promoting SMEs' access to finance and access to markets. The remaining 20% is allocated between a number of smaller actions with a limited budget and with a low cost-benefit ratio regarding the implementation. EASME (Executive Agency for SMEs) implements 35% of the overall programme budget, with two flagship COSME actions (Enterprise Europe Network and the mentoring scheme for new entrepreneurs) as well as a host of smaller projects. The fragmentation of actions and **limitations in terms of budget** (as flagged out for the the mentoring scheme and cluster measures) hampers the effective implementation[6]. Therefore, without losing the flexibility to react quickly to emerging policy needs, there is scope for simplification and **cutting down the number of small, one-off actions**[7] and devote the resources towards the key areas of intervention whereby a sustained effort and economies of scale will yield the highest efficiency and the biggest impact at EU level.

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[5] This also confirms earlier evaluations such as the results of the 2014 evaluation of the European Cluster Initiatives managed by DG ENTR (2014) by Technopolis. European Commission (2014) Evaluation – Cluster initiatives managed by DG Enterprise and Industry, final report ENTR/172/PP/2012 – LOT 4: managed by Technopolis Group in a consortium with EY and VVA, http://bookshop.europa.eu/en/cluster-initiatives-managed-by-dg-enterprise-and-industry-pbNB0114004/

[6] For example, 16 FTE in EASME implemented 91 contracts with a budget of 58 million for the EEN in 2017 compared to 36 FTEs who implement 47 actions divided into 80 contracts for a budget of 45 million.

[7] To improve the business environment of SMEs and their competitiveness, COSME also supports the implementation of the Commission's policy priorities through an SME-angle. For example, some actions translate the Better Regulation agenda or the Blueprint for Skills initiative into concrete actions with a specific focus on industrial sectors and SMEs. The network of national SME Envoys supports the implementation of the Commission's flagship initiatives, such as digitalisation or the Single Market Strategy in the Member States by the exchange of good practices. These actions might consist in grants or procurement for raising awareness, disseminating knowledge and good practices and involving stakeholders in the field of SME policy or sectors, including public authorities. Moreover, COSME supports the emergence of competitive industries with market potential, by helping SMEs to go international, take up new business models, capacities and skills and integrate into new value chains through cluster partnering.

The Interim Evaluation support study concluded on the following options: " The Commission might want to consider the following possibilities to strengthen the relative cost-effectiveness of COSME: 1) deploying its existing resources in a more focused / strategic manner; 2) entering new strategic partnerships with other EU programmes or Directorate Generals which could increase or however sustain the range of activities despite the limited budget, for example by strategically sharing the responsibility for interventions in specific areas; and 3) increasing its overall budget …."

Second, while COSME is successful in fostering economic growth and the creation of employment opportunities, there is scope for strengthening its responsiveness to EU objectives related to EU global competitiveness and sustainable and inclusive growth. COSME's main instruments are designed to address all SMEs, independently of their sector and industrial specialisations. They only indirectly address challenges such as climate change, gender mainstreaming or youth unemployment.

Third, while there are no major overlaps with other policy initiatives, there is scope for creating further synergies with other EU, national and regional actions. For instance, COSME's distinct use of intermediaries and its focus e.g. on improvement of skills, capacities, networking and entrepreneurship are complementary to Horizon2020 and the future FP's focus on break-through technological innovation that could further help to spread its results and reach a larger number of SMEs and not only the most innovative enterprises. Similarly, low-carbon and resource-efficient solutions developed under LIFE and solutions developed under other programmes could be better brought to SMEs. In addition, there are opportunities for more complementarities for SME internationalisation actions, notably supported through clusters, currently limited due to its relative low budget. Similarly, complementarities can be enhanced with the European Regional Development Fund in addressing SMEs and in strengthening the linkages between the industrial, innovation and regional orientation, e.g. by supporting the strategic partnering of clusters and other SME intermediaries in an aligned manner and complementing the ERDF funded SME support services and investments.. The current approach already tested for industrial modernisation and smart specialisation actions under COSME could be a model. This targets actors engaged in strategic inter-regional collaboration linked to the Thematic Smart Specialisation Platform for Industrial Modernisation.

Fourth, in relation to monitoring the evaluation points out to a lack of centralised data about implementation and indicators are mostly based on outputs rather than on long term effects.

1.2.2. Access to finance

The Loan Guarantee Facility (LGF) for SMEs has been thoroughly assessed by the European Court of Auditors in the context of a performance audit, which comprised also the InnovFin SME Guarantee Facility of Horizon 2020[8] and in the context of the COSME interim-evaluation[9].

[8] European Court of Auditors (2017), *EU-funded loan guarantee instruments*, Special Report Number 20
[9] http://ec.europa.eu/DocsRoom/documents/28084

- **Observations made by the European Court of Auditors**[10]

The LGF has achieved the positive results intended, but needs some better targeting of beneficiaries and more coordination with national schemes. The Court concluded that "the main aim of the Loan Guarantee Facility [….] has been to foster growth. Econometric evidence shows that the loan guarantees delivered what they were designed to do. They helped beneficiary companies grow more in terms of total assets, sales, employee numbers and productivity".

However, the Court also concluded that a future facility should better target viable businesses lacking access to finance and a better coordination should occur between central EU guarantee facilities and those established at national level.

- **Conclusions from COSME interim evaluation**

The interim-evaluation[11] concluded that the COSME LGF has been successfully set-up and is fully on track to delivering on the targets set in terms of SMEs to be financed and volume of financing to be made available. The evaluation confirms that the "COSME actions fully respond to the SMEs' current needs to access finance".
The interim-evaluation has concluded after fully eliminating the dead-weight effect that for each €1 million invested into the LGF (effects fully attributable to the Loan Guarantee Facility):

- additional employment of 491 will be created;
- additional €22 million in turnover will occur in treated SMEs;
- 470 SMEs will be supported.

While acknowledging – based on the available evidence – the strength of the COSME financial instruments to deliver a financial support to the SMEs that most needed it, the evaluators identified several areas for improvement:

- Better links between financial instruments and other parts of the future SME programme
- Better co-ordination between financial instruments and national EU schemes
- Discontinuation of the €150 000 threshold which has a negative impact on the efficient delivery of the guarantee facility and created significant administrative burden

The interim evaluation recommends that a future EU loan guarantee facility should help to ensure "a more level playing field for SMEs […] in those countries where, according to current studies, the needs among SMEs are highest." As regards the existing Equity Facility for Growth, the interim-evaluation concluded that the facility is effective. Nevertheless, it has been recommended to reduce the number of financial products and to align the Equity Facility for Growth with the equity facilities established under EFSI.

In response to the assessments made, the following changes are proposed:

[10] ECA Special report No 20/2017: https://www.eca.europa.eu/Lists/ECADocuments/SR17_20/SR_SMEG_EN.pdf
[11] Technopolis (2017): "Interim Evaluation of the COSME Programme – Final Report"

- To improve the internal coherence of different parts of the programme, better linkages will be established by further strengthening the existing cooperation with the Enterprise Europe Network[12] (use the Enterprise Europe Network as a stronger signposting element);
- A better upstream co-ordination between financial instruments for SMEs established by Member States and those established under the SME window of the InvestEU Fund will be sought by using the existing SME Envoys Network[13] as an information exchange forum;
- To reduce administrative burden for SMEs and financial intermediaries and to improve the impact of the SME guarantee facility, the €150,000 threshold will be eliminated.

1.2.3. The Enterprise Europe Network

The COSME interim evaluation indicated that there is a clear market failure for SMEs regarding information, funding, accessing new markets and networking. The Network has been directly relevant to these failures via information and advisory services. The Impact Evaluation of the Network (2008-2014)14 concluded that the average net effect for SMEs participating in the Network was 3.1% increased annual growth. This result was confirmed in the COSME interim evaluation where SMEs present an overall growth rate that is nearly 6.5 percentage points higher than a comparison group.

The 625+ Network organisations help about 250.000 SMEs per year to increase their competitiveness and innovativeness in the Single Market and beyond by offering integrated services and helping them to internationalize their business outside the home country. Network organisations provide information on funding opportunities made available by the various EU programmes such as COSME financial instruments, Horizon2020 SME Instrument and Structural Funds.

The SMEs themselves indicated that the more and longer they worked with the services of the Network, the more satisfied they became with the impact on their business. They indicated that the partnering services were the most important to them (leading to 2.500 signed agreements between SMEs every year), while the services related to providing feedback were the least important. Moreover, in the interviews the Network organisations indicated that their services matched the needs of companies and SMEs very well. They argued that the core role of the Network is to help companies grow and find new partners, and that the Network services are adequate in doing so, which is further reflected in the high rates of satisfaction where 86% of SME clients surveyed are satisfied with the Network's services and 93% would recommend its services to others.

The figure below gives Network members' views on the extent to which Network services help SMEs to overcome barriers.

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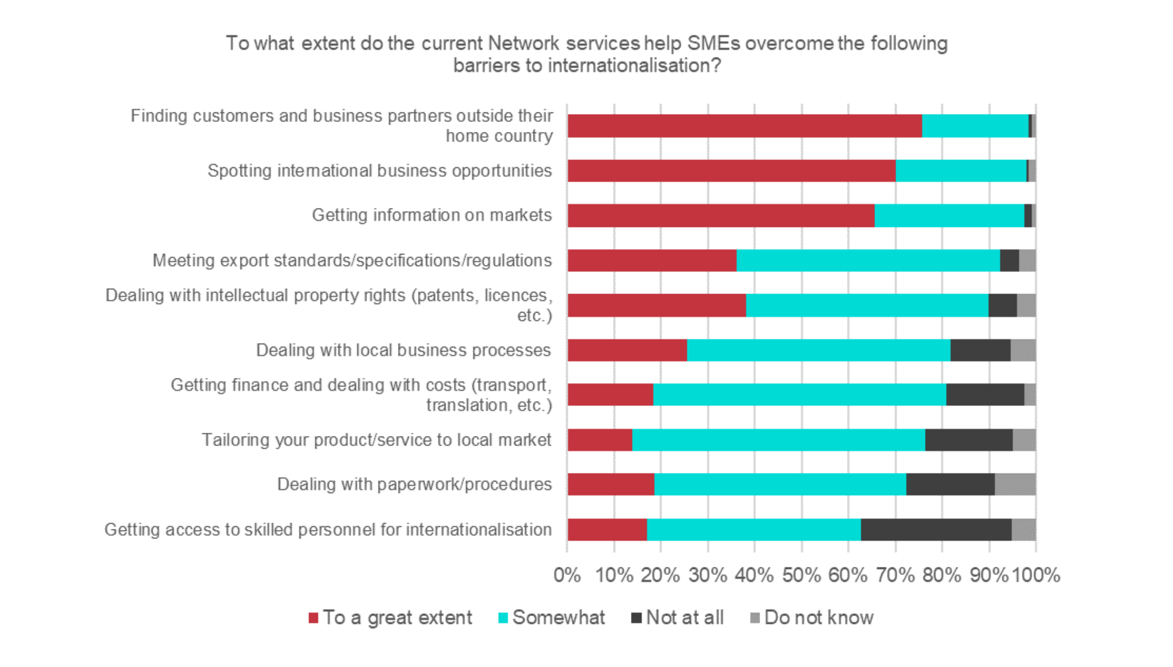
[12] https://een.ec.europa.eu/
[13] http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys_en
[14] https://publications.europa.eu/en/publication-detail/-/publication/d4cf03ed-972c-11e5-983e-01aa75ed71a1/language-en



Source: COSME Interim Evaluation (Technopolis, based on survey data)

European Business Organisations recognize the key role that the Network plays for SMEs to internationalise, grow and innovate. "Eurochambres" states that the added value of the Network is clear, as it allows a scale and quality of services that would not be possible at national level. They stress that the focus of the services offered by the Network should remain on access to markets, particularly within the Single Market. International expansion in third countries should be coherent with trade policy objectives. They also suggest simplifying the reporting and administrative requirements for Network organisations. "BusinessEurope" states that the Network should remain a key instrument for the internationalization of SMEs, based on an enhanced portfolio of services meeting companies evolving needs, and focus on areas where it can bring added value compared to national initiatives.

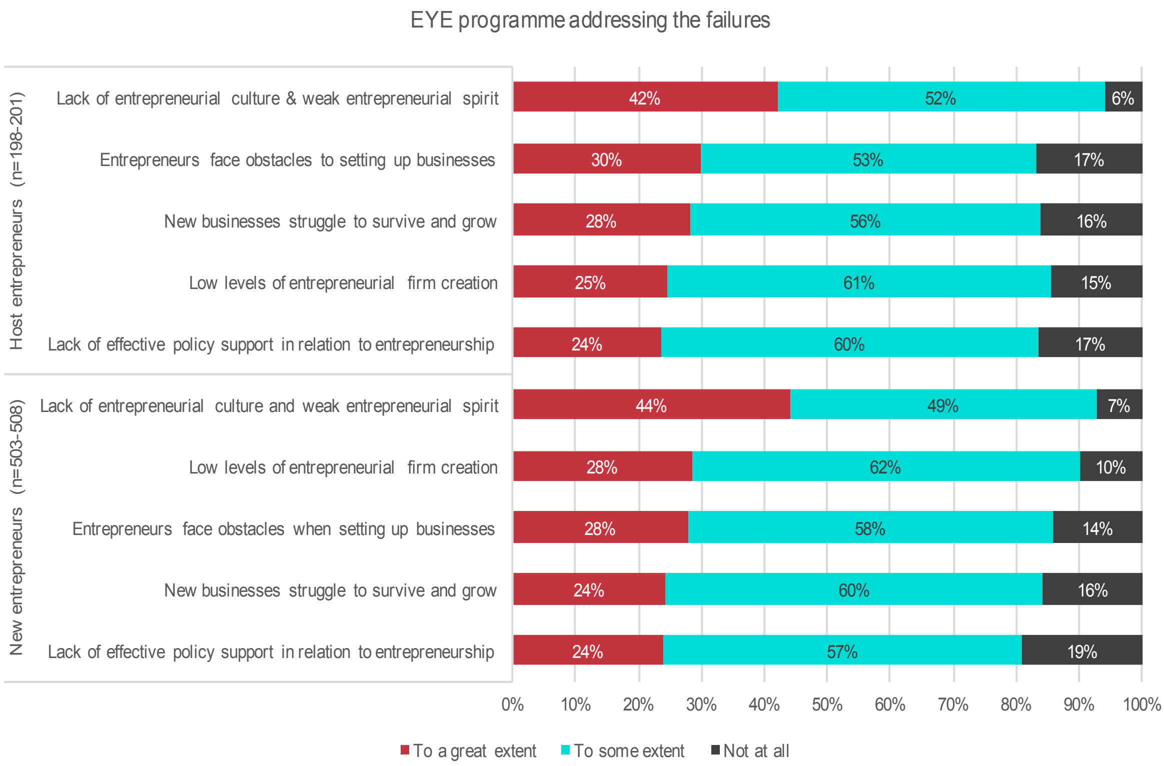
1.2.4. The mentoring scheme for new entrepreneurs (formerly Erasmus for Young Entrepreneurs, EYE)

The mentoring scheme has been established as pilot project in 2008, followed up by preparatory action and fully running under CIP and since 2014 incorporated under COSME.

The COSME interim evaluation identified that, the mentoring scheme has a high level of relevance to the needs of the respective target groups, with no major gaps identified.
As part of the evaluation, a large numbers of Host and New Entrepreneurs who had participated in the mentoring scheme during the 2014-2016 period were surveyed. These (potential) entrepreneurs were asked to assess the extent to which a series of barriers to entrepreneurship were present in their country today. Their responses provide widespread confirmation of the existence of market and systemic failures in this area. The large majority (jointly, 92%+) agreed that entrepreneurs face obstacles to setting up businesses, that new businesses struggle to survive and grow, and that there is a lack of effective policy support related to entrepreneurship. There was also a widespread (though

less strongly held) belief that there is a lack of entrepreneurial culture, weak entrepreneurial spirit, and low levels of entrepreneurial firm creation in Member States.

Figure below shows that more than 90% of these survey respondents agreed that COSME – through its largest entrepreneurship action, the mentoring scheme - helped to address all these areas to some extent, and particularly the lack of entrepreneurial culture and spirit.



Source: Technopolis, based on survey data.

Further 99% of mid term evaluation respondents believe that it is important that the mentoring scheme for new entrepreneurs continues.

The COSME evaluation further argues that the mentoring scheme has been particularly effective in reaching its knowledge- and skills-related objectives and has laid the ground for important outcomes in terms of business relationships and internationalization, both for the New and Host Entrepreneurs. Also in this case, however, the scale of the activities (in total about 2,000 new entrepreneurs) poses limits to the importance of this action line within the overall programme portfolio.

1.2.5. IPR SME Helpdesks

The evaluation of the IPR SME helpdesks reveals that the action is very relevant and that results indicate it could reach its objective on the medium and long term. Evidence shows that it has been well designed to make EU SMEs aware about their Intellectual Property

Rights (IPR) in third countries' markets and contributes to the overall objective of the COSME programme.

In April 2017 the activity had registered 3154 helpline users. With 1347 registered helpline users against 1000 targeted, China performs well. The Latin-America also with 1217 registered against 800 targeted. Due to the belated implementation of its helpline, the South-East HD reached only 590 users against 1000 targeted.

After three years of experience under the COSME programme, the action has been showing effectiveness and should now focus the resources to gain in efficiency. To that effect it is needed to improve quality of the services, tackle the problems of insufficient promotion of activities and improve partnering services. There is no need for additional means in order to achieve more impacts, however the use of the current ones could be optimised. The fact that intermediaries act as multipliers, can be seen as an efficiency lever, provided the visibility increases concurrently thanks to more promotion efforts. The strategy to reach the critical mass of SMEs needs to be improved. The reporting mechanism for KPIs is burdensome and not sufficiently quality oriented and the measurement of indicators should be improved. The evaluation concludes on the need for continued funding for the three regions and considers extending this type of service to India.

On coherence, a better cooperation with the Cluster Internationalisation actions will be a priority for the future. The interaction between the three helpdesks should be maintained, as well as with other COSME initiatives (mainly the EEN) and other EU and national initiatives.

The action adds value at EU level by developing and broadening its expertise to all EU SMEs. In order that any SME in any EU MS have access to an equivalent quality of IPR service, it is of specific value to be able to offer them an IPR one-stop-shop to accompany them in their globalisation projects.

1.2.6. SME policy

The SME Performance Review aims at informing policy-makers. It is perceived as an important building block for evidence-based policy-making; most national representatives that were interviewed state that it provides reliable statistical data and analysis on EU SMEs and SME policies. It is effectively used to monitor the implementation of the SME policy as well as the related SME elements of the EU2020 strategy. The SME Performance Review also feeds into the European Semester, which provides a framework for the coordination of economic policies across the European Union.

The SME Envoys Network consists of 29 Envoys (one per country and an EU SME Envoy), and meets four times a year. Together with the SME Assembly, the SME Envoy Network forms the governance structure of the SME policy. For instance, since 2013 the

Envoys report annually on the state of the SMEs and the implementation of the Small Business Act to the Competitiveness Council.

Overall, stakeholders are satisfied with the results. The Envoys perceive the network as a highly valuable EU-level forum where ideas and practices are exchanged. The SME Performance Review as well as the factsheets are used by the national representatives and are considered to be of high quality. Many events are organised throughout Europe during the SME Week, and the SME Assembly gathers stakeholders from all MS. The main outreach tool, Business Planet, is broadcasted on Euronews. There is a general perception that the activities organised at the EU-level contribute to a convergence of SME policies across COSME countries.

1.2.7. Competitiveness of sectors

For the Tourism programme, the consulted stakeholders and beneficiaries indicated as direct results the creation of new strategic partnerships across borders and more visibility in international markets of touristic destinations in the EU. While few SMEs were directly involved (100), the involvement of professional associations and local, regional and national public tourism agencies created the basis for potentially strong multiplier effects.

The key objective of the Tourism programme is to strengthen the competitiveness of the EU Tourism sector and enhance the capacity of SMEs in the sector to expand their frontiers, both from a service/product offer and geographical point of view. The Tourism programme is geared towards the involvement of actors along the value chain. Based on the data available, the programme directly involved about 100 companies, active in the tourism sector, and an additional 50 private enterprises active in other sectors. The remaining 200 organisations were mainly business associations (mainly active in tourism), public agencies, user organisations, and professional service providers (eg marketing specialists).

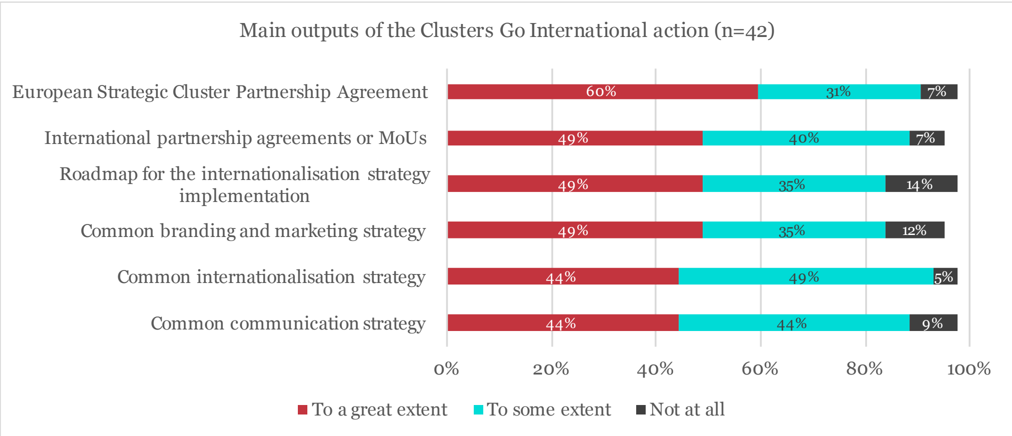
1.2.8. Cluster initiatives

The "*Clusters Go International"* action shows a particularly strong alignment with the need of the clusters to internationalise their activities, both within Europe and beyond. It concluded that the actions show good potential to lead to an **improved strategic position in global value chains** and an **enhanced access to potential inward investors** as survey respondents and interviewees alike highlighted that the activities are based on a strategic analysis**,** while flagging out the **limited budget** as a hurdle for their internationalisation activities that was reported by 90% of the clusters as an important bottleneck. Moreover, it judged a **positive coherence** in relation to the complementarities and synergies created with other COSME activities geared towards internationalisation and indicated that the emerging markets of the main EU trade partners are covered through the action. [15]

The interim evaluation revealed that the Cluster Go International action reached 3,800 SMEs per € 1 million invested and it flagged out that the clusters involved can also play a major role to facilitate the recruitment of the most relevant European SMEs across regional industrial ecosystems to enter into joint business projects with partners in third countries[16] for other related actions, such as as the **EU's Low-Carbon Business Actions** in Brazil and Mexico, supported through the EU Foreign Partnership Instrument[17].

At the time of the COSME interim evaluation in October 2017, the Clusters Go International action involved 25 European Strategic Cluster Partnerships (ESCPs), launched under the "*Clusters Go International* action representing 145 cluster organisations across 23 European countries and more than 17,000 European SMEs. Only 15 out of the 25 selected ESCPs were funded, though, due to budget constraints; the other 10 partnerships were awarded the ESCP label and encouraged to continue their partnerships on a voluntary basis, without COSME funding. The 15 co-funded partnerships account for approximately 95 clusters reaching out to over 10,300 European SMEs. Consequently, the interim evaluation concluded that the Clusters Go International action **succeeded in involving a high number of clusters, some even at a voluntary level**, testifying the **high interest in this action** in the EU cluster community. Moreover, it reported that projects show **overall good progress** in reaching the outputs expected, such as partnership agreements.[18]

Outputs of the Cluster Internationalisation programme



Source: Technopolis Group, based on survey data (2017), Interim Evaluation of the COSME Programme

[15] The horizontal actions of the European Cluster Collaboration Platform and the European Observaotory for Clusters and Industrial Change also provide support within the umbrella of cluster initiatives.

[16] In Mexico, at least 50% of European participants were informed about the LCBA project through cluster organisations. 90% of those clusters were members of the European Cluster Collaboration Platform (ECCP)

[17] http://www.lowcarbonbrazil.com/index, http://www.lowcarbon.mx/

[18] Each ESCP-4i developed a series of joint actions for their members (i.e. business missions, cooperation agreements, gateway services, export consortia, etc.) strengthening European SMEs access to specific third markets and putting in motion a long-term cooperation agenda with strategic partners in third countries.

The overall achievements of the 1st generation of European Strategic Cluster Partnerships (ESCPs) for going international 2016-2017 prove their success in supporting SME internationalisation. Over a 24 months period, they involved 2000 SMEs in activities targeting international third-markets generating 85 concrete business cooperation cases with international partners. 370 Cluster-to-Cluster events and 3010 Business-to-Business events have been conducted, whilst 39 Memoranda of Understanding and 45 collaboration projects implemented between EU clusters and international peer organisations. The interest in the action remained high for 2018-2019 with 23 new partnerships having been established since.[19]

The interim evaluation highlighted the Cluster Go International program (with its fostering of European partnerships among clusters in order jointly to develop and implement internationalisation strategies) amongst those COSME action lines with a **very high EU added value**, where the scale and depth of support goes well beyond the support that can be offered to European SMEs through national or regional initiatives.[20]

It also concludes the action is very relevant to the overall need of SMEs in building trust in finding suitable partners. It points out though that it does not address the barrier of high costs that come with building trust in finding suitable partners. As a result, it concludes that a **potential upgrade of the programme could therefore include other types of support**, such as demonstration projects, feasibility studies and knowledge-acquisition activities.

The results of the COSME interim evaluation also echoed those of a separate evaluation of cluster initiatives from 2014[21], which concluded for instance that the European cluster initiatives **"generated added value through structuring cluster cooperation contributing to the emergence of European meta-clusters"** and have reached out to a wide range of clusters, while flagging out that they **lacked the financial means to involve SME sufficiently**.

Given the highlighted limitation in terms of budget, a possible merging with other small actions (such as the Cluster Excellence Programme) and the newly launched European Strategic Cluster Partnerships for smart specialisation investments (under the heading of industrial modernisation) as well with other larger actions under other programmes (such as INNOSUP-1 cluster projects under Horizon2020) needs to be carefully considered.

The intermediate results of the cluster projects for new industrial value chains (INNOSUP-1) shows how clusters can be used to effectively channel direct support to SMEs for cross-sectoral and cross-regional collaboration and innovation support, which

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[19] https://www.clustercollaboration.eu/eu-cluster-partnerships/escp-4i/first-generation/achievements and https://www.clustercollaboration.eu/news/clusters-go-international-partnering-event-2018-sharing-experiences-boost

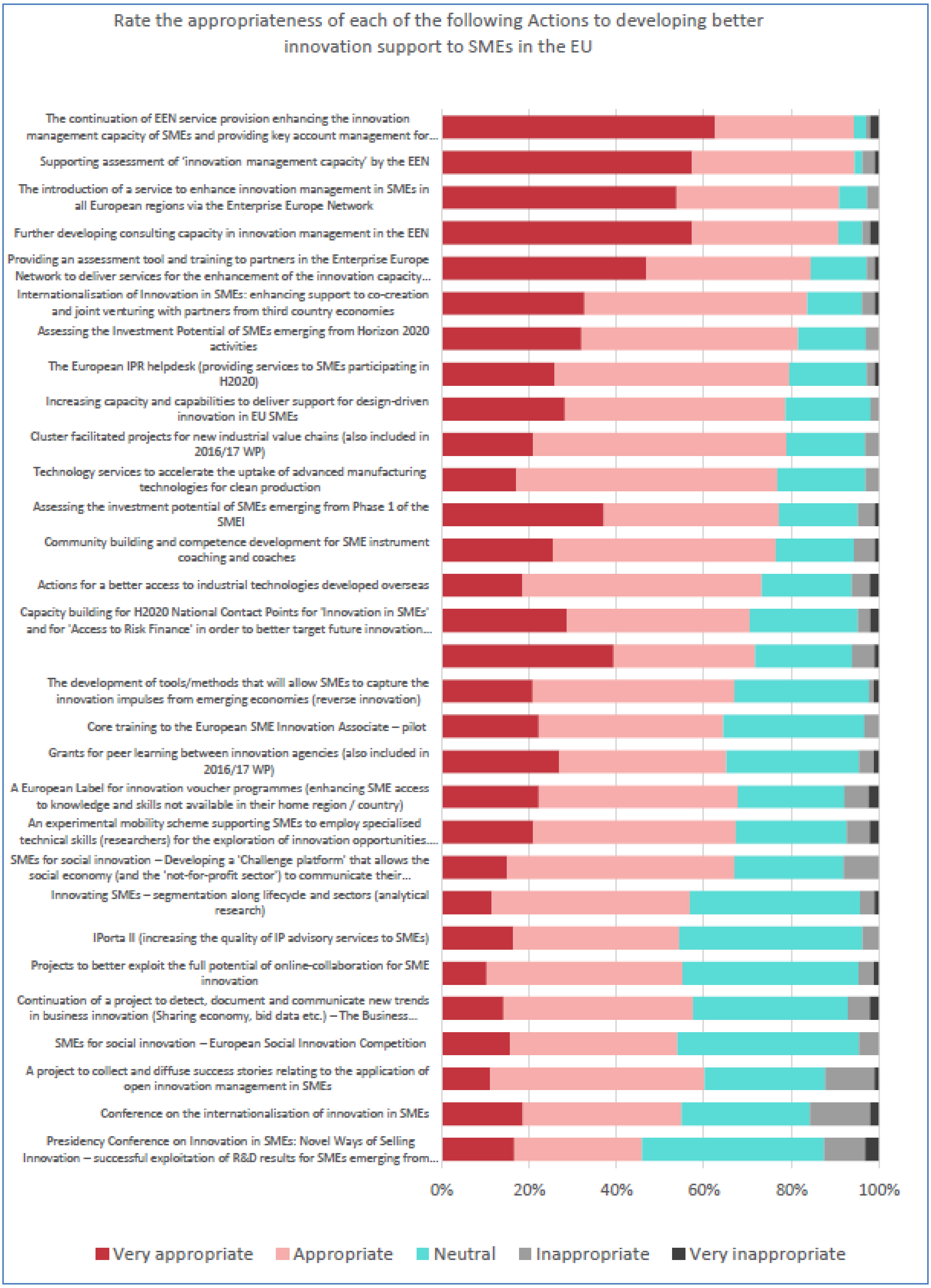
[20] The European cluster initiatives are designed to complement and support efforts taken at regional and national level, with a particular focus on supporting strategic interregional partnering.

[21] Technopolis, EY & Danish Technologica Institute (2014) Evaluation - Cluster initiatives managed by DG Enterprise and Industry, ENTR/172/PP/2012 – LOT4, available at https://publications.europa.eu/en/publication-detail/-/publication/c1ad8410-9bae-49df-b1f1-69b36071cf30/language-en

appropriateness was rated by the survey results presented in the interim evaluation of Horizon2020.[22] Nearly 80% of respondents rate this innovation action as very appropriate or appropriate, thus being amongst the **top ten rated actions for appropriateness to develop better innovation support to SMEs** in the EU out of the 30 actions.

[22] SWD (2017)221 final, Interim Evaluation of Horizon2020, Annex 2. See https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd(2017)221-interim_evaluation-h2020.pdf

Figure 161 - Appropriateness of the INNOSUP 2014/15 and 2015/16 Actions



Source: Technopolis, based on Agency survey data   Sample size: 79 - 110 (excludes "don't know" answers).

The preliminary impact monitoring further revealed that the six ongoing INNOSUP-1-2015 projects that started in 2016/2017 **reached out to over 2800 SMEs** (e.g. through matchmaking events, call for ideas/collaboration projects etc.) and that already **449 SMEs are supported directly** (e.g. through innovation vouchers). Overall, the initiative is on track to support directly over 2000 SMEs by 2020 to take-up and adapt solutions across sectors and regions.

The lessons learned from the cluster initiatives and consultations with stakeholders such as during the 2017 GROWyourREGIOn conference[23] and at the EU Industry Day revealed the following main conclusions:

- Cluster initiatives shifted its focus from supporting clusters to using clusters for creating growth opportunities for SMEs and investments
- High need to support SMEs in their internationalisation activities and overcome sectoral and regional silos, e.g. by focussing on value chains & related industries
- High need for more strategic connections across eco-systems and stronger link to smart specialisation, for which the right mix of partners is needed
- Missing funding pipeline to make strategic partnerships sustainable across industrial specialisations

1.2.9. e-skills

The **e-Skills** action line entailed three actions:

- The ‘e-skills for jobs’ action, an awareness campaign (a budget of €2m)
- An action for the ‘Development and implementation of a European Framework for ICT professions’, ie an action mainly focused on framework development and coordination (€500k), and
- The action ‘Promotion of e-leadership skills in Europe’, an action geared to the development, validation and dissemination of a new, comprehensive policy agenda on leadership skills for digital and KETs (€500k).

All actions funded reached the outputs expected. Stakeholders interviewed were positive especially in their assessment of the effectiveness reached by the ‘e-skills for jobs’ awareness campaign. In 2016, it covered 21 different countries where events were organised and many stakeholders and high-level policy-makers were involved, including members of the European Parliament. Stakeholders and survey respondents unanimously indicated the effective engagement of various stakeholders such as education and training organisations, employees and entrepreneurs as the most important factor in driving

[23] https://ec.europa.eu/growth/content/300-participants-co-create-inspiring-future-cluster-initiatives-grow-your-region-conference_en

progress towards an enhanced awareness and especially an enhanced availability of digital skills.

1.2.1. EU-Japan Centre for Industrial Cooperation

The EU-Japan Centre for industrial cooperation (co-financed and co-managed by the EU and the Japanese sides) was effective in fostering industrial cooperation, including trade cooperation between the EU and Japan, providing policy analysis (Policy seminar, EU-Japan business round table, Minerva fellowship programme), providing services to business (e.g. get ready for Japan, Kaizen webinars, Vulcanus in Japan and in the EU), providing SME support (e.g. on tax and public procurement), organising information events and knowledge-sharing opportunities, as well as networking activities with the objective of facilitating and fostering the cooperation between European and Japanese companies and clusters. Actions for increasing its impact and potential synergies with other actions will be further considered.

1.2.2. Consultations

The consultations in the context of the interim evaluation of the COSME programme included:

- 121 bilateral interviews with stakeholders for the four programme specific objectives (access to finance, access to markets, favourable environment and entrepreneurship);
- eight qualitative consultations targeting two specific objectives (access to finance and favourable environment) and mostly including open ended questions;
- seven quantitative consultations targeting five specific COSME measures (loan guarantee facility, Enterprise Europe Network, Clusters for International, Tourism calls and the mentoring scheme for new entrepreneurs) mostly including closed ended questions;
- an open public consultation[24].

Intermediaries and beneficiary SMEs were approached for the qualitative and quantitative consultations. In total, 4,100 responses were received. The public consultation received 195 responses and 14 position papers.

Overall, the respondents to the open public consultation recognised that COSME is successful in implementing its objectives (access to finance, access to market, improve the business environment and promote entrepreneurship).

In order to increase the socio-economic impacts of COSME, it would be important to increase the budget of the financial instruments (75% of respondents), to provide more

[24] https://ec.europa.eu/info/consultations/interim-evaluation-programme-competitiveness-enterprises-and-small-and-medium-sized-enterprises-cosme-2014-2020_en

business advisory services (73% of respondents), to expand entrepreneurship mobility schemes (58% of respondents) and to substantially expand actions to support the uptake of new technologies, skills and new business models (73% of respondents).

73% of the contributors also considered the increase of synergies and coordination with other EU/national/regional programmes to be important.

All the position papers advocated for a continuation of the programme under the new MFF and most them called for its strengthening. They insisted that an SME driven programme focusing on SMEs needs and characteristics is necessary due to the importance of SMEs in the EU economy. This programme could target all SMEs and would be based on an integrated business support approach that covers the entire life-cycle of an SME and delivers tangible benefits for entrepreneurs with a strong focus on simplification.

Results of open public consultation on next MFF – Cluster R&D, SMEs and single market

A public consultation on EU funds in the area of investment, research & innovation, SMEs and single market was conducted from 10 January to 9 March. While only 8.3% of respondents had experience with the COSME programme, around 25% declared that their replies refer to the EU support for SME and entrepreneurship (1.034 respondents).

Around 77% of them think that the SME and entrepreneurship support provided by the EU has a good or large added value compared to what Member States can achieve at national, regional and/or local level. Foster research and innovation (61%), support education, skills and training (47%) and support industrial development (43%) are among the better-addressed challenges by the current SME and entrepreneurship support. They consider that ensure a clean and healthy environment, facilitate digital transition of economy and facilitate SME access to finance are a slightly less well addressed (from 36% to 32%).

Concerning the obstacles preventing the current EU SME and entrepreneurship funds/programmes to achieve their objectivs, the selected respondents believe that the complex procedures (75%), the lack of flexibility (58%), the insufficient synergies with other EU programmes(56%) and the difficulty to combine EU and other public support are the main difficulties. The lack of EU standards, the inadequate IT capabilities and the insufficient critical mass are considered less important.

SME stakeholders25 generally supported COSME and its continuation in the next MFF. As SMEs have a central role in the European economy their competitiveness and development should be at the heart of the EU support strategy. The stakeholders

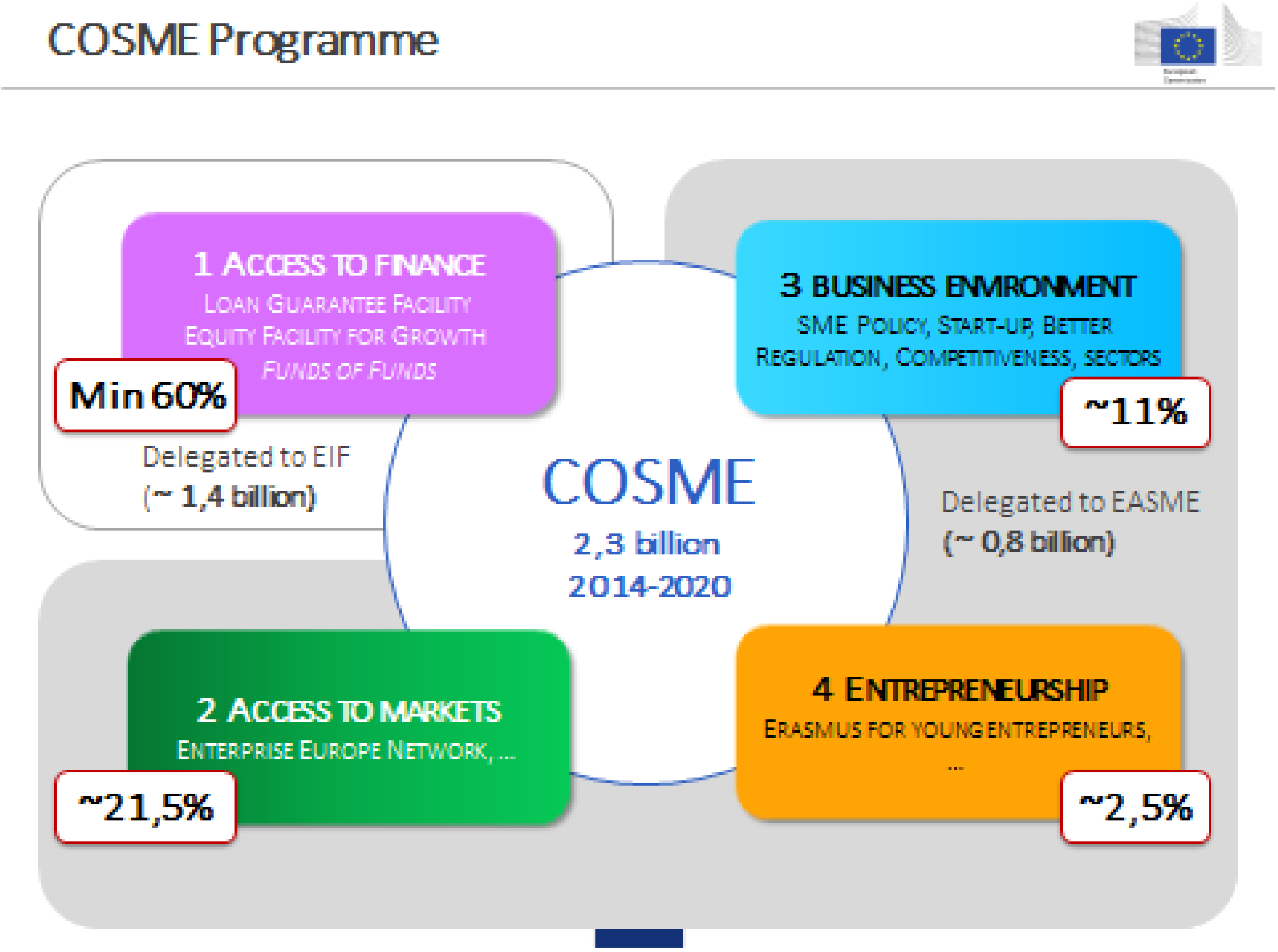
[25] Position papers received in the latest Commission consultations by stakeholders (Business Organisation such as BusinessEurope or Eurochambres, sectoral business organisations, national and regional administrations etc.). The consultations focused on: EU funds in the area of investment, research & innovation, SMEs and single market; COSME interim evaluation,; Start-up and scale-up Initiative

identified as key elements of the future SME support the financial instruments, EEN and the mentoring scheme for new entrepreneurs. They proved to be valuable in the current programme and should be therefore continued and strengthen in the next MFF. The new programme should also have simplified rules, building on the example of Horizon 2020, and ensure better synergies with other EU programmes.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

2.1.1. Key features of COSME 2014-2020



COSME supports the creation and growth of small and medium sized enterprises. With a € 2.3 billion budget for the 2014-2020, COSME contributes to the Commission's top political priority to create more growth and jobs and filling the gap in investment in the EU. The COSME programme has a regulation that sets four objectives:

- At least 60% of the programme, that is 1.4 billion, is devoted to ease **access to finance** for SMEs, both through guarantees and equity. Due to the high leverage effect, COSME is expected to help up to 330.000 SMEs by mobilising around €20 billion in guaranteed loans and up to nearly 4 billion for equity finance.

- Second, COSME supports SMEs in **access to markets** and internationalisation. The Enterprise Europe Network with contact points in more than 60 countries[26] through

[26] In Japan our contact point is the EU-Japan Centre for industrial cooperation

its more than 600 local contact points. Since 2016, the EEN is implementing, in addition to its normal activities, also the start-up and scale-up initiative, a priority of the Single Market Strategy.

- Third, COSME contributes to the creation of a **favourable environment for enterprises** such as clusters and **support their competitiveness**. This includes several activities such as the platform for better regulation or several actions relating to SME policy.

- Fourth, COSME **promotes entrepreneurship, particularly** with the mentoring scheme for new entrepreneurs, where participants acquire a business experience in a successful SME in another country.

COSME 2014-2020	Nominal (in million €)	Baseline post 2020 (-15%)
Access to Finance (financial instruments)	**1440**	**1224**
Enterprise Europe Network	375	319
EU-Japan Centre	20	17
IPR SME helpdesks	18	15.3
Other actions and support measures	91	77.35
Access to Markets (subtotal)	**504**	**428.4**
Modernisation of Industry	60	51
Sector's competitiveness	48	40.8
Clusters	40	34
SME Policy	38	32.3
Better Regulation	6	5.1
Other actions and Support Measures	46	39.1
Business Environment and Competitiveness (subtotal)	**238**	**202.3**
The mentoring scheme for new entrepreneurs	65	55.25
Other actions and Support Measures	25	21.25
Entrepreneurship (subtotal)	**90**	**76.5**
Management and Administration	25	21.25
EASME	60	51
Programme Administration (subtotal)	**85**	**72.25**
Total	**2357**	**2003.45**

2.1.2. Challenges for COSME

The conditions for starting-up a business in the EU (in terms of cost and time to create a company) has progressed in the last ten years. However, the situation is uneven across Member States. Furthermore the administrative burden to operate a business, such as obtaining permits and licenses, remains high. In addition, there is a lack of entrepreneurial spirit and a large heterogeneity of entrepreneurship support services. Newly created companies and smaller firms still face difficulties in accessing finance. They are not able to reap sufficiently the opportunities offered by the Single Market and by markets beyond the EU. This means that the full growth potential of SMEs remains unlocked as they are not sufficiently integrated in industrial value chains with the EU and globally. They face also difficulties in taking up the benefits of innovation, creativity, new business models and resource-efficient solutions; they do less business on-line than bigger firms and have difficulties in finding the right skills. While SMEs are essential to generate jobs and growth, their contributions are limited by these barriers. It is the objective of COSME to address these difficulties for scaling-up by providing adapted financial instruments, generating business opportunities in the single market and beyond, stimulating cooperation between Member States to reduce the administrative burden, promoting entrepreneurship, supporting the modernisation of industry and creation of favourable business eco-systems such as clusters[27] as well as linkages between them so that SMEs can flourish and scale-up.

In the specific case of the outermost regions' SMEs, the difficulties they encounter are particularly significant because their regional markets are small, depend heavily on exchanges with Europe and face high competition from neighbouring third countries. As outlined in the Commission's communication "A stronger and renewed strategic partnership with the EU's outermost regions[28], it will be important to further enhance the capacity of the outermost regions' businesses to operate: their specific concerns should be considered in the future programme (the successor of COSME) to help enhance their competiveness in international markets and reap the benefits of globalisation.

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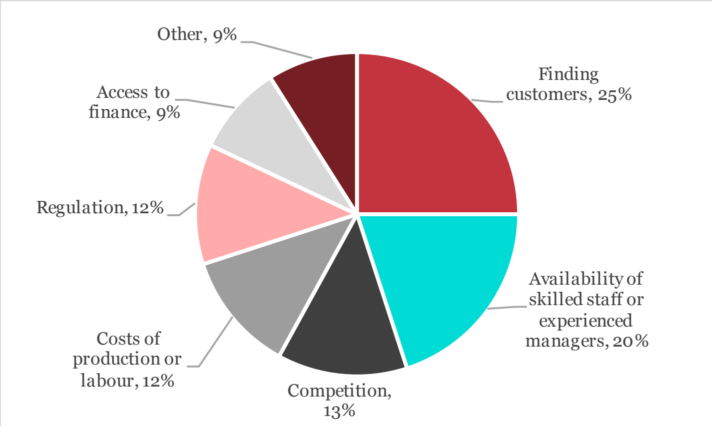
[27] See, for instance, the 2016 European Cluster Panorama of the European Cluster Observatory (available at https://ec.europa.eu/growth/content/european-cluster-panorama-2016-published-0_en) & Smart Guide to Cluster Policy (available at http://ec.europa.eu/DocsRoom/documents/16903/attachments/1/translations/en/renditions/native) that show that fast-growing enterprises (so-called gazelles) based in strong clusters employ 35 employees on average compared to 24 outside of strong clusters and that clusters overall account for 39% of European jobs and 55% of European wages. Moreover, various academic articles such as Delgado, M., Porter, M.E. & Stern, S. (2012) Clusters, Convergence and Economic Performance show that clusters offer a favourable regional eco-systems for innovation and entrepreneurship in which companies are more innovative, conduct more market research, cooperate more and register more international trademarks and patents than companies that do not operate in a cluster. It also shows that regions with strong clusters have positive spill-over effects on neighbouring regions and related clusters. SMEs active in clusters are thus more likely to master complexity and benefit from growth opportunities in clusters of related emerging industries.

[28] COM(2017)623

Figure 1: Most important problems faced by firms in EU28, April-September 2016



Source: European Commission, (2016): Survey on the access to finance of enterprises (SAFE), Analytical Report 2016

2.1.3. Challenges for Access to finance

The COSME Loan Guarantee Facility (LGF) is being successfully implemented in terms of geographic scope and in terms of reaching the right beneficiaries, i.e. SMEs which have problems in accessing finance. It is geared towards supporting any type of SME higher risk financing transaction. From a technical point of view, this is being achieved by offering portfolio guarantees free of charge to financial intermediaries across the participating countries. In return for such free of charge guarantees, financial intermediaries must commit to build portfolios of new financing transactions which constitute higher risk financing or to significantly increase the volumes of existing higher risk SME financing products.

The Loan Guarantee Facility has been effective in reaching those SMEs which experience particular difficulties in obtaining finance, namely start-ups (defined as businesses in their first five years of existence), which account for almost 50% of all financing transactions supported (as of 09/2017). Furthermore 91% of all supported enterprises are micro enterprises. The facility is also successful in supporting SMEs in a wide range of sectors. Over 12% of support has gone to knowledge-intensive services so far. But support has also gone to SMEs in the more traditional sectors such as wholesale, retail and construction and manufacturing as indicated below.

The average transaction size stands at €35,500. This is significantly lower than the average transaction size under the SME Guarantee Facility of the Competitiveness and Innovation Programme (the predecessor facility), where the average transaction size was approximately €65,000. The low average transaction size under COSME is most likely due to the €150,000 threshold introduced under the COSME LGF, above which financial intermediaries must by means of a checklist demonstrate that an SME is in principle not able to comply with any of the more than 10 different innovation criteria established under the InnovFin SME guarantee facility of Horizon 2020.[29] This application of the checklist has been criticised during the mid-term evaluation as to onerous and cumbersome (significant administrative burden) for financial intermediaries and SMEs and has been mentioned as blocking an efficient implementation of the facility.

The key challenge to the implementation of an SME guarantee facility under the next Multiannual Financial Framework period will be to operate under the following market conditions:

1. **Significantly differing access to finance conditions across Member States require a flexible design of the guarantee facility**: Following the financial crisis a significant number of policy interventions coupled with positive economic developments have led to an improvement in the availability of bank finance, and the conditions for access to finance have on average recovered[30]. However as regards volume of lending, pre-crisis levels have not been reached yet. Plus we observe significant differences in the access to finance situation for SMEs across Member States in terms of availability of finance, risk appetite of the commercial sector, conditions of finance (interest rates charged and collateral required) and product diversification. SMEs, however, rely on local providers of finance and are unable to overcome the national access to finance barriers.

2. **Differing degrees of public support activities in the Member States and significantly differing market gaps require a facility which is more responsive to those Member States which require most support, rather than relying on a roll-out purely based on demand; Member States alone will not be able to sufficiently address the market gaps**: The estimated market gap in EU 27 over the 7-year period (2011 – 2017) for new SME financing has come down from €42 billion in 2014 to less than €30 billion in 2017.[31] However, this is the EU27-wide market gap after a significant amount of guarantee and loan support measures in the order of magnitude of €110 billion per annum are provided at a) national level (approximately €90 billion), b) under ESIF (mainly ERDF) (approximately €10 billion) and through EU central financial instruments (approximately €13 billion). Had the support at any of these three levels been lower, it can be assumed that the size of the market gap would have been higher. Going forward it is expected that Member States with strong budgetary positions may maintain or even increase the financial support for access to finance for SMEs. However, Member States with strained are in weaker financial positions and also have inadequate capacities to operate support schemes, will have to continue to rely on financial instruments established under EU programmes under shared management and those established at central EU level.

3. **Simplification of central EU guarantee support schemes for SMEs needed:** As set out in the Reflection Paper on the Future of EU Finances[32], there is a *'need to ensure policy coherence among EU instruments to ensure that they all support EU objectives and facilitate reforms in Member States. For instance, in the area of SME*

[29] http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/
[30] Survey on the Access to Finance of Enterprises in the euro area April to September 2017, section 3.1: https://www.ecb.europa.eu/pub/pdf/other/ecb.accesstofinancesmallmediumsizedenterprises201711.en.pdf?beb1832df4af9efa945a5a1f7b99eeb7
[31] Using the Upper bound method used in the ex-ante assessment for the SME initiative
[32] https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

financing the same beneficiaries may be eligible to receive support through several instruments covered under different programmes (COSME, Horizon 2020 and EFSI) or implemented by Member States through cohesion policy. This overlapping product offer has caused some confusion for financial intermediaries as to which scheme to apply. Rules and conditions applying in the same policy area should be aligned.'

4. **Fintech companies as potential challengers to banks as the main providers of SME debt finance**: The financing of SMEs in Europe through the banking sector has a long tradition. However, the banking market is undergoing significant structural changes. The number of financial institutions is continuously reducing and new players (fintech) are emerging which are ready to challenge the traditional banking sector. *'There is no doubt that the landscape has changed for banks. [.....], the digital revolution is lowering cost, distance, time and barriers to entry, creating space for new fintech players to enter the market'*[33]. Despite the fact that fintech is a nascent industry, it is likely to have an impact on the SME financing markets in the next 10 years. While many banks are investing heavily in technology, industry experts have gone as far as to state that *'Banks may face their "Kodak moment" unless they embrace disruptive technologies. However, since banks are profiting from business-as-usual, there is little incentive for them to innovate and cannibalize their own business'*[34].

2.1.4. Access to markets and global value chains

One of the main challenges to be addressed in the new MFF is the lack of SMEs' capacity to develop their activities outside their home country, especially in the Single Market but also in markets outside the EU. The main problems identified are (1) finding customers and business partners outside their home country, (2) spotting international business opportunities and (3) getting information on other markets. In this respect, the provision of information services will continue to be a challenge.

European industry faces increasing competition from abroad across the whole value chain, and it must internationalise further to face it. Hence, supporting the internationalisation of European business is a crucial element in the strategy to widen and deepen internationalisation of the EU economy as a whole.

Putting in place support for structures that help EU businesses penetrate foreign markets is an important dimension of this internationalisation strategy, in particular for SMEs but also for all types of business which need advice and services on key aspects such as IP, standardisation, regulatory environment, public procurement, etc.

To this end, EU business support structures in third countries have an important role to play in synergies with the EEN vision for the future that are developed, in particular the EEN members (BCC) in third countries. Already now the EU SME Centre in China, the

[33] http://www.smefinanceforum.org/post/banks-and-fintech-companies-come-together-to-discuss-vision-2030-for-small-business-finance

[34] http://www.smefinanceforum.org/post/banks-and-fintech-companies-come-together-to-discuss-vision-2030-for-small-business-finance

ELAN-biz project in Latin America and the EU-Japan Centre for Industrial Cooperation are also playing this role.

Hence the need for EU support in third country to help business to establish presence and access local markets. EU support should be complementary to that of MS and should focus on areas with the highest added value.

SMEs' expectations are changing towards a more tailored approach of information provisioning and specialised advice addressing specific needs. Synergies and efficiency gains will be realised by further integrating the mentoring scheme for new entrepreneurs in the Network's activities, creating a one-stop-shop service for SMEs. The Enterprise Europe Network intends to link-up and use existing and new information sources such as the Single Digital Gateway to address the information asymmetry challenge.

The Network intends to continue and further develop its synergies with other Community programmes such as Horizon 2020 with the services provided to SME beneficiaries of the EIC, encouraging and promoting the participation of SMEs in Horizon2020, and the support and cooperation with initiatives financed by EU regional funding (like for example the macro-regional cooperation projects involving SMEs). The identification of business partners abroad will continue to be a major challenge as SMEs that fail to innovate or internationalize run the risk of losing ground to competitors, losing key staff, or simply operating inefficiently; this also includes the need to co-operate along their value and supply chains. The Network also intends to continue its cooperation with EU financed Business Centres abroad, based on the good practices and lessons learnt with the business centre in Beijing who became a Network node in 2015.

The Network will have to continue building on existing strengths and evolve structures and services to help SMEs survive, innovate and grow in an increasingly competitive world and address the challenge of shortcoming managerial capacities of SMEs to increase their competiveness in the Single Market and abroad. It requires the Network to further develop the client centric approach where tailor made advisory services will be provided with Network consortia working together to support the client to innovate, grow and internationalise.

The survey of entrepreneurs participating in the mentoring scheme (part of the mid-term review of COSME) confirmed the existence of market and systemic failures in the area of entrepreneurship. These include obstacles setting up businesses, difficult Framework conditions that result in new businesses struggling to survive and grow. Furthermore, there is a lack of effective policy support related to entrepreneurship.

There is also a widespread belief that there is a lack of entrepreneurial culture, weak entrepreneurial spirit, and low levels of entrepreneurial firm creation in Member States.

With regards to further implementation of the mentoring scheme the main challenges are: the demand for expansion of the programme (increased number of participants) confronted with reduced resources available as well as future geographical extension together with further efficiency gains. Some efficiency gains were reached thanks to the introduction of a Framework Partnership grant procedure intended for experienced mentoring scheme intermediary organisations in 2016. In the post-2020 period, further synergies and efficiency gains will be realised by further integrating the mentoring scheme into the portfolio of EEN activities. This would create a one-stop-shop for entrepreneurs and enterprises supporting them from the start-up phase, to scaling-up and internationalisation.

2.1.5. *Challenges for business environment and industrial modernisation*

Doing business remains cumbersome in large parts of the EU and barriers to scaling-up persist. Furthermore, the administrative burden to operate a business, such as obtaining licenses or permits, remains high.

SMEs face difficulties in taking up the benefits of innovation, creativity, new business models and resource-efficient solutions. They also do less business on-line than bigger firms and have difficulties in finding the right skills. While SMEs are essential to generate jobs and growth, their contributions is limited by these barriers. Supporting the modernisation of industry and creation of favourable business eco-systems, such as clusters[35], as well as linkages between them is thus crucial for helping SMEs to flourish and scale-up.

Various reports and studies have shown that insufficient investments in industrial modernisation and the fragmentation of business eco-systems and clusters are hampering future EU competitiveness and create an innovation divide. It is therefore crucial to complement the excellence-based focus of R&D support to develop breakthrough innovation under the FP with support for bringing solutions to mainstream SMEs across the EU that facilitates their adoption and redeployment in different sectors and regions and takes industrial specialisations into account.[36]

The heavy decrease in the number of SMEs introducing product and process innovation (by 18.2%) between 2010 and 2016 reported by the 2017 European Innovation Scoreboard illustrates this problem. SMEs account for only one-fifth of EU business R&D expenditures. On top, the Scoreboard also shows that innovative SMEs only marginally collaborate more with others (0.5%) and that employment in fast-growing firms based in innovative sectors has declined by 5.4%.[37]

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[35] See, for instance, the 2016 European Cluster Panorama of the European Cluster Observatory (available at https://ec.europa.eu/growth/content/european-cluster-panorama-2016-published-0_en) & Smart Guide to Cluster Policy (available at http://ec.europa.eu/DocsRoom/documents/16903/attachments/1/translations/en/renditions/native) that show that fast-growing enterprises (so-called gazelles) based in strong clusters employ 35 employees on average compared to 24 outside of strong clusters and that clusters overall account for 39% of European jobs and 55% of European wages. Moreover, various academic articles such as Delgado, M., Porter, M.E. & Stern, S. (2012) Clusters, Convergence and Economic Performance show that clusters offer a favourable regional eco-systems for innovation and entrepreneurship in which companies are more innovative, conduct more market research, cooperate more and register more international trademarks and patents than companies that do not operate in a cluster. It also shows that regions with strong clusters have positive spill-over effects on neighbouring regions and related clusters. SMEs active in clusters are thus more likely to master complexity and benefit from growth opportunities in clusters of related emerging industries.

[36] JRC Policy insights – Industrial R&I, February 2018, For a transformative industry & innovation strategy

[37] Moreover, the 2015 European cluster trends report of the European Cluster Observatory shows that the intensity of transregional cooperation patterns is diverse across Europe.

A recent study[38] on advanced manufacturing shows that there are barriers to the uptake of innovation, such as sufficient know-how, adequate human capital and organisational and managerial capacity. Small firms have much larger problems to overcome these barriers than large firms. While 75% of companies indicate the high costs of investment in advanced manufacturing technologies, an EIB study also shows that over 90% of smaller companies active in key enabling technologies struggle to raise the finance they need. More than 90% of SMEs in Europe also feel lagging behind in digital innovation. They also do less business on-line than bigger firms and have difficulties in finding the right skills. As the specialised competences are often concentrated in few countries[39] and SMEs struggle to find the right partners, too few SMEs in the EU embrace advanced and additive manufacturing, artificial intelligence and augmented reality and master new service offerings, especially in traditional manufacturing sectors.

Similarly, inter-regional collaboration and SME support efforts are currently not sufficiently strategically pooled across industrial policy priorities. Making a better use of SME intermediaries, including clusters, and supporting their teaming up offers scope to better link actors, notably SMEs, across specialised eco-systems in the EU and thus to deliver a stronger EU added value. [40]

To facilitate the take-up of advanced technologies (e.g. advanced manufacturing, digital, Big Data), new business models and low-carbon and resource-efficient solutions as well as to promote internationalisation activities, partnering and skills development to embrace industrial transformations are the objective of the scaling-up instrument to be channelled via specialised SME intermediaries under Joint Cluster Initiatives.

For an effective implementation, it will be important to overcome the significant hurdle of the limited budget for existing cluster actions that was highlighted in the COSME interim evaluation as otherwise the indicated good potential of supporting SMEs positioning in global value chains cannot be achieved. The interim evaluation reveals that the Cluster Go International action, that aims at supporting clusters in designing and implementing an internationalisation strategy, reaches 3,800 SMEs per € 1 million invested. The European Cluster Collaboration Platform gathers more than 730 cluster organisations with an average of 100 SMEs per cluster, reaching out to about 73 000 SMEs across Europe. These actions together with capacity-building efforts under the European Cluster Excellence Programme and newly launched European Strategic Cluster Partnerships for smart specialisation investments produce impact but are limited by the available budget.

To overcome the limited budget and make more strategic use of clusters in supporting SME growth, a consolidation and reinforcement of cluster initiatives is foreseen, ideally together with cluster-related actions under Horizon2020. Therefore, the interim evaluation's suggestion of an "integrated approach" for SME growth support to cover all stages of firm's development and the "reinforcement of ecosystems" is followed. By merging the various activities under Joint Cluster Initiatives and reorganising them

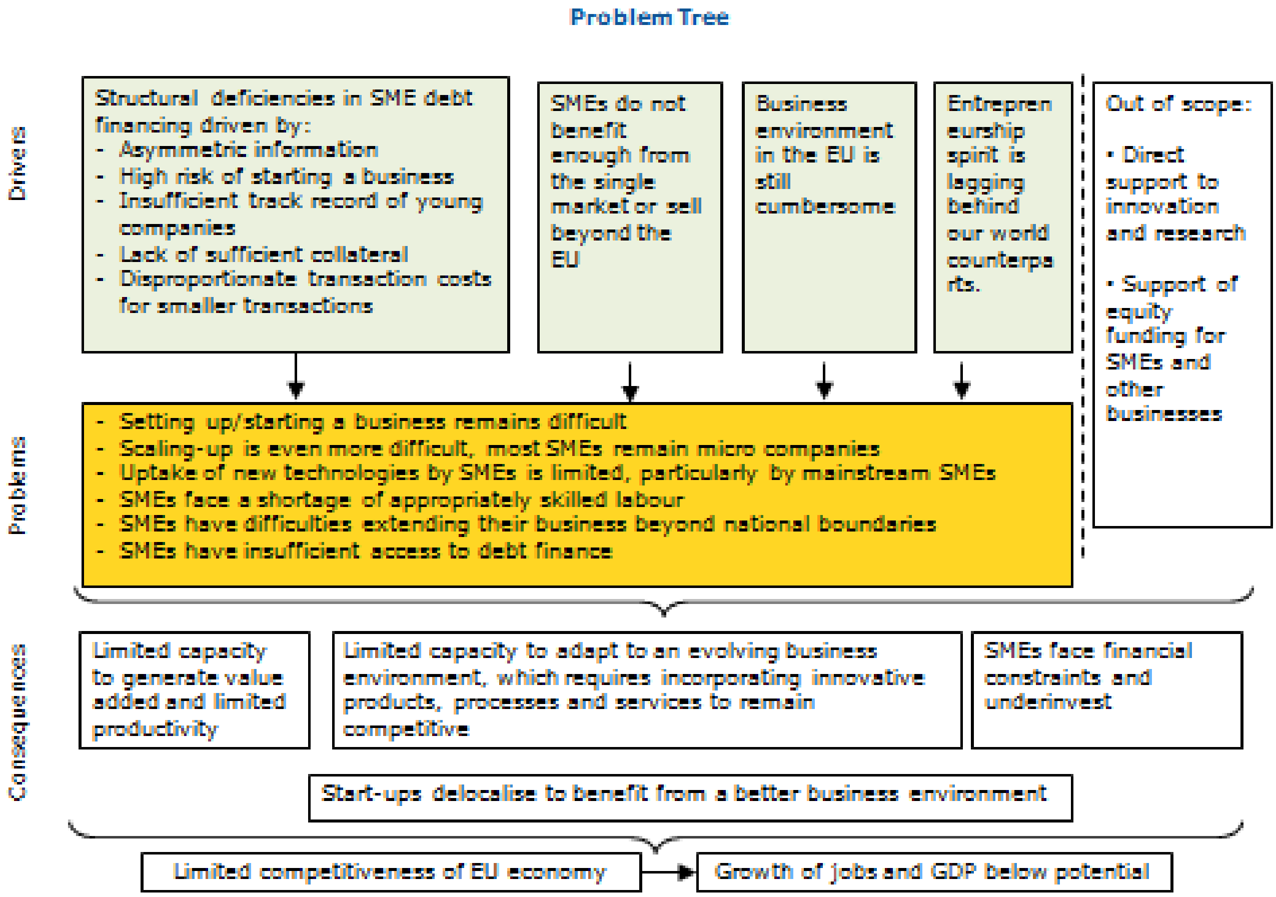
[38] Kroll et al. (2016) An analysis of drivers, barriers and readiness factors of EU companies for adopting advanced manufacturing products and technologies.

[39] Out of 1350 technology centres offering services to SMEs in Europe, 60% are concentrated in 6 EU Member States according to a mapping of technology centres for key enabling technologies.

[40] See also Communication on “A renewed EU Industrial Policy Strategy” (COM/2017/0479 final), the Start-up and Scale-up Initiative (COM/2016/0733) and the Smart Specialisation Communication on “Strengthening Innovation in Europe's Regions” (COM(2017) 376 final)

towards an effective tool to implement industrial policy and SME support[41] that teams up actors across Europe under 10 to 20 related industrial specialisations and applying a simplified and streamlined implementation[42], COSME will be able to contribute to the strengthening and linking of business eco-systems to help SMEs to start-up and grow.

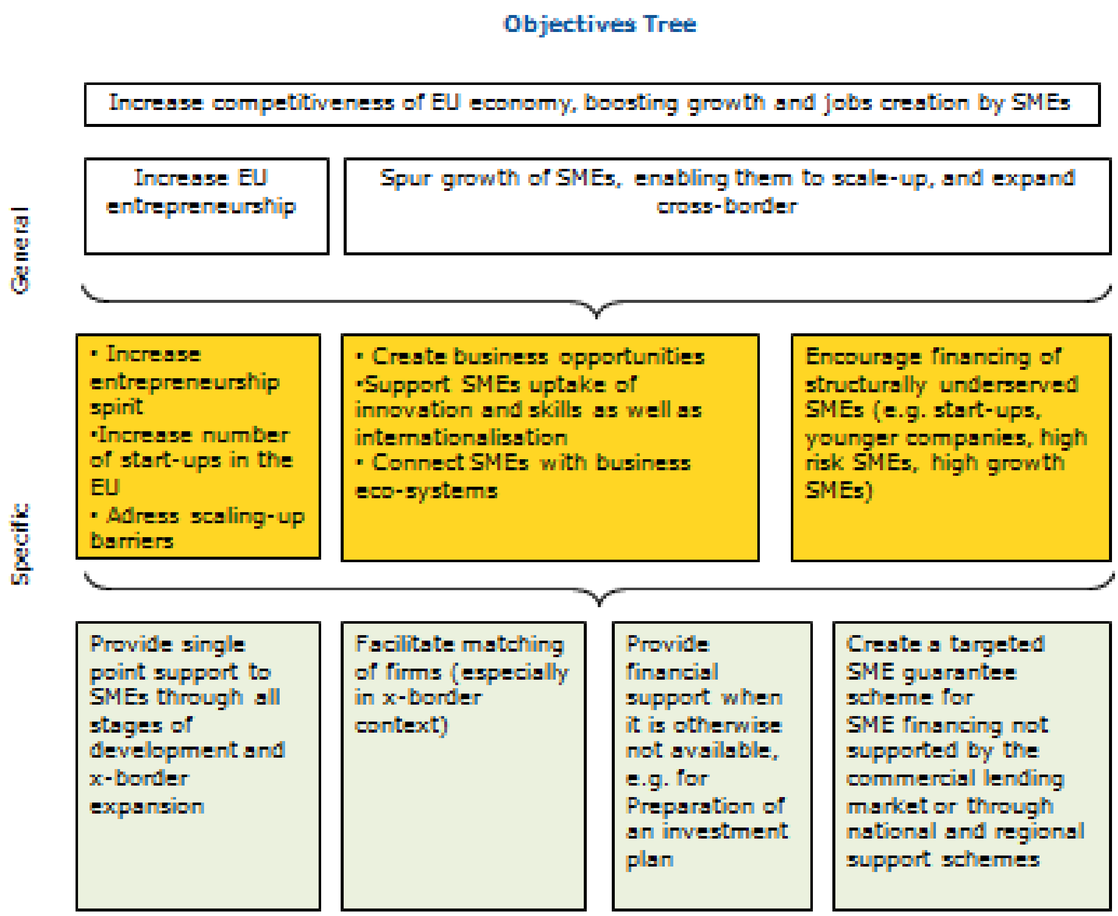
This means that the full growth potential of SMEs remains unlocked as they are not sufficiently integrated in industrial value chains with the EU and globally.



[41] The evaluation of the previous ERDF and Cohesion Fund programming period shows, for instance, that the promotion of networking through clusters has been among the most successful instruments for supporting innovation in SMEs and nurturing their development, even if their number was marginal within the whole set of instruments. See Ex-post evaluation of Cohesion Policy Programmes 20017-2013 Financed by the ERDF and the CF, WP2 Support to SMEs, Increasing research and innovation in SMEs and SME development, Contract Nr. 2014CE16BAT002

[42] This is facilitated by the possibility to use lump sums and financing linked to the fulfilment of achievements of results expected to be allowed by the revision of the Financial Regulation.

2.2. Objectives of the programmes of the next MFF



Deriving from the analysis of the problems and challenges, the general objectives of the COSME+ programme do not differ from the COSME regulation.

The **general objectives** of the COSME+ programme are:

- Promoting the creation and sustainable growth of enterprises, in particular SMEs.
- Strengthening the competitiveness of enterprises, boosting industrial modernisation and fostering entrepreneurship.

The analysis of the relevance of the Interim Evaluation of COSME shows its objectives are still pertinent with a different emphasis for some of them.

The specific objectives of the COSME+ programme are:

1) **Access to finance (including the SME loan guarantee)**

- Addressing the **access to finance** gap for SMEs and obstacles for investments;

2) **Access to Markets (including the EEN and** the mentoring scheme**)**

- Facilitating SMEs' access to markets (public and private) and supporting them in addressing **global and societal** challenges;
- Supporting **business internationalisation**, notably of SMEs, and strengthening **EU industrial leadership** in global value chains.

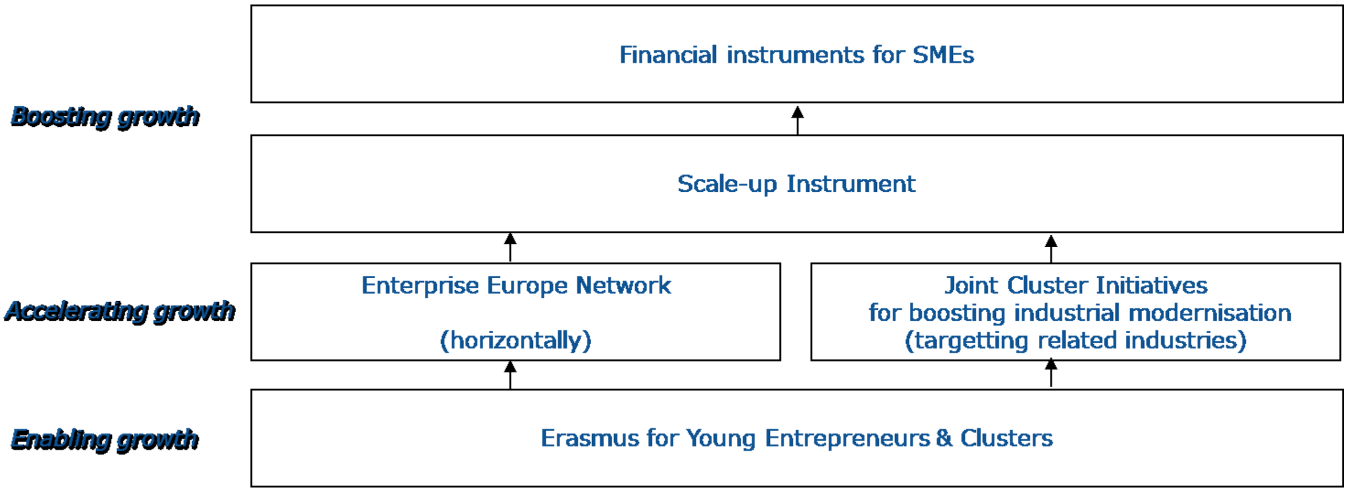
- 3) **Business Environment, Industrial Modernisation, Competitiveness and Entrepreneurship**

- Addressing **market barriers**, administrative burden and creating a favourable business environment towards helping SMEs to benefit from the **Single Market**;
- Facilitating the growth **of business, including skills development, and industrial transformation** across manufacturing and service sectors. Supporting SMEs' **uptake of innovation** and value chain collaboration through strategically **connecting ecosystems and clusters**;
- Promoting the exploitation of **entrepreneurial and market opportunities**, by fostering an entrepreneurial business environment and culture favourable to sustainable enterprises, and supporting start-ups, business sustainability and scale-ups.

3. PROGRAMME STRUCTURE AND PRIORITIES

3.1. Programme structure and priorities

The following diagram shows the logic of intervention in the life-cycle of an SME. This life-cycle logic will be integrated into COSME+ by favouring synergies between instruments. The goal is to be able to provide combined support to entrepreneurs and SMEs.



On the basis of the effectiveness demonstrated by the Interim Evaluation, COSME+ will focus on the actions that produced results in the current programming period:

- The Loan Guarantee Facility
- The Enterprise Europe Network
- The Cluster initiatives
- The mentoring scheme for new entrepreneurs.

This will result in the following overarching specific objectives at regulation level:

- **Access to finance (including the SME loan guarantee)**
- **Access to Markets (including the EEN and** the mentoring scheme**)**
- **Business Environment, Industrial Modernisation, Competitiveness and Entrepreneurship (including consolidated Joint Cluster Initiatives)**

The internal coherence of the programme will be strengthened by creating strong synergies between actions. Synergies can be found, for example, by increasing the links and cooperation between the Enterprise Europe Network, the mentoring scheme for new entrepreneurs and Cluster initiatives. The service proposed by each of these instruments could benefit the same groups of SMEs or entrepreneurs in a business development logic, notably those targeted by strategic interregional collaboration along and across clusters of industrial (smart) specialisations and EU value chains. For example, the would-be entrepreneurs benefitting from the mentoring and initial business matchmaking in the mentoring scheme for new entrepreneurs could be encouraged by collaborating clusters to participate and be redirected to the EEN for more specialised business advisory services, broadened partnership opportunities or receive advice on financial instruments for funding needs. This forms part of the integrated approach based on the life-cycle of SMEs that the programme will follow. The Enterprise Europe Network and the the mentoring scheme for new entrepreneurs will be upgraded, based on the existing synergies and similarities in their implementation modalities: for example by reinforcing the Enterprise Europe Network entrepreneurship support community, and the EEN scale-up advisors to help entrepreneurs with a proven business model to develop their activities bringing them in contact with potential business partners, hence providing a continuous support for SME throughout their lifecycle, which is a crucial element and a specific feature of COSME (missing in other programmes). The interlinks between the two actions is also demonstrated by the fact that already about 10% of the mentoring scheme for new entrepreneurs implementing organizations on the territory are also EEN Network members.

The number of smaller actions will be limited to a reduced number of supporting measures and management activities. We will define also a set of smaller scale actions to test new actions and then if successful scale up. It makes sense to have a mix of established larger-scale projects and smaller more experimental approaches. In order to reduce the existing complexities specific attention will be paid in providing integrated support (e.g. financing, advice, match-making) by using a 'one-stop-shop' approach.

The programme will also include horizontal measures for policy support, cross-sectoral cooperation, transnational cooperation of SMEs/joint business ventures, developing socio-economic knowledge and analysis for the competitive growth of SMEs in different sectors, support to entrepreneurship and micro enterprises in particular or enterprises with higher difficulty in accessing funding.

COSME's EU added value lies in contributing to jobs and growth creation through an extended network of intermediaries (such as the Enterprise Europe Network and clusters) by providing integrated support services for SMEs to innovate, to foster cross-border opportunities and cooperation and the internationalisation of SMEs. COSME contributes to reducing economic divergences by addressing market gaps through the SME guarantee facility which are not (sufficiently) addressed at Member State level

COSME + Baseline post 2020	**Nominal (in million €)**	**Ambitious scenario**
Access to Finance (financial instruments)	**1200**	**2400**
Enterprise Europe Network + the mentoring scheme	400	600
EU-Japan Centre	17	17
IPR SMEs helpdesks	18	18
Other actions and support measures	33	33
Access to Markets (subtotal)	**468**	**668**
Joint Cluster initiative & Modernisation of Industry	150	300

Scale-up instrument		1000
Sector's competitiveness	40	40
SME Policy	32	32
Better Regulation	5	5
Other actions and Support Measures	33	33
Business Environment, Industrial Modernisation, Competitiveness and Entrepreneurship (subtotal)	**260**	**1410**
Management and Administration	20	20
EASME	55	70
Programme Administration (subtotal)	**75**	**90**
Total	**2003**	**4568**

3.2. Access to finance

3.2.1. Priorities

The objective is to ensure that no instruments are created which have a sub-optimal size. Given the importance of access to debt finance for SMEs in EU27, it is proposed to use all available budgetary resources to only support guarantees and counter-guarantees for portfolios of debt finance operations under COSME+.

The existing option under the COSME Loan Guarantee Facility to support securitisation transactions, i.e. provide guarantees for a mezzanine tranche of securitisation transactions, has not been met with any market demand. It is therefore suggested that this implementation option is discontinued under the COSME+ programme.

Moreover, equity support instrument will be created under the SME window of the InvestEU Fund providing seamless support for SMEs and small mid-caps from the pre-seed stage all the way to the expansion and growth stage. Such a broad-based facility will enable flexibility, create economies of scale, operate more efficiently and be easier to market towards potential financial intermediaries. Therefore, it is suggested to discontinue equity support under COSME+ and focus only on the guaranty facility.

3.2.2. Expected minimum size for the intervention

The expected minimum size of the intervention, about €1.2 bn, comprises the total budget for financial instruments under the existing COSME programme reduced by 15% (baseline scenario).

As the SME guarantee facility will be implemented through the SME window of the InvestEU Fund, which is based on a budgetary guarantee rather than a fully funded financial instrument, a budget of €1.2 bn transferred to a budgetary guarantee translates into available resources of €1.5 bn (based on an expected provisioning rate of 85%).

The anticipated leverage for this facility ranges between 1:15 to 1:25. With available resources of €1.5 billion, new higher risk debt financing of €22.5 bn to €37,5 bn over the lifetime of the programme could be made available. On average, it is expected that between €3.2 and €5.4 billion would be made available annually.

The budget for the baseline scenario is based on the current COSME budget decreased by 15%, which assumes that EUR 1.2 billion will be made available for budgetary guarantee. Considering 85% provisioning rate, this would enable available investments of the guarantee facility of EUR 1.41 billion, which is broadly in line with the expected full budget of COSME Loan Guarantee facility supported by EFSI for the period 2014-2020. This budget would allow keeping the EU intervention at the same level and and therefore the market gap would not increase further by EUR 4 billion annually, while contribution to more than 690,000 jobs being maintained or newly created over the programme implementation period.

3.2.3. EU-added value of the intervention

The EU-added value of SME guarantee facility to be set-up under the SME window of the InvestEU Fund will be to:

- create synergies by addressing market gaps not addressed at regional or national level: the market gap analysis has demonstrated that the size of the SME debt financing market gap is significant despite considerable interventions at Member State level and through central EU guarantees for SMEs. This will help to address the persistent market fragmentation and therefore strengthen the Single Market;
- create synergies by address market gaps in clearly defined underserved economic sectors and in those contributing to the achievement of EU policy priorities;

- improve the effectiveness by addressing market gaps through supporting cross-border financing solutions: despite the fact that SMEs rely largely on national or regional providers of finance, there is a small, nascent market for financial intermediaries which provide finance on a cross-border basis,
- improve effectiveness by fostering the transfer of best practices between financial intermediaries with a view to encourage the emergence of a broad product offering for higher risk SMEs suitable for their specific financing needs across the Member States. Transferring skills and capacity building across Member States could play a significant role in aligning national policies, in reducing the competitiveness gap between European economies and in accelerating economic growth in Europe;

- improve efficiency through economies of scale (i.e. Member States may be reluctant to create support schemes on their own because of cost efficiency considerations, lack of critical mass or expertise. Hence a EU response is essential to avoid even bigger market fragmentation and disparities).

3.3. Access to Markets

The EU added value of the Enterprise Europe Network is clearly shown in the networking function, the coverage, and the infrastructure as well as by the Network services. The connections set up between regional support intermediaries provide a lot of value that would not be established by these organisations themselves. The coverage allows for service provision in every corner of Europe based on the availability, the specific needs of SMEs in the region taking into account the regional SME support and innovation strategies. These services, and especially the partnering services, show very high EU added value as they help SMEs to make effective use of the Single Market. Knowing that the funds at national and regional level are not able to substitute the EU funding shows that the continuation of the Network is dependent on EU level funds. The diversity of services provided addressing the specific needs of SMEs requires consortia of intermediary organisations with a strong local presence in every region of the EU. Experiences from the current implementation show that 500+ organisations with highly skilled staff are needed to provide these integrated services and to reach out to the very diverse target group of SMEs (with respect to the various sectors of activities).

The EU added value is clearly shown within the mentoring scheme due to its international matching function. Beyond the entrepreneurial mentoring and skills development aspects, the creation of links and fostering of cooperation in view of future growth and job creation is an outcome the programme aims at achieving.

Experiences from the current implementation show that at least about 180 organisations are needed to reach at least the current number of exchanges.

An increased combined budget of up to € 500 million for EEN would allow to Implement new initiatives for EEN and increase the number of SMEs served from 250.000 SMEs/Year to 400.000 SMEs/Year. The increased budget would allow to improve the internationalization service to help SMEs find partners in third countries; to provide an extended support to SMEs seeking access to finance; to upgrade EEN's assistance for tailored coaching services for SMEs including in developing their managerial skills; to provide more targeted services for start-ups/ scale-ups and outreach to incubators as well as to increase local communications actions.

For the mentoring scheme, an increased budget of up to € 100 million would allow for the expansion of the programme enabling 20.000 matches. Furthermore the geographic coverage of the programme could also be increased both within Europe (by covering more regions with more intermediary organisations) and beyond Europe (by opening up the programme to third countries). The expansion would be further in line with the recommendation of the COSME mid-term evaluation.

3.4. Business Environment, Industrial Modernisation, Competitiveness and Entrepreneurship (including consolidated Joint Cluster Initiatives)

The actions to create a favourable business environment to boost industrial modernisation and the competitiveness of SMEs and entrepreneurship will place a particular priority on cluster actions given the positive evaluation of cluster initiatives and the highlighted restriction in terms of limited budget and recommended upgrade.

The expected minimum size of the intervention of **consolidated Joint Cluster Initiatives for boosting industrial modernisation** is about € 150 million, which comprises the total budget for cluster initiatives under the existing COSME programme (of around 40 million) and under Horizon 2020 (of around 130 million) reduced by 15% (baseline scenario). This would allow to keep the impact at the same level as currently.

This would bring together the various cluster measures separated into different initiatives under both COSME and Horizon2020 in order to achieve a better coherence and critical mass to be used as a strategic tool to implement industrial policy and deliver scaling-up support to SMEs. The purpose of the Joint Cluster Initiatives is to accelerate the growth and development of strategic EU industrial value chains while positioning Europe's business, notably SMEs, for global leadership in strategic industrial specialisations.

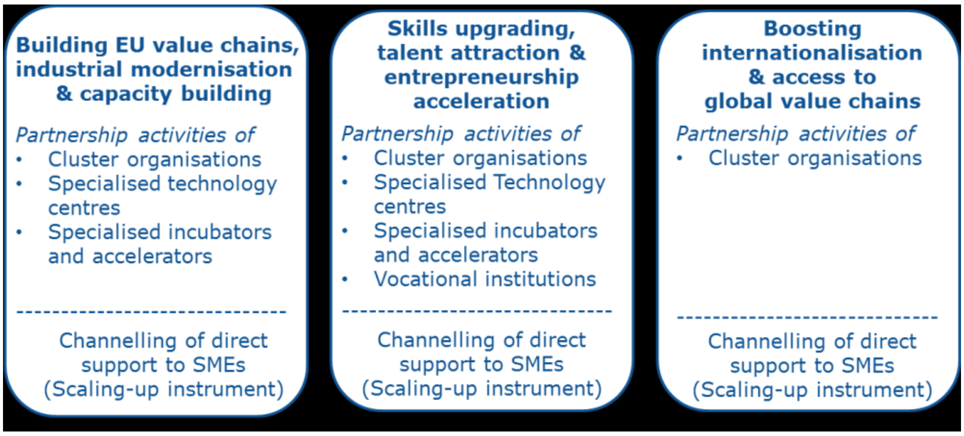
It will connect specialised eco-systems and foster strategic interregional collaboration to strengthen EU value chains that are globally competitive and create investment opportunities for SMEs. It will support the setting up of up to 10 Joint Cluster Initiatives to facilitate strategic and sustainable European partnerships with activities to boost industrial modernisation and the scaling-up of SMEs across multiple industrial specialisations (e.g. Circular Economy, Mobility industries, Creative industries, Experience Industries including tourism etc.).

The aim of the Joint Cluster Initiatives is to launch industry-led missions to foster collaboration and the up-take of advanced technologies, new business models and resource-efficient solutions by SMEs across EU value chains. This will be complemented with activities to facilitate skills upgrading, talent attraction and the acceleration of entrepreneurship as well as by activities to boost internationalisation and access to procurement markets and to global value chains.

The partnerships launched under the Joint Cluster Initiatives will consist of smart groupings of actors of regional ecosystems that will improve the business environment and overcome market fragmentation addressing the particular problems of SMEs in the related sectors. The partnerships will offer clear strategic guidance and support to engage in true cooperation at EU level. This should include a joint strategic vision and common goals to promote joint EU solutions in global markets. They would be supported with strategic analysis and partner search tools of the European Cluster Collaboration Platform. In this way, they would act as strong engines of future EU competitiveness creating highly favourable conditions to attract talents, start-ups and investments and thus nurturing excellence and global leadership.

Joint Cluster Initiatives

- *Industry-focused missions led by clusters across 10-20 industrial specialisations*
- *Actions guided by joint strategies of specialised SME intermediaries*
- *Thematically targeted, with cross-regional and cross-sectoral outreach to SMEs*



The Joint Cluster Initiatives build upon the current cluster initiatives (under COSME and under Horizon2020) that successfully reach out to SMEs but groups them in one single initiative. It further extends its scope beyond cluster organisations to link also specialised technology centres, co-working centres, incubators, accelerators and other specialised SME support actors to facilitate industrial modernisation and growth.

The action would be implemented through a staged funding approach with call for proposals (mainly for grants and lump-sum funding) every 2-3 years, with the possibility for continued funding to gather industry interest and achieve sustainability of the partnering. This means that partnerships, which achieve sufficient levels of ongoing performance indicators and participation rate can receive continuation funding - potentially scaled according to the performance indicators as has been practiced by national initiatives such as the French pôles de compétitivité – to create a strategic long-term funding pipeline for the whole duration of the next programming period. The grants would cover for joint partnering activities between the SME intermediaries, on the one side, and the provision of corresponding matchmaking and support services directly to SMEs of the partners engaged in the Joint Cluster Initiatives, including channelling the Scaling-up instrument to them.

The minimum size of intervention would, however, not allow to unlock the full potential to better use clusters to support industrial transformation and the scaling-up and growth of SMEs.

With an increase in resources and a budget of €300 million in next programming period, (ambitious scenario) it will be possible to strategically connect ecosystems and clusters and foster value chain collaboration at EU level through the specialised SME intermediaries in 10-20 industrial specialisation areas. It would allow to increase the expected reach-out to SME from 254,600 to 467,400 (based on the current reach of 3800 SMEs per 1 million invested indicated by the COSME interim evaluation) and channel the majority of the funding (€177 million) directly to over 2500 SMEs (based on the monitoring figures of the INNOSUP-1 cluster actions under Horizon2020). This increase would respond to the recommendations of the COSME interim evaluation to upgrade the action, but would still be modest in terms of engage only a small share of 23 million European SMEs in strategic inter-regional collaboration and support their industrial transformations and growth. In this way, the very high EU added value and appropriateness of the cluster actions as highlighted in the COSME and Horizon2020 interim evaluation could be leveraged to complement cluster policy efforts at regional and national level, of which some are of considerable higher investments.[43]

With a significant increase and a budget of 1.3 billion, it would be possible to potentially reach out to over 1 million SMEs and raise the direct support to SMEs to € 1 billion that could directly support over 20,000 SMEs engaged in strategic interregional collaboration. This support is also scaleable. The Joint Cluster Initiatives and the Scaling-up instrument could be reinforced significantly with funding from other programmes, to, cover their respective challenges (as outlined below in last exemplary scenarios for the implemented in the table below).

This could make a real contribution to the uptake of growth of business, including SME internationalisation activities, skills development and uptake of advanced technologies, new business models and low-carbon and resource-efficient solutions.

Scenario / **Impact**	**Scenario 1: Baseline** **€150 million**	**Scenario 2:** Ambitious scenario with **Increase for clusters** **€300 million**	**Scenario 3: Ambitious scenario with increase for clusters + Scaling-up instrument** **€1.3 billion**	**Scenario 4:** Ambitious scenario with increase for clusters + Scaling-up instrument, incl.funding from other programmes €4.3 billion
Indirect support to SMEs via activities of SME intermediaries	€67 million	€123 million	€300 million	€300 million
Number of SMEs reached	254,600	467,400	1,140,000	1,140,000
Direct (financial) support to SMEs	€83 million	€177 million	€1000 million	€4000 million
Number of SMEs to be supported directly	1,700	2,522	20,512	82,051

[43] Some Member States such as France's competitiveness cluster programme (*poles de compétivité*) and Germany's leading edge cluster competition (*Spitzencluster-Wettbewerb*) have channelled considerable higher amounts support through clusters. In France, 1,313 collaborative R&D projects received public financing of €2.37 billion between 2005 and 2013, including more than €1.45 billion granted by the French State through the dedicated fund (FUI). These projects, amounting to nearly €6 billion in R&D expenditure, involved close to 15,000 researchers. In Germany, € 860 million have been channelled through clusters between 2008 and 2017. See http://competitivite.gouv.fr/policy-of-the-clusters-906.html and https://www.bmbf.de/pub/Deutschlands_Spitzencluster.pdf

3.5. Newly proposed activities

Increased SME Guarantee Fund

This scenario proposes a significant increase in the budget for support of SME financing. This would give the European economy a strong investment and employment boost. A budgetary guarantee of EUR 3.5 billion would enable available investments of the guarantee facility of EUR 4.12 billion, enabling wide range of interventions and specific intervention areas requiring higher risk coverage. It is expected that such an intervention would contribute to more than 2,000,000 jobs maintained or created over the programme implementation period. Moreover, the market gap for SME finance would be positively impacted with approximately EUR 8 billion of additional financing compared to baseline, which is approximately 30% of the median market gap from our analysis. Therefore, the preferred option would be to significantly increase the budget and close major part of the SME financing gap.

Scenario Impact	Scenario 1: Baseline €1.2 billion budgetary guarantee	Scenario 2: Discontinuation of the activity No budgetary allocation	Scenario 3: Significant increase in resources €3.5 billion budgetary guarantee
Employment maintained or created	690,000 jobs	Decrease in employment	2,000,000 jobs
Additional turnover expected in treated SMEs	€31 million	Decrease in turnover	€90 million
Number of SMEs to be supported	663,000	No support provided	1,935,000
Volume of financing supported	€28 billion	No support provided	€82 billion

New Scaling-up instrument:

A new scaling-up instrument will encourage the uptake of results from other EU programmes (Horizon, LIFE, Galileo, Copernicus, ERDF, EAFRD, EMFF) and strengthen the link between SME support under regional and industrial policies to unlock the growth opportunities of SMEs. It is designed as a tool to support scaling-up activities of SMEs across regional, sectoral and technological boundaries in order to help them to embrace industrial transformations, to access global industrial value chains and international markets, and engage in strategic interregional collaboration. The instrument will therefore offer growth acceleration support to help groups of SMEs to jointly foster internationalisation activities, access to procurement markets, business and new skills development and to test and take-up advanced technologies (e.g. advanced manufacturing, digital, Big data), new business models and low-carbon and resource-efficient solutions to reduce production costs or to integrate them into new or emerging industrial value chains.

The action would be implemented through yearly call for proposals that will provide mainly lump-sum grants and coaching services to cover feasibility plans for joint internationalisation activities, innovation take-up, resource-efficiency etc. for a maximum of 60,000 euros. It is therefore not a financial instrument but a SME growth support instrument. While the action would thus follow a simplified implementation process inspired by the current SME instrument under Horizon2020, it would follow a different and focussed implementation approach – given its wider growth support logic not limited to breakthrough innovation.

Rather than supporting SMEs individually and targeting solely the most innovative SMEs wherever they are, the scaling-up instrument will act as a multiplier by connecting and supporting groups of SMEs from a wide range of industrial specialisations and sectors and in combination with other actions. This type of implementation approach has already been tested successfully by the cluster projects for new industrial value chains under Horizon2020 (INNOSUP-1) as the interim evaluation results and monitoring of cluster initiatives presented in section 2.28 have shown. The difference would be that a standardised implementation tool (similar to the SME instrument phase 1) would be used by the SME intermediaries of cluster partnerships to channel lump sums to third party SMEs instead of each partnership designing their own innovation voucher scheme or similar.

A distinct feature is that the support would be channelled via SME intermediaries from the Enterprise Europe Network and especially those engaged in Joint Cluster Initiatives (see section 4.4) and thus prioritised on where joint activities are embedded in strategic partnering across the EU. In this way, the implementation would feature a similar very high EU added value and appropriateness as current cluster actions (evaluated by the COSME and Horizon2020 interim evaluation) and be truly complementary to actions taken at national and regional level and to strategic partnering of regional authorities under European Structural and Investment Funds.

As shown in section 4.4. and below, an ambitious scenario that would make use of a Scaling-up instrument to accelerate the growth of SMEs should allow to support 20,512 SMEs directly that are targeted as part of the reach-out of cluster initiatives to 1.14 million SMEs engaged in clusters, notably those that created joint collaboration projects.
The Scaling-up instrument should therefore not be viewed as a stand-alone instrument but an integral part implemented with the Joint Cluster Initiatives and support from the Enterprise Europe Network. Its expected impact should therefore also not been seen as being limited to the expected 20,512 SMEs that should receive funding.

In terms of expected impact, the results of SME instrument can offer some guidance44. The SME instrument will invest €3 billion in 7,500 companies until 2020 as part of Horizon2020 and has so far received 31,000 applications and funded around 2,500 companies in 3 years. While the reported average increase of 250% increase in turn-over and 122% increase in employment for phase 2 companies after one year cannot be the benchmark (given the Scaling-up instrument restriction to the testing of solutions and smaller support amounts – i.e. phase 1 only – and not targeting only innovative SMEs, this shows at least the potential scope of possible support. Moreover, each euro invested for the SME instrument generated one euro of private investment. Just as statistics for SMEs supported under phase 1 of the SME instrument shows, the chances of SMEs supported through a Scaling-up instrument to have access to finance should increase, with the testing of solutions and working on wider growth acceleration business concepts.
As this instrument makes strategic use of the SME intermediaries that deliver impact, it can deliver not only boost to the scaling-up of SMEs and industrial modernisation but can also be used to achieve other policy objectives, such as achieving technological cohesion and narrowing the innovation divide or carbon reductions. This instrument is scalable upwards in terms of budget and should be made available for use by other programmes, if there is an interest in using it.

The strategic use of the Scaling-up instrument could make a significant contribution to the number of SMEs introducing product and process innovation (which has declined by by 18.2% between 2010 and 2016 according to the 2017 European Innovation Scoreboard) and the number of SMEs collaborating with each other as well help to bring solutions to a larger number of SMEs across the EU.

Scenario **Impact**	**Scenario 1: Baseline** **No budget allocation**	**Scenario 2: Ambitious scenario with Scaling-up instrument** **€1 billion**	**Scenario 4:** Ambitious scenario with increase with Scaling-up instrument, incl. funding from other programmes €4 billion
Direct (financial) support to SMEs	No support provided	€1000 million	€4000 million
Number of SMEs to be supported directly	No support provided	20,512	82,051
Increase of SME collaborating with others or	No change	Considerable increase of supported SMEs	Considerable increase of a larger number of

[44] See https://ec.europa.eu/easme/sites/easme-site/files/2016_smei_report_updated.pdf - and full report at: https://ec.europa.eu/easme/sites/easme-site/files/accelerating_innovation_in_europe_horizon_2020_smei_impact_report.pdf

introducing product or process innovation			supported SMEs
Additional turnover expected	No change	Considerable increase of supported SMEs	Considerable increase of a larger number of supported SMEs
Employment created	No change	Considerable job creation of supported SMEs	Considerable job creation by a larger number of supported SMEs

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

4.1. Governance

COSME+ would follow the governance mechanisms put in place by the Single market Regulation.
We would propose as a novelty to create a network of national contact points, composed of representatives of the member states and of the participating third countries, for the monitoring of the take-up of activities in their country. They will have the possibility to provide a feedback on implementation to the Commission to adopt appropriate measures in case of insufficient take-up. This responds to a finding of the Interim evaluation reporting an unbalanced geographical distribution in the implementation.
In order to introduce a more strategic piloting of the programme and coherence with other EU programmes, it is foreseen to create a Commission inter-service group to guide the elaboration of the work programmes.

4.2. The Implementing Bodies

The management mode will be the direct centralised mode, with the exception of the financial instruments. In the continuity of the CIP and COSME programmes, the European Investment Fund will be tasked with the implementation of the SME guarantee scheme. Grants and tenders will be delegated to an executive agency.
COSME intends to maintain the use of intermediaries that ensure proximity to SMEs. These intermediaries are selected and managed by two important actors of the programme: EASME and EIF.

4.3. The Executive Agency

COSME delegates on average 110 million per year and about 35% of the total budget and more than 90% of the non-financial instruments. Half of this amount relates to the Enterprise Europe Network, the other half is constituted of a big number of smaller actions.
COSME actions under direct management of DG GROW will be delegated to the Agency except for corporate communication, IT related activities and tasks involving sensitive or political choices. In addition we do not delegate, for efficiency or legal reasons small financial operations (such as Reimbursement of experts; subscriptions fees;

Small workshops and meetings) and Administrative arrangements with JRC or specific grants with international organisations.

We intend to keep the same line for COSME+. We will not delegate more in terms of budget but we want to delegate better by reducing the number of actions delegated and increasing the size of actions delegated. 1 For example, 16 FTE in EASME implemented 91 contracts with a budget of 58 million for the EEN in 2017 compared to 36 FTEs who implement 47 actions divided into 80 contracts for a budget of 45 million.

Under reserve of the future CBA on the implementation of the agency, the experience of delegating the major parts of COSME to the agency has proved to be cost-efficient. The operational and financial management of a big activity such as the Enterprise Europe network involves a big volume of routine and repetitive operations. This is typically the kind of operations that are delegated to executive agencies.

The establishment plan foresaw the following evolution of staff for COSME in the agency:

	Year 2014		Year 2015		Year 2016		Year 2017		Year 2018		Year 2019		Year 2020	
	Phasing-in				Cruising-speed									
Establishment Plan Posts[45]	COM	EA	COM	EA	COM	EA	COM	EA	COM	EA	COM	EA	COM	EA
Seconded TA		4		6		6		6		6		6		6
Other TA		18		18		19		19		21		21		22
Sub-total	2.7	22	2.7	24	2.7	25	2.7	25	2.7	27	2.7	27	2.7	28
External personnel	COM	EA	COM	EA	COM	EA	COM	EA	COM	EA	COM	EA	COM	EA
Contract agents	0.0	65	0.0	73	0.0	76	0.0	76	0.0	79	0.0	80	0.0	82
Seconded National Experts														
Sub-total	0.0	65	2.7	73	0.0	76	0.0	76	0.0	79	0.0	80	0.0	82

The evolution of staff in EASME for COSME has been fairly stable and according to the establishment plan above. In 2017 the number of second TAs was 19.6 and the number of contractual agents was 76.7, in total 96 persons were delegated in 2017, which is below the establishment plan.

[45] In line with Commission Regulation 58/2003, §18.1.: Community officials seconded Temporary Agents and other Temporary Agents

4.4. Delivery mechanisms

Grants, tenders and financial instruments for SMEs will be the main implementing tools.

Grants will be used in two cases. First, we will fund the activities of the intermediaries (such as the EEN, the mentoring scheme or Joint Cluster initiatives) that ensure the proximity and support to SMEs and the necessary activities to improve the business environment. Second, and departing from the philosophy of indirect support used up to now for COSME, we will directly fund, in the case of the scaling-up instrument, SMEs' activities (feasibility plans).
Simplification is a major objective of the new programme. According to the COSME interim evaluation, reporting obligations represent a substantial administrative burden for both intermediaries and other beneficiaries of grants. Consequently, before the beginning of the programme we will study the most appropriate form of Simplified Cost Options for grants.

The Enterprise Europe Network which is constituted by more than hundred consortia, employs on average more than 4000 FTEs. In addition, there is a unit managing the action in DG GROW and one in EASME. Any reduction of administrative burden has the potential to reduce administration cost and free FTEs for operational tasks.

Tenders will be used for studies, communication and awareness raising activities.

4.5. Delivery of the SME loan guarantee facility through the SME window of the InvestEU Fund

The reflection paper on the future of EU finances[46] proposes to integrate the various EU financial instruments into a single fund which would provide loans, guarantees and risk sharing instruments. This will help to simplify access to EU financial instruments and a more efficient use.

In line with the Commission's overall objectives of streamlining, increasing efficiency and achieving a better visibility of the EU support, the SME guarantee facility will be implemented under the SME window of the InvestEU Fund and under the rules (e.g. in relation to implementing bodies, for financial intermediaries, State Aid, monitoring, reporting, auditing, budgetary management, etc.) established for the InvestEU Fund by the respective regulation.

To this end, the allocated budget under the COSME + programme shall be made available to the guarantee fund linked to the InvestEU Fund with the caveat that such resources shall underpin the implementation of an SME guarantee facility which is focused on supporting higher risk SME financing transactions under the SME window of the InvestEU Fund.

The delivery of the guarantee facility under the InvestEU Fund is more efficient, as the InvestEU Fund is based on a budgetary guarantee rather than a fully funded financial instrument. Example: A budget of €1.0 bn transferred to a budgetary guarantee translates

[46] https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

into available resources of €1.18 bn (based on an expected provisioning rate of 85%) and therefore immediately leads to a higher leverage.

The equity facility created under the SME window of EFSI targets the same type of investments as the COSME equity facility for growth, however the EFSI facility is broader in scope as it supports not only SMEs but also small mid-caps. As a result the demand (pipeline) for the COSME EFG has reduced significantly as transactions which in principle could have been signed under the COSME EFG are being signed under EFSI. As it is envisaged that an equity support mechanism will be created under the SME window of the InvestEU Fund, which will provide seamless support for businesses from the pre-seed stage all the way to the expansion and growth stage, including support for small mid-caps, it is considered more efficient to create such seamless equity support under the InvestEU Fund and to discontinue equity support under COSME+. A broad-based facility under the InvestEU Fund will create more flexibility and will be easier to market towards potential financial intermediaries.

4.6. Evolution of the EEN and the mentoring scheme for new entrepreneurs

Involving the Enterprise Europe Network intermediary organisations across the EU, which provide integrated services to SME, requires a delivery mechanism that ensures cooperation between the relevant stakeholders at regional or national level. The delivery mechanism should also encourage cooperation and seek for synergies with other local SME support stakeholders in the regions. Our proposed delivery mechanism will continue to make use of call for proposals directly involving the relevant stakeholders in the region, and by extension other stakeholders who contribute to the implementation on the action. We intend to continue using framework partnership agreements for the Network for a period corresponding the next MFF cycle, this ensures that host organisations plan and invest in resources on a longer term, which allows for expertise, technical capacity and visibility to be build up. We also propose the Network to be the EU's implementing tool for SME support and propose to further integrate the the mentoring scheme for new entrepreneurs in the Network's activities. A single call for proposals, grant management system, governance, communication strategy, reporting and monitoring system will allow for economies of scale and simplification for both the beneficiaries and the Commission and its implementing agencies. It will also allow for an increased visibility and more efficient internal signposting of SMEs (leading to the no wrong door approach).

In the COSME+ programme, the mentoring scheme should be integrated within the EEN portfolio of services with the priority of even better regional coverage for the programme and assuring better synergies and more effective follow–up of the entrepreneurial exchange stays, by providing a seamless flow of relevant support services to new entrepreneurs.
The integration will have positive aspects, but also will bring considerable change to the programme implementation.

Main changes: Currently the programme is based on international consortia of intermediary organisations. Incorporating it in the EEN would need a transformation and integration into national/regional consortia of business support organisations. This would allow further integration into the regional SME and entrepreneurship support ecosystem.
This change needs to be carefully planned, taking into account and preserving the knowledge and experience of intermediary organisations of the current mentoring

scheme, especially the outreach and specific support to start-ups and nascent entrepreneurs.

We aim at enhancing the role of EEN being the EU's reference implementing tool for SME support also integrating other successful actions into the EEN activities such as the the mentoring scheme for new entrepreneurs, as it is the case with SMEs innovation management support envisaged in other programmes A single call for proposals, grant management system, governance, communication strategy, reporting and monitoring system will allow for economies of scale and simplification for both the beneficiaries and the Commission and its implementing agencies. It will also allow for an increased visibility and more efficient internal signposting of SMEs (leading to the no wrong door approach).   The name of Erasmus for Young Entrepreneurs is modified to the mentoring scheme for new entrepreneurs in order to avoid confusion with the Erasmus + actions and to link the mentoring scheme more clearly with SME-support networks.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

5.1. Recommendations from the interim evaluation

The Interim evaluation pointed out to the need to improve the data management of the programme.

The lack of a single database (where all data on the programme is collected for a centralised management of the COSME data) constitutes a major barrier to efficient management of the programme.

Besides a more centralised management, the development of a more standardised monitoring system would be beneficial. The analysis shows a need for more attention to the ongoing assessment of progress towards the achievement of the expected results. The KPIs defined for the different actions show considerable variations in the balance between assessing outputs and setting the basis for the investigation of longer-term outcomes and results.

5.2. Data Management

The data management of the programme will be improved by creating a centralised database for monitoring data. Five different types of data are needed for monitoring the programme:

1. Financial information on budget, commitments and payments;

2. Information on the implementation of calls and the rate of participation;

3. Information on the results produced by the different projects implemented and on the final beneficiaries of projects, i.e. SMEs or entrepreneurs;

4. Information relating to the degree of satisfaction of final beneficiaries;

5. Micro- and macro-economic data to assess the relevance the actions and to allow for factual and counterfactual analysis.

While the first two types of data are easily available by the Commission services, the Agency or the EIF, the data collection has to be performed in a systematic and timely manner and organised to produce coherent information for comprehensive monitoring and reporting.

The results produced by the projects are collected by the intermediaries, the agency and the EIF. This information can be collected at the end of projects or two or three years after the end of projects to measure longer term impacts. In order to reduce administrative burden, performing surveys to reach beneficiaries and intermediaries should be limited to the strict minimum, preferably at the occasion of interim or ex-post evaluations.

The programme finances several studies and annual reports. This information is useful for evaluating SME policy and the general relevance of the programme. The SAFE study on access to finance and the SME performance review are organised on a yearly basis.

5.3. Monitoring system

The COSME for 2014-2020 foresees a yearly monitoring report, an interim and a final evaluation. The financial regulation foresees an ex-post evaluation two years after the end of the programme.

For COSME+ the same monitoring system could be used. However, the timing of the reporting needs to be adapted to the availability of data. To have complete data on implementation can take two or three years. The interim evaluation report should ideally be prepared from the fourth year of implementation.

The content of monitoring should follow the life-cycle of a programme and take into account the availability of data in time.

The monitoring should be based on a set of indicators adapted to the different stages of the programme's lifecycle.

- Short-term indicators should measure whether the structure needed for implementation is in place (e.g. How many contracts were signed timely with intermediaries? Were the first calls published on time and what is their rate of success?). These indicators are of importance for the first two years of the programme.
- Medium-term indicators should measure whether the outputs delivered are reaching the milestones set for the programme (e.g. Did we reach the target at medium term in numbers of SMEs reached or in number of partnerships concluded). These indicators will be particularly useful for yearly monitoring and for the interim evaluation.
- Long-term indicators should measure whether the desired effects are produced (e.g. Did our action create jobs and growth? What is the evolution of reached SMEs in terms of turnover and employment? What is the cost-effectiveness of our action?). These indicators can start to be measured in the final evaluation and for the ex-post evaluation.

The number of indicators needs to be reduced by focussed on the general and specific objectives of the programme. For yearly monitoring and specific activities, more specific indicators can be developed.

General Indicator: "Number of SMEs/Entrepreneurs reached by the programme".

Corporate indicators:

- Implementing rate of the budget, globally and per objective;
- Number of beneficiaries awarded in calls in proportion to applications received;
- Geographical coverage of the measure per capita.

- Number of SMEs supported and volume of funding provided through financial instruments;
- Number of companies participating in matchmaking events;
- Number of companies supported having concluded business partnerships;
- Number of entrepreneurs or SMEs receiving business advisory services;
- Number of SMEs created after participation of entrepreneurs in actions of the programme;
- Satisfaction rate of beneficiaries of the programme or participants to the programme;
- Increase in turnover and employment of companies participating to the programme.

These indicators will be further developed after the final evaluation of COSME. DG GROW will consult JRC in order to assess the indicators that the most adapted for yearly monitoring and for evaluation. We need to assess the availability of data in order to organise data management and develop a simplified monitoring system that can feed monitoring and evaluation.

These indicators can then be adapted to each specific iobjective of the programme:

COSME							
Specific Objective	Indicator	Definition	Unit of measure	Source of data	Frequency of Measurement	Baseline	Target
1. Addressing the access to finance gap for SMEs	Number of SMEs receiving support and total volume of financing made available to SMEs supported	Output indicator	Units, euros	EIF	annual	2020	To be set in function of the available budget
2. Facilitating SMEs' access to markets and supporting them in addressing global and societal challenges;	Number of companies participating in matchmaking events	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Number of companies	Output indicator	units	Executive Agency, activity	Annual, or bi-annual	2020	To be set in function of the

	supported having concluded business partnerships;			monitoring			available budget and results in 2020
	Number of entrepreneurs or SMEs receiving business advisory services	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Number of SMEs created after participation of entrepreneurs in actions of the programme	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Satisfaction rate of beneficiaries of the programme or participants to the programme;	Output indicator	percentage	activity monitoring or surveys	Annual, or bi-annual	2020	none
3)Business Environment, Industrial modernisation, Competitiveness and Entrepreneurship	Number of partnerships, agreements or projects generated by collaborative or networking activities	Output indicator	units	EASME, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Satisfaction rate of beneficiaries of the programme or participants to the	Output indicator	percentage	Activity monitoring, survey	Annual or Bi-annual	none	none

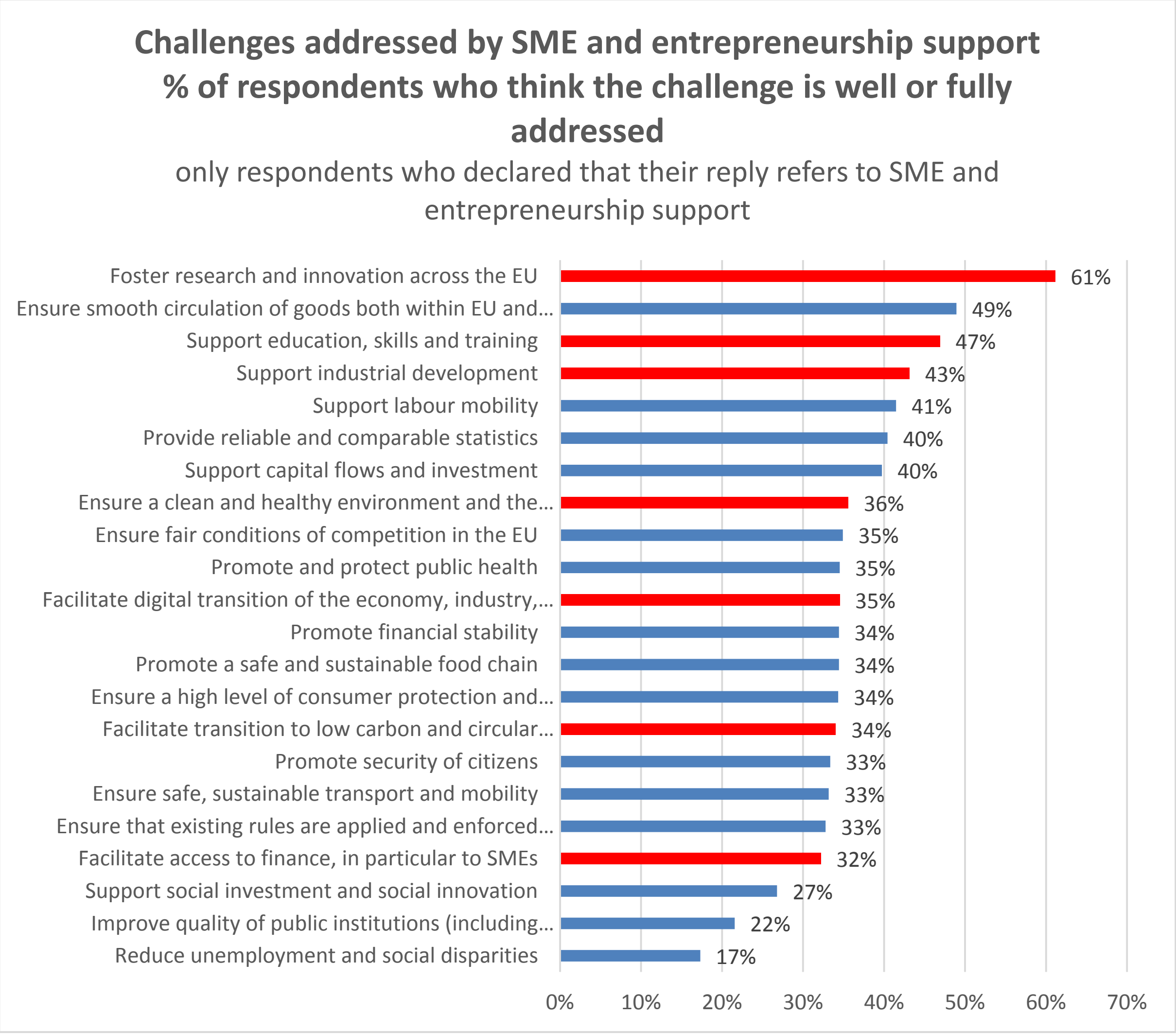
	programme;						
	Number of SMEs/Entrepreneurs benefitting from outputs generated by the measures of this objective	Output indicator	units	Activity monitoring, survey	Annual or Bi-annual	None	None
All objectives	Budget Implementation rate	Measures the degree to which the implementation follows the budget allocation	percentage	ABAC	annual	none	Between 95 and 100%
All objectives	Number of beneficiaries awarded in calls in proportion to applications received	Measures the success of calls published	Percentage	Agency IT tool	annual	none	none
All objectives	Geographical coverage of the measure per capita	Measures the distribution of the funding across participating countries	euros	EIF, EASME, Eurostat	annual	none	none
All objectives except access to finances	Employment and turnover increase by companies having been supported	Impacts and results measurement	Units and euros	Surveys	Evaluations, prinicipally final and ex-post	none	none

Annex 2: Stakeholder consultation

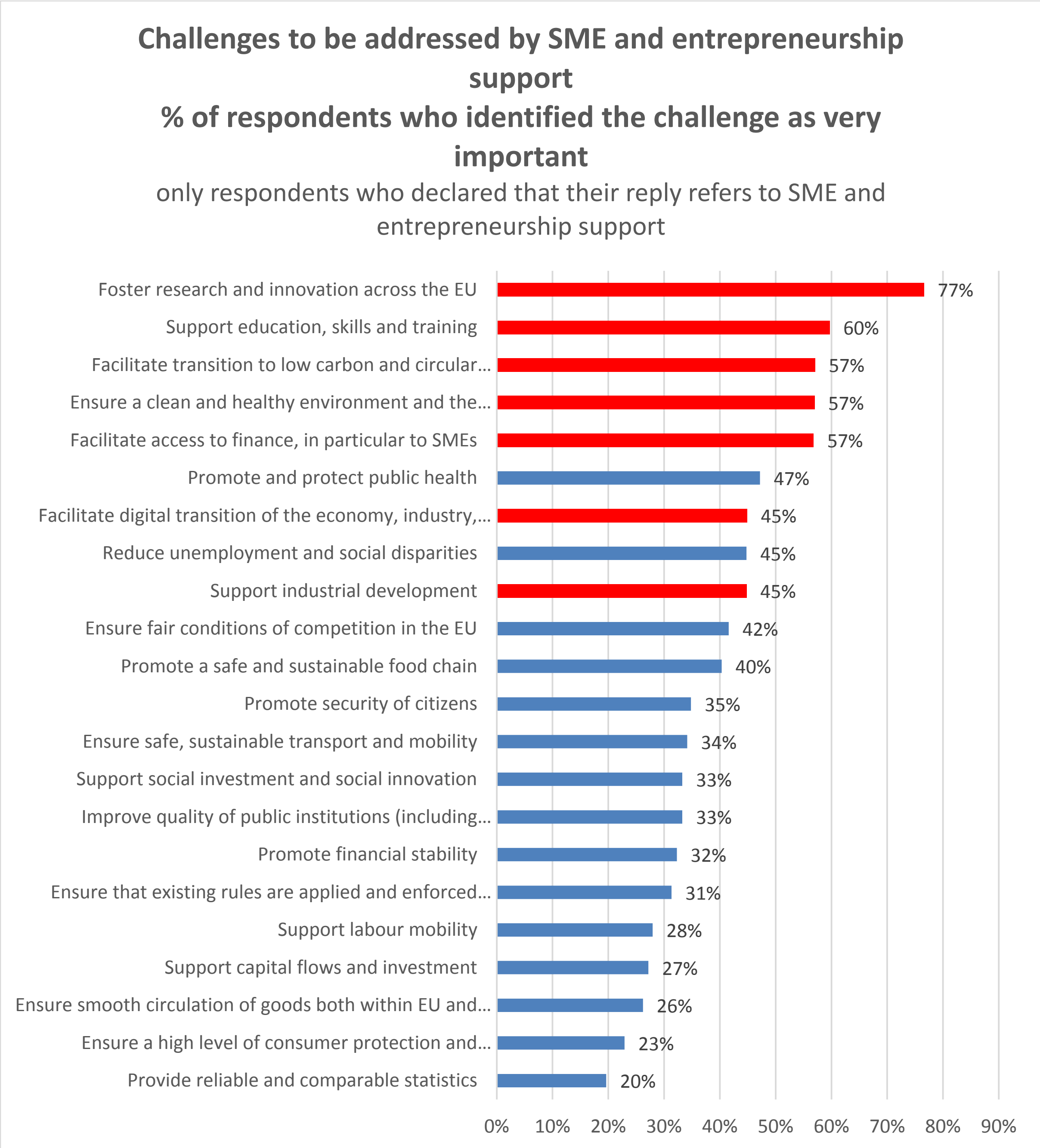
Results of open public consultation on next MFF – Cluster R&D, SMEs and single market

A public consultation on EU funds in the area of investment, research & innovation, SMEs and single market was conducted from 10 January to 9 March. While only 8.3 of respondents had experience with the COSME programme, around 25% declared that their replies refer to the EU support for SME and entrepreneurship (1.034 respondents).

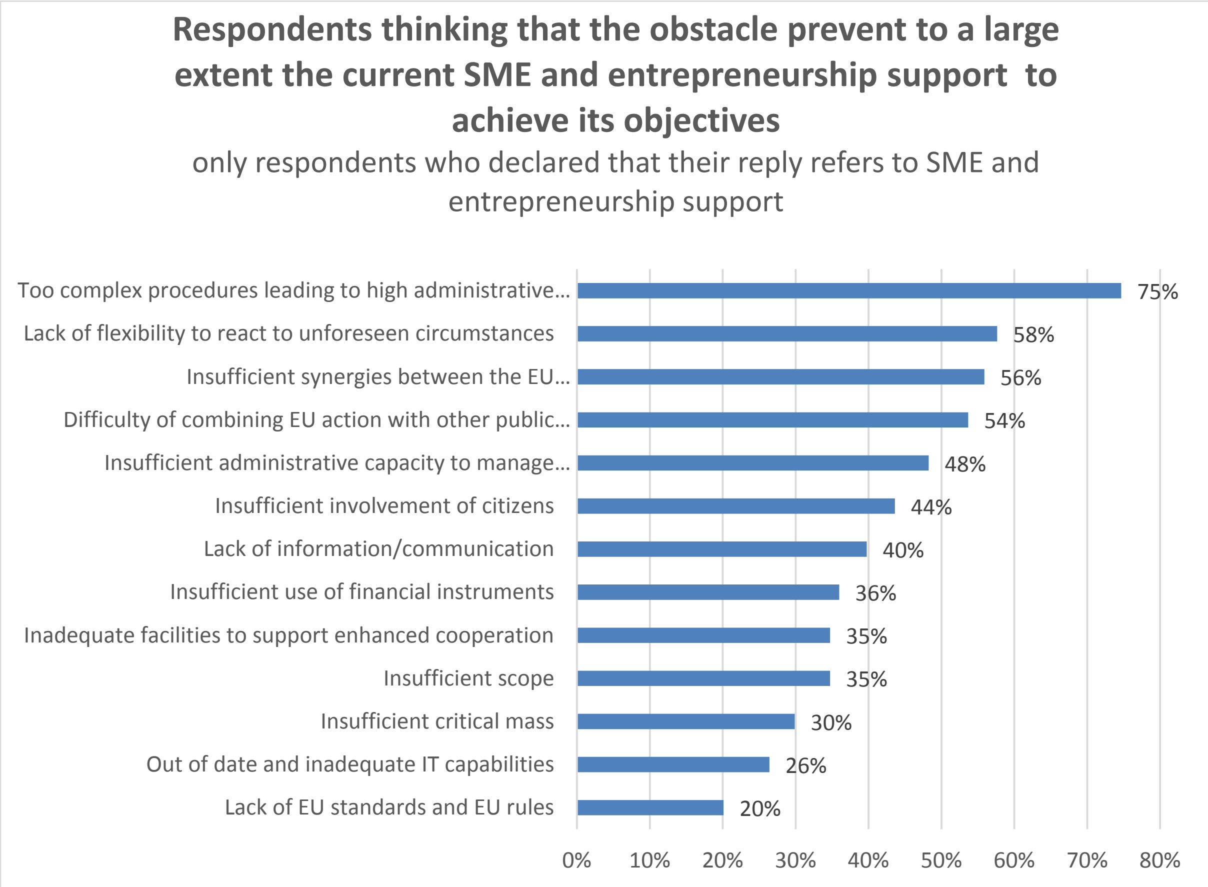
Around 77% of them think that the SME and entrepreneurship support provided by the EU has a good or large added value compared to what Member States can achieve at national, regional and/or local level. Foster research and innovation (61%), support education, skills and training (47%) and support industrial development (43%) are among the better-addressed challenges by the current SME and entrepreneurship support. They consider that ensure a clean and healthy environment, facilitate digital transition of economy and facilitate SME access to finance are a slightly less well addressed (from 36% to 32%).



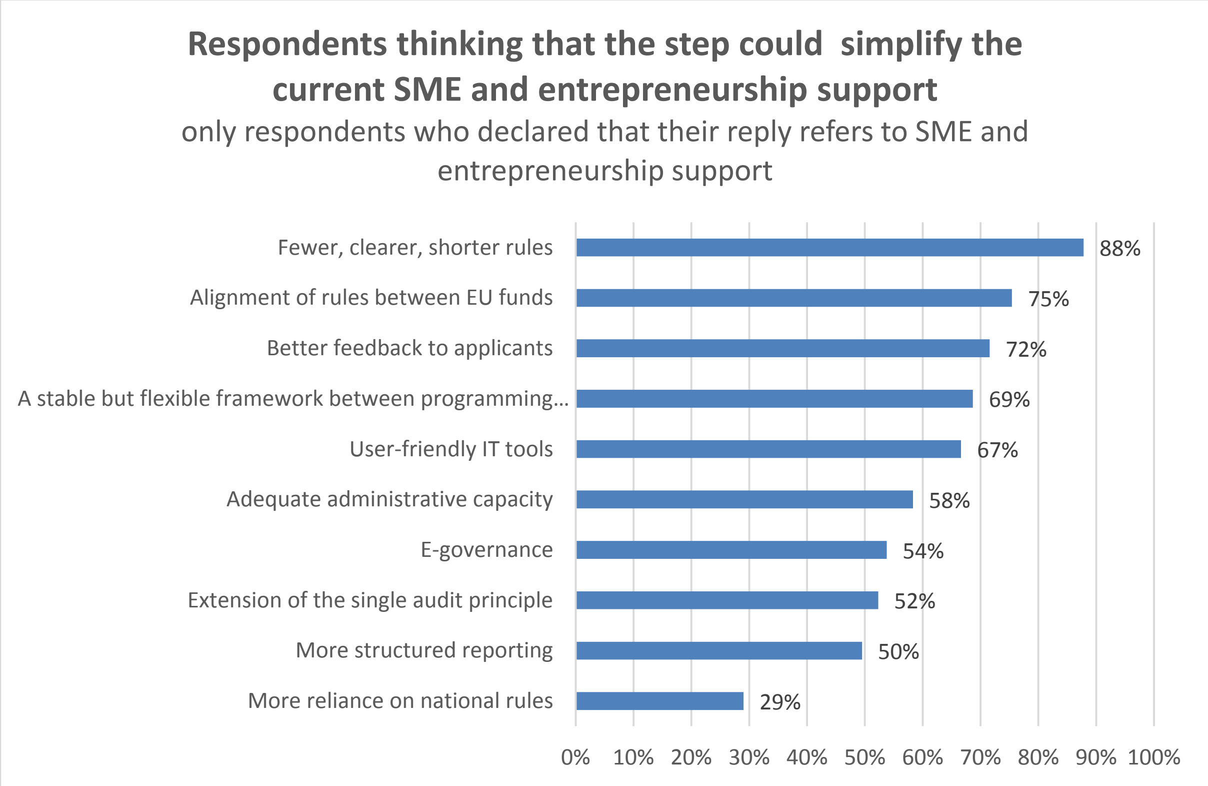
In their opinion, the future SME and entrepreneurship support should address among others the following challenges: foster research and innovation (77%), support education, skills and training (60%), facilitate transition to low carbon and circular economy (57%), ensure a clean and healthy environment (57%), facilitate SME access to finance (57%), facilitate digital transition of economy 45%) and support industrial development (45%).



Concerning the obstacles preventing the current EU SME and entrepreneurship funds/programmes to achieve their objectivs, the selected respondents believe that the complex procedures (75%), the lack of flexibility (58%), the insufficient synergies with other EU programmes(56%) and the difficulty to combine EU and other public support are the main difficulties. The lack of EU standards, the inadequate IT capabilities and the insufficient critical mass are considered less important.



Finally the steps which could simplify the current SME and entrepreneurship support are mainly the rules which sould be clearer, fewer and shorter (88%) and aligned between the different EU funds (75%), better feedback to the applicant (72%), a stable but flexible framework (69%) and user-friendly IT tools are alos considered key elements.



POSITIONS PAPERS

General support to COSME which should continue in the next MFF. Key elements of the SME support are the financial instruments, EEN and Erasmus for Young Entrepreneurs. Simplified rules, taking as example Horizon 2020, and better synergies with other EU programmes are suggested.

Eurochambres

Given the importance of SMEs in relation to economic growth, job creation, competitiveness and innovation, the **SME dimension should be central in the next MFF**. This translates into the need to allocate adequate funding to areas of key importance to SMEs, i.e. Single Market, internationalisation, skills and training, entrepreneurship, digitalisation, access to finance, innovation, capacity building in the areas of energy and environment, the integration of refugees into the labour market and enlargement and neighbourhood. Among the existing actions, the **Enterprise Europe Network and Erasmus for Young Entrepreneurs** have proven to be particularly valuable in supporting SMEs and entrepreneurship and deserve to be strengthened and enhanced in the next MFF. Another successful action is Erasmus +, which should focus more on Vocational Education and Training in the future. Crucial to SMEs and start-ups is also the continued availability of **financial instruments** that facilitate their access to finance. **More synergies and further simplification should be achieved throughout the various programme**s and actions, so as to ensure the maximum effectiveness in the use of EU resources.

BusinessEurope

SMEs are a key asset that should be integrated in any strategy aimed at fostering a return to sustained growth in the EU. The post-2020 MFF should therefore include projects of real European added value that deliver concrete benefits in the areas of SME competitiveness and SME development, including through their interaction with larger companies. Some SME-geared actions should naturally be integrated in broader EU flagship initiatives. For example, SME-geared actions will need to be deployed in the areas or RD and innovation, as is the case with Horizon 2020. But deploying EU SME-geared actions only under flagship initiatives or thematic programmes is not enough to give the right visibility to the EU SME policy. BusinessEurope therefore insists that the **post2020 MFF should contain a specific EU programme dedicated to the promotion of the competitiveness of SMEs, like the current COSME programme** (the EU programme for the competitiveness of SMEs). Financial instruments and EEN as key elements.

EUROCITIES (consultation on start-up intiative)

COSME is a useful funding programme but its budget and co-funding rates should be increased. Financial instruments, EEN and clusters development are considered important initiatives to be continued and reinforced.

Tourist Guide Association

COSME should be continued with better synergies with other programmes (Horizon)

COSME Subannex – Access to Finance for SMEs

Glossary

Term or acronym	*Meaning or definition*
AECM	European Association of Guarantee Institutions
CCS	Cultural and creative sector
CGS	Credit Guarantee Schemes
COSME	Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (2014 – 2020)
COSME+	Successor programme to COSME
CRR/CRD	Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD)
ECB	European Central Bank
EFG	Equity Facility for Growth
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIF	European Investment Fund
ESIF	European Structural and Investment Funds
ERDF	European Regional Development Fund
ESF	European Social Fund
EAFRD	European Agricultural Fund for Rural Development
EMFF	European Maritime and Fisheries Fund
EU27	EU28 without United Kingdom
GDP	Gross Domestic Product
LGF	Loan Guarantee Facility
NEFI	Network of European Financial Institutions for SMEs
NPB	National Promotional Banks
OPC	Commission's Open Public Consultation on EU funds in the area of investment, research & innovation, SMEs and single market
SAFE	The Survey on the Access to Finance of Enterprises
SMEI	SME Initiative
SMEs	Small and medium-sized enterprises

Country codes

Belgium	(BE)	Greece	(EL)	Lithuania	(LT)	Portugal	(PT)
Bulgaria	(BG)	Spain	(ES)	Luxembourg	(LU)	Romania	(RO)
Czech Republic	(CZ)	France	(FR)	Hungary	(HU)	Slovenia	(SI)
Denmark	(DK)	Croatia	(HR)	Malta	(MT)	Slovakia	(SK)
Germany	(DE)	Italy	(IT)	Netherlands	(NL)	Finland	(FI)
Estonia	(EE)	Cyprus	(CY)	Austria	(AT)	Sweden	(SE)

Ireland	(IE)	Latvia	(LV)	Poland	(PL)	United Kingdom	(UK)

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and Context

This Staff Working Document constitutes the Impact Assessment of the financial instruments of the successor programme of COSME and also serves the purpose of an ex-ante evaluation.

Small and medium-sized enterprises (SMEs) are the engine of the European economy. There are over 23 million enterprises[47] in the EU. Without SMEs the EU economy would consist of only 45 000 firms. The EU´s SMEs employed 93 million people in 2016, accounting for 67% of total private-sector employment and generated 57% of value added in the EU28 non-financial business sector. About 85% of newly created jobs in the EU are accounted for by SMEs.

However, obtaining financing in the form of debt or equity is a major hurdle for company creation and growth. As shown by the graph below, SMEs rely heavily on debt finance, in the form of credit lines, bank loans or leasing, to finance themselves. Internal sources appear to be insufficient to meet their funding needs.

Graph 1: Sources of financing for SMEs in Europe

Source: The Survey on the Access to Finance of Enterprises (SAFE), published in November 2017[48])

[47] Relates to industrial companies in the NACE sectors B-N

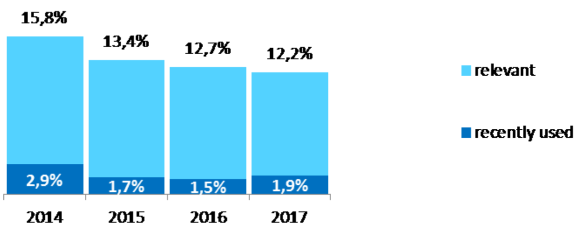
[48] Responses to the following question (multiple answers possible): Are the following sources of financing relevant to your enterprise, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case. If Yes: Have you used such a type of financing in the past six months?

Graph 1 above shows that market-based instruments (e.g. equity) are only considered relevant by 12% of SMEs and that external equity is, in fact, used by only 2% of SMEs. The results differ widely across Member States. For instance, the use of equity financing ranges from 16% in Sweden to less than 1% in Bulgaria, Czech Republic, Hungary, Italy and Spain.

Moreover, as Graph 2 below indicates, equity finance is now considered less relevant than 4 years ago, confirming that any form of debt finance is the preferred financing mechanism of European SMEs, even though, in many cases, equity (risk capital) is more suitable, as small companies often lack collateral or have irregular cash-flows (equity does not impose a specific repayment schedule, hence it can be less of a burden during times of economic stress).

The bulk of SME financing is based on bank loans and the banking sector is therefore instrumental for the provision of more SME financing. Alternative financing sources are important as well, but they are not in a position to replace bank financing.

Graph 2: Relevance and usage of equity financing



Source: The Survey on the Access to Finance of Enterprises (SAFE) published annually by the European Commission & European Central Bank

Discontinuation of equity support for SMEs in COSME +

While support for equity finance is considered important from a policy point of view, the conclusion of this ex-ante assessment is that equity support should be discontinued under the

http://ec.europa.eu/growth/safe (infographic with the EU results : https://ec.europa.eu/docsroom/documents/26625/attachments/1/translations/en/renditions/native) future programme. As indicated in section **Error! Reference source not found.**, the Equity Facility for Growth (EFG) of COSME is considered effective. Nevertheless, it has been recommended to reduce the number of financial instruments and to align the EFG with equity facilities established under the European Fund for Strategic Investments (EFSI).

The equity facility created under the SME window of EFSI targets the same type of investments as the EFG, but the former is broader in scope as it supports not only SMEs but also small mid-caps. As it is envisaged to create an equity support mechanism under the SME window of the InvestEU Fund, which will provide seamless support for businesses from the pre-seed stage all the way to the expansion and growth stage, including support for small mid-caps, it is considered more efficient to create such seamless equity support under the InvestEU Fund and to discontinue equity support under COSME+.

This ex-ante assessment focuses on the European SME debt financing market only. A separate equity market assessment will be conducted for the InvestEU Fund (successor to EFSI).

1.2. The size and development of the European SME debt financing market

No official statistics exist for the size of the SME debt financing market in EU27. Studies estimate the stock of bank loans to SMEs to be approximately €1.5-1.7 trillion.[49] Furthermore, despite the fact that a SME definition exists at European level[50], this definition is not used to differentiate between debt financing of large corporations and SMEs.

The European Central Bank has initiated the AnaCredit[51] project, which has set up requirements for a dataset containing detailed information on individual bank loans in the euro area, harmonised across all Member States. "AnaCredit" stands for *analytical credit datasets*. The project was initiated in 2011 and data collection is scheduled to start in September 2018. The availability of such data should allow a better assessment of the EU SME debt financing market in the future.

49 SWD(2013) 517, European Parliament (2013), *Banking system soundness is the key to more SME financing*, European Banking Authority (2016), *Report on SMEs and SME supporting factor*

50 Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises

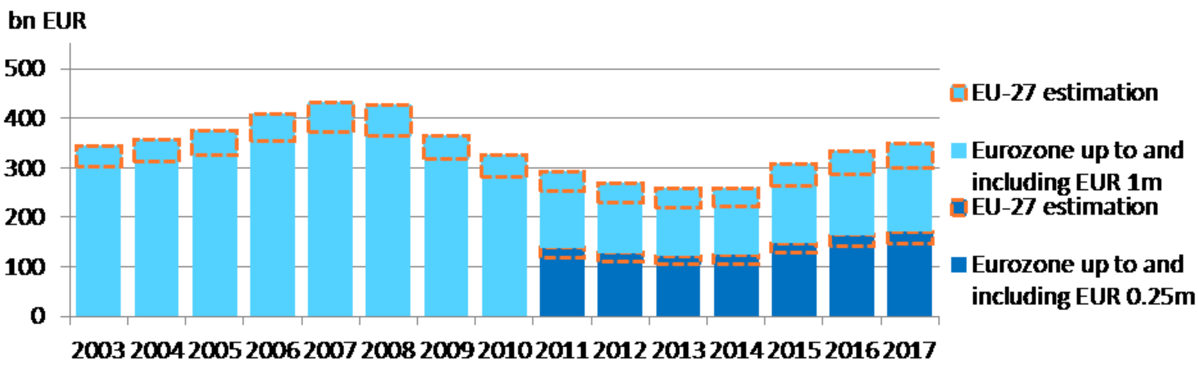
http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003H0361&from=EN

51 https://www.ecb.europa.eu/stats/money_credit_banking/anacredit/html/index.en.html

In the absence of available data, we are using a proxy approach to gain a better understanding of the order of magnitude of the EU27 SME debt financing market. We are making use of the monthly statistics published by the European Central Bank (ECB), which reports on new lending to non-financial corporations with durations of more than 12 months. While this data does not distinguish between lending to big corporations and to SMEs, the reporting is split according to size of new lending transaction. One available size category is up to €1 million and another (only available since the reporting period June 2010) is available for new lending up to €250,000. New lending up to €1 million is considered to be a reasonable proxy for lending to SMEs, which encompass businesses with up to 249 employees and with an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million.

It should be pointed out that the ECB statistics only cover new lending in the Eurozone (in early 2018 the Eurozone consisted of the following countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain). Therefore, in order to arrive at the estimated market size of the full EU, we grossed-up the statistics based on the Eurozone's share in EU gross domestic product.

Graph 3: New bank lending to non-financial corporations (original maturity over 1 year)



Source: European Central Bank - Statistical Data Warehouse, MFI Interest Rate Statistics[52]

Graph 3 does not include any forms of trade credit, short-term (up to one year) bank lending facilities. It does not allow an understanding of the overall size of the market (i.e. the stock of all

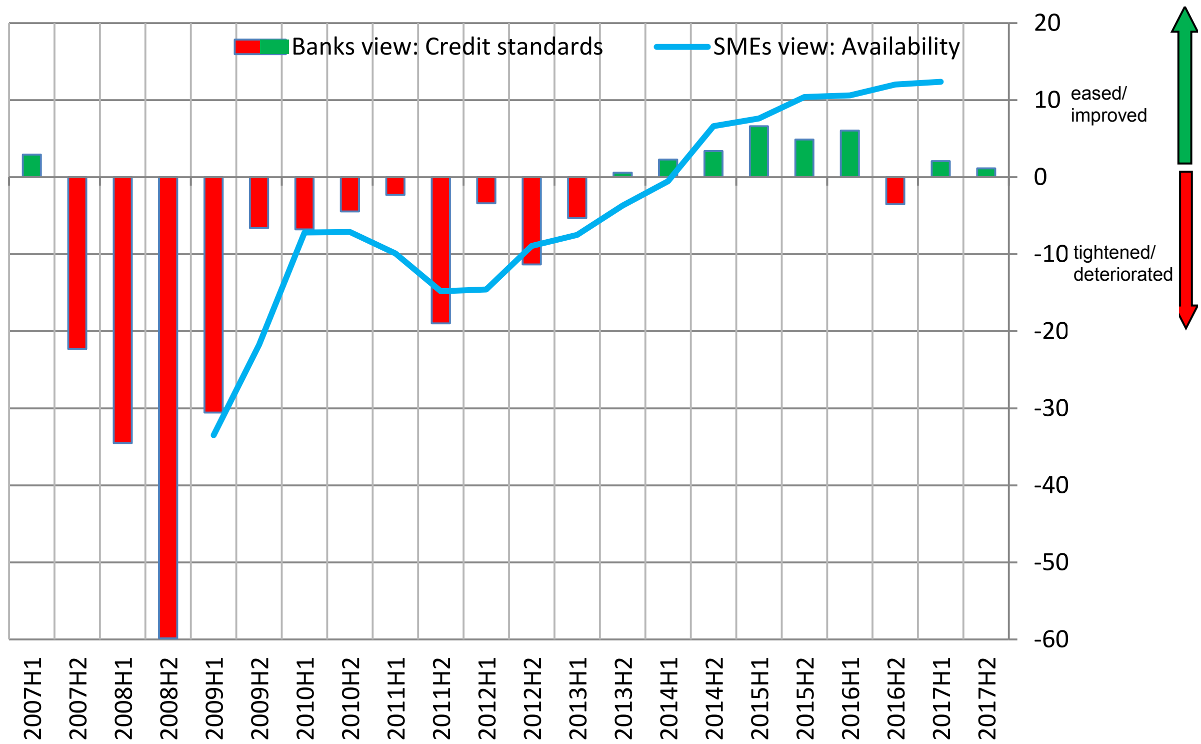
[52] Loans other than revolving loans and overdrafts, convenience and extended credit card debt, new business volume to non-financial corporations, Euro area (changing composition), over EUR 0.25 million and up to EUR 1 million amount and up to and including EUR 0.25 million, floating and fixed initial rate, with original maturity over 1 year, monthly data summed for the years (available since June 2010); 2003-2010 estimation based on average share of over 1 year maturity loans in total loans in 2010-2017; EU-28 estimations based on share of Eurozone in EU gross domestic product, Eurostat yearly data at market prices

outstanding debt finance) but provides a proxy for an order of magnitude of annual new SME lending in the Eurozone of currently more than €350 billion per annum, of which about half is made available for financing transactions of up to €250,000.

As indicated by Graph 3, following the financial crisis triggered by the collapse of Lehman Brothers in the autumn of 2008, new bank lending contracted considerably and the SME securitisation market in Europe collapsed.[53] New regulatory requirements, leading to higher capital requirements (e.g. CRR/ CRD[54]) and the need for banks' deleveraging, negatively impacted banks' willingness and ability to lend and to accept risk.

This had a major negative effect on available SME bank finance across the EU. Credit standards tightened considerably, particularly for SMEs, which, as a consequence, experienced a credit crunch. Credit standards only started to ease after 2013 when SMEs also started to have a more positive perception of the availability of bank loans.

Graph 4: Changes in credit standards and availability of loans



53 European Investment Fund (2015), *SME Securitisation at a crossroads*

54 Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD)

Source: Data on credit standards was extracted from the ECB Bank Lending Survey; data on the perception of the availability of bank loans was extracted from the Survey on the Access to Finance of Enterprises (SAFE)

To alleviate the negative impacts of stricter capital rules by the CRR and CRD IV on the SME lending market, and in the context of credit tightening after the financial crisis, a capital reduction factor for loans to SMEs was introduced by the CRR. The so-called SME supporting factor allowed credit institutions to counterbalance the rise in capital requirements and to provide an adequate flow of credit to this particular group of companies. The SME supporting factor was implemented in 2014, thus reducing the capital requirements for exposures to SMEs in comparison with the pre-CRR/CRD IV framework.

Since late 2014 we can see an increase in new lending to corporations in line with economic growth in the Eurozone and the positive impact of policy/regulatory instruments, such as the introduction of the SME supporting factor in 2014 or the start of quantitative easing by the ECB in March 2015.[55] All of these activities have led to an improvement in the availability of bank finance, and the conditions for access to finance have on average recovered.[56] However, as regards volume of lending, pre-crisis levels have not been reached yet.

While the aggregate situation of new SME lending in EU27 has markedly improved, Graph 3 also shows that the financing of transactions up to €250,000 has not recovered to the same extent as the financing of transactions of a larger size. The positive trend is much less pronounced for smaller loan amounts and hence for smaller SMEs. In 2017 the growth in new loans in the Eurozone was 5% lower for small loan amounts of up to €250,000 than for larger loans of up to €1 million.

1.3. The size and development of SME debt financing markets in selected Member States

Eurozone aggregate data analysed in the previous section masks considerable cross-country differences. As shown in Graph 5 below, between 2011 and 2013 credit growth was negative across the Eurozone, although the order of magnitude of market contraction differed considerably.

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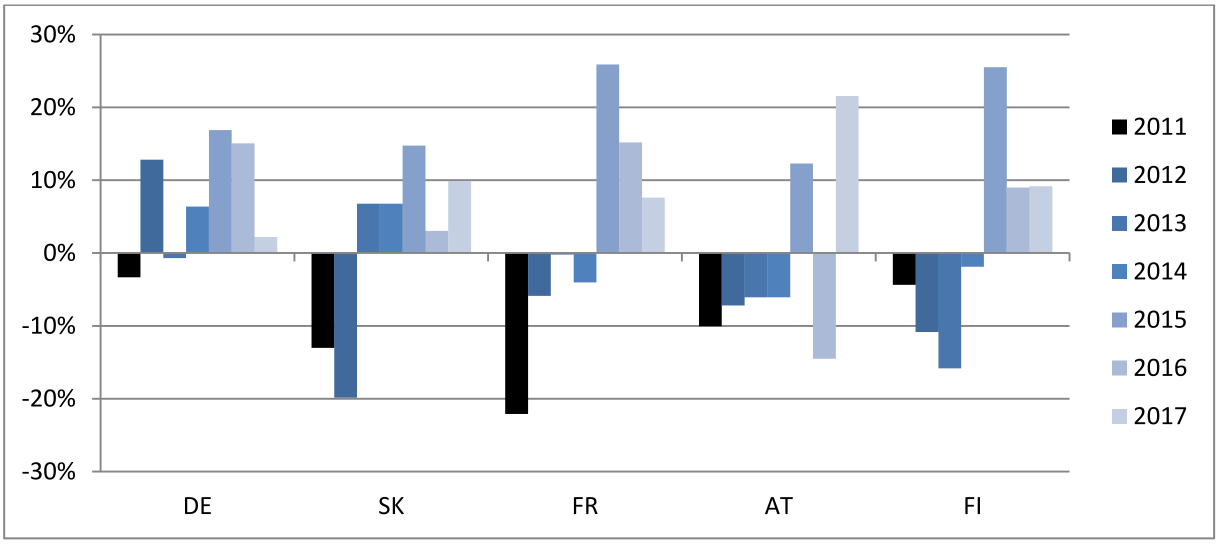
55 https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html

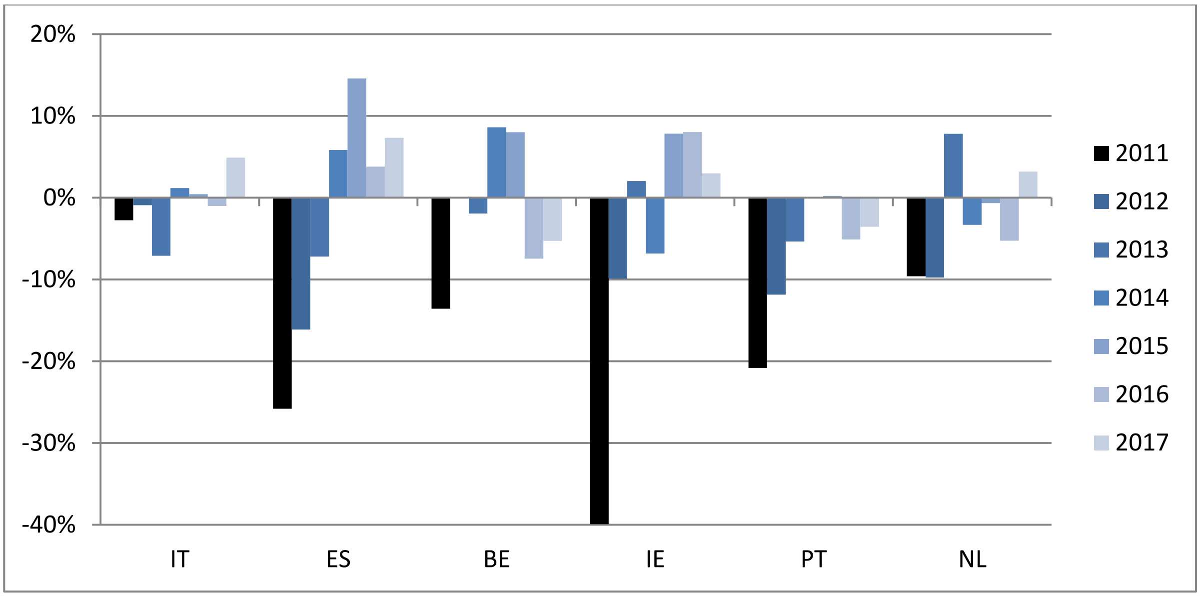
56 Survey on the Access to Finance of Enterprises in the euro area April to September 2017, section 3.1: https://www.ecb.europa.eu/pub/pdf/other/ecb.accesstofinancesmallmediumsizedenterprises201711.en.pdf?beb1832df4af9efa945a5a1f7b99eeb7

2014 was a turning year where some Eurozone countries started to experience positive credit growth but this trend is uneven and in most countries the positive growth has not yet compensated for the loss following the crisis.

While Germany, Slovakia, France, Austria and Finland have recovered in terms of new loan volumes, countries like Italy, Spain, Belgium, Ireland, Portugal and the Netherlands have not yet recovered to pre-crisis levels in the area of SME lending of up to €250,000.

Graph 5: Credit growth of loans to corporations of up to €250,000 across selected Eurozone countries



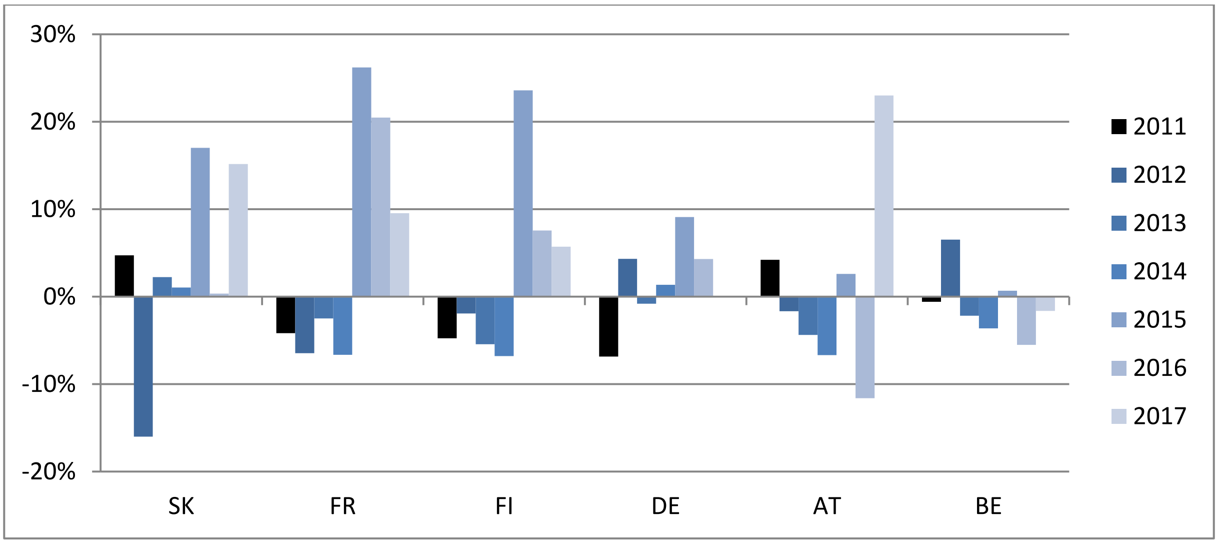


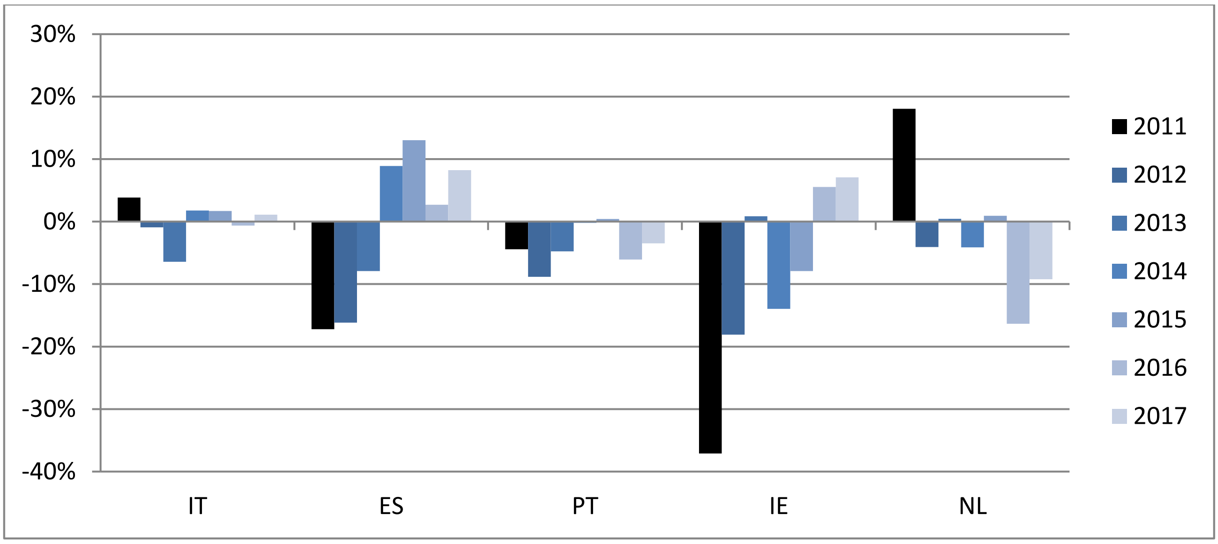
Source: ECB MFI Interest Rate Statistics 2018

A similar picture presents itself for lending of up to €1 million, as shown in Graph 6 below.

Graph 6: Credit growth of loans to corporations of <u>up to €1 million</u> across selected Eurozone countries

(includes loans of up to €250,000)





Source: ECB MFI Interest Rate Statistics 2018

The diverging trends across Eurozone countries can be explained by economic, business and structural differences. SMEs in some countries might have more demand for loans above €250,000 whilst SMEs operating in a Member State with more uncertain economic environment may be more prudent with respect to taking on new debt financing. Financial institutions in some countries may also be able to increase the supply of financing more than in others that might suffer from problems related to non-performing loans, liquidity or capital requirements.

Alongside financial fragmentation on the loan supply side, other factors such as cross-country differences in SMEs' profitability or indebtedness are acting on both supply of and demand for credit and contribute to divergences in interest rates and lending volumes. On the supply side, banks request a higher risk premium for loans to SMEs with lower profitability, which, in turn, further reduces their profitability, while loan demand can also be negatively affected by low profitability. A study shows that there are differences in funding conditions between comparable enterprises that are located in two different euro area countries.[57]

The interest rate spreads between "North" and "South" countries have been narrowing over the last few years, while remaining substantial. Graph 7 below shows the interest rate differentials between selected countries of the Eurozone when compared to interest rates charged to German companies.[58]

57 European Commission (2013), *European Economic Forecast Autumn 2013*

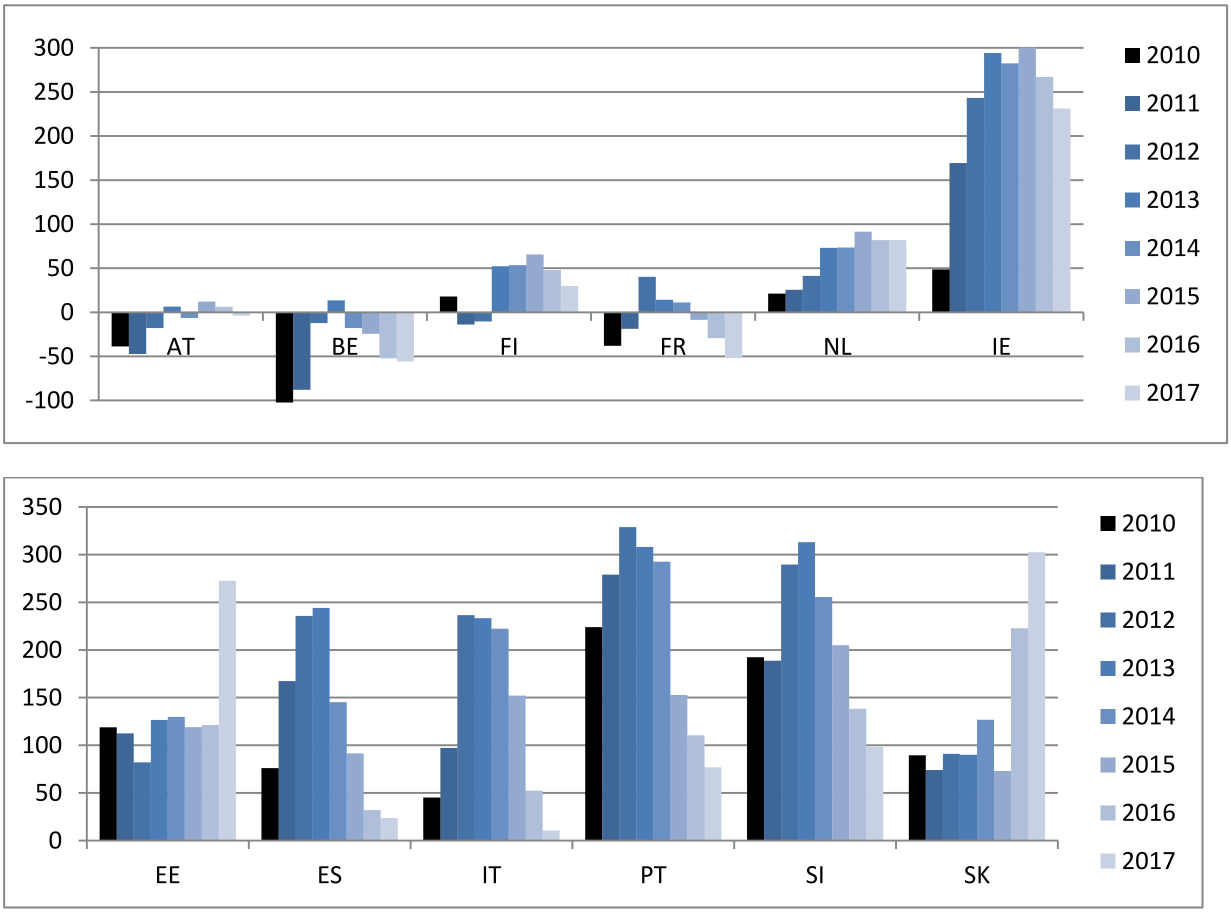
58 Germany is taken as baseline because it is the largest economy in the Eurozone

Ireland shows by far the highest premium charged. In 2017, most countries are within a 100 basis points differential when compared to Germany. Entities in Austria, Belgium and France are reported to pay on average even lower interest rates than businesses in Germany.

Estonia, Ireland and Slovak Republic, on the other hand, are clear outliers where premiums of 200 – 300 basis points need to be paid when compared to Germany.

Graph 7: Interest rate spreads for new loans of up to €1 million compared to Germany

(in basis points)



Source: ECB MFI Interest Rate Statistics 2018

While part of this differential reflects differences in macroeconomic risk/country risk among euro area countries, this could also indicate that SMEs with similar risk profiles tend to suffer from higher lending costs depending on the country in which they are located. This fragmentation can most likely be explained by the still fragile situation of many banks in some Member States, which are plagued with high levels of non-performing loans.[59] Indeed, banks

[59] OECD (2016), *2016 Economic Survey of the Euro Area*

with high levels of non-performing loans tend to lend less, as they are less profitable, with weaker capital buffers and higher funding costs.[60]

1.4. Conditions restricting SMEs' access to debt finance

As indicated in section **Error! Reference source not found.**, SMEs are heavily reliant on external sources of finance as internal funding is generally insufficient to meet their financing needs.

As set out in section **Error! Reference source not found.**, following the financial crisis, higher capital requirements and the need for banks' deleveraging negatively impacted banks' willingness and ability to lend and to accept risk. This had a major negative effect on available SME bank finance across the EU. Credit standards tightened considerably and, as a consequence, SMEs experienced a credit crunch. While the situation has recovered, there are still considerable differences among Member States.

The 2018 OECD scoreboard on Financing SMEs and Entrepreneurs notes that "new lending to SMEs depicts a more negative picture than in previous years". Growth in new SME loans in 2016 was negative in 15 out of 25 countries covered by the OECD scoreboard. The decline in new lending can be attributed to several factors, often depending on national circumstances. In some countries this can be attributed to lower demand linked to weak investment dynamics. In other countries, such as Greece, Slovenia and Portugal, financial institutions appeared to have become more risk-averse when lending to SMEs.

Moreover, financial markets in the Member States show different degrees of development, in terms of the number of players present in the market, the diversity of financial institutions present, product offerings and risk appetite. SMEs have no means of overcoming these national differences because they rely on local/national providers of finance. SME financing is predominantly provided within national boundaries due to regulatory constraints, investor home bias and the regional focus of many SMEs. Cross-border lending is only at a nascent stage, predominantly fuelled by the emergence of Fintech companies.

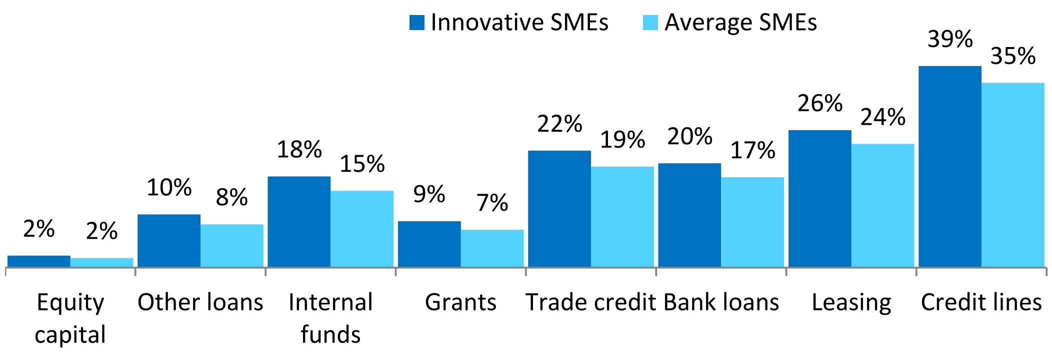
The financing problem is acute for firms that are undertaking activities with significant financial, technological, organisational or business-model risk and those wanting to finance growth projects that do not result in the acquisition of fixed assets that could be collateralised (e.g. in the area of culture and creativity, digitisation, internationalisation, etc.).

[60] Aiyar, S. et al. (2015), *A strategy for resolving Europe's problem loans*, IMF Staff Discussion Note, No. SDN/15/19, International Monetary Fund, Washington DC

Furthermore, undertaking innovative and other high-risk activities, which are poorly understood by finance providers, results in low credit scores and leads to high interest charges to compensate for the perceived risk, provided that a finance provider is willing to offer the finance at all, rather than reject the application outright.

While financing through equity is often regarded as the appropriate source of funding for innovative firms, the limited size of the European venture capital industry (see separate ex-ante assessment conducted for equity investments into SMEs annexed to the impact assessment for the InvestEU Fund Regulation) and the 'bank culture' predominant in the Member States lead to the fact that **many innovative firms rely on 'classic' debt financing**. As indicated in Graph 8 below, the use of equity financing by innovative[61] SMEs is the same as for average SMEs and, in terms of usage of other types of finance, the differences are also not that significant.

Graph 8: Usage of different types of financing



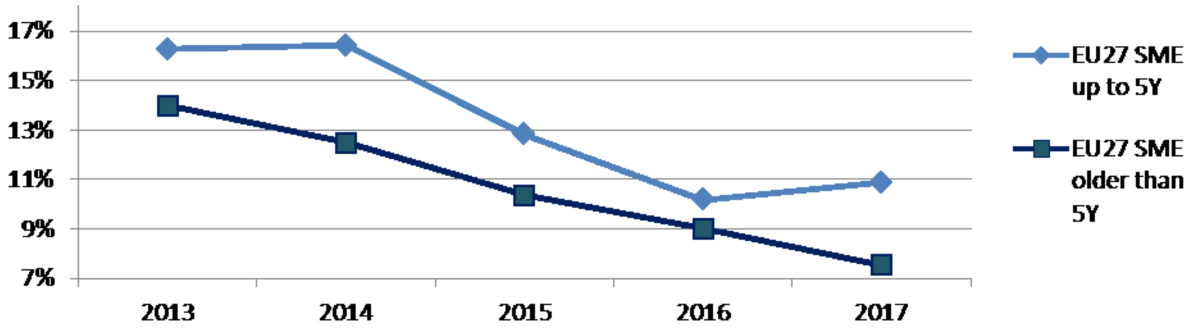
Source: The Survey on the Access to Finance of Enterprises (SAFE) published annually by the European Commission & European Central Bank

Younger and smaller companies or those requiring rather small financing amounts are faced with a structural financing gap due to information asymmetries, lack of financial track records and disproportionate file costs.

[61] Innovative SMEs for the purpose of the SAFE survey are those SMEs that indicate they have introduced either a new or significantly improved product, service, production process, organisation of management or way of selling goods or services in the past twelve months.

Younger companies, i.e. companies in their first five years of existence, are perceived to be very risky by lenders because they have no financial track record and statistics indicate that less than 50% of businesses survive during the first five years of their establishment.[62] The SAFE survey results confirm that younger companies consider access to finance to be more problematic than more established SMEs.

Graph 9: SMEs reporting access to finance as the most important problem: younger and older EU-27 SMEs



Source: SAFE 2009-2017

This structural financing gap is independent of the economic cycle or the home country of SMEs. If financing is offered at all, it is offered at unreasonable conditions in terms of interest rates applied, maturities, repayment terms and collateral required.

These market failures – prevalent across Member States – hinder the start-up and growth of companies. Companies rarely have the internal funds they need and consequently seek external financing.

This market environment results in an access to finance gap for SMEs that have a perceived higher risk profile or insufficient collateral, which is independent of their sector of operation. An SME financing gap can be defined as a "mismatch between the demand and the supply [...] in the different types of financial instruments for SMEs in a given area of the EU".[63] It is a situation where firms that would merit financing cannot get it due to market imperfections.

[62] see Eurostat business demography statistics or OECD (2015) , *Cross-Country evidence on start-up dynamics*, OECD Science technology and industry working papers

[63] European Court of Auditors (2012). Special Report No 2/2012, *Financial instruments for SMEs co-financed by the European Regional Development Fund*

1.5. Assessment of the market gap for access to SME debt finance

Given the challenges faced by SMEs in obtaining debt finance, it is crucial for policy intervention to determine the extent of the financing gap. The objective of this ex-ante assessment is to analyse the market demand and the need for EU intervention in more detail.

As shown in section **Error! Reference source not found.**, SMEs rely heavily on bank financing, so the financing gap is typically expressed and measured with reference to the bank lending market.

As already indicated in the ex-ante evaluation for the COSME programme, a precise measurement of the phenomenon is an inherently complex exercise, as it involves unobservable variables, i.e. the lending transactions that could have occurred if certain frictions (e.g. informational asymmetries, transaction costs, sufficient collateral) had not existed. Under these conditions, it is inevitable to resort to proxies, such as loan rejection rates, rates of discouraged potential borrowers and the share of firms offered unfavourable lending conditions, in terms of maturity and/or interest rates.

1.5.1. Methodologies

Taking into account the relevant literature, this assessment is based on the methodologies of past ex-ante assessments carried out for the COSME Programme[64] and for the SME Initiative[65].

The assessment is done by exploring financial market failures in each EU Member State in providing credit to financially viable borrowers. The approach uses SME survey data from 2011-2017[66] to gauge the number of SMEs unsuccessful in obtaining a loan, while being financially viable and thus creditworthy. Multiplying this number by the average SME loan amount, an estimate can be provided of the unmet financing needs of financially viable SMEs during 2011-2017.

A detailed explanation of the methodology used for the ex-ante assessments referred to above is given below.

64 Economisti Associati et al. (2011), *Combined ex-ante evaluation and impact assessment of the successor to the Entrepreneurship and Innovation Programme under the Competitiveness and Innovation Framework Programme 2007-2013*

65 SWD(2013) 517

66 Annual SAFE surveys 2011-2017 conducted by the European Commission and European Central Bank

Methodology used for the ex-ante assessment of the COSME Programme:

Gap = number of SMEs x % unsuccessful SMEs x average SME loan size x 20%

where

average SME loan size:	average size of loans granted to SMEs
% unsuccessful SMEs:	SMEs that applied x (SMEs rejected + SMEs partly successful + SMEs refused) + SMEs discouraged

where

SMEs that applied:	share of SMEs that applied for a bank loan
SMEs rejected:	share of SMEs that applied for a bank loan and whose demand was rejected by the bank
SMEs partly successful:	share of SMEs that applied for a bank loan and did not receive the whole amount requested
SMEs refused	share of SMEs that applied for a bank loan and refused the proposed bank loan (presumably because of unfavourable conditions)
SMEs discouraged:	share of SMEs that did not apply for a loan (presumably for fear of rejection)

Rejection rates are not *per se* an indication of the existence of a 'market failure', as a loan application may well be turned down for fully justified reasons.

According to industry sources and some studies, a significant share of rejections, in the order of 15-30%, refer to potentially sound banking transactions that do not materialise for reasons linked to the existence of market imperfections. Therefore, the ex-ante assessment of the COSME programme conservatively assumed that 20% of unsuccessful SME loan applications merit financing.

Methodology used for the ex-ante assessment of the SME Initiative (SMEI):

The starting point is the percentage of financially viable SMEs that are unsuccessful in obtaining loan finance. This is computed using the following formula:

Unsuccessful SMEs = [SMEs that applied × (SMEs rejected + SMEs refused)] + SMEs discouraged

where

SMEs that applied: share of financially viable SMEs that applied for a bank loan

SMEs rejected: share of financially viable SMEs that applied for a bank loan and whose demand was rejected by the bank

SMEs refused: share of financially viable SMEs that applied for a bank loan and refused the proposed bank loan because of high interest rates

SMEs discouraged: share of financially viable SMEs that did not apply for a loan for fear of rejection

Using the estimated Unsuccessful SMEs, the SME loan debt financing gap is calculated as follows:

debt financing gap = number of SMEs × financially viable SMEs × unsuccessful SMEs × average SME loan size

where

financially viable SMEs:	share of SMEs exhibiting positive turnover growth*
unsuccessful SMEs:	share of financially viable SMEs unsuccessful in obtaining loan financing (see above)
average SME loan size:	average size of loans granted to SMEs

* The proportion of "financially viable" SMEs is proxied with the proportion of SMEs that experienced a turnover growth higher than 20% in the previous 3 years = lower bound, or higher than 0% in the previous 6 months = upper bound.

1.5.2. Assumptions

Due to lack of complete data, an accurate quantification of this gap is difficult and was therefore based on a number of estimations and assumptions.

Data on SME loan amounts per country was based on figures from AECM[67], historical amounts of loans supported by EU financial instruments[68] and the ORBIS database from 2011-2017. None of these sources provided robust data on loan amounts for all EU Member States. Hence, we based our calculations on average amounts from all three sources, equally weighted. AECM statistics are the key data source, but suffer from several limitations.[69] For instance, as mentioned in a recent study by the European Investment Fund (EIF)[70] the coverage rate of credit guarantee rates in Europe varies significantly. The survey finds average minimum/maximum coverage ratios across Europe amounting to 34%/81% respectively. We used AECM data on guarantee amounts

67 European Association of Guarantee Institutions

68 Source: quarterly reports on implementation of CIP & COSME financial instruments.

69 AECM membership varies from year to year, not only by the countries that have AECM "members" but also by AECM membership within a given country. EU Member States not covered by AECM data are Cyprus, Denmark, Finland, Croatia (2011-2012), Ireland, Malta, Sweden, Slovak Republic, United Kingdom (2011-2014)

70 European Investment Fund (2017), Working Paper 2017/42, *Credit Guarantee Schemes for SME lending in Western Europe*

and an average guarantee rate of 70% to calculate loan amounts. No data was available to calculate the loan amounts based on individual guarantee rates for the different EU Member States.

Data from the implementation of EU financial instruments must also be treated with caution.[71] Other loan data was extracted from the ORBIS database[72]. ORBIS is a commercial database with accounting, legal and financial information of public and private companies. ORBIS data is only available in terms of loan stock, which would create an upward bias, but it excludes long run debt, which would create a downward bias.

When not enough robust data for a specific country was available, we took average loan amounts. We corrected figures for the impact of outliers. We defined outliers as excessive loan amounts (60% higher or lower than country average or 80% higher or lower than the EU average). In these cases we used an historical average of the specific country. If no historical average for a specific country could be calculated, we used the EU average loan amounts.

Information from the ORBIS database, the SAFE survey[73] and the SME performance review[74] only provides data from selected sectors, which distorts our estimates for the SME debt financing gap. As more exhaustive data was not available at the time of conducting this ex-ante assessment, our calculation excluded the potential financing gap of companies from certain sectors, such as the financial and insurance industries (NACE K).

The above methodologies and assumptions allowed us to calculate an SME debt financing gap range for each Member State for the years 2011-2017. The debt financing market gap can be expressed in absolute amounts (€ billion) and as a percentage of Gross Domestic Product (GDP) to allow better comparison across countries.

Market gaps are driven by the absolute size of the debt financing market of a Member State, as well as by the loan rejection rates, which vary considerably among Member States.

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71 In some Member States or some years no data on loan amounts is available due to a lack of a financial intermediary. In some cases, data on loan amounts point to outliers. This could be linked to the fact that for some agreements intermediaries only serve a very particular financing need with specific loan characteristics (low loan amounts for start-ups or higher loan amounts for fast-growing companies). In addition, it is unclear whether the average size of EU-guaranteed loans is equal to the average size of all SME loans.

72 Average loan stock amounts across sectors (NACE B-J, L-N) weighted by their share in non-financial GDP. The sample at the top and bottom 10% was winsorised and sectors with fewer than 10 SMEs were dropped.

73 Industry (NACE B, C, D, E). Construction (NACE F), Trade (NACE G), Services (NACE H, I, J, L, M, N, R, S).

74 The data cover the non-financial business economy (sections B-J and L-N).

Based on the methodologies outlined before, it is therefore possible to carry out calculations of the debt financing gap in terms of the number of SMEs and indicative loan volumes, both for the EU as a whole and, with more caveats due to data unreliability and unavailability, for each Member State.

1.5.3. EU-level debt financing market gap

At EU27 level, the proportion of SMEs that have faced problems in accessing bank financing between 2011 and 2017 is 13.5%, calculated as the weighted average of all EU countries participating in the SAFE Survey in a given year. This figure is in line with the estimates provided in the Ex-Ante Assessment for the SME Initiative (12.6%). The estimated interval for the proportion of financially viable SMEs lies within the range 14.3% to 39.1%.

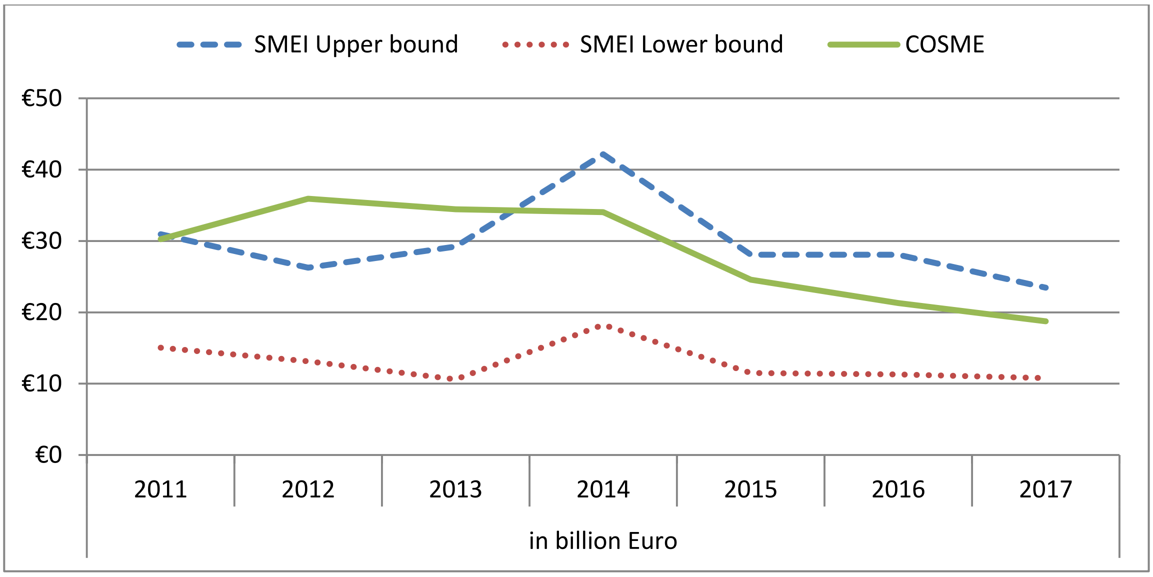
Overall, the loan financing gap affected annually between 444,000 and 1,211,000 viable European SMEs over the period 2011-2017. Therefore, up to 5.2% of European SMEs were not able to obtain a loan for reasons unrelated to financial viability.

By matching data obtained from the ORBIS Database with information on loan shares provided by AECM and implementation of EU financial instruments[75], this assessment produces an average SME loan size of €80,000.

Despite the strong support of the SME debt financing market through public support schemes by the EU and Member States, EU27 still suffered from a substantial debt financing gap, peaking at €42 billion in 2014, which has subsequently seen a reduction to less than €30 billion. The figures show an overall improvement of the conditions for accessing loan financing at EU27 level compared to earlier years.

Graph 10: Aggregated loan financing gap for SME debt finance in EU27 according to different calculation methodologies

[75] CIP/COSME financial instruments



SMEI Upper bound:	Debt financing needs of SMEs with a positive turnover growth rate according to methodology used for the SME Initiative (SMEI)
SMEI Lower bound:	Debt financing needs of high-growth SMEs (i.e. SMEs that have shown a turnover growth rate higher than 20%) according to methodology used for the SME Initiative
COSME:	Debt financing needs of SMEs according to methodology used for the COSME ex-ante assessment.

We can conclude that over the 7-year period, the aggregated market gap for new SME financing was about €200 billion. Even if one were to consider a much narrower group of SMEs, i.e. those with a turnover growth rate of higher than 20%, the aggregated market gap was approximately €90 billion.

The analysis of the debt financing gap is expected to be underestimated for a number of reasons:

- The reported figures only represent the measured gap in terms of loan financing. Due to the fact that SMEs are also heavily reliant on alternative debt financing instruments (i.e. leasing, bank overdraft, trade credit, etc.), the overall debt financing gap in Europe is expected to be higher.
- This study produces an average SME loan size of €80,000 whilst other studies estimate the loan size between €100,000 and €130,850.[76] Estimates of the total debt financing gap would be higher if higher average loan sizes were assumed.

[76] Economisti Associati et al. (2011), *Combined ex-ante evaluation and impact assessment of the successor to the Entrepreneurship and Innovation Programme under the Competitiveness and Innovation Framework Programme 2007-2013*; SWD(2013) 517

- According to Eurostat statistics, the number of new market entrants and companies exiting the market approximately cancels out. The average number of SMEs used for the purposes of calculation does not fully reflect the fact that especially the new entrants have financing needs that are normally considered to be too risky by the commercial financial sector to bear.

1.5.4. Individual Member States' debt financing market gaps

The aggregated market gap for 2017 has been computed based on the individual market gaps per Member State, which are set out in Graph 11 below. The minimum/maximum financing gaps represent the lowest/highest estimate of the financing gap using the three different methods from the ex-ante assessment of the COSME programme and the SME Initiative (lower/upper bound).

Graph 11: SME debt financing gap for 2017 per Member State

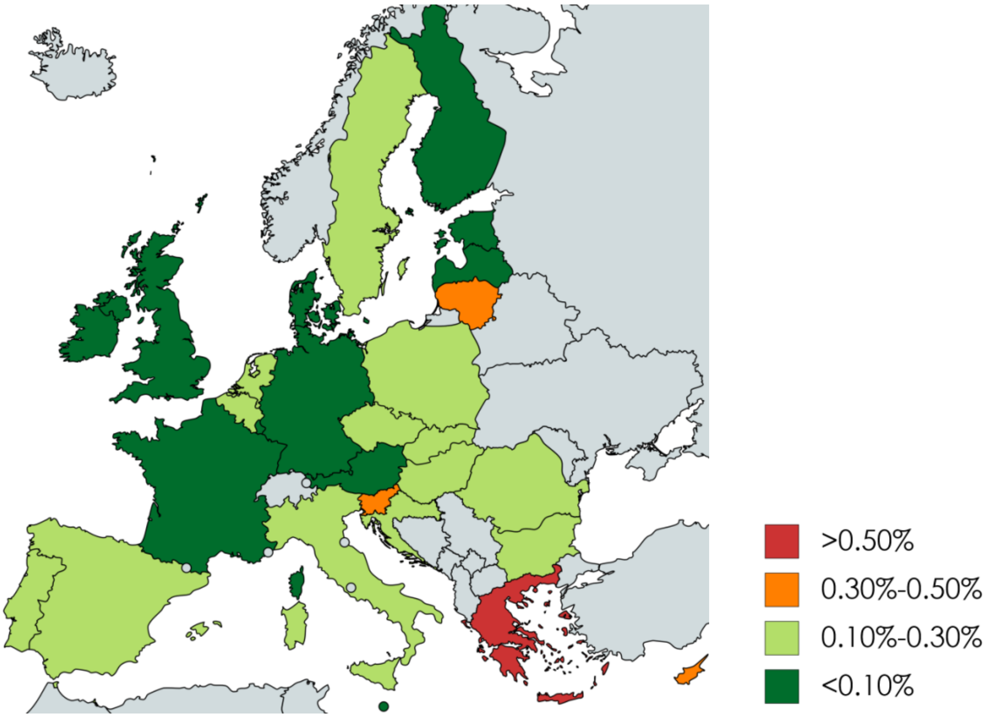
	Market gap range					Average loan size
AT	€	0.19	-	0.55	billion	€ 121,566
BE	€	0.56	-	1.01	billion	€ 97,906
BG	€	0.17	-	0.44	billion	€ 57,724
CY	€	0.15	-	0.42	billion	€ 96,079
CZ	€	0.00	-	0.96	billion	€ 98,744
DE	€	0.95	-	1.69	billion	€ 119,623
DK	€	0.00	-	0.38	billion	€ 91,410
EE	€	0.00	-	0.09	billion	€ 85,522
EL	€	2.68	-	3.93	billion	€ 88,137
ES	€	0.36	-	2.34	billion	€ 58,308
FI	€	0.09	-	0.27	billion	€ 77,406
FR	€	0.61	-	1.21	billion	€ 35,007
HR	€	0.07	-	0.28	billion	€ 95,785
HU	€	0.11	-	0.38	billion	€ 64,795
IE	€	0.29	-	0.78	billion	€ 84,428
IT	€	0.69	-	2.53	billion	€ 65,190

LT	€	0.21	-	0.42	billion	€	99,340
LU	€	0.00	-	0.01	billion	€	52,210
LV	€	0.04	-	0.09	billion	€	68,611
MT	€	0.02	-	0.04	billion	€	96,079
NL	€	0.96	-	2.15	billion	€	94,834
PL	€	0.17	-	0.59	billion	€	54,843
PT	€	0.76	-	1.42	billion	€	72,482
RO	€	0.35	-	0.69	billion	€	71,101
SE	€	0.21	-	0.71	billion	€	98,125
SI	€	0.31	-	0.59	billion	€	106,571
SK	€	0.15	-	0.76	billion	€	60,541
EU27	€	10.09	-	24.70	billion	€	79,227
UK	€	0.65		0.91	billion	€	78,296
EU28	€	10.74		25.61	billion		

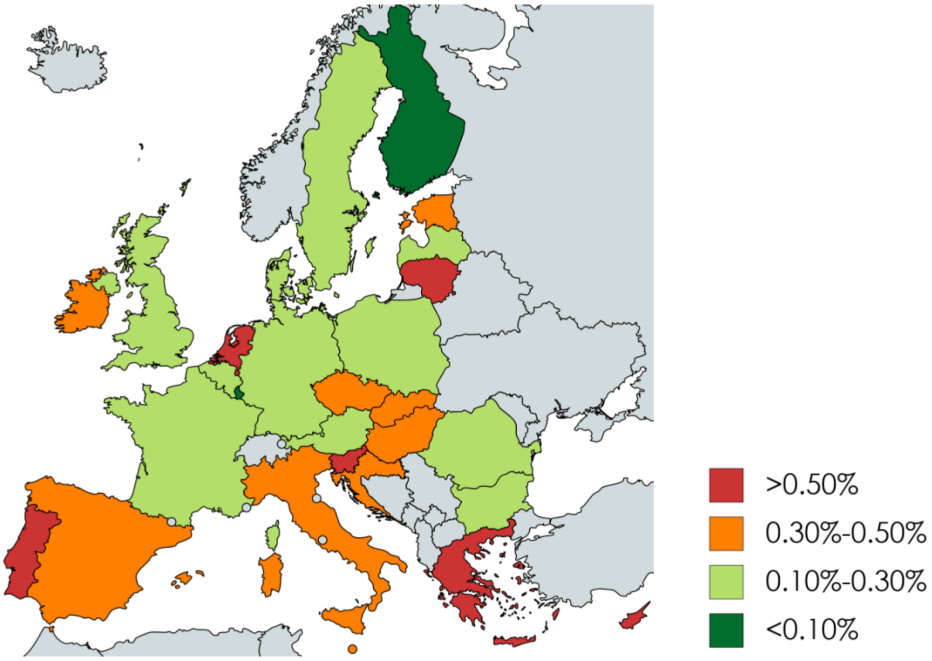
Graph 11 above provides an overview of the debt financing gap in each Member State in 2017 in absolute terms. Graph 12 displays the distribution of the loan financing gap across EU Member States. Note that values are expressed as percentages of national GDP and reflect the average values observed during the 2011-2016 period. Countries may have recovered significantly in terms of provision of loan financing to financially viable SMEs.

Graph 12: SME debt financing gap in 2011-2016: Country overview

a. Minimum financing gap (% of GDP)



b. Maximum SME debt financing gap (% of GDP)



Based on findings of other studies, the debt financing gap expressed in this assessment as a percentage of GDP appears to be underestimated.

Silanes Molina et al (2015) study the financing gap in five European countries and confirm the existence of a loan financing gap as well as the discrepancy across individual Member States. They use data on SME outstanding loans to estimate the supply of SME financing and information from the SAFE survey to assess loan demand. The study finds that the loan gap as a percentage of GDP in 2013 is more pronounced in the Netherlands (6-16%) and Poland (5-15%) than in Germany (3-6%), France (3-5%) or Romania (1-4%).

1.6. EU action geared towards addressing the SME debt financing gap

The EU, together with Member States, has adopted a wide range of different initiatives to strengthen banks' ability to lend and to accept risk, as well as to increase their liquidity.

1.6.1. Centrally-managed debt EU financial instruments for SMEs

EU financial instruments are "Union measures of financial support provided on a complementary basis from the budget in order to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants."[77]

To address the debt financing gap, several EU debt facilities have been set up to extend greater financing volumes at better conditions to a riskier set of enterprises. Those facilities aim to foster the development of a pan-European SME finance market and to address market failures that are more appropriately tackled at EU level given their widespread nature.

The Commission has entrusted the European Investment Fund (EIF) with the implementation of these facilities. The EIF, a subsidiary of the European Investment Bank (EIB), is an experienced implementation partner operating across the EU and beyond. The EU guarantees are either based on a mandate (all risk is borne by the EU budget) or based on risk-sharing (risk is partially borne by EU budget and partially by the EIF). All facilities are implemented based on calls for expression of interest and interested financial intermediaries from across the participating countries of the relevant programmes can apply.

The following central debt EU financial instruments (2014-2020) help to mobilise about **€13.0 billion of financing per year**:

- SME Loan Guarantee Facility (COSME Programme based on a mandate): Guarantees for supporting new portfolios of higher risk SME transactions. Anticipated resource

[77] Art. 2(p) of the Financial Regulation.

allocation for the full period 2014–2020: €1.52 billion (including the existing EFSI top-up of €550 million), which is expected to mobilise up to **€44 billion of financing**.

- InnovFin SME Guarantee Facility based on risk sharing between Horizon 2020 and the EIF: The facility provides direct and indirect guarantees helping to address the financing gap for innovative SMEs and Small Midcaps (with up to 499 employees) for their investments in innovative products and processes containing significant technology or application risks. Anticipated resource allocation for the full period 2014–2020: €1.94 billion (including the existing EFSI top-up of €880 million), which is expected to mobilise up to **€16 billion of financing**.

- Cultural and Creative Sectors Guarantee Facility (Creative Europe Programme based on a mandate): The facility provides guarantees to banks dealing with cultural and creative SMEs, thereby strengthening financial capacity in those sectors. The scheme began in 2016. Anticipated resource allocation for the period 2016–2020: €183 million (including an EFSI top-up of €60 million), which is expected to mobilise up to **€0.8 billion of financing**.

- Programme for Employment and Social Innovation (EaSI): The EaSI Micro-finance and Social Entrepreneurship axis mobilises microfinance for vulnerable groups and micro-enterprises and supports the development of social enterprises through, inter alia, a guarantee facility. Indicative resource allocation for the EaSI Guarantee over the period 2014–2020: €196 million (including the existing EFSI top-up of €100 million), which is expected to mobilise up to **€1.9 billion of financing.**

- The European Fund for Strategic Investments (EFSI) is a joint initiative by the European Commission and the European Investment Bank (EIB) Group to help overcome the investment gap in the EU by mobilising private financing for strategic investments. EFSI is one of the three pillars of the Investment Plan for Europe that aims to revive investment in strategic projects around Europe to ensure that money reaches the real economy. It comprises 1) an Infrastructure and Innovation Window and 2) an SME Window. Under the SME Window, equity and debt financing is supported. The support for debt financing for the benefit of SMEs and small mid-caps has been implemented mainly in the form of top-ups, as outlined above, so the impact of EFSI on SME debt finance is already captured under these top-ups. In addition, further top-ups are expected to be introduced for an amount of €1.6 billion, which is expected to mobilise an additional **€26.6 billion of financing.**

- The EU SME Initiative, designed as a crisis-response instrument, provides uncapped guarantees and/or securitisation to improve access to finance for SMEs, including innovative and high-risk SMEs. The initiative combines different EU funding resources in one financial instrument – namely resources from European Structural and Investment Funds (ESIF), COSME or Horizon 2020 and EIB Group resources. Below are the expected resources committed and financing amounts:

Member State participating	Amounts committed by Member State	Amounts committed from Horizon or COSME	Expected new financing supported
Bulgaria	€102 million	€1.8 million	€0.6 billion
Finland	€40 million (*)	€0.8 million	€0.4 billion
Malta	€15 million	€0.2 million	€0.06 billion
Italy	€133 million	€1.6 million	€1.3 billion
Romania	€100 million	€2.1 million	€0.54 billion
Spain	€800 million	€14.3 million	€5.7 billion
Total:	€1,190 million	€20.8 million	**€8.6 billion**

(*) includes €20 million from national budget

1.6.2. EU financial instruments implemented in shared management (ESIF)

During the period 2007-13, EU27 committed around €17 billion in the Operational Programmes to financial instruments, of which €10.7 billion in Structural Fund resources. EU27 almost doubled the previous amounts to around €20 billion for 2014-20 Operational Programmes. [78]

Comparisons between countries and time periods cannot be easily made, since total EU amounts vary widely - in some Member States these have increased, while in others they have declined or remained stable. Nevertheless, we can see a positive trend of the increasing importance of financial instruments in the 2014-20 funding period compared to 2007-13.

Data from December 2017 (for the period 2007–2013) provides an overview of the product mix of financial instruments supported by Structural Funds ranging from 37% loans, 38% equity, 11% guarantees and 14% other. Expected leverage, as reported in funding agreements, varies between 0.96 and 7.5 for loans and from 4 to 25 for guarantees.[79]

Assuming a similar product mix and average leverage effect throughout the whole programming period, **we can expect that, during the 2014-2020 programming period, ESIF will mobilise up to EUR 70 billion of loans**.

In light of the increasing scarcity of public resources, financial instruments are thus expected to continue to be a key priority for the European Structural and Investment Funds in the 2021-2027 programming period. However, significant efforts will need to be undertaken in those Member States where past experience has shown that implementation has been delayed for lack of resources, capacity (including knowledge) and the lack of suitable institutions.

[78] EPRC (2017) on behalf of the European Commission, *Improving the take-up and effectiveness of financial instruments*

[79] European Commission (2018), *Financial instruments under the European Structural and Investment Funds Summaries of the data - Situation as at 31 December 2016*

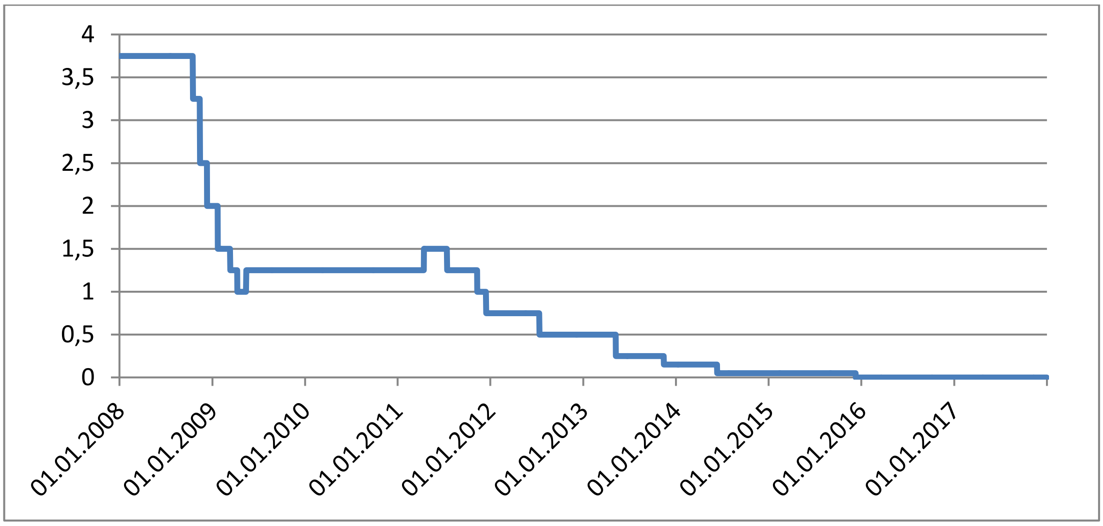
1.6.3. EU action geared towards strengthening the liquidity of banks

European Central Bank

In January 2015 the ECB announced an expanded asset purchase programme. ECB monthly purchases in the public and private sector securities amounted to €60-€80 billion. Following quantitative easing by the ECB, bank lending has increased, including lending to SMEs. However, significant regional disparities have been observed in lending. The direct effect of quantitative easing on their bank lending decisions has been estimated to be very limited. If anything, it is having an impact on the terms and conditions of loans, not the quantity of credit.[80]

The ECB decided in January 2018 to reduce net purchases to a monthly pace of €30 billion until the end of September 2018. The intention is for securities purchases to be carried out until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term. Key ECB interest rates have remained at a record low since 2016. For instance, the ECB interest rate on the main refinancing operations, which provide the bulk of liquidity to the banking system, stands at 0%. It remains to be seen when economic conditions will allow an increase of the key ECB interest rates and how this will impact credit growth to SMEs.

Graph 13: ECB interest rate for main refinancing operations



European Investment Bank Group

The EIB and the European Investment Fund (EIF) are mobilising financing to SMEs and midcaps by using own resources, in addition to EU budget funds.

[80] European Parliament (2016), *Effectiveness of the ECB programme of asset purchases*

The EIF is providing credit enhancements for SME loan portfolios by providing guarantees to banks and financial institutions allowing them to diversify their funding sources and to achieve economic and regulatory capital relief through credit risk transfer through providing guarantees for tranches of securitised portfolios.[81]

The EIB is providing intermediated lending for SMEs and midcaps[82]. In these operations, the EIB provides liquidity to financial intermediaries at favourable rates, which such financial intermediaries are required to pass on when lending to SMEs and mid-caps in the form of interest rate reductions. In these transactions, the EIB does not share the risk from financing the SMEs and mid-caps but accepts the risk that the financial intermediary may not repay the liquidity (counterparty risk). In 2016 total signatures by the European Investment Bank (own resources) towards SMEs and mid-caps in the EU28 amounted to €21.3 billion, compared to €19.8 billion in 2015. These signatures are expected to mobilise €42.6 billion of financing to SMEs and mid-caps in 2016 (2015: €39.6 billion).

The EIB plans to continue its financial support for SMEs in Europe in the form of loans to partner financial institutions for on-lending to SMEs. The EIB's signatures for its own resources in the area of SMEs and midcaps are expected to stay between €18.3-18.9 billion for 2017-2019. This is a significant increase compared to the period 2005-2011, where annual signatures were approximately €10 billion. [83] It remains to be seen whether the support by the EIB Group will at some point be scaled back to historical levels due to the impact of the UK’s departure from the EU.

1.6.4. Use of Member State resources

In addition to the instruments implemented under ESIF, Member States also implement financial instruments under their own budgetary resources. We therefore try to extend the ex-ante assessment performed by looking at the potential impact of national financing support schemes.

1.6.4.1. SME debt financing support at Member State level in absolute amounts

Member States have set up numerous public financial institutions to improve SMEs' access to finance (see Appendix). Some Member States have put in place financial instruments that are

81 http://www.eif.org/what_we_do/guarantees/credit_enhancement/index.htm
82 http://www.eib.org/products/sheets/intermediated-lending-smes-midcaps-features.htm
83 The EIB Group Operational Plan 2017-2019, EIB SME Report 2015-2016, EIB Ex post evaluation of EIB Intermediated Lending to SMEs in the EU 2005-2011

successful in addressing the local financing gap of SMEs proven by past evaluations.[84] Other Member States appear to be facing difficulties in properly addressing local financing gaps due to budget/time constraints, lack of capacity/knowledge and the lack of a well-functioning local commercial financing market or financial fragmentation. As a consequence, SMEs in those Member States face particular financing problems compared to their peers/competitors in other Member States.

There is no study or source available to provide a complete overview of national financing programmes in the EU as a basis to quantify the absolute amount of public credit support. The OECD published the 2018 scoreboard on financing SMEs and entrepreneurs[85], which summarises the types of measures in place across a selection of OECD countries:

Graph 14: Government policy instruments to foster SME access to loans in 2016

	Government loan guarantees	Government export guarantees, trade credit	Direct lending to SMEs	Subsidised interest rates	Credit mediation/ review/ code of conduct
Austria	X	X	X	X	
Belgium	X	X	X		X
Czech Republic	X	X	X	X	
Denmark	X	X			
Estonia	X	X	X		

[84] See, for instance, Ernst and Young (2014), *Assessment of Member State policies to facilitate access to finance for SMEs*, study conducted on behalf of the European Commission

[85] Only some EU Member States are members of the OECD. The following EU countries provide information to the OECD scoreboard: Austria, Belgium, Czech Republic, Estonia, Finland, France, Greece, Ireland, Latvia, Luxembourg, Poland, Portugal, Spain, Sweden and United Kingdom

Finland	X	X	X		
France	X	X	X		X
Greece	X	X	X		
Hungary	X	X	X	X	
Ireland	X		X		X
Italy	X				
Latvia	X	X	X		
Luxembourg	X	X			
Netherlands	X	X			
Poland	X				
Portugal	X	X	X	X	
Slovak Republic	X	X	X	X	
Slovenia	X		X		
Spain	X	X	X	X	X
Sweden	X	X	X		

These measures carry different costs for public budgets, ranging from significant costs (e.g. government direct lending and loan guarantees), to cost-neutral (e.g. bank targets for SME lending) and to even negative costs (e.g. negative interest rates for bank deposits at the central bank). These measures also imply varying degrees of engagement by public agencies.

The Network of European Financial Institutions for SMEs (NEFI), covering 19 European promotional institutions, estimates that its members supported 454,000 SMEs with more than €60.9 billion of financing in 2015. We complemented these figures by extracting information on SME financing support from annual reports of other national public banks or public guarantee societies in 17 EU countries representing over 88% of EU GDP. In 2015 these institutions mobilised over €77 billion of financing (see Graph 15 below). Assuming a similar proportion of SME support in terms of GDP in other countries, the total amount of financing by public financial institutions in the EU27 can be estimated at over €88 billion in 2015.

The OECD scoreboard on financing SMEs and entrepreneurs provides information on annual amounts of Government-backed guarantees/loans in 2016. 10 EU Member States representing 45% of EU27 GDP supported over €42 billion of guarantees/loans in 2016. Assuming a similar proportion of SME support in terms of GDP in other countries, the total amount of financing by national support schemes in Europe can be estimated at €92 billion in 2016.

Data available on national support is distorted, as existing data does not exclude the impact of support through EU programmes, such as European Structural and Investment Funds, central EU financial instruments or support from the EIB Group, as some of the instruments offered through these institutions are guaranteed under central EU financial instruments. Moreover, the amounts per Member State are not collected based on the same methodology, nor is the focus of all these instruments primarily on SME financing.

Graph 15: Overview of public support for SME debt financing in selected countries

		2015	2016	2015	2016
	Source:	*Annual Reports*	*OECD*	*Annual Reports*	*OECD*
		in billion		as % of GDP	
AT		€ 0.83	€ 0.87	0.25%	0.27%
BE		€ 0.37	€ 0.97	0.10%	0.25%
BG		€ 0.21	€ N.A.	0.21%	N.A.
CZ		€ 0.60	€ 0.19	0.23%	0.07%
DE		€ 20.40	€ N.A.	0.69%	N.A.
EE		€ 0.16	€ 0.08	0.55%	0.27%
ES		€ 9.67	€ 20.97	0.79%	1.69%
FI		€ 1.12	€ 0.55	0.64%	0.31%
FR		€ 21.30	€ 8.40	1.05%	0.41%
HR		€ 0.26	€ N.A.	0.37%	N.A.
HU		€ 0.98	€ N.A.	0.50%	N.A.
IT		€ 15.57	€ N.A.	0.93%	N.A.
LT		€ 0.23	€ N.A.	0.37%	N.A.
LV		€ 0.19	€ N.A.	0.53%	N.A.
NL		€ 0.56	€ N.A.	0.09%	N.A.
PL		€ 3.65	€ 3.72	0.48%	0.49%
PT		€ N.A.	€ 5.71	N.A.	2.46%
RO		€ 1.15	€ N.A.	0.36%	N.A.
SE		€ N.A.	€ 0.35	N.A.	0.10%
UK		€ 0.18	€ 0.24	N.A.	0.01%

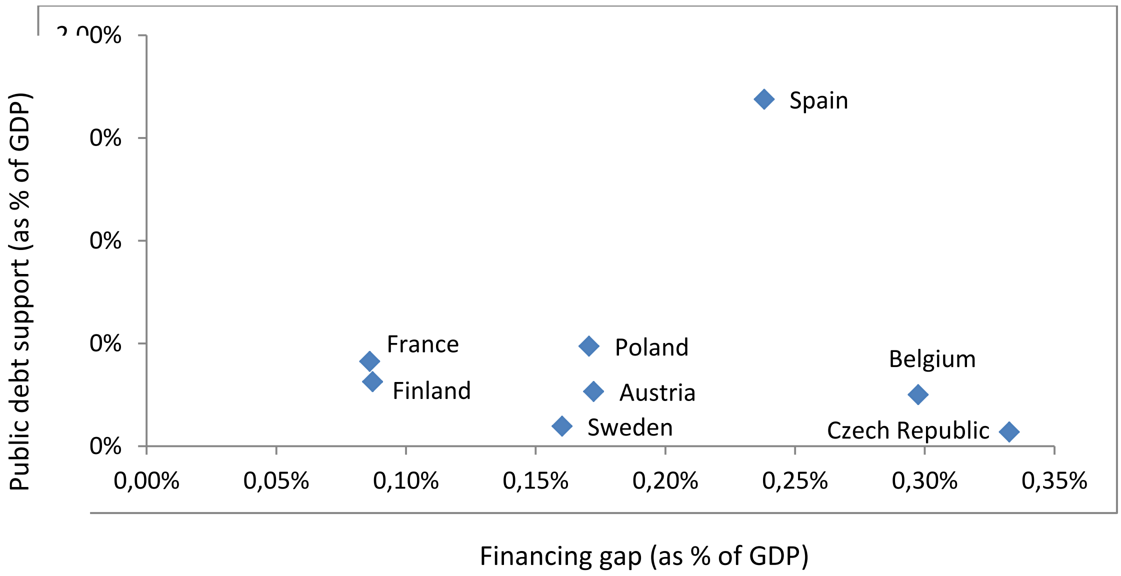
Source: Annual reports of National Public Banks or Public Guarantee Societies, OECD; (N.A. = Not Available)

1.6.4.2. SME debt financing support at Member State level in relative terms

In this section the assessment concentrates on identifying the relative debt financing support at Member State level. For this, an assessment is made of the level of support provided by national debt financial instruments by using data from available studies.[86] Comparing the results across the available data sources is expected to stabilise the findings. In order to compare the results across countries, GDP data is taken to quantify the degree of public support relative to the size of the economy. Graph 15 above provides an overview of the magnitude of national support schemes for SME debt financing as a percentage of GDP in 2015.

As a next step, we compare the results of both exercises: the credit financing gap across EU Member States and the size of public credit support (both relative to the size of the economy as a percentage of GDP). Graph 16 below shows the results of our estimates of the maximum financing gap in selected EU countries in 2016. The table also indicates the order of magnitude of estimated public debt support in the selected countries based on available data from OECD.

Graph 16: Credit financing gap and public support in a selection of EU countries in 2016[87]



The result presents a diverse picture across Member States. Some Member States provide stronger SME debt financing support relative to the size of the financing gap and the size of their economy than others (such as Poland compared to Austria or Sweden compared to Czech

[86] OECD (2018), *Financing SMEs and Entrepreneurs 2018: An OECD Scoreboard*, annual reports of public financial institutions and guarantee societies from 2012-2017

[87] Maximum financing gap as % of GDP (AT=0.17%, BE=0.30%, CZ=0.33%, ES=0.24%, FI=0.09%, FR=0.09%, PL=0.17% SE=0.16%), Government support (OECD data): AT=0.27%, BE=0.25%, CZ=0.07%, ES=1.69%, FI=0.31%, FR=0.41%, PL=0.49%, SE=0.10%

Republic). The above graph indicates that the relative financing gap is unequally addressed across Member States by current national financing programmes.

1.6.5. Outlook and Summary

Future SME financing conditions and financing gap are likely to be affected by several economic, regulatory and policy factors. While the evolution of some specific factors affecting the future development of SMEs' access to finance remains uncertain, the overall prospects appear to point towards a stable or better outlook for SMEs in the EU in terms of access to finance.

Outlook of regulatory framework conditions

According to Commission analysis, compliance with the new capital framework of CRDIV is expected to reduce the stock of loans on average by 1.8% and increase loan rates on average by some 29 basis points by 2020-2030.[88] However, the flow of loans to SMEs should be less severely impacted taking into account the following factors:

- SMEs transact more with smaller banks, whose capital shortfalls are estimated to be lower than other banks;
- in the course of the negotiations it has been agreed to introduce a 'supporting factor' on exposures to SMEs which will 'neutralise' the increase in own funds requirements for loans to SMEs and should ease lending conditions for SMEs over time (see article 501 of Regulation n. 575/2013).

EU economic outlook

The Commission's economic forecast[89] predicts that the EU economy will continue to grow above 2% in the next years. However, growth rates vary widely across EU Member States. Some countries such as Ireland, Malta, Poland, Romania and Slovenia are expected to grow by more than 4% in 2018; whilst growth rates are expected to stay below 2% for Belgium and Italy.

Government debt

SMEs across the EU will face different economic conditions in their home country. The divergence in financing conditions (see section **Error! Reference source not found.**) across the EU is also expected to continue in the future. Public authorities should be able to continue structural, regulatory and policy reforms to continue supporting SMEs. However, some Member

[88] See Commission Staff Working Paper Impact Assessment accompanying the document Regulation of the European Parliament and the Council on prudential requirements for the credit institutions and investment firms –SEC 949(2011)

[89] European Commission 2018 winter economic forecast

States might face more stringent budgetary constraints that will limit their possibility to introduce new support schemes, such as financial instruments. Budgetary difficulties experienced by several Member States may also translate in a further reduction of government support to SME credit.

According to the Commission's forecast[90], public debt will remain above 100% in terms of GDP until 2019 in Belgium, Greece, Italy and Portugal. Elevated debt figures above the EU27 average of 79% will also remain in Cyprus, France and Spain.

The result of the analysis in this section **Error! Reference source not found.** indicates that:

- a significant SME debt financing gap, albeit in a different order of magnitude, exists in every Member State; at EU level the financing gap has reduced to about €25 billion per annum;
- This financing gap is observed, despite the fact that significant efforts are undertaken at Member State level (through Member State resources), through ESIF, through central EU guarantee facilities and through EIB/EIF measures to support debt financing for SMEs;
- The aggregated support to SME debt financing is estimated to be around €113 billion per annum (€90 billion at Member State level, €10 billion through ESIF and €13 billion through central EU guarantees). Without such support the SME debt financing gap would have likely been significantly higher;
- In the next programming period, it is expected that Member States continue supporting SME debt financing at least at the same level through national budgets.
- EU funds under share management should continue to be used at least to the same extent as was the case in previous programming periods to address the difficulties of access to debt finance for SMEs.
- The severity of the financing gap justifies continued support through a central EU SME guarantee, which should complement the efforts of the Member States and focus particularly on those countries where access to debt finance is most pronounced (in absolute and relative terms).

1.7. Lessons learned from the implementation of COSME

The Loan Guarantee Facility for SMEs of the COSME programme has been thoroughly assessed twice. First of all, by the European Court of Auditors in the context of a performance audit, which comprised the COSME Loan Guarantee Facility and the InnovFin SME Guarantee Facility of

[90] European Commission 2017 autumn economic forecast

Horizon 2020 (published December 2017)[91] and, secondly, in the context of the COSME interim evaluation (published January 2018)[92].

These assessments have shown that the Loan Guarantee Facility is working very successfully. It is properly designed to help SMEs, which would otherwise struggle to obtain finance, to grow more in terms of total assets, sales and employees when compared to the general SME population. The impact of the facility could be further strengthened by better targeting the beneficiaries and coordinating better with Member State activities.

In response to the assessments made, the following changes are proposed for the successor programme of COSME:

- Improve the internal coherence of different parts of the programme, better linkages will be established by further strengthening the existing cooperation with the Enterprise Europe Network[93] (use the Enterprise Europe Network as a stronger signposting element);
- Seek better upstream co-ordination between financial instruments for SMEs established by Member States and those established under the SME window of the InvestEU Fund by using the existing SME Envoys Network[94] as an information exchange forum;
- Reduce administrative burden for SMEs and financial intermediaries and improve the impact of the SME guarantee facility by eliminating the €150,000 threshold.

1.7.1. Observations made by the European Court of Auditors[95]

As highlighted already in the title of the dedicated European Court of Auditors' report, the Loan Guarantee Facility (LGF) has achieved the positive results intended but needs better targeting of beneficiaries and more coordination with national schemes.

The Court concluded that "the main aim of the Loan Guarantee Facility [….] has been to foster growth. Econometric evidence shows that the loan guarantees delivered what they were designed to do. They helped beneficiary companies grow more in terms of total assets, sales, employee numbers and productivity".

91 European Court of Auditors (2017), *EU-funded loan guarantee instruments*, Special Report Number 20
92 http://ec.europa.eu/DocsRoom/documents/28084
93 https://een.ec.europa.eu/
94 http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys_en
95 ECA Special report No 20/2017: https://www.eca.europa.eu/Lists/ECADocuments/SR17_20/SR_SMEG_EN.pdf

However, the Court also concluded that a future facility should better target viable businesses lacking access to finance and that there should be better co-ordination between central EU guarantee facilities and those established at national level.

1.7.2. Conclusions from COSME interim-evaluation

The interim evaluation[96] concluded that the COSME LGF has been successfully set up and is fully on track to deliver on the targets set in terms of SMEs to be financed and volume of financing to be made available. The evaluation confirms that the "COSME actions fully respond to the SMEs' current needs to access finance".

The interim evaluation has concluded that, after fully eliminating the dead-weight effect, for each €1 million invested into the LGF (effects fully attributable to the Loan Guarantee Facility):

- additional employment of 491 will be created;
- an additional €22 million in turnover will occur in beneficiary SMEs;
- 470 SMEs will be supported.

While acknowledging – based on the available evidence – the ability of the COSME financial instruments to deliver a financial support to the SMEs that most needed it, the evaluators identified several areas for improvement:

- Better links between financial instruments and other parts of the future SME programme
- Better co-ordination between financial instruments and national EU schemes
- Discontinuation of the €150,000 threshold, which has a negative impact on the efficient delivery of the guarantee facility and created a significant administrative burden.

The interim evaluation recommends that a future EU loan guarantee facility should help to ensure "a more level playing field for SMEs […] in those countries where, according to current studies, the needs among SMEs are highest." As regards the existing Equity Facility for Growth, the interim evaluation concluded that the facility is effective. Nevertheless, it is recommended to reduce the number of financial products and to align the Equity Facility for Growth with the equity facilities established under EFSI.

1.7.3. Responses to the Open Public Consultation (OPC) with regard to the COSME programme

The OPC on 'EU funds in the area of investment, research & innovation, SMEs and single market' was conducted between 10 January 2018 and 9 March 2018. A total of 4,047 responses were received.

[96] Technopolis (2017): "Interim Evaluation of the COSME Programme – Final Report"

According to the responses received, facilitating access to finance, in particular for SMEs, remains one of the key challenges, with over 50% of respondents indicating that it is very/rather important.

Facilitating access to finance, in particular to SMEs, is:	Responses provided	In %
Very important	1,067	26.4
Rather important	1,299	32.1
Neither important nor unimportant	814	20.1
Rather unimportant	249	6.2
Not important at all	104	2.6
No opinion / no reply	514	12.6
TOTAL	4,047	100

The respondents were also asked to what extent the current policies successfully address the identified challenges. The replies submitted indicate that the current policies address the challenge of access to finance, in particular to SMEs, to a certain extent.

Only 207 responded that this challenge is fully addressed, while 1,036 responded that it is addressed fairly well. 1,253 respondents indicated that this challenge is addressed to some extent only, while 216 said that it is not addressed at all. A total of 1,335 respondents either indicated that they had no opinion on this issue or did not provide any reply.

The Commission has preliminarily identified a number of possible obstacles that could prevent the current programmes/funds from achieving their objectives. Insufficient use of financial instruments was suggested as one of the possible obstacles. In replying to this question, 278 respondents indicated that insufficient use of financial instruments is an obstacle to a large extent and 758 to a fairly large extent. 1,149 replied that it is an obstacle to some extent only and 567 not at all.

These findings are confirmed in stakeholders' position papers. Replies indicate, in particular, that financing conditions remain challenging for businesses, especially for the smaller ones, in many parts of Europe.

Stakeholders' comments also support the continued availability of financial instruments that facilitate access to finance, in particular to SMEs and start-ups. Respondents also stressed that the amount of funding dedicated to COSME financial instruments should be higher in the future programming period.

A number of respondents highlighted the positive impact of centrally managed financial instruments, in particular the COSME Loan Guarantee Facility, when combined with funding from national and regional resources (including under ESIF).

However, there seems to be an agreement that the financial instruments at the EU, national and regional levels should be better aligned and optimised.

Regarding the practical implementation of the centrally-managed financial instruments relative to SMEs, stakeholders indicated, amongst others, the following elements:

- Financial instruments at the EU level should be merged and one SME window should be created under the InvestEU Fund;
- The instruments should be designed to allow the combination of different sources of funding (e.g. EU funding with resources at Member States' level, including from ESIF, financial instruments with grants) in a flexible way;
- The design of the SME financial instruments should be such as to ensure flexible and comprehensive coverage and to allow new, currently unforeseen market failures to be addressed;
- The current ceiling of € 150,000 applied under COSME LGF should abandoned;
- Regarding COSME LGF, some respondents advocate an extension of the current maximum guarantee coverage period beyond 10 years and abandoning the (counter-) guarantee cap rate;
- The implementation of SME financial instruments should be as simple as possible;
- State aid rules applicable to financial instruments should be simplified.

2. THE OBJECTIVES OF THE SME DEBT GUARANTEE FACILITY

2.1. Key features of the Loan Guarantee Facility under COSME

The European Commission has entrusted the EIF with the implementation of this facility due to the EIF's proven ability to implement European schemes across the Member States and participating countries.

The COSME Loan Guarantee Facility is being successfully implemented, both in terms of geographic scope and in terms of reaching the right beneficiaries, i.e. viable SMEs that have problems in accessing finance.

A loan guarantee is a commitment by a 'guarantor' regarding the repayment of a loan received by an enterprise from a commercial bank. In practice, if the borrower fails to repay the loan, the guarantor steps in and pays the bank. In order to minimise the risk of moral hazard, loan guarantees typically provide only partial protection against the risk of default, with the 'guarantee rate' typically ranging between 50% and 80%. Loan guarantees are issued by specialised entities, the so-called Credit Guarantee Schemes (CGS), which may be public entities (sometimes with a corporate form) or self-help organizations established by business associations, the so-called 'mutual' CGS.[97]

Loan guarantees play a role in cases where commercial providers of finance will only provide finance against collateral requirements that an SME cannot meet, because the SME either has no collateral or only insufficient collateral to offer (SMEs considered to be too high a risk). In such cases, CGS step in and, in lieu of providing collateral, the SME will offer a guarantee from the CGS to the commercial lender, for which the SME generally has to pay a fee to the CGS.

Loan guarantees are also used by public entities (e.g. regional or national promotional banks - NPBs) that work through on-lending schemes. Under such on-lending schemes the NPBs create debt financing products that are not offered by the NPBs directly but through the commercial banking sector with whom the NPBs co-operate. In such cases the SME will conclude the financing contract with the commercial bank but each individual financing transaction is guaranteed through the NPB. As is the case for the CGS, guarantee rates typically range between 50% and 80% depending on the product offered and the risk inherent to such products.

This section describes some of the successful features of the COSME Loan Guarantee Facility, which are supposed to be maintained in the successor facility. A continuation of these characteristics will facilitate successful implementation and allow for a smooth transition from the current EU guarantee facilities to the SME guarantee facility in the next programming period. Subsequent sections will describe which features need to be adapted to address recommendations from evaluations and changing market conditions.

2.1.1. Coverage of higher-risk SME financing transactions

The COSME Loan Guarantee Facility is geared towards supporting any type of SME higher-risk financing transaction. From a technical point of view, this is being achieved by offering portfolio guarantees free of charge to financial intermediaries across the participating countries. In return for such free-of-charge guarantees, financial intermediaries must commit to build portfolios of new financing transactions that constitute higher-risk financing or to significantly increase the volumes of existing higher-risk SME financing products.

[97] Combined ex-ante evaluation and impact assessment of the successor to the Entrepreneurship and Innovation Programme under the Competitiveness and Innovation Framework Programme 2007-2013 of 24 May 2011

SME lending that financial intermediaries are conducting under their existing credit policies (i.e. risks that financial intermediaries are comfortable managing without public support), and for which sufficient resources are available, are excluded from the potential coverage of the guarantee.

In order to operationalise the concept of supporting only higher-risk SME financing transactions, two options are available for potential financial intermediaries:

1. A financial intermediary chooses to create a lending product that has significantly higher expected losses than existing lines of business, which can be achieved through the following means:
    a. A dedicated start-up debt financing product is created (only possible for those cases where such dedicated start-up products do not yet exist or would not exist without EU support);
    b. Features of existing debt financing products are changed, such that the expected losses will increase (e.g. existing products are now offered with much longer financing durations or significant reduced collateral requirements – hard collateral requirements may be reduced to nil);
    c. Financing products are offered to previously excluded groups (e.g. certain sectors), provided it can be shown that by making financing available to such groups expected losses increase significantly;
    d. A financing product with a significantly higher risk profile is set up (e.g. subordinated financing).

2. A financial intermediary commits to increase significantly the volume of existing higher-risk financing products (EU guarantee is only provided in those cases in which the higher volumes are met).

The above approach, which provides a framework for risk-taking requirements within which debt financing products can be established, has proven to be a key element for the successful implementation of the SME Guarantee Facility under COSME.

First of all, the approach has ensured that the support provided in the form of guarantees or counter-guarantees is additional to what has already been supported by financial intermediaries in the market.

Secondly, the approach has provided significant flexibility for financial intermediaries to set up those higher-risk products that are suitable for the particular geographies and contexts within which they operate. Such flexibility is key to addressing the significant differences in debt financing markets. As pointed out in section **Error! Reference source not found.**, the debt financing markets in the Member States differ significantly in terms of the risk appetite of financial intermediaries, the type of SME financing products offered, the collateral required and the public support schemes provided.

The result of this approach is that financial intermediaries have started creating financing products that, in such form, did not previously exist in their respective markets and have therefore offered financing to SMEs that would have had difficulties in obtaining finance or would have obtained finance under sub-optimal conditions (with shorter maturities or with higher collateral requirements). Some financial intermediaries have also chosen to create dedicated financing products for specific sectors (e.g. agriculture) for which such support schemes did not exist before.

2.1.2. Capped versus uncapped portfolio guarantees

The EU has a long tradition in providing capped portfolio guarantees to support SME financing. When the ex-ante assessment for the COSME Loan Guarantee Facility[98] was established, the creation of an uncapped guarantee facility was contemplated and was subsequently established under Horizon 2020 as the InnovFin SME Guarantee facility. A model for an uncapped SME guarantee facility was also established under the SME Initiative launched in 2012[99].

Under the capped model used for COSME, the cap rate is set individually, based on the expected losses of the future portfolio (maximum permissible cap rate is 20%[100]) and the individual guarantee rate is set at a maximum of 50%. This means, in practice, that up to half of the expected losses of a future portfolio are covered through the COSME guarantee; the remaining risk has to be borne by the financial intermediary.

Simplified example[101]: Let's assume a financial intermediary is willing to commit to building a new portfolio of financing transactions with start-ups only for a total volume of €100 million, and the expected losses of such future portfolio are 15% (i.e. a total of €15 million). The COSME guarantee covers half of such expected losses, i.e. €7.5 million. This is the budget amount allocated to such transaction. The remaining risk remains with the financial intermediary.

If an uncapped approach were to be deployed, then half of all potential losses (expected and unexpected) would have to be borne under the EU guarantee. The Graph 17 below illustrates the two examples.

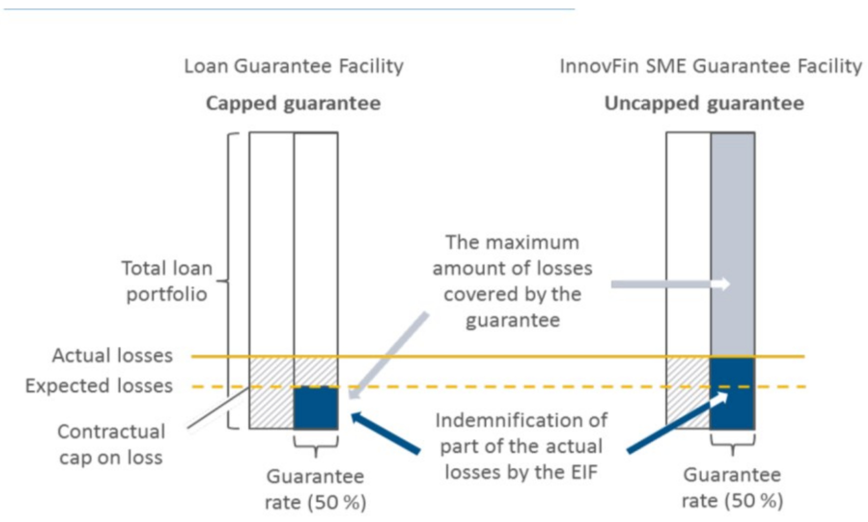
98 Economisti Associati et al. (2011), *Combined ex-ante evaluation and impact assessment of the successor to the Entrepreneurship and Innovation Programme under the Competitiveness and Innovation Framework Programme 2007-2013*

99 SWD(2013) 517

100 Observed cap rates across guarantee agreements signed as of 30/09/2017; average at about 10%

101 The implementation can be much more complex, depending on whether guarantees or counter-guarantees are provided. Especially in the case of counter-guarantees, it is possible that multiple financial intermediaries are involved in the implementation chain.

Graph 17: Capped and uncapped guarantee



Source: Court of Auditor's Special Report N° 20/2017

While it has been pointed out in the COSME ex-ante assessment that an uncapped approach would potentially extend the reach of the facility, as more financial intermediaries may be interested in applying, practice has demonstrated that the capped approach, which provides for a significantly higher leverage, has been sufficient to entice financial intermediaries to apply and to encourage them to create higher-risk debt financing products. Implementing a capped model also means that no 'balance sheet' is required from the entrusted entity implementing the facility (the European Investment Fund).

The main financial intermediaries under the COSME LGF are national & regional promotional institutions and public & private guarantee schemes. These institutions have been willing to accept a central EU capped guarantee, which they have turned into uncapped guarantees vis-à-vis the commercial lenders in their respective markets, sometimes at guarantee rates of up to 80% (e.g. in the case of supporting the financing of start-ups). By using the 'balance sheets' of these financial intermediaries, the COSME LGF has been efficiently implemented and combined effectively with national/regional resources.

As of 09/2017, 43% of the LGF budget had been implemented through Credit Guarantee Schemes, 29% through national/regional promotional institutions, 24% through commercial banks and 4% through leasing companies. The implementation through commercial / private financial intermediaries occurs largely in those countries where no national support schemes are available or where the commercial sector is not able to obtain support under national schemes.

2.1.3. Successful implementation of the COSME Loan Guarantee Facility

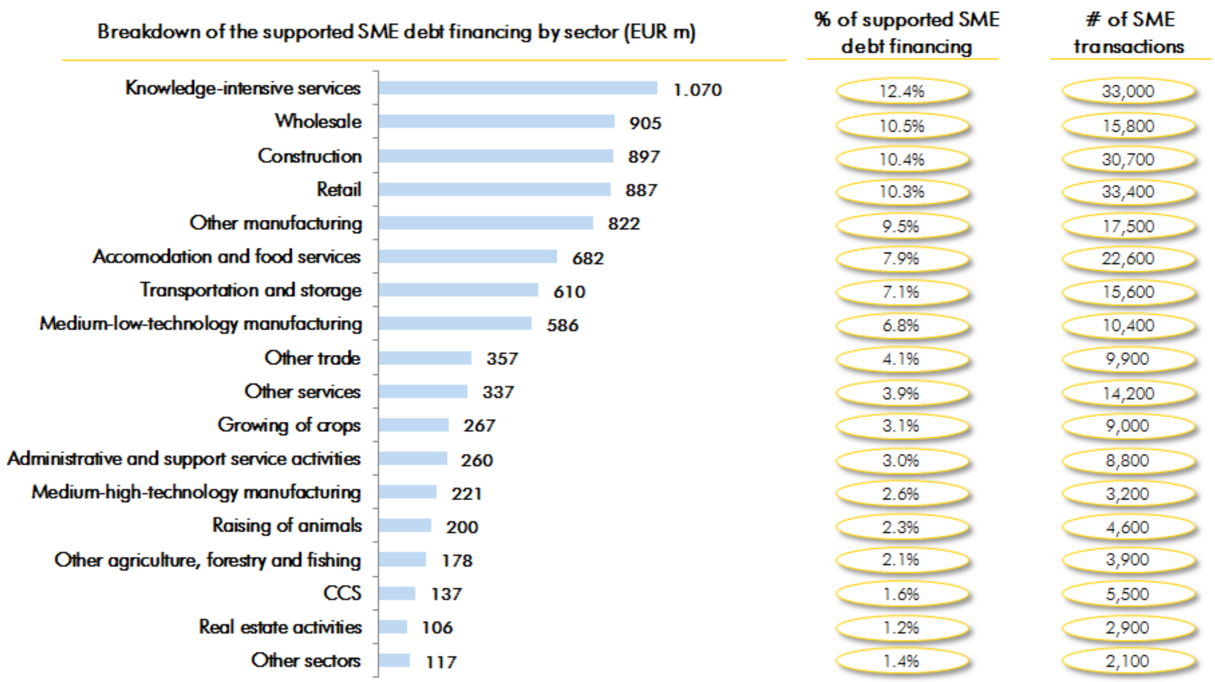
The budget allocated to the LGF (expected to be €950 million for the period 2014–2020) has been insufficient to meet market demand and therefore a top-up of €550 million has occurred under the SME Window of the European Fund for Strategic Investments.

As of 09/2017, the EIF had signed guarantee operations with financial intermediaries for a total of €790 million (i.e. budget allocated to guarantee operations signed). Under these signed guarantee operations, intermediaries are expected to provide a total of €25 billion to over 700,000 SMEs[102]. Actual financing already provided stands at €10.4 billion (to 237,000 SMEs) as of 09/2017.

The Loan Guarantee Facility is effective in reaching those SMEs which experience particular difficulties in obtaining finance, namely start-ups (defined as businesses in their first five years of existence), which account for almost 50% of all SMEs supported (as of 09/2017). Furthermore, 91% of all supported enterprises are micro-enterprises. The facility is also successful in supporting SMEs in a wide range of sectors. Over 12% of support has gone to knowledge-intensive services so far but support has also gone to SMEs in the more traditional sectors, such as wholesale, retail and construction and manufacturing as indicated below.

Graph 18: Breakdown of support by COSME LGF by sector

[102] Once a guarantee agreement is signed, the financial intermediary is generally allowed a period of up to 3 years to generate the new SME higher financing transactions. These numbers will be achieved if the financial intermediaries generate the new SME financing as planned at the time of signature of the guarantee agreement.



Source: EIF reporting to Commission as per 30/09/2017 (CCS: creative and cultural sector)

The average transaction size stands at €35,500. This is significantly lower than the average transaction size under the SME Guarantee Facility of the Competitiveness and Innovation Framework Programme (the predecessor facility), where the average transaction size was approximately €65,000. The low average transaction size under COSME is most likely due to the €150,000 threshold introduced under the COSME LGF, above which financial intermediaries must (by means of a checklist) demonstrate that an SME is in principle not able to comply with any of the more than 10 different innovation criteria established under the InnovFin SME guarantee facility of Horizon 2020.[103] This application of the checklist has been criticised during the mid-term evaluation and the OPC as too onerous and cumbersome (significant administrative burden) for financial intermediaries and SMEs and has been mentioned as blocking an efficient implementation of the facility.

2.2. Key challenges for the SME Loan Guarantee Facility (COSME+)

The key challenge to the implementation of an SME guarantee facility under the next Multiannual Financial Framework period will be to operate under the following market conditions:

[103] http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/

5. **Continued central EU-level support is required but more focused on Member States with the most severe market gaps**: Following the financial crisis, a significant number of policy interventions, coupled with positive economic developments, have led to an improvement in the availability of bank finance and the conditions for access to finance have, on average, recovered[104]. However, at aggregate EU level, pre-crisis levels in terms of volume of lending have not been reached yet. Furthermore, significantly differing market gaps in access to debt finance, coupled with differing degrees of public support activities in the Member States require a facility that is more responsive to those Member States requiring most support. Member States alone will not be able to sufficiently address the market gaps, even if they were to double the use of financial instruments under EU funds under shared management during the period 2021–2027 (please see section **Error! Reference source not found.** for a detailed analysis).

6. **Continued use of a fully flexible SME guarantee scheme needed**: Significantly differing access to finance conditions in terms of risk appetite, diversity of product offering, collateralisation requirements and interest rates charged across Member States require a continued flexible design of the guarantee facility (please see section **Error! Reference source not found.** for a more detailed analysis) so as to allow the tailoring of interventions suitable for the respective market.

7. **Simplification of central EU guarantee support schemes for SMEs needed while maintaining the integrated SME support under the COSME+ programme:** As set out in the Reflection Paper on the Future of EU Finances[105], there is a '*need to ensure policy coherence among EU instruments to ensure that they all support EU objectives and facilitate reforms in Member States. For instance, in the area of SME financing the same beneficiaries may be eligible to receive support through several instruments covered under different programmes (COSME, Horizon 2020 and EFSI) or implemented by Member States through cohesion policy. This overlapping product offer has caused some confusion for financial intermediaries as to which scheme to apply. Rules and conditions applying in the same policy area should be aligned*.' It is therefore necessary to couple the integrated SME support provided under a future COSME+ programme with the benefits of a streamlined implementation of instruments under the future InvestEU Fund.

8. **Fintech companies as potential challengers to banks as the main providers of SME debt finance**: The financing of SMEs in Europe through the banking sector has a long tradition. However, the banking market is undergoing significant structural changes. The number of financial institutions is continuously reducing and new players (fintech) are emerging who are ready to challenge the traditional banking sector. *'There is no doubt that the landscape has changed for banks. [.....], the digital revolution is lowering cost, distance, time and barriers to entry, creating space for new fintech players to enter the*

[104] Survey on the Access to Finance of Enterprises in the euro area April to September 2017, section 3.1: https://www.ecb.europa.eu/pub/pdf/other/ecb.accesstofinancesmallmediumsizedenterprises201711.en.pdf?beb1832df4af9efa945a5a1f7b99eeb7

[105] https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

market'[106]. Despite the fact that fintech is a nascent industry, it is likely to have an impact on the SME financing markets in the next 10 years. While many banks are investing heavily in technology, industry experts have gone as far as to state that *'Banks may face their "Kodak moment" unless they embrace disruptive technologies. However, since banks are profiting from business-as-usual, there is little incentive for them to innovate and cannibalize their own business'*[107].

2.3. Objectives of the SME Loan Guarantee Facility

As set out in sections **Error! Reference source not found.** to **Error! Reference source not found.**, SMEs are heavily reliant on debt finance during their start-up phase and when trying to grow their business but a significant number are facing obstacles in obtaining the financing they need.

The objective of the SME guarantee facility is to support such SMEs as they play a significant role in supporting the Commission's policy priorities of creating jobs and boosting growth. Indirectly, the SME guarantee facility is also expected to contribute to

- easing the transition to a circular economy
- promoting the internationalisation of European businesses
- fostering a stronger digital single market
- strengthening the financial capacity of the cultural and creative sectors
- supporting farm investments for restructuring and modernisation, as well as rural entrepreneurship
- improving energy efficiency
- decarbonising the economy

and to support any new policy priorities which may emerge in the future.

In order to address the SME debt financing market gap, guarantee instruments are considered to be the most appropriate implementation option, as they have proven their worth and provide relief for the risk-aversion of the financial sector identified in section **Error! Reference source not found.**. SME lending is held back by the willingness of the banking sector to accept SME risk rather than by a lack of liquidity. In addition, guarantees tend to significantly leverage the available EU resources.

The objective for the SME guarantee facility is to build on the successful structure of the existing COSME Loan Guarantee Facility, which, despite its relatively low budget resources, has a

[106] http://www.smefinanceforum.org/post/banks-and-fintech-companies-come-together-to-discuss-vision-2030-for-small-business-finance
[107] http://www.smefinanceforum.org/post/banks-and-fintech-companies-come-together-to-discuss-vision-2030-for-small-business-finance

significant positive impact due to its high leverage (see section **Error! Reference source not found.** for the design features of the facility). In addition, the objective is to take into consideration the lessons learned from the implementation of the LGF (see section **Error! Reference source not found.**). Going forward, it is envisaged to adapt some roll-out features to increase the efficiency and the impact of the facility.

Features of the LGF which will be maintained

It is anticipated that the guarantee facility will continue to support higher-risk SME financing transactions, i.e. financing transactions with a perceived higher risk by the intermediary, as well as those transactions for which SMEs have no or insufficient collateral.

The capped guarantee model has also proved its efficiency in terms of achieving significant leverage, while being effective in enticing financial intermediaries to support higher risk financing transactions. The cap rate will continue to be set at the level of the expected losses of a future portfolio. It is anticipated that the individual guarantee rate for the financing transaction will remain at 50%. A higher guarantee rate may be contemplated for those types of higher-risk financing transactions that financial intermediaries would otherwise not be willing to support (an approach pursued for specific sectors of political priority).

An uncapped guarantee approach may be envisaged in duly justified circumstances, i.e. in those situations where no financial intermediary is willing to serve identified market gaps on the basis of a capped guarantee.

It is also anticipated to maintain the flexible approach, i.e. allowing financial intermediaries to determine which types of higher-risk financing products are most appropriate for their particular market. For example, a focus on start-ups or on subordinated financing, significantly reducing collateral requirements. However, financial intermediaries may also decide to focus on financing of projects that support broader policy objectives, e.g. in the area of digitisation or internationalisation, provided that it can be demonstrated that the respective transactions have a higher inherent risk than the transactions that the financial intermediary finances within its normal business practices.

Features of the LGF which are expected to be adapted

The COSME Loan Guarantee Facility was rolled out purely based on demand (first come, first serve) and it was broadly advertised throughout all Member States, regardless of the severity of the financing gap per Member State. Going forward, efforts will be made to

- track the debt financing gap per Member State on a continuous basis (update at least on an annual basis) based on the methodologies laid out in section **Error! Reference source not found.** of this assessment. To this end, the regular access to finance surveys of the ECB will continue to be supported through the COSME successor programme;

- map the available debt financial instruments for SMEs at Member State level and ensure better upstream coordination between financial instruments for SMEs established by Member States and those established under the SME Window of the InvestEU Fund, with strong involvement of the existing SME Envoys Network[108];

- concentrate the marketing of the facility predominantly on those countries with the highest identified market gap (absolute amounts and relative to GDP);

- ensure that the central SME guarantee facility acts as support of last resort. It could be envisaged that, as part of the application process, a financial intermediary has to declare that the higher-risk financing transactions for which the guarantee coverage is requested can in principle not be covered through an existing national or regional support scheme. In this regard, the mapping exercise referred to above would serve as useful input;

The €150,000 threshold established under the COSME Loan Guarantee Facility is seen as hampering an efficient roll-out of the facility and as creating an unjustified administrative burden for financial intermediaries and SMEs. The threshold should therefore be eliminated.

The SME guarantee facility will not be implemented on a stand-alone basis but under the SME window of the InvestEU Fund. While the budgetary resources will come from the COSME+ programme and will thereby allow the provision of integrated SME support out of one programme, efficiencies will be created through streamlined implementation under the InvestEU Fund (see section **Error! Reference source not found.**).

[108] http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys_en

3. STRUCTURE AND PRIORITIES

2.4. Priorities

The objective is to ensure that support measures are sufficiently resourced and that no instruments are created that have a sub-optimal size. Given the importance of access to debt finance for SMEs in the EU27, it is proposed to use all available budgetary resources to support only guarantees and counter-guarantees for portfolios of debt finance operations under COSME+.

The existing option under the COSME Loan Guarantee Facility to support securitisation transactions, i.e. provide guarantees for a mezzanine tranche of securitisation transactions, has not met any market demand (the same had been observed for the Securitisation Window under the predecessor programme – the Competitiveness and Innovation Framework Programme (CIP)). It is therefore suggested that this implementation option is discontinued under the COSME+ programme.

Moreover, an equity support instrument will be created under the SME Window of the InvestEU Fund, providing seamless support for SMEs and small mid-caps from the pre-seed stage all the way to the expansion and growth stage. Such a broad-based facility will enable flexibility, create economies of scale, operate more efficiently and be easier to market to potential financial intermediaries. Therefore, it is suggested to discontinue equity support under COSME+ and focus only on the guarantee facility.

2.5. Expected minimum size for the intervention

The expected minimum size of the intervention, about €1.2 billion, comprises the total budget for financial instruments under the existing COSME programme reduced by 15% (baseline scenario).

As the SME guarantee facility will be implemented through the SME window of the InvestEU Fund, which is based on a budgetary guarantee rather than a fully funded financial instrument, a budget of €1.2 billion transferred to a budgetary guarantee translates into available resources of €1.5 billion (based on an expected provisioning rate of 85%).

The anticipated leverage for this facility ranges between 1:15 and 1:25. With available resources of €1.5 billion, new higher risk debt financing of €22.5 billion to €37.5 billion over the lifetime of the programme could be made available. On average, it is expected that between €3.2 and €5.4 billion would be made available annually.

2.6. EU-added value of the intervention

The Better Regulations Guidelines[109] identify 3 potential sources of EU added value:

- Effectiveness: where EU action is the only way to get results to create missing links, avoid fragmentation and realise the potential of a border-free Europe.
- Efficiency: where the EU offers better value for money because externalities can be addressed, resources or expertise can be pooled, an action can be better coordinated.
- Synergy: where EU action is necessary to complement, stimulate and leverage action to reduce disparities, raise standards and create synergies. This can notably include the promotion of EU goals and policy priorities.

The EU added value of the SME guarantee facility to be set up under the SME window of the InvestEU Fund will be to:

- improve effectiveness by addressing market gaps through supporting cross-border financing solutions: despite the fact that SMEs rely largely on national or regional providers of finance, there is a small, nascent market for financial intermediaries that provide finance on a cross-border basis,

- improve effectiveness by fostering the transfer of best practices between financial intermediaries with a view to encouraging the emergence of a broad product offering for higher-risk SMEs suitable for their specific financing needs across the Member States. Transferring skills and capacity building across Member States could play a significant role in aligning national policies, in reducing the competitiveness gap between European economies and in accelerating economic growth in Europe;

- improve efficiency through economies of scale (i.e. Member States may be reluctant to create support schemes on their own because of cost efficiency considerations, lack of critical mass or expertise, so a EU response is essential to avoid even bigger market fragmentation and disparities).

- create synergies by addressing market gaps not addressed at regional or national level: the market gap analysis has demonstrated that the size of the SME debt financing market gap is significant, despite considerable interventions at Member State level and through central EU guarantees for SMEs. This will help to address persistent market fragmentation and therefore strengthen the Single Market;

- create synergies by addressing market gaps in clearly defined underserved economic sectors and in those contributing to the achievement of EU policy priorities.

[109] Better Regulations Guidelines tool #42 "identifying the evaluation criteria and questions"

4. DELIVERY MECHANISMS OF THE SME LOAN GUARANTEE FACILITY

2.7. Delivery of the SME loan guarantee facility through the SME window of the InvestEU Fund

The reflection paper on the future of EU finances[110] proposes to integrate the various EU financial instruments into a single fund that would provide loans, guarantees and risk-sharing instruments. This will help to simplify access to EU financial instruments, as well as being more efficient.

In line with the Commission's overall objectives of streamlining, increasing efficiency and achieving better visibility of the EU support, the SME guarantee facility will be implemented under the SME Window of the InvestEU Fund and under the rules (e.g. in relation to implementing bodies, for financial intermediaries, State Aid, monitoring, reporting, auditing, budgetary management, etc.) established for the InvestEU Fund by the respective regulation.

To this end, the allocated budget under the COSME+ programme will be made available to the guarantee fund linked to the InvestEU Fund, with the caveat that such resources shall underpin the implementation of an SME guarantee facility focused on supporting higher-risk SME financing transactions under the SME window of the InvestEU Fund.

The delivery of the guarantee facility under the InvestEU Fund is more efficient, as the InvestEU Fund is based on a budgetary guarantee rather than a fully-funded financial instrument. Example: A budget of €1.0 billion transferred to a budgetary guarantee translates into available resources of €1.18 billion (based on an expected provisioning rate of 85%) and therefore immediately leads to higher leverage.

2.8. Scenarios for intervention

In this section we compare three different options for intervention.

Starting from the baseline scenario, we already assume that all budgetary resources will only be made available for providing (counter-) guarantees for the creation of higher-risk SME financing portfolios.

Furthermore, using a budgetary guarantee (instead of a fully-funded instrument) has proved to be a more efficient use of limited budgetary resources. We therefore propose implementation of the guarantee facility under a budgetary guarantee, which is expected to be provisioned for

[110] https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

at 85%. This provisioning level would enable increase of available budgetary resources for investments by 1.18 times.

The COSME interim evaluation has concluded that, after fully eliminating the dead-weight effect, for each €1 million invested into the LGF:

- additional employment of 491 will be created;
- an additional €22 million in turnover will occur in beneficiary SMEs;
- 470 SMEs will be supported.

Scenario 1

The budget for the baseline scenario is based on the current COSME budget reduced by 15%, which assumes that €1.2 billion will be made available for the budgetary guarantee. With an 85% provisioning rate, this would enable investments of €1.41 billion, which is broadly in line with the expected full budget of COSME Loan Guarantee Facility supported by EFSI for the period 2014-2020. This budget would allow the EU intervention to be kept at the same level and therefore the market gap would not increase by a further €4 billion annually, while contributing to the creation of more than 690,000 jobs over the programme implementation period.

Scenario 2

In the second scenario, we consider discontinuation of the EU intervention. This approach would create negative impacts on the market, as it would contribute to a further increase of the market financing gap and a decrease in the level of investment and turnover, while also contributing to a decrease in employment levels. This scenario is disregarded due to its highly negative impacts on the economy.

As set out in section **Error! Reference source not found.** of this report, the overall conservatively calculated market gap for new SME financing in the EU27 over the 7-year period (2011–2017) has come down from €42 billion in 2014 to less than €30 billion in 2017. The financing gap in Europe would be much higher without the effect of central EU financial instruments. If the LGF support were to be discontinued, an annual average support of €4 billion would be lacking and the SME debt financing gap would increase even further.

Assuming similar financing conditions in the future, Member States would need to substantially increase their national financial instruments if a central SME guarantee facility was not continued in the next programming period.

The budget committed to debt financial instruments under EU funds under shared management would need to almost double in the next programming period to make up for the loss of central debt financial instruments. Alternatively, Member States would need to increase their national financing programmes by more than 10%.

Scenario 3

This scenario proposes a significant increase in the budget for support of SME financing. This would give the European economy a strong investment and employment boost. A budgetary guarantee of €3.5 billion would enable investments of €4.12 billion, enabling a wide range of interventions and specific intervention in areas requiring higher risk coverage.

It is expected that such an intervention would contribute to the creation of more than 2,000,000 jobs over the programme implementation period. Moreover, the market gap for SME finance would be positively impacted, with approximately €8 billion of additional financing compared to the baseline, which is approximately 30% of the median market gap from our analysis. Therefore, the preferred option would be to significantly increase the budget and close a major part of the SME financing gap.

Scenario / Impact	Scenario 1: Baseline €1.2 billion budgetary guarantee	Scenario 2: Discontinuation of the activity No budgetary allocation	Scenario 3: Significant increase in resources €3.5 billion budgetary guarantee
Employment maintained or created	690,000 jobs	Decrease in employment	2,000,000 jobs
Additional turnover expected in beneficiary SMEs	€31 million	Decrease in turnover	€90 million
Number of SMEs to be supported	663,000	No support provided	1,935,000
Volume of financing supported	€28 billion	No support provided	€82 billion

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Measuring the impact of a financial instrument on employment and growth is a complex exercise and is only possible several years after the intervention occurred, i.e. after the SME has received the financing. The tool used in order to determine economic impacts is econometric studies.

The Commission has started to conduct econometric studies for selected markets to evaluate the impact of past EU SME guarantee instruments (established under the Competitiveness and Innovation Framework Programme). Such work will be further extended for the proposed SME guarantee facility.

In order to ensure that the allocated budget is meaningfully spent and leads to triggering the financing of SMEs that would have otherwise had difficulties in obtaining finance, milestones can be established and their accomplishments can be monitored. Not reaching a milestone will already provide first indications of whether a facility is on track to achieving the intended results.

Once a number of milestones have been reached, outputs can be quantified and can be compared to proposed targets. The achievement of impacts will only be measurable ex-post, i.e. after the guarantee facility has been fully implemented, which is expected to be three years following the end of the programme period.

Proposed milestones/outputs/ monitoring of the SME guarantee facility

	Initial two years of the programme	Medium-term	Long-term	How would this be monitored?
1. Signature of agreement with entrusted entity (As the SME guarantee facility will be implemented through the **SME Window of the Single Fund**, the	X **Target: within first year of the programme**	N/A	N/A	Annual operational report from entrusted entity

agreement for the single fund will have been signed and the respective product annex covering the SME guarantee facility will have been included)				
2. Launch of call for expression of interest[111]	X **Target: within first year of the programme**	N/A	N/A	Annual operational report from entrusted entity
3. Signature of agreements with financial intermediaries	X **Target: first agreement signed within first year of the programme**	X **Target: within the first three years, guarantee agreements signed in at least half of the countries identified as having a significant financing gap that is not covered through national/regional interventions (measured in % of GDP)**	X **Target: by the end of the programme period, guarantee agreements signed in all of the countries identified as having a significant financing gap that is not covered through national/regional interventions (measured in % of GDP)**	Annual operational report from entrusted entity; reports on transactions signed DG GROW to track financing gap for SMEs per Member State on a regular basis (at least once per year) through continuously integrating latest available data[112]
4. Additionality of transactions / no crowding-out of existing national/regional support schemes	X **Target: no justified complaints in writing about clearly identifiable crowding-out effects from national/regional support schemes**	X **Target: no justified complaints in writing about clearly identifiable crowding-out effects from national/regional support schemes**	X **Target: no justified complaints in writing about clearly identifiable crowding-out effects from national/regional support schemes**	Annual operational report from entrusted entity (entrusted entity to report how existing support schemes have been taken into consideration when deciding on the scope of the guarantee agreements signed) COM to monitor official complaints

[111] In accordance with Article 208 (4) of Financial Regulation 2018 (forthcoming)
[112] In accordance with Article 209 (2) (h) of Financial Regulation 2018 (forthcoming)

				received by any of the Commission services[113]
5. Additionality of transactions / no support of activities that financial intermediaries would have undertaken anyway in the absence of the guarantee support according to their business practices[114]	X **Target: no guarantee agreements identified that would allow financial intermediaries to finance activities within their normal business practices**	X **Target: no guarantee agreements identified that would allow financial intermediaries to finance activities within their normal business practices**	X **Target: no guarantee agreements identified that would allow financial intermediaries to finance activities within their normal business practices**	COM to establish mechanism that allows monitoring of portfolio criteria established in the agreements with the entrusted entity; compliance to be verified before signature takes place Regular monitoring visits to financial intermediaries (COM may accompany entrusted entity)
6. Additionality of transaction at the level of the final recipients (would the final recipient have received the financing for the same amount and under the same conditions in the absence of the guarantee?)		X **Target: Identified deadweight not more than 35%**	X **Target: Identified deadweight not more than 35%**	On a survey/sample basis as part of the mid-term and ex-post evaluation *Please note that an ex-post monitoring or a detailed ex-ante assessment for each individual transaction or for a very significant number of transactions is unrealistic and would create significant administrative burden for financial intermediaries, final recipients and the Commission services involved. Therefore, a survey approach based on a sample is considered to be the most cost-effective option.*
7. Number of SMEs supported	X **Target: to be set as a function of the available budget**	X **Target: to be set as a function of the available budget**	X **Target: to be set as a function of the available budget**	Through regular operational reports from the entrusted entity
8. Financing made available to SMEs supported	X **Target: to be set as a function of the available budget**	X **Target: to be set as a function of the available budget**	X **Target: to be set as a function of the available budget**	Through regular operational reports from the entrusted entity

113 In accordance with Article 209 (2) (b) of Financial Regulation 2018 (forthcoming)
114 In accordance with Article 209 (2) (b) of Financial Regulation 2018 (forthcoming)

(Assumptions made: target range 1:15 – 1:25 Average size of financing transaction: €100,000[115])	(Formula to be used: Available budget * target range * average size of financing transactions)	(Formula to be used: Available budget * target range * average size of financing transactions)	(Formula to be used: Available budget * target range * average size of financing transactions)	
9. **Jobs maintained / employment created in supported SMEs**	N/A	X **Target: Employment growth in supported SMEs to exceed employment growth of the overall SME population**	X **Target: Employment growth in supported SMEs to exceed employment growth of the overall SME population**	Annual employment/growth reports from the entrusted entity. Report to be submitted for the first time in the fourth year of the programme with data as per end of the third year of the programme. COM to monitor the general employment growth in the overall SME population (currently Commission prepares the annual report on European SMEs) As part of the ex-post evaluation: an econometric study to determine how employment has grown in supported SMEs compared to non-supported SMEs.
10. **Turnover growth in supported SMEs**	N/A	X **Target: Turnover growth in supported SMEs**	X **Target: Turnover growth in supported SMEs**	Annual employment/growth reports from the entrusted entity. Report to be submitted for the

[115] Despite the average transaction of €37,000 under the COSME LGF, the average transaction size is estimated to be €100,000, based on the fact that the €150,000 threshold will be eliminated and the higher-risk financing transactions that are currently supported through InnovFin SMEG have an average transaction size of €450,000.

		to exceed overall GDP growth	**to exceed overall GDP growth**	first time in the fourth year of the programme with data as per end of the third year of the programme. COM to compare turnover growth in supported SMEs to general GDP growth. As part of the ex-post evaluation: econometric study to determine how turnover has grown in supported SMEs compared to non-supported SMEs.

Appendix: Public institutions providing debt financial instruments in the EU[116]

AT	Austria Wirtschaftsservice operates longstanding loan-based measures financed, amongst others, from the original endowment of the Marshall Fund, the ERP Fund. The ERP fund has been integrated into AWS. AWS runs many different instruments, including: the ERP Fund, AWS Mittelstandsfonds and AWS Gründerfonds.
BE	Société Régionale d'Investissement de Wallonie (SRIW), Société Wallonne de Gestion et de Participation (SOGEPA) and Société Wallonne de Financement et de Garanties des PME (SOWALFIN) are the main actors offering financial instruments in Wallonia. SOWALFIN also offers financial instruments through its subsidiaries Sofinex, Novallia and Socamut, as well as a network of nine 9 'Invests' across the five Walloon provinces. Innovation and Enterprise Agency (Agentschap Innoveren en Ondernemen - AIO) and Investment Company Flanders (Participatiemaatscappij Vlaanderen - PMV) are the main actors in terms of financial instruments in Flanders. Finance.brussels is the main relevant agency in the Brussels Capital region, offering microcredit, loans and equity through its subsidiaries Brusoc, Brucofin, Exportbru, Brupart and Srib-Gimb. There is also the Brussels Guarantee Fund, which targets SMEs and microenterprises.
BG	The Bulgarian Development Bank provides direct and indirect finance to SMEs. The National Guarantee Fund is a subsidiary of the Bulgarian Development Bank and provides guarantees to financial intermediaries.

[116] Source: EPRC (2017), *Improving the take-up and effectiveness of Financial Instruments*

CY	The Cyprus Entrepreneurship Fund is the main public finance fund established to support and strengthen entrepreneurship in the country by enhancing access to finance for SMEs.
CZ	The Czech-Moravian Guarantee and Development Bank focuses on providing assistance to SMEs aiming at giving them easier access to capital, sharing risk and reducing project costs through different types of support tools such as bank guarantees, preferential loans and financial subsidies. The National Innovation Fund aims to stimulate the national market with high-risk capital, especially in the forms of seed, start-up and early stage funding.
DE	KfW Bankengruppe (KfW) offers numerous domestic support programmes for SMEs, municipalities and other target groups. Landwirtschaftliche Rentenbank also provides investment to SMEs and public finance. In addition to the domestic financial instruments offered at the national level, there are various instruments for SMEs offered by public promotional banks at the Länder level. In each Land there is at least one promotional bank.
DK	The Danish Growth Fund (Vækstfonden) is a public investment fund backed by the Danish Government. The statutory purpose of the Danish Growth Fund is to promote innovation and development of the business sector in order to achieve a higher socio-economic return.
EE	KredEx is a fund that acts as a national promotional bank and provides guarantees for debt instruments offered by credit institutions and financial institutions, supporting export transactions and developing enterprises' export capacity, developing other financial services and providing these services within the business and housing sector.
EL	The Hellenic Fund for Entrepreneurship and Development (ETEAN SA) is fully owned by the Greek State. ETEAN SA's scope includes extension of guarantees and co-guarantees, the origination and management of innovative special purpose funds and co-financing loans and/or guarantees on attractive terms.
ES	ICO – Instituto de Crédito Oficial (Official Credit Institute), Spain's public bank, provides finance for SMEs through intermediated lending. ENISA – Empresa Nacional de Innovación (National Innovation Company). The institutional mission of ENISA consists in providing financing to SMEs for business projects that add value to the Spanish economy, economically and in terms of job creation, as well as promoting Spanish design. CERSA – Compañía Española de Reafianzamiento (Spanish Counterguarantee Company) provides counter-guarantees.
FI	Finnvera is Finland's main State-owned specialised financing company. It aims to supplement the financial markets by providing businesses with loans, guarantees, venture capital investments and export guarantees. Finnvera is also the official Export Credit Agency of Finland.
FR	Bpifrance is France's main public investment bank. It operates as a bank and a fund manager. Created in 2012, Bpifrance regroups different institutional actors involved in investment activities and financial instruments under one name. It is the main public actor involved in SME support and business financing. Caisse des Depots et Consignations (created 1816) is a long-term State investor with 20 subsidiaries (including Bpifrance) that can provide loans, equity and guarantees through a regional network. It is a main investor in business equity (via Bpifrance) and in infrastructure and housing.

	In addition, Initiative France, a network of local associations, provide loans on trust, while France Active offers financial instruments via three financial structures: France Active Garantie (manages Guarantee Fund), France Active Investment Company (SIFA) (manages regional funds) and France Active Financement.
HR	The two main institutions providing public finance in Croatia are The Croatian Bank of Reconstruction and Development (HBOR) and The Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO).
HU	The National Bank of Hungary is Hungary's Central bank. It offers loans via the Széchenyi Growth Programme through commercial banks. The Hungarian Development Bank is a State-owned bank that finances local government infrastructure development, a business finance programme and a public transport financing programme.
IE	The Strategic Banking Corporation of Ireland (SBCI) is a new, strategic SME funding company. Its goal is to ensure access to flexible funding for Irish SMEs.
IT	Cassa Depositi e Prestiti, by far the largest institutional operator, is a national promotional institution involved in the supply of finance to international development cooperation bodies, to directly financing public interest projects, infrastructure projects and research investments, export finance, social housing and support for SMEs, with a general remit to support economic growth in Italy. Invitalia operates as an administrative body and is in charge of public aid measures (either grants or financial instruments). MedioCredito Centrale is a public bank operating at national level and with a focus on Convergence regions. At regional level, the function of supplying public finance is performed by regional development agencies (agenzie regionali di sviluppo) and regional financial institutions (finanziarie regionali).
LT	INVEGA is a public body tasked with developing SMEs in Lithuania and facilitating their access to finance. It provides different types of financial instruments within the area of debt finance, covering loans, co-financing of loans, support to finance interest payments and loan guarantees.
LU	Société Nationale de Crédit et d'Investissement (SNCI) is Luxembourg's main State-owned bank, providing medium and long term financing contributions to economic development.
LV	AFI, a national specialised development finance institution, was created in December 2013 to implement financial instrument investment strategies. The process merged three government agencies – Latvian Guarantee Agency, ALTUM (former Lavijas Hipotēku un Zemes Banka) and Rural Development Fund into AFI with the objectives to increase efficiency in programme implementation, to strengthen coordination among programmes and to provide entrepreneurs with a "one-stop-shop" for State support mechanisms. Under this arrangement, ALTUM will continue programme implementation, keeping the same regional coverage and representation.
MT	Malta Enterprise is an economic development agency that offers a range of incentives – grants, soft loans, interest rate subsidies and loan guarantees.
NL	Netherlands Enterprise Agency (Rijks Dienst voor ondernemend Nederland – RVO) is the main financial State-owned institution in the Netherlands. It is part of the Dutch Ministry of Economic Affairs. Innovation Fund SME+ is a fund managed by the Netherlands Enterprise Agency that provides various forms of

	repayable support to innovative SMEs.
PL	Bank Gospodarstwa Krajowego – BGK / The State Development Bank of Poland. BGK supports the social and economic growth of Poland and provides services to the public finance sector. BGK actively participates in the implementation of the State's economic objectives.
PT	SPGM - Sociedade de Investimento, S.A. has been a major tool for promoting the expansion of the Mutual Guarantee System in PT, targeting a large number of SMEs.
	IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento – Institute for the Support to Small and Medium-sized Enterprises and Investment) manages financial assistance programmes and promotes SME access to the stock market and to alternative sources of financing. Instituição Financeira de Desenvolvimento (Financial Development Institution, IFD) was set up in 2014 to manage the ESIF financial instrument programmes. Its wider objectives included promoting greater efficiency and effectiveness in the management of financial instruments for supporting SMEs in Portugal. PME Investimentos – Sociedade de Investimento, S.A. aims to promote the development and increase of the financing offer to companies in the non-financial sector, notably SMEs, through management of special investment funds.
RO	Casa de Economii și Consemnațiuni (CEC) is Romania’s national State-owned bank. The bank aims to support local businesses and SMEs. It provides: loans for SMEs, loans for rural financing, loans for recently-incorporated companies, State-aided loans, European Funds and loans to finance the Public Authorities. EximBank is another national State-owned bank. EximBank has been involved in supporting and promoting the Romanian business environment, by making available a wide range of financial instruments for local companies.
SE	In Sweden, the key State-funded operators that provide equity capital to businesses are Almi, Fouriertransform (for manufacturing industry), Inlandsinnovation (only in north of Sweden) and Industrifonden. In addition, there are a number of State-owned regional companies that are jointly owned with the county councils or regional actors.
SI	SID Bank (SID – Slovenska izvozna in razvojna banka) became a fully State-owned bank in 2008. SID Bank provides export credits and investment insurance services on behalf of the State. The main activity provided for its own account is financing of business transactions in the area of market gaps (SMEs, research, environment, internationalisation, etc.). The Slovene Enterprise Fund (SEF) is a State-owned fund. SEF was established for the purpose of granting financial support and incentives to the entrepreneurial sector in Slovenia. The Fund publishes annual public tenders for financial support for development-expansion investments of micro-, small and medium-sized enterprises in Slovenia.
SK	Slovak Guarantee and Development Bank (SZRB) is the key provider of finance to SMEs and local authorities.
	Slovak Investment Holding (SICAV SIF S.C.A.) has been established to support national investment priorities

	providing financial instruments in various mainstream programmes financed through ESIF.
UK	The British Business Bank was set up in 2012 to integrate existing programmes supporting SMEs, as well as developing and managing new SME access to finance programmes. Finance Wales is a publicly-owned company set up to provide finance to SMEs in Wales. Finance Wales makes commercial investments in SMEs based in Wales or willing to relocate. The Scottish Investment Bank (Scottish Enterprise/Highlands and Islands Enterprise): Scottish Investment Bank is a department of Scottish Enterprise, a sponsored non-departmental public body of the Scottish Government that encourages economic development, enterprise, innovation and investment in business. Highlands and Islands Enterprise is the Scottish Government's economic and community development agency for the north and west of Scotland. Invest NI provides government support for businesses in Northern Ireland by delivering the Government's economic strategies. Support offered includes advice, mentoring and funding. Funding includes both grants and financial instruments.

Annex 16: Programme specific annex on *Health programme*

Glossary

Term or acronym	*Meaning or definition*
AMR	Antimicrobial Resistance
AWP	Annual Work Programmes
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
CNCT	Directorate-General for Communications Networks, Content and Technology
COMP	Directorate-General for Competition
DG Home	Directorate-General for Migration and Home Affairs
DG RTD	Directorate-General for Research and Innovation
DIGIT	Directorate-General for Informatics
ECDC	European Centre for Disease Prevention and Control
EFSA	European Food Safety Authority
EMA	European Medicines Agency
ESTAT	Eurostat
EU	European Union
FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
GNI	Gross national income
GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
JUST	Directorate-General for Justice and Consumers
MAP	Multi-Annual Planning
MS	Member States
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
SANTE	Directorate General for Health and Food Safety
SoHO	Substances of Human Origin
SRSS	Structural Reform Support Service
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
WHO	World Health Organization

Budget line	A Budget line is a graphical representation of all possible combinations of two goods which can be purchased with given income and prices, such that the cost of each of these combinations is equal to the money income of the consumer.
eHealth	Digital health and care is the collective term used to refer to tools and services that use information and communication technologies (ICTs) that can improve prevention, diagnosis, treatment, monitoring and management of health and lifestyle. Digital health and care has the potential to improve access to care, quality of care, and increase the efficiency of the health sector.
eHealth Network	The eHealth Network is a voluntary network, set up under article 14 of Directive 2011/24/EU. It provides a platform of Member States' competent authorities dealing with eHealth. The Joint Action supporting the eHealth Network (JAseHN) provides scientific and technical support to the Network.
European Cancer Information System (ECIS)	ECIS provides the latest information on indicators that quantify cancer-burden across Europe. It permits the exploration of geographical patterns and temporal trends of incidence, mortality and survival data across Europe for the major cancer entities. The purpose of the web-application is to support research as well as public-health decision-making in the field of cancer and to serve as a point of reference and information for European citizens.
European Innovation Partnership on Active and Healthy Ageing	The European Innovation Partnership in Active and Healthy Ageing (EIP on AHA) is an initiative launched by the European Commission to foster innovation and digital transformation in the field of active and healthy ageing.
European Pharmacopoeia	The European Pharmacopoeia (Ph. Eur.) is Europe's legal and scientific benchmark for pharmacopoeial standards which contribute to delivering high quality medicines in Europe and beyond. The Ph. Eur. is applicable in 38 European countries and used in over 100 countries worldwide.
European Reference Network for rare disease	The European Reference Networks (ERNs) are virtual networks involving healthcare providers across Europe. They aim to facilitate discussion on complex or rare diseases and conditions that require highly specialised treatment, and concentrated knowledge and resources.
Health Technology Assessments	Health technology assessment (HTA) is a multidisciplinary process that summarises information about the medical, social, economic and ethical issues related to the use of a health technology in a systematic, transparent, unbiased, robust manner. Its aim is to inform the formulation of safe, effective, health policies that are patient focused and seek to achieve best value. (EUnetHTA)
National Focal Points	The National Focal Points (NFP) are the national experts for the Health Programme in member states and participating countries. NFP representatives are appointed by their national health ministries. (CHAFEA)
One Health Approach	One Health: is a term used to describe a principle which recognises that human and animal health are interconnected, that diseases are transmitted from humans to animals and vice versa and must therefore be tackled in both. The One Health approach also encompasses the environment, another link between humans and animals and likewise a potential source of new resistant

	microorganisms. This term is globally recognised, having been widely used in the EU and in the 2016 United Nations Political Declaration on AMR.
Scientific Committees set up in accordance with Commission Decision 2008/721/EC	2008/721/EC: Commission Decision of 5 August 2008 setting up an advisory structure of Scientific Committees and experts in the field of consumer safety, public health and the environment and repealing Decision 2004/210/EC
(Seven) EU added value criteria	The EU's supporting competence in public health means that action can only be justified if it adds value above and beyond what the Member States and other actors could achieve on their own. The seven EU added value criteria are enshrined in the Regulation (EU) 282/2014 establishing the 3rd Health programme (2014-2020)
State of Health in Europe cycle	The State of Health in the EU is a two-year initiative undertaken by the European Commission that provides policy makers, interest groups, and health practitioners with factual, comparative data and insights into health and health systems in EU countries. The cycle is developed in cooperation with the Organisation for Economic Co-operation and Development (OECD) and the European Observatory on Health Systems and Policies.
The 3rd Health programme (2014-2020)	The Third EU Health Programme (2014-2020) is the main instrument that the Commission uses to implement the EU Health Strategy. Annual work plans of the Programme set out priority areas and the criteria for its funding actions.

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

Summary

Health is a strategic component of growth in the Internal Market, and an invaluable resource for the society. It is also an inescapable dimension of a productive workforce, of sustainable public services and efficient social market economies, and of well-functioning democracies serving the citizens. The Lisbon Treaty has enhanced the importance of health policy in Article 168 of TFEU. The Treaty's health objectives are to be achieved by supporting Member States' policies, since the primary responsibility for health protection and, in particular, for the operation of healthcare systems lies with the Member States. National authorities acknowledge more and more the existence of cross-border problems, and the need to cooperate, use expertise and mutualise resources to respond to the cross-border nature and global dimension of health issues. The EU has successfully implemented a comprehensive policy, through the 3rd Health programme (2014-2020) by bringing together relevant stakeholders and Member States authorities to work on prioritised health issues.

Health is a strategic component of growth for the Internal Market and an invaluable resource for the society. The Treaty of Lisbon has enhanced the importance of health policy, stipulating that “a high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities” (Article 168 of TFEU). The EU has an important role to play in improving public health, preventing and managing diseases, mitigating sources of danger to human health, including by harmonising legislation on tobacco, medicinal products, medical devices, substances of human origin and patients' rights in cross-border healthcare, areas where health policies are directly linked with the Internal Market (Article 114 of TFEU).

More generally, the Treaty's health objectives are to be achieved through action intended to support Member States' policies and to foster cooperation and integrated work, since the primary responsibility for health protection and, in particular, for the operation of the healthcare systems continues to lie with the Member States.

National authorities acknowledge more and more the need to cooperate, use expertise and mutualise resources to respond to the cross-border and global dimension of health issues and also to fully develop and benefit from opportunities offered by the digital market, the rapid development of health technologies, the sharing and implementation of evidence-based best practices for achieving a "high level of human health protection", and aim to ensure healthy lives and promote well-being for all at all ages.

The EU has successfully implemented a comprehensive health policy, through the 3rd Health programme (2014-2020) by bringing together relevant stakeholders and Member States authorities to work on prioritised health issues. Through the Health Programme, the EU helps Member States to develop their initiatives at EU level for more cost-effective solutions to common health concerns, *e.g.* the establishment of European Reference Networks for rare diseases, the effective response to cross-border health threats as in the case of Ebola and Zika viruses outbreaks, the cancer screening guidelines, the joint Health Technology Assessments, etc.

1.2. Lessons learned from previous programmes

Summary

The mid-term evaluation[117] of the third Health Programme's confirmed the importance of the outcomes of funded actions and stressed their high EU added value, notably in the form of increased capacity in the Member States to address health threats, of clear roadmaps for the improved access to healthcare for vulnerable migrants and refugees, of technical guidelines and recommendations for cancer, HIV/AIDS and TB prevention, of additional support for EU health legislation on medicinal products and medical devices, as well as the eHealth Network activities and Health Technology Assessment. It also recognised the added value of tools to control healthcare-associated infections and to step up coordinated efforts to fight against antimicrobial resistance, and of the extensive groundwork pursued through a number of Joint Actions to develop a common EU approach to Health Technology Assessment (HTA). The mid-term evaluation recognised as well the positive contribution of actions fostering interoperable and standardised cross-border exchange of health data, and of those setting up EU digital infrastructures for that purpose. It also was recognised that the establishment of 24 European Reference Networks for rare diseases, a new form of integrated work, has a huge potential to

[117] Mid-term evaluation of the 3rd Health Programme 2014-2020; COM(2017) 586 final; SWD(2017) 331.

improve the care provided to citizens across EU. However, a number of challenges need to be addressed such as the relatively high number of program priorities, some shortcomings in monitoring the implementation and prioritisation and dissemination of actions. Notably, Member States and EU stakeholders have declared an overwhelming support for continuing EU action in the area of health.

The mid-term evaluation of the 3rd Health Programme[118] concluded that the Programme has overall valid and appropriate objectives in place leading to actions which are relatively focused and generate EU added value while accommodating existing needs and challenges. The 3rd Health Programme, currently running will end in 2020.

Compared with previous health programmes, the 23 thematic priorities of the 3rd Health Programme are a positive development and facilitate synergies and coherent action. However, these could still be streamlined and focused even more. The structure in place has supported relevant actions, especially in fields where there is legislative clarity and/or a clear cross-border dimension. In non-legislative areas where action can be more open-ended or broadly defined, there is a danger of those actions being less focused.

The Annual Work Programmes (AWP) and Multi-Annual Planning (MAP) processes implementing the 3rd Health Programme work well. The MAP in particular has enabled a more strategic approach to medium-term planning. The AWP process is already clear, well-defined and impartial but to avoid confusion and ensure greater buy-in, the process needs to be better explained to stakeholders.

The mid-term evaluation shows that the exceptional utility criteria[119] for attracting participation from low gross national income (GNI) countries have not been sufficiently effective so far. However, despite the difficult economic context and the significant barrier of assuring the remaining co-financing, the Programme is still attracting a similar level of participation from low GNI countries as in the previous programme. Additional improvements are needed, since securing co-funding is only one part of the explanation for lower participation.

The 3rd Health Programme has already delivered significant progress by, for instance, establishing European Reference Networks, adopting new legislation on Health Technology Assessment, and by supporting capacity building of Member States to respond to outbreaks and continuous updating of skills to take into account emergent issues such as the migrant crisis.

The allocation of resources in the 3rd Health Programme has been found to be efficient overall and the programme management has been mostly effective and has improved since the previous 2nd Health Programme 2008-2013. For instance, new indicators are in place for monitoring the health programme and its specific actions.

Nevertheless, there are inefficiencies and inadequacies with the monitoring of implementation data, which holds back the ability of programme managers to keep an up-to-date overview of the programme's achievements. This will be appropriately

[118] See at https://ec.europa.eu/health/funding/programme/2014-2020/midterm_evaluation_en

[119] This allows for exceptional co-funding up to 80% to all participants in the action under specific criteria mentioned in the legal basis (Regulation (EC) N° 282/2014 , Article 7 (3) and in the Annual Work Programmes.

addressed. While significant strides have been made to ramp up dissemination, going forward and delivering progress in this area must be prioritised.

Furthermore the ongoing health programme has already been increasing its ability to target important health needs where it can add value (e.g. antimicrobial resistance, e-health, accreditation schemes for breast cancer screening, etc.). The fact that the seven EU added value criteria are written into the regulation and are built into the proposal evaluation process are positive achievements allowing potential beneficiaries to appropriately consider EU added value when preparing their proposals and in turn, for assessment panels to take it into account as part of the decision to award funding. However, there is scope to streamline the added-value criteria to focus on three key areas: addressing cross-border health threats; improving economies of scale; and fostering the exchange and implementation of best practices. This will make it easier to provide clear guidance of what the criteria mean and make it easier for them to be addressed more effectively.

The 3rd Health Programme has been found by the mid-term evaluation to be internally coherent, in part due to the revised structure of the programme. However, where the definition of action remains broad and ambitious, results are, harder to achieve. The 3rd Health Programme is also coherent with the Commission's policy priorities and has been shown to be an effective tool to respond to evolving needs.

Stakeholders participated in the mid-term evaluation through various consultations[120], including an open public consultation which covered aspects relating to the relevance, added value, efficiency, effectiveness, and coherence of the programme. This consultation engaged institutional stakeholders, notably the Programme Committee members and National Focal Points and grant beneficiaries. The stakeholders involved in the funded activities, especially non-governmental organisations, public health authorities, academic and research organisations, international organisations, professional associations, private companies and individual persons were also consulted through the open public consultation. In addition, targeted on-line consultations with public health experts and e-surveys with National Focal Points and Programme Committee members were conducted as part of the external evaluation study. These were complemented by targeted interviews of Commission and International Health Organisation officers, and grant recipients (beneficiaries), mainly project leaders and coordinators of actions funded under the Programme.

In the open public consultation Member States and EU stakeholders have declared an overwhelming support for EU health policies confirming that the cooperation in the area of health is essential and should be maintained (70%). The EU should continue supporting important health-related challenges facing EU citizens, governments and health systems reflected in the formulation of the Programme's objectives.[121]

[120] The results of the consultation activities are presented in the Annex V of the SWD (2017) 331 final of 11.10.2017) on

[121] The results of the Open Public Consultation are publicly available on https://ec.europa.eu/health/funding/consultations/midterm_evaluation_en

Real life example of success story of synergies with other IMP programmes:

The spreading of antimicrobial resistance (AMR) is a natural biological phenomenon but lately a variety of factors have contributed to accelerate its dispersion. AMR is responsible for an estimated 25,000 deaths yearly and over EUR 1.5 billion of healthcare costs and productivity losses in the EU. Combating antimicrobial resistance has become a global public health challenge. AMR has also become a political priority within the EU, the G7, the G20, the UN and other international organisations.

In 2008, the European Council called upon the Member States to strengthen surveillance systems and improve data quality on antimicrobial resistance and on consumption of antimicrobial agents within both the human and veterinary sectors. The new 5 years EU Action Plan to combat antimicrobial resistance was adopted in 2017 to prevent and reduce the spreading of AMR, and preserve the capacity to fight microbial infections. The key objectives of this new strategy are built on three main pillars: (i) making the EU a best practice region on AMR; (ii) boosting research, development and innovation on AMR; and (iii) shaping the global agenda on AMR.

As part of this AMR Action Plan several other programmes (e.g. EU Programmes for Health and Food-and-Feed[122], Horizon 2020) as well as the EU Agencies (EFSA, EMA and ECDC) collaborate and coordinate with different national authorities in order to reach the outlined objectives from a one Health perspective and in support of Member States' national action plans. This inclusive strategy with representation of all relevant actors at EU level and the aim to address gaps on the Health and Animal side holistically represent a successful example of the One Health approach.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

Summary

The current 3rd Health Programme (2014-2020) supports a broad range of activities to deliver on the objectives of Article 168 TFEU, with a total budget of EUR 449.4 million. The 23 thematic priorities stem out of four main objectives which are: promote health and healthy living and prevent diseases; protect Europeans from serious cross-border health threats; contribute to innovative, efficient and sustainable health systems; and facilitate access to better and safer healthcare for Europeans. The mid-term evaluation of the 2014-2020 programme concluded that while the programme objectives remain valid, several improvements should be made regarding its focus, content and structure in order to ensure that EU funding delivers visible outcomes with EU added value on the programme priorities and increase synergies and ensure the upscale of significant results through cooperation with other EU financial instruments. In particular, the need of streamlining and focusing the future programme's priorities and actions was identified. In light of mid-term evaluation findings and with the aim of designing a future Health

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programme as integral part of the *Single Market* Programme for the post-2020 period, the thematic areas of action have been streamlined to allow for a more results and added value oriented approach for EU funded actions, focused on cross-border health issues, on the potential to create economies of scale and on the exchange, dissemination and upscaling of best practices.

The current Health Programme (2014-2020) is the third programme of EU action in the field of health, established by Regulation (EU) N° 282/2014[123]. With a budget of EUR 449.4 million over seven years, it is the Commission's main financial instrument to underpin and support EU health policy development. Designed to help inter alia Member States in investing in health, the programme contributes to the Europe 2020 objective of smart, sustainable and inclusive growth. The ongoing program aims to complement, support and add value to the Member States policies, in terms of improving the health of EU citizens and reducing health inequalities. The specific objectives and their financial envelopes for the period 2014-2016 are the following:

1. promote health and healthy living and prevent diseases (€54.1 million; from which (€16.8 million in 2014, €12.7 million in 2015 and €24.6 million 2016);
2. protect Europeans from serious cross-border health threats (€11.1 million; from which €5.3 million 2014, €1.4 million in 2015 and €4.4 million 2016);
3. contribute to innovative, efficient and sustainable health systems (€52.1 million; from which €17.6 million in 2014, €25.2 million in 2015 and €9.3 million 2016); and
4. facilitate access to better and safer healthcare for Europeans (€31.3 million; from which €10.5 million in 2014, €6.2 million in 2015 and €14.6 million 2016); horizontal activities (€17.3 million; from which €3.7 million in 2014, €10 million in 2015 and €3.6 million 2016).
   A total budget of €100 million remains to be spent until the end of the current financial EU framework.

These four objectives are currently served by 23 thematic priorities, listed in Annex I to Regulation (EC) N° 282/2014:

Objective 1: Promote health, prevent disease and foster supportive environments for healthy lifestyles

1.1. Risk factors such as use of tobacco and passive smoking, harmful use of alcohol, unhealthy dietary habits and physical inactivity
1.2. Drugs-related health damage, including information and prevention
1.3. HIV / AIDS, tuberculosis and hepatitis

[123] OJ L86 of 21.3.2014, p. 1-13.

1.4. Chronic diseases including cancer, age-related diseases and neurodegenerative diseases
1.5. Tobacco legislation
1.6. Health information and knowledge system to contribute to evidence-based decision making

Objective 2: Protect Union citizens from serious cross border health threats

2.1. Risk assessment additional capacities for scientific expertise
2.2. Capacity building against health threats in MS, including, where appropriate, cooperation with neighbouring countries
2.3. Implementation of Union legislation on communicable diseases and other health threats, including those caused by biological, and chemical incidents, environment and climate change
2.4. Health information and knowledge system to contribute to evidence-based decision-making

Objective 3: Contribute to innovative, efficient and sustainable health systems

3.1. Support voluntary cooperation among MS on HTA
3.2. Innovation and e-health
3.3. Health workforce forecasting and planning
3.4. Setting up a mechanism for pooling expertise at Union level
3.5. European Innovation Partnership on Active and Healthy Ageing
3.6. Implementation of Union legislation in the field of medical devices, medicinal products and cross-border healthcare
3.7. Health information and knowledge system including support to the Scientific Committees set up in accordance with Commission Decision 2008/721/EC

Objective 4: Facilitate access to better and safer healthcare for Union citizens

4.1. Establishment of a system of European reference networks
4.2. Effectively help patients affected by rare diseases
4.3. Strengthen collaboration on patient safety and quality of healthcare
4.4. Measures to prevent Antimicrobial resistance and control healthcare-associated infections
4.5. Implementation of Union legislation in field of tissues and cells, blood, organs,
4.6. Health information and knowledge system to contribute to evidence-based decision making

The main challenges to be addressed by the future 4th Health Programme [2021-2027] stem from the mid-term evaluation and from the need identified therein to better direct funding towards actions that show the greatest potential to generate visible impacts and produce concrete results in **addressing cross-border health threats, improving economies of scale, and fostering the exchange and implementation of best practices**.

The actions that have proven to deliver highest added value and on which the next health programme should concentrate its resources are supporting activities such as:

- the establishment and operation of European Reference Networks (ERNs),
- the "State of Health in Europe" cycle,
- work on EU cancer information system including the cancer registries (which provide information on treatments and outcomes), and more generally data and information collection, use of big data and real world data, to inform EU and Member States' health related policy action,
- technical assistance to Member States aimed at enabling health systems reforms in key areas such as Health Technology Assessment (HTA) and eHealth,
- the development of common methodologies and tools for integrated work (e.g. for the new HTA framework)) and the deployment of capacity building actions (e.g. the development of HTA capacity in Member States lacking this at the moment).
- AMR Action Plan promotes collaboration with different national authorities in order to reach the outlined objectives from a one health perspective and in support of Member States' national action plans.

The upcoming regulation on health technology assessment will imply additional funding requirements[124].

On the basis of the above considerations a review of the existing needs in the health area, conducted with the support of an external contractor and based on the mid-term evaluation results, has identified the necessity to focus EU action on the following problems:

- cross border health threats that are not stopped at the EU external frontiers and could be easily spread across borders and require coherent collective response without blocking the free movement of persons and goods in the EU;
- decision-makers need robust, comparable and timely health data, information, and expertise, to effectively tackle health policy challenges, to conduct structural reforms and improve accessibility, effectiveness and resilience of health systems while making strategic, long-term investments into them;
- effective rule making and enforcement action are needed to secure high standards of quality safety and efficacy for specific products improving or impacting health;

[124] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on health technology assessment and amending Directive 2011/24/EU https://ec.europa.eu/health/sites/health/files/technology_assessment/docs/com2018_51_en.pdf

this includes the need to support integrated work on Health Technology Assessment;

- o the specificity of rare diseases requires cooperation across Member States to pool knowledge and expertise, increase access of patients to specialised centres and provide increased opportunities to R&D; the model of ERNs could be expanded to cover also other non-communicable diseases.

The above needs were translated in a refined intervention logic for the new Health Programme with a better definition of problems and objectives, conducive to a reduced and streamlined number of thematic areas of action (to replace the current 23 thematic priorities of the on-going 3rd Health Programme)[125].

The revised intervention logic addresses a number of further challenges identified by the mid-term programme evaluation, including the need to improve the monitoring arrangements through the establishment of relevant indicators and to clearly communicate on its expected EU added value.

The cross-cutting objectives of the post-2020 multi-annual financial framework – flexibility, performance, coherence and synergies, and simplification – will also be addressed, as appropriate.

Flexibility is particularly important in relation to the management of cross-border health threats, as past experience with the Zika and Ebola crises has demonstrated. In practical terms, more flexibility is necessary in particular to define the category of costs eligible for EU funding (e.g. the purchase of goods such as vaccines or protective equipment); the geographical scope shall be expanded to allow countering severe crises that occur outside the EU and threaten the lives of EU citizens. Such flexibility would allow to undertake interventions (contingency measures) in all countries where such intervention is considered in the interest of the EU (e.g. South American and African countries in the case of the Zika and Ebola outbreaks mentioned above).

Past experience has demonstrated that the budget for crisis preparedness and management may be insufficient in case of severe threats (e.g. in 2009, responding to the influenza crisis required the provision of an additional €4 million, made available by the European Parliament through a Preparatory Action on an EU Rapid Response Capability, and in 2015-2016 funds had to be redeployed from other actions of the 3rd Health Programme to contribute to the EU response to health related risks of the migrants' crisis). For this reason and in addition to what will be already covered by the Health Programme, access to the Emergency Reserve Fund is necessary to allow the programme to effectively respond to potential serious health crisis in future.

[125] See above in pp. 9-10. Or See in Annex I of the Regulation (EC) N° 282/2014.

Direct access to the Emergency Reserve Fund is required e.g. to purchase medical counter measures and allow the deployment of emergency support in case of unpredictable major epidemics or other crisis with a potential cross border impact on public health.

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Health Programme	the specificity of rare diseases requires cooperation across Member States to pool knowledge and expertise, increase access of patients to specialised centres and provide increased opportunities to R&D; the model of ERNs could be expanded to cover also other non-communicable diseases	decision-makers need robust, comparable and timely health data, information, and expertise, to effectively tackle health policy challenges to conduct structural reforms to improve accessibility, effectiveness and resilience and to make strategic, long-term investments in the health systems	ensure effective rule making, enforcement and high standards of quality safety and efficacy for specific products improving or impacting health	new health threats that easily spread across borders & require collective and coherent response

2.2. Objectives of the programmes of the next MFF

Summary

In response to the mid-term evaluation and ongoing study findings the challenges and needs identified will be addressed the by the following updated specific objectives:

1. **Prepare for and counter health crises**[126] – strengthen crisis-preparedness, management and response to protect EU citizens against cross-border health threats.
2. **Empower health systems with emphasis on their digital transformation** – empower Member States with data, information and knowledge for better decision-making providing tailored support, including technical assistance, to design and implement reforms for improving accessibility, effectiveness and resilience of the health systems, and to support health through the digital single market.
3. **Support EU health legislation** – support the free circulation of products by developing, implementing and monitoring health legislation, while upholding citizens' rights to access cross-border healthcare.
4. **Support integrated work** – support Member States' efforts to collaborate with the aim of producing economies of scale, pooling resources and fostering joint cooperation and implementation of validated best practices, e.g. through the ERNs.

A reduced number of 15 thematic areas of action with higher EU-added value will be proposed to reach the above-listed objectives while reinforcing some areas of action by increasing their outputs and further consolidating the critical mass of projects, as necessary. Monitoring arrangements including a monitoring plan and indicators will be established for the overall Programme and for each area, respectively.

[126] This has to be understood as every potential crisis with a health dimension.

The general objective of the future Health Programme is to complement support and add value to Member States policies to improve EU citizens' health; to implement and enforce legislation governing the placing on the market and use of health products in the EU, and patients' rights to cross-border healthcare.

In response to the mid-term evaluation[127] of the 3rd Health programme and to an ongoing study[128] findings, the challenges and needs identified will be addressed by the following updated specific objectives:

1. **Prepare for and counter health[129] crises** – strengthen crisis-preparedness, management and response to protect citizens in the EU against cross-border health threats.
2. **Empower health systems with emphasis on their digital transformation** – empower Member States with data, information and knowledge for better decision-making providing tailored support, including technical assistance, to design and implement reforms for improving accessibility effectiveness and resilience of the health systems, and to support the digital single market.
3. **Support EU health legislation** – support the free circulation of products by developing, implementing and monitoring health legislation, while upholding citizens' rights to access cross-border healthcare.
4. **Support integrated work** – support Member States' efforts, pooling resources and fostering joint cooperation and implementation of best practices, e.g. through the ERNs.

A reduced number of 15 thematic areas of action with higher EU-added value will be proposed to reach the above-listed objectives while reinforcing some areas of action e.g. by increasing their outputs and further consolidating the critical mass of projects, as necessary. Monitoring arrangements including a monitoring plan and indicators will be established for overall objectives and for each area, respectively. Delivery of the programme's objectives will be assessed using the following evaluation criteria: (i) the continued relevance of all specific objectives and thematic areas of action, namely the direct relationship between the actions and the necessity to solve the problems and meet the needs while reaching the general objective; (ii) the effectiveness of the implemented health measures in achieving the general and specific objectives, also in light of the progress measured through the improved monitoring system to be put in place; (iii) the

[127] Commission Report COM(2017) 586 final and Staff Working Document SWD(2017) 331 final of 11. 10. 2017. All evaluations reports including the external study are available on https://ec.europa.eu/health/funding/programme/2014-2020/midterm_evaluation_en

[128] Data-gathering study on the common financial framework for the management of expenditure under Regulation 282/2014

[129] This has to be understood as every potential crisis with a health dimension.

efficiency in the use of the financial resources spent under the health budget and their consistency with the results achieved; (iv) the coherence of the measures implemented within the Health Programme, both internally and with other EU interventions; (v) the EU added value created through measures receiving technical and financial support under this programme.

The specific objectives of the future Health Programme cross the main challenges of the *Single Market* Programme as depicted below:

Challenges / **Health Programme 17 01 03**	**Empowerment of citizens, consumers and businesses**	**Administrative cooperation and integration among Member States**	**Rule-making, standard setting and enforcement at EU institutions level**	**Health as a resources for the society and the internal market**
1. Prepare for and counter health crises				Member States need to be prepared for health emergencies, and to be able to implement coherent measures protecting the lives of citizens in the EU and avoiding disruption of the Internal Market.
2. Empower health systems with emphasis on their digital transformation		Complete and comparable health data and information including increase use of eHealth tools are needed to support decision making both at EU and MS level and promote reforms of health systems quality and sustainability.		Information on health services is essential for good decision making on health matters and in ensuring competitiveness of European health care providers, both public and private. The ehealth is part of the overall single digital market targets.
3. Support EU health legislation			The regulatory framework for medical products and technologies (medical devices and substances of human origin), as well as on tobacco legislation and patients' rights on cross-border health is essential to health protection in the EU. Regulation, as well its implementation and enforcement, must keep pace with innovation and research advances and with societal changes in this area, while delivering on health objectives.	The EU health legislation has an immediate impact on the lives of citizens and on the Internal Market.
4. Support integrated work on: Health Technology Assessment (HTA)		The need to support joint cooperation on HTA promoting convergence in procedures and methodologies, reducing duplications/parallel work for national HTA authorities.		

European Reference Networks (ERNs)	Citizens suffering from rare disease need access to quality healthcare.	The need to support ERN's development of the ERNs and integration into the national healthcare systems.		30 million patients from rare diseases need diagnosis and treatment. ERNs provide also increased opportunities for R&D in the Internal Market.
implementation of best practices	Best practices exist that are proven to be conducive to healthier lives, for the benefit of citizens and of health systems in the Member States. They should be shared and scaled up.	Member States competent authorities need to learn in an organised [and coordinated] manner one from each other.		The implementation of best practices contributes to the achievement of sustainable development goals for healthy lives of all at all ages.

The following table provides information concerning flexibility, simplification and synergies of the Health programme with other IMP Programmes. It is worth noting that a number of synergies that the Health Programme can have with other programmes outside the "IMP Framework" (such as Horizon 2020 of DG RTD, Structural funds, Security Programme of DG HOME, Emergency Fund, SRSS etc.) which are not part of the Single Market Programme may enhance synergies between different "Framework programmes".

Candidate for / **Health Programme objectives**	**Flexibility** (moving funds from one IMP programme to other) **in case of severe crisis, the contribution of the emergency fund is currently discussed*	**Simplification (*)**	With which other IMP programmes there are potential **synergies**	
1. Prepare for and counter health crises	N/A	Yes	CNCT JUST	
2. Empower health systems with emphasis on their digital transformation	N/A	Yes	CNCT ESTAT	
3. Support EU health legislation	N/A	Yes	JUST GROW	
4. Support integrated work	N/A	Yes	CNCT	
√ -relevant to the objective, N/A not relevant				

Potential for / **Programme/line**	**Simplification of your programme, and/or synergies and/or flexibility**
1. [Prepare for and counter] health crises	Flexibility: N/A Simplification: yes Synergies: CNCT, JUST,
2. Empower health systems with emphasis on their digital transformation	Flexibility: N/A Simplification: yes Synergies: CNCT, , ESTAT,
3. Support EU health legislation	Flexibility: N/A Simplification: yes Synergies: JUST, GROW

4. Support integrated work	Flexibility: N/A Simplification: yes Synergies:, CNCT, , , JRC

(*)Simplification could also be seen in relation to the delivery mechanisms (section 4 below).

3. PROGRAMME STRUCTURE AND PRIORITIES

Summary

The four objectives of the future Health Programme are equally important and complementary to each other, representing a comprehensive strategy for the future financing period. Action will be focused on 15 high EU-added value areas with high and medium priority replacing the current 23 "operational priorities". This will allow to further enhance the overall EU-added value of EU funding in this area and to consolidate (and build on) the critical mass of projects, which have proven to provide the highest returns ("budget for results"). The new intervention logic will allow a refocusing of funding in the streamlined areas of action through the creation of economies of scale, the improvement of crisis preparedness, and the rolling out of identified, high added value best practices. It will enable those available resources to be used to continue to sustain and enhance the critical mass of high added value projects under the future Health Programme and to bring to fruition and augment the EU-added value of ongoing ones. All areas of work are those for which a clear mandate is given to EU for action (Articles 114 and 168 of the TFEU) and a critical mass of actions from past programmes already exist on which the future one can rely for effective delivery of results.

In respect of achieving the programme objectives, 15 areas of action with higher EU-added value were identified, streamlined and ranked from high to medium priority as follows:

1. Strengthen crisis-preparedness, management and response in the EU to protect citizens against cross-border health threats.

1.1. Capacity-building measures for crisis preparedness, management and response **(high)**
1.2. Respond to cross-border health threats during crisis **(high)**
1.3. Support laboratory capacity **(high)**

2. Empower health systems with emphasis on their digital transformation

2.1. Support the digital transformation of health and care **(high)**
2.2. Support the development of a sustainable EU health information system **(medium)**

2.3 Support the national reform processes for more effective, accessible and resilient health systems **(medium)**

3. Support EU health legislation

3.1. Manage, maintain and implement the legislation on medical devices **(high)**
3.2. Support the implementation of Union legislation on medicinal products and on Health Technology Assessment (HTA) **(high)**
3.3. Monitor and support Member States in their implementation of legislation in the area of substances of human origin (SoHO) **(high)**
3.4. Support the implementation of tobacco legislation **(high)**
3.5. Support the implementation of Union legislation in the area of cross-border healthcare **(high)**
3.6. Support to the Commission' scientific committees on "Consumer Safety" and on "Health, Environmental and Emerging Risks" **(high)**

4. Support integrated work (e.g. ERNs, HTA and implementation of best practices)

4.1. Continue support for the European Reference Networks (ERNs) **(high)**
4.2. Support the development of cooperation on Health Technology Assessment (HTA) in preparation of new harmonised rules **(medium)**
4.3. Support the implementation of best practices to support structural innovation **(medium)**

Among the above mentioned areas of action some result from legal obligations and from the necessity to ensure that health legislation is properly implemented and enforced and remains fit for purpose (see objective 3). Actions under objective 1 cover crisis preparedness and management; their necessity is undisputed and their implementation critical for ensuring the good functioning of the Internal Market; in case of severe outbreaks and crises the necessary measures must be taken and resources made immediately available by the programme or through access to the [Emergency Reserve Fund].

The areas of action under objectives 2 and 4, have been assessed as delivering promising outcomes in the ongoing Health Programme (e.g. the European Cancer Information System; the European Reference Networks) and should be pursued and will be expanded in the future Programme absorbing all available budget, allowing long term benefits to be fully deployed, and rolled out to other areas. Some such areas of action are also linked to important Commission initiatives such as the digitalisation of health and care, or the support for structural reforms and innovation discussed at the level of the EU semester. Integrated work on Health Technology Assessment (HTA) – as "piloted" through a series of Joint Actions in past and current programming periods, and provided in the recent

HTA proposal adopted by the Commission[130] – and on implementation of best practices (selected from the vast repository built through previous programmes[131]) are also expected to deliver significant benefits in terms of EU added valued.

Instrumental to the pursuit of the objectives above is the work of a number of expert groups such as the Expert Panel on Health and other fora, which brings health stakeholders together ensure close links to support the EU health policy making the Member States, fast access to country-specific knowledge, tow-way sharing of relevant information and, most importantly, faster pathways for implementation as well as the independent opinions of the Scientific Committees on consumer safety, on health and environmental risks and on emerging and newly identified health risks.

There is a critical mass of funded projects for each area of action to ensure that the programme will work effectively [and efficiently] for crisis preparedness and management, health systems' improvement and digitalisation, respect of health legal obligations, and further integrated work with the Member States. The 15 thematic areas of action are prioritised based on their EU-added value building on and consolidating the outcomes of the previous health programmes, mainly the 3rd Health Programme.

Concerning subsidiarity and proportionality, the mid-term review of the current programme concluded that most actions deliver useful outcomes with high EU-added value. This conclusion will be a fortiori applicable to the new programme, whose more focused and EU added value oriented intervention logic will allow to concentrate action in areas where Member States acting in isolation cannot achieve the results of action funded at EU level.

In particular, the cooperation at EU level and coordination of preparedness plans and responses to health threats is one of the strongest and best-known aspects of the programme's EU-added value. Activities to support capacity building against health threats have helped to improve Member States preparedness plans and provided for sharing knowledge and expertise and develop coherent approaches to tackle appropriately cross-border health threats, enabling the EU to speak with one voice to the wider international community. The 3rd Health Programme also helped Member States to increase their capacities in various areas, pooling knowledge, expertise and resources across the EU to increase citizens' access to high quality healthcare and to contribute to the reduction of health inequalities both within and between EU Member States.

The 24 European Reference Networks on rare diseases, the collaboration between EU Health Technology Assessment bodies, the support given to the eHealth Network are all illustrations of how targeted EU funding can efficiently mobilise important resources at

[130] COM(2018) 51 final of 31.01.2018, see at https://ec.europa.eu/health/sites/health/files/technology_assessment/docs/com2018_51final_en.pdf

[131] DG SANTE is in the process of establishing a best practices portal that will allow to make available these and other best practices to interested users and in particular for purposes of implementation with the help of the Steering Group on Promotion and Prevention. The portal will be available in April 2018.

Member States level in those areas, and lead to lasting added value, beyond the specific activity. Cooperating, using and sharing knowledge is another thematic area were action has high EU-added value because the collection and analysis of comparable data depicting the situation of health in each of the EU-28 Member States (country-profiles) contribute to an enhanced political dialogue and informed decision making for health policies.

Last but not least, the exchange and implementation of best practice for promoting health and preventing diseases have also a high EU-added value, as they can help Member States in making their health systems more resilient to challenges resulting from demographic changes and the new burdens they create.

The Treaty of Lisbon has enhanced the importance of health policy, stipulating that "a high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities" (Article 168 of TFEU). The EU has an important role to play in improving public health, preventing and managing diseases, mitigating sources of danger to human health, including by harmonising legislation on tobacco, medicinal products, medical devices, patients' rights in cross-border healthcare, areas where health regulations are directly linked with the Internal Market (Article 114 of TFEU).

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Summary

The Health Programme will continue to use a direct management mode with delegation to CHAFEA, and both grants and public procurement will continue to be used. This ensures full flexibility and implementation of the program allowing funding in a proportionate manner, while offering important potential for economies of scope and of scale. In the case of grants, with a view to simplifying administrative procedures, under certain levels of EU co-funding and for certain categories of beneficiaries, the use of lump sums, unit costs or flat rates grants will be introduced. The participation of beneficiaries from low per-inhabitant GNI Member States will continue to be encouraged through the "exceptional utility" criterion (an increased EU co-funding rate to 80%). Public procurement will be used to acquire services, tools, and studies to support the implementation of legislation and, where appropriate, to purchase goods to achieve specific programme objectives, e.g. strengthening of crisis-preparedness management and response, support integrated work (e.g. for the European Reference Networks-ERNs). Finally, effective and EU swift reaction of the EU e.g. in case of severe outbreaks and health crises, will be funded through a direct access to the Emergency Reserve Fund of the Multiannual Financial Framework.

As for the current health programme, the future one will be implemented in direct management mode with an important part of its implementation entrusted to the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA); the remaining part will be carried out by Commission services. The programme will provide funding (e.g. grants, public procurement, prizes), and be complemented, where appropriate, by new mechanisms (e.g. lump sums, unit costs, flat rates) aiming to achieve programme specific objectives, in particular simplification and reduced cost of controls.

The programme will be open to the [participation][involvement] of third countries when this is necessary to counter cross-border health threats and prevent their spread within the EU.

The implementation of previous Health Programmes has shown that in some circumstances (e.g.below certain levels of EU co-funding or co-funding per beneficiary) the management of grants may entail inadequately high administrative costs for the Commission services and for the beneficiary entities. Moreover, depending on the type (and accounting practices) of the beneficiaries, the complex grant management rules and procedures may increase the risk of irregularities from the side of these beneficiaries and consequently the errors for the programme. To streamline the administrative procedures and reduce the risk of errors and irregularities, simplified forms of grants, such as lump sums, unit costs and flat rates will be used (e.g. for operating grants to non-governmental organisations and ERNs).

Public procurement procedures are used for the acquisition of services, tools, studies to support the implementation of legislation. Where appropriate, they may also be launched to purchase goods such as medical counter measures and equipment in case of health crisis in order to complement Member States capacities in crisis management and response, as well as joint financing of rare diseases therapies in support of the ERNs.

As in previous programmes, other instruments easy to manage in terms of administrative costs, will also be used: prizes (e.g. EU Health Award), membership fees, reimbursement of expert or auditor mission costs, administrative agreements (e.g. with the Joint Research Centre) and cross sub-delegation (e.g. to EUROSTAT for data collection on health-related topics).

The toolkit of delivery mechanisms is flexible enough to allow funding in a proportionate manner and adjusted to the objectives being pursued. It also offers important potential for economies of scope and economies of scale, which enhance the overall effectiveness and efficiency of EU funding. For example, the grants for joint actions can be used in case of pan-European collaboration at a technical and political level when the political momentum is sufficient for results to be applied in practice. They help address health issues when critical mass is needed with the potential for identifying best practices. As such, they do not go beyond what is needed and they complement the Member States policies through, for example, the up-take of identified best practices. Likewise, the *grants for projects* involve different organisations in several Member States, joining forces to perform tasks on a common set of challenges with a trans-national dimension which cannot be effectively addressed in other organisational/institutional settings.

Grants agreements show from past experience that the risks of errors and irregularities can be further reduced through information sessions for applicants where these mitigation measures will contain management rules, audits and on-the-spot checks.

The evaluation of past programmes also showed insufficient participation of beneficiaries from low per-inhabitant GNI countries (below 90% of the EU average per-inhabitant GNI). To facilitate participation of these beneficiaries, "*an exceptional utility*" criterion has been implemented and will continue to be used enabling the increase of maximum EU co-funding rates from 60% to 80% of eligible costs for beneficiaries established in low per-inhabitant GNI countries[132].

Finally, concerning the *direct grants*, this funding mechanism enables to tap into the unique knowhow of other intergovernmental organisations, such as the OECD, the WHO or the Council of Europe work on European Pharmacopeia, for the purposes of serving the health programmes objectives. One example is the case of the development of a common health information system (including the EU, OECD and the WHO) with data and indicators validated and collected routinely across Member States while seeking to ensure systematically the visibility of EU participation and co-funding.

For effective and EU swift reaction to unforeseen developments, notably in case of severe outbreaks and health crises, the necessary measures for crisis management and emergency response will be funded through an access to the Emergency Reserve Fund of the Multiannual Financial Framework.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Summary

The Commission will put in place arrangements for the monitoring and evaluation of the Programme's performance, notably through proportionate reporting requirements on the beneficiaries of EU funds and by ensuring efficient and timely data collection from complementary sources.

At Programme level, a list of indicators (quantitative whenever feasible and qualitative otherwise) and their associated targets were set out to measure the degree to which the Programmes specific objectives are being achieved.

The monitoring approach is defined. CHAFEA will monitor the implementation and progress of the different Programme actions and their corresponding amounts of EU co-funding per objective, priority, delivery mechanism and year, gathering and analysing available information on outputs and outcomes and where possible the impacts , . An optimised, up and running electronic reporting system and standard templates, will serve as main tool for data gathering based on performance indicators and will be supplemented by additional data collected at less frequent rates from other sources (e.g. Eurostat, other Commission services, Member States authorities and their representatives in Committees, National Contact Points).

A mid-term independent evaluation will be carried out, four years after the beginning of implementation of the Programme to assess progress and to recommend possible adjustments and improvements. The final, ex-post evaluation will review and analyse Programme's performance and its outcomes and longer-term impact.

Building on existing processes and tools developed in the 3rd Health Programme, the Commission is developing a monitoring approach and will put in place all arrangements to follow Programme implementation and performance in delivering the results of actions

[132] The conditions are defined in Article 7.3 of the Regulation (EU) No 282/2014 of the EP and the Council of 11 March 2014 on the establishment of a third Programme for the Union's action in the field of health (2014-2020)

in respect to their corresponding objectives. To that end, proportionate reporting requirements will be requested from recipients of EU funds and from the Programme's National Focal Points, supplemented by additional data collected in an efficient and timely manner from other sources (e.g. Eurostat, other relevant Commission services, Member States authorities, targeted surveys). This will enable to collect the required data and information at different points in time using a set of indicators as input to the evaluation of the Programme performance.

Performance monitoring

The Programme supports and complements Member States action in health and healthcare and its success depends on complementarity to and compatibility with Member States' health national plans and strategies. Impacts on the health of population cannot be directly attributable to the only Health Programme for the reason mentioned above, moreover long years are necessary in the scale of a human life and this is not suitable for a seven years Programme. However the Programme creates leverage effects and is decisive for changes and improvements in the national health policies.

The *State of Health in the EU*[133], a bi-annual cycle of collection and analysis of data describing the health country profiles and identifying the specific needs of Member States, will be used as basis for evaluating how they are participating in the Health Programme and how they are making use of the financial support for their concrete needs to improve their public health capacity and reform their health systems.

A first step into measuring performance is to clearly communicate the targets of each Programme objective ideally already in the legal basis and inform Member States and potential applicants. Only actions contributing to those targets should be retained in the adoption of the Annual Work Programmes, and the applicants should be able to justify how their proposals add value to these targets and on which basis their we can consider that their actions has succeeded or failed. This is important for avoiding past experiences where Programme evaluations have demonstrated that the Programme has had financed a series of individual successful actions but it was not possible to conclude if the Programme has achieved its own objectives.

Objective 1 : Prepare for and counter health crises

The target here is:

- effective deployment resources (more than 90% of resources deployed), in the event of severe health crises

Objective 2: Empower health systems with emphasis on their digital transformation

The target is :

[133] https://ec.europa.eu/health/state/summary_en

- successful synergies with other EU funds and programmes enabling to reach sustainable transformations and reforms, while health systems continue to deliver high quality of health services and health outcomes.

Objective 3: Support EU health legislation

The target is :

- a high degree of transposition and implementation of EU health legislation into the national legal systems measured by regular evaluations

Objective 4: Support integrated work

The target is:

- an increased engagement of Member States in integrated work measured with an indicator resulting from the aggregation of indicators at thematic area of action level.

In the case of HTA, this will be translated by the fact that all Member States can make their citizens benefit from medicines and therapies by accessing/ using qualitative Technology Assessments jointly prepared at EU level with minimum cost (economies of scale);

In the case of ERNs, this will be translated by the fact that rare diseases patients independently of where they are living in the EU can have access to rapid diagnosis and treatment;

In the case of implementation of best practices, citizens can benefit from improved national health programmes that have integrated the best available scientific evidence. This will result in the long term to economies for the health systems and in longevity and healthier life years for the individuals.

Currently, the Commission is working with the help of external contractors to find the most appropriate (quantifiable if possible) indicators at the level of operational thematic areas for an improved monitoring system (see table below). This system, managed by the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA), will ensure the follow up of the implementation of the co-funded actions and support the monitoring of the Programme as a whole. A measure of success of the entire programme could be represented by the capability to create synergies with other EU programmes; appropriate indicators will be developed.

An overall indicator "Integrated work engagement strength" based on the aggregation of the indicators measuring the thematic areas of action under the specific objective "

Support integrated work" is suggested for measuring the health dimension of the Single Market Programme.

<u>*Monitoring arrangements*</u>

The Consumers, Health, Agriculture and Food Executive Agency (CHAFEA) will ensure continuous monitoring of the Programme.

The *CORDA system* implemented by the Common Support Centre will centralise the results collected for all actions monitored through the use of the Horizon 2020 IT tools. It will be the key source of information for the evaluations of the future Programme and for the provision of policy feedback on the attainment of the Programme objectives and priorities, the types of actions and types of organisations co-funded. Additional data, for actions still remaining outside the Horizon 2020, including through forthcoming eProcurement IT tools will be incorporated in a single dashboard, enabling close to real-time monitoring and reporting.

This comprehensive Programme monitoring will ensure early detection of risks and possible deviations from target and timely adjustments, mitigation and corrective actions.

Further information will be gathered through data collected (e.g. statistics, surveys, specific studies/reports) at less frequent rate from other sources among which, Eurostat, the Joint Research Centre (JRC), other Commission Services, Member States authorities, Committees of Member States' Representatives, the National Contact Points (NCPs).

Concerning the preparation and countering of health crises and the support to EU legislation objectives, the main outcomes and impacts (preparedness plans, deployment of resources in case of health crises including availability of countermeasures, degree of national transposition of EU legislation) will be compiled by the responsible Commission services, on the basis of information received from Member States' authorities or from Members States' Representatives in relevant Committees.

The WHO monitoring process involves the assessment of implementation of International Health Regulations (IHR) core capacities (e.g., legislation and policy, coordination, surveillance, response, preparedness, risk and crisis communication, human resources, laboratory, events at points of entry), through a checklist of indicators using a composite measure based on capability indicators.

Programme evaluation and other reporting obligations

Every year, an analysis of progress on key dimensions of the Programme management and implementation will be published by the Commission services in the form of an annual implementation report which will be communicated to the European Parliament and the Council.

The Programme performance will be assessed through a mid-term review evaluation (4 years after the start of the Programme implementation) carried out by external and independent contractors with a focus on the implementation that far and actions' outputs or immediate results, progress towards the objectives of the Programme and recommendations for possible adjustments and improvements.

The period of four years is the minimum duration necessary before communicating on the mid-term review, as the majority of the funded actions have a three years period life and at least 10 months are necessary for an external evaluation study to assess the first actions funded by the Programme.

A final, ex-post evaluation will be conducted by independent external contractors, at the end of the Programme to review its performance and final results as well as to assess its outcomes and longer-term impact.

Health Programme							
Specific Objective & Actions	**Indicator**	**Definition**	**Type of the indicator (quantitative or qualitative**	**Source of data**	**Frequency of measurement**	**Baseline**	**Target** *(by end of the Programme)*
1. Prepare for and counter health crises[134]	Quality of EU response to future health crises -improvement	Assessment of the quality of EU response to future health crises, and in particular, in terms of observed improvement in comparison with previous crises	Qualitative	Evaluation/ assessment reports prepared by the Commission and by EU other institutions or by relevant International Organisations, drawing lessons from previous crises	Depends on occurrence of severe health crises	Situation during the Ebola crisis: EU responsemechanisms demonstrated added value, but lessons learnt from experience and capacity gaps were also highlighted	Improvement in the management of future cross-border health crises in comparison with previous occurrences
1.1 Capacity-building measures for crisis preparedness, management and response	a. Quality & completeness of national preparedness plans	Availability, quality and completeness of preparedness plans and extent to which Member States have put them in place to counter future health threats, as shown by the transmission of these plans to the Health Security Committee and their subsequent analysis by the Commission	Quantitative/qualitative	Commission/DG SANTE/Health Security Committee (HSC)	Annual	Situation in year 2020, as regard quality and completeness of national preparedness plans	90% of Member States reporting full compliance with the International Health Regulations, through annual reporting to WHO
	b. Level of uptake of tools by professionals/practitioners	Adoption and implementation by professionals and practitioners in Member States of tools developed during capacity building and other	Quantitative/qualitative /	Assessment by Commission/DG	Annual/permanent	Situation in year 2020	Good to very good level by all MS Specific target will depend upon the

[134] This has to be understood as every potential crisis with a health dimension.

		knowledge sharing exercises (e.g. percentage of messages of those supposed to be transmitted through the Early Warning and Response System – EWRS)	level	SANTE/HSC			severity of case/issue/outbreak addressed (e.g. Ebola, Infuenza)
1.2 Response to cross-border health threats during crisis	a. Availability of vaccines and countermeasures during crises	Level of availability in terms of quantity and quality of vaccines and other medical countermeasures to be used during disease outbreaks and crises with health dimension obtained through joint procurement or any other mechanism supported by the Health Programme	number	Commission/DG SANTE	Annual/permanent	Situation in 2020: number of available medical countermeasures	Availability across EU of 3 additional vaccines/countermeasures at end of the Programme
1.3. Support laboratory capacity	a. EULabCap index	EULabCap index is an aggregated index resulting from the annual survey carried out by the European Centre for Disease Prevention and Control – ECDC. The aggregated index provides a robust EU-wide assessment of collective laboratory capacity	Number – on a scale of 0-10	The EULabCap survey methodology developed by the European Centre for Disease Prevention and Control - ECDC – Annual EULabCap Report released by ECDC	Annual	In 2015, the EULabCap aggregate index for EU/EEA was 7.5 on a scale of 0-10	Regular increase of the aggregated EULabCap index
	b. Number of laboratories participating in Joint Actions	Number of laboratories participating in Joint Actions launched by the Programme with the aim to support laboratory capacity	Quantitative (number)	Beneficiaries of the grant agreements concluded in the context of the Joint Actions to support laboratory	Annual	37 associated / collaborating partners from 25 European countries are participating in EMERGE Joint Action	expanding the involvement of relevant laboratories across the EU – 10 new members by 2028 covering most Member States + relevant partner countries

				capacity			
2. Empower health systems with emphasis on their digital transformation	Decrease in the costs related to management of information, resulting from increased digital transformation of health systems	EU-wide assessment of the decrease of the costs of management of information, linked with increased digital transformation of health systems	number	Comprehensive study to be carried out by Joint Research Centre – JRC, with a view to assessing, among others, the reduction of costs of management of the information, resulting from increased digitisation of health systems	multiannual	Situation in 2020: estimate of costs of information management by health systems, derived from the planned Study	Reduction, at the end of the Programme, by 20% of information management costs as compared to baseline
2.1 Support the digital transformation of health and care	Number of eHealth solutions or tools up-taken and implemented in Member States' health systems	Number of eHealth solutions or tools up-taken and implemented in Member States' health systems per million euros invested from the Health Programme's budget	number	Member States, National contact points – NCPs, surveys	Annual/permanent	Situation in 2020	At least 1 case of eHealth solution or tool up-taken and implemented per million euros invested from the Health Programme, over the duration of the Programme 2021-2028
2.2 Support the development of a sustainable EU health information system	Health networks sustainability	Depending on their needs and priorities, the sustainability of current and future networks on health information is defined in this context by their ability to continue their operations after the end of co-funding from the Health programme budget;	qualitative	Ad hoc report or survey carried out by Commission Services or by an external organisation acting on	At the end of the Programme	situation in 2020	Sustainability of health information networks at end of the Programme, by 2028

				behalf of Commissio n services			
2.3 Support the national reform processes for more effective, accessible and resilient health systems	Number of health-related recommendations coming from the EU Semester process that are successfully addressed, with the support of the Health Programme (or of the ESF+ Programme)	Number of health-related recommendations coming from the EU Semester process that are successfully addressed, with the support of the Health Programme (or of the ESF+ Programme)	number	EU Semester Process, Commissio n services	Annual	In 2017, EU Semester country-specific recommendati ons related to health systems were issued to nine Member States	At least one country-specific recommendation relating to health systems successfully addressed, with support of the Health Programme (or of the ESF+ Programme)[135]
3. Support EU health legislation	Degree of transposition of EU health legislation into the national legal systems measured by regular evaluations	Degree of transposition of legislation into national laws/regulations and legal systems. The degree of transposition is measured among others by regular reports, some of which are foreseen in the concerned legal acts.	qualitativ e	Commissio n/MS authorities/ Evaluation reports	Frequency in accordance with the provisions in the relevant legal acts	Situation in 2020, as will have been assessed by the Commission and Member States	High degree of transposition by all Member States
3.1. Manage, maintain and implement the legislation on medical devices	Percentage of Member States which have implemented the EU legislation in the field of medical devices in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of medical devices in their national legal system, as reported by successive evaluation reports	percentag e	Commissio n/MS authorities/ Evaluation reports	Same as the frequency provided for in the legal act	Situation in 2020, as will have been assessed by the Commission and Member States	90% of Member States having implemented the EU legislation in the field of medical devices at the end of the Programme
3.2. Support the implementation of Union legislation on medicinal products and on Health Technology	a. Number of projects by the Biological Standardisation Programme (BSP) for the quality control of biologicals	Number of projects by the Biological Standardisation Programme (BSP) for the quality control of biologicals. The activities by biological standardisation program ensure the independence of tests on biologicals, allows comparison	number	Commissio n/MS authorities/ Evaluation reports	Annual	118 projects finalized since its inception, 4	Around 4 BSP projects concluded annually

[135] To be confirmed by the responsible operational unit

Assessment		of tests, ensures high quality biologicals and aims to reduce animal testing in the EU.				in 2016	
	b. Number of Regulatory Members from Member States joining the ICH	Number of Regulatory Members from the Member States joining the ICH and implementing its guidelines	number	Commission/MS authorities	Annual	Situation in 2020, as provided by Commission services' evaluation	Regulatory Members from 14 additional Member States joining the ICH and implementing its guidelines at the end of the Programme
3.3. Monitor and support Member States in their implementation of legislation in the area of substances of human origin (SoHO)	Percentage of Member States which have implemented the EU legislation in the field of substances of human origin (SoHO) in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of substances of human origin (SoHO) in their national legal system, as reported by successive evaluation reports	percentage	Commission/MS authorities/ Evaluation reports	Same as the frequency provided for in the legal act	Year 2020	90% of Member States having implemented the EU legislation in the field of substances of human origin (SoHO) at the end of the Programme
3.4. Support the implementation of tobacco legislation	Percentage of Member States which have implemented the EU legislation in the field of tobacco in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of tobacco in their national legal system, as reported by successive evaluation reports	percentage	Commission/Member States Authorities	Same as the frequency provided for in the legal act	Situation in 2020, as provided by Commission services' evaluation	90% of Member States having implemented the EU legislation in the field of tobacco at the end of the Programme
3.5. Support the implementation of Union legislation in the area of cross-border healthcare	Percentage of Member States which have implemented the EU legislation in the field of cross-border healthcare in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of cross-border healthcare in their national legal system, as reported by successive evaluation reports	percentage	Commission/MS authorities/ Evaluation reports	Annual or at least at frequency provided for in relevant legal act	Situation in 2020, as provided by Commission services' evaluation	90% of Member States having implemented the EU legislation in the field of cross-border healthcare at the end of the Programme
3.6. Support to the Commission' scientific committees on "Consumer Safety" and on "Health,	Number of scientific opinions issued and approved	Number of scientific opinions issued and approved by the Commission's scientific committees	number	Commission	Annual	30 opinions finalized since 2016	Continuous number of opinions in line with recent values: 10/year, (if the average number of issues arising in a given year is higher than 10) or all arising issues receiving a scientific opinion, in case their average annual

Environmental and Emerging Risks"							number is less than 10.
4. Support integrated work	Strength of integrated work engagement	The Strength of integrated work engagement indicator will be based on an equal weighting aggregation of the indicators of the 3 operational priorities below[136]: ERNs, HTA, and Implementation of Best Practices	number	Commission/DG SANTE/CHAFEA	Annual	Situation in 2020	Increase of the composite indicator by 20% at the end of the Programme
4.1.ERNs	Number of patients supported by ERNs	Number of patients which were diagnosed and treated by ERN networks	number	Commission/DG SANTE/CHAFEA	Annual	Number of patients that made consultations in ERNs by 2020	Early in its development, target to be established in 2020
4.2.HTA.	a. Transitional period. coordination level	Number of Member States which have joined the Coordination Group as members in the transitional period.	percentage	Commission/DG SANTE/NCPs	Annual	Situation in 2020, as provided by Commission services' evaluation	Increase by 20%[137]
	b. Number of joint clinical assessments on medicinal products and on medical devices	Number of clinical assessments jointly carried out	number	Commission/DG SANTE/NCPs	Annual	Situation in 2020, as provided by Commission services' evaluation	50 HTA
4.3.Implemenation of best practices	a. Number of best practices transferred per million of € invested	Number of best practices transferred to Member States (receiving MS) per million of € invested from the Health Programme	number	Commission/DG SANTE/NCPs/ad hoc survey	Annual	Situation in year 2020, as provided by estimations relating to the 4th Health	na[138]

[136] The detailed aggregation methodology for defining the composite indicator from the indicators requires further information and data analysis in order to be finalised

[137] To be confirmed by responsible operational unit: applicable only before the adoption of HTA legislation. Once HTA legislation is adopted, the relevant indicator will be addressed under the *Support to EU health legislation* specific objective

[138] Due to lack of experience, the target will be set up in 2020, when more information and data become available

						programme	
	b. Percentage of EU population of the geographical territory in which each best practice is transferred	Percentage of EU population of the geographical territory in which each best practice is transferred	percentag e	Commissio n/DG SANTE/N CPs/ad hoc survey	Annual	No baseline available	Maximizing the percentage of EU population of the geographical territory in which each best practice is transferred, with a target of at least 5%
Overall Programme Indicator	Reduction of the difference between the 5 best performing Member States (MS) in terms of Mortality rate and the 5 worst performing MS	Reduction of the difference between the 5 best performing Member States (MS) in terms of Mortality rate and the 5 worst performing MS	Quantitat ive	Commissio n/Member States/Healt h Security Committee	Frequency of available data in Eurostat's Database	Situation in 2020	Reduction of observed inequality by 20%

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

Summary for the main IA text:

The present impact assessment has been prepared on the basis, on the one hand, of information collected from the continuous implementation monitoring of the Health Programme, and on the other, of evidence and results from the independent evaluations of previous health programmes (e.g. final evaluation of the 2nd Health programme 2008-2013 and the mid-term evaluation of the ongoing 3rd Health Programme 2014-2020. For improved quality and robustness, the above primary sources have been supplemented and cross checked with additional evidence gathered from relevant audit and evaluation reports of certain components of the Programme (e.g. Decision EC 1082 on Cross-border threats to health), by opinions of experts groups established by the Commission (Scientific and Programme Committees, Expert Group on Effective Ways of Investing in Health) or from international organisations (WHO, OECD), and by synergies/complementarities with recent policy developments and finally by a specific study launched in order to gather additional evidence and close existing information gaps.

The systems put into place for the monitoring and management of previous health programmes enabled to efficiently collect data on various aspects of the implementation, including the type of actions, the types of beneficiary organisations, amount of EU co-funding.

Information and evidence from programme monitoring and management include deliverables and assessment of results at action level, enabling to measure the success of each funded action and its contribution to the overall objectives of the programmes.

The deliverables and results at action level feed into the dissemination plan at programme level and provide the opportunity to extract and present showcases of success showcases from which broader lessons can be drawn, as feedback and input to future actions/programmes.

The mid-term and final (ex-post) evaluations of the previous programme conducted by external independent contractors/organisations provided reliable evidence and necessary input to the preparation of the impact assessment of the subsequent Programme.

In this respect, the present impact assessment builds on evidence gathered from the mid-term evaluation of the 3rd Health Programme (2014-2020), carried out in 2017 (link to be added) and from of final (ex-post) evaluation of 2nd Health Programme (2008-2013) issued in 2016.

The robustness and quality of information derived from Programme monitoring and from mid-term and final evaluations has been assured by cross-checking with complementary evidence from independent other evaluations or audits of specific components of the Programme, such as the special report issued in 2016 by the European Court of Auditors on cross-border threats to health in the EU and the Commission report to the European Parliament and to Council on the implementation of Decision No 1082/2013/EU.

Robustness and quality can also be increased by taking into account reports and opinions delivered by other EU institutions (e.g. Council Recommendations on Vaccination, on AMR, and on lessons learned from the Ebola and Zika crises; European Parliament Resolutions on health-related issues and on specific aspects of the Health Programme).

In addition to opinion of the Members of the 3rd Health Programme Committee, the impact assessment took into account the opinion of Scientific Committees and advice from experts groups at EU-level (Expert Panel on Effective Ways of Investing in Health; Expert Groups represented in the EU Health Policy Platform) or in international organisations (cooperation with WHO, on the implementation of IHR and with OECD on health information and State of Health in the EU cycle).

At Commission level, the impact assessment included by up-to-date evidence from new policy developments and opportunities of synergies offered such developments (e.g. Action Plan on AMR, Digital Single Market Communication, and Communication on Vaccination, under-preparation).

Finally, in order to close remaining information gaps, the Commission launched a study on gathering with a view to analysing the impacts of possible actions in the future Health Programme and to proposing a programme monitoring and evaluation framework.

Sub-Annex 2: Stakeholder consultation

Summary for the main IA text:

In addition to the IMP public consultation launched during the 1st quarter of 2018, open consultations were carried out from November 2016 to February 2017 in the context of the mid-term evaluation of the 3rd Health Programme. Stakeholders participated in the mid-term evaluation of the 3rd Health Programme through these consultations, including an open public consultation which covered aspects relating to the relevance, added value, efficiency, effectiveness, and coherence of the programme. This served, notably, as input to the preparation of the impact assessment of the Health Programme post 2020.

In the open public consultation Member States and EU stakeholders provided an overwhelming support for EU health policies confirming that the cooperation in the area of health is essential and should be maintained (70%).

The EU should continue supporting important health-related challenges facing EU citizens, governments and health systems reflected in the formulation of the Programme's objectives.

In addition to the IMP public consultation launched during the 1st quarter of 2018, open consultations were carried in the context of the mid-term evaluation of the 3rd Health Programme. Stakeholders participated in the mid-term evaluation of the 3rd Health Programme through these consultations[139], including an open public consultation which covered aspects relating to the relevance, added value, efficiency, effectiveness, and coherence of the programme. This served, notably, as input to the preparation of the impact assessment of the Health Programme post 2020.

The consultations, carried out from November 2016 to February 2017, engaged institutional stakeholders, notably the Programme Committee members and National Focal Points and grant beneficiaries. The stakeholders involved in the funded activities, especially non-governmental organisations, public health authorities, academic and research organisations, international organisations, professional associations, private companies and individual persons were also consulted through the open public consultation.

In addition, targeted on-line consultations with public health experts and e-surveys with National Focal Points and Programme Committee members were conducted as part of the external evaluation study. These were complemented by targeted interviews of Commission and International Health Organisation officers, and grant recipients (beneficiaries), mainly project leaders and coordinators of actions funded under the Programme.

In the open public consultation Member States and EU stakeholders provided an overwhelming support for EU health policies confirming that the cooperation in the area of health is essential and should be maintained (70%).

The EU should continue supporting important health-related challenges facing EU citizens, governments and health systems reflected in the formulation of the Programme's objectives.[140]

[139] The results of the consultation activities are presented in the Annex V of the SWD (2017) 331 final of 11.10.2017) on

[140] The results of the Open Public Consultation are publicly available on https://ec.europa.eu/health/funding/consultations/midterm_evaluation_en

Sub-Annex 3: Evaluation results

Summary for the main IA text:

The programme evaluations carried out are as follows:

Mid-term Evaluation of the third Health Programme (2014 – 2020),
Report on the implementation of Decision No 1082/2013/EU of the European Parliament and of the Council of 22 October 2013 on serious cross-border threats to health, released in 2015,
Ex-post Evaluation of the second Health Programme (2008 – 2013) released in 2016,
Mid-term Evaluation of the second Health Programme (2008 – 2013) released in 2011,
Ex-post evaluation of the (first) Public Health Programme (PHP) 2003-2008 released in 2011
Mid-term evaluation of the (first) Public Health Programme (PHP) 2003-2008, released in 2007

The programme evaluations carried out are as follows:

Mid-term Evaluation of the third Health Programme (2014 – 2020)141 released in 2017

Report on the implementation of Decision No 1082/2013/EU of the European Parliament and of the Council of 22 October 2013 on serious cross-border threats to health[142]

Ex-post Evaluation of the second Health Programme (2008 – 2013)143 released in 2016

Mid-term Evaluation of the second Health Programme (2008 – 2013)144 released in 2011

Ex-post evaluation of the (first) Public Health Programme (PHP) 2003-2008[145] released in 2011

Mid-term evaluation of the (first) Public Health Programme (PHP) 2003-2008[146], released in 2007

[141] https://ec.europa.eu/health/sites/health/files/programme/docs/2014-2020_evaluation_study_en.pdf
[142]https://ec.europa.eu/health/sites/health/files/preparedness_response/docs/report_decision_serious_crossborder_threats_22102013_en.pdf
[143] https://ec.europa.eu/health/sites/health/files/programme/docs/ex-post_ev-hp-2008-13_final-report.pdf
[144] https://ec.europa.eu/health/sites/health/files/programme/docs/mthp_final_report_oct2011_en.pdf
[145] https://ec.europa.eu/health/sites/health/files/programme/docs/ex_post_evaluation_en.pdf
[146] http://ec.europa.eu/health/archive/ph_programme/documents/evaluation/php_evaluation_en.pdf

Annex 17: Programme specific annex on *Food Chain Programme*

Glossary

Term or acronym	*Meaning or definition*
Prerogative spending / Prerogative budget line	
Legal Basis	
Legal Act	
Basic Act	
Programme	
AGRI	Directorate-General for Agriculture and Rural Development
AMR	Antimicrobial Resistance
BSE	Bovine spongiforsm encephalopathy
BTSF	Better Training for Safer Food
CAP	Common Agriculture Policy
CCP	Coordinated Control Plans
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
COMP	Directorate-General for Competition
DIGIT	Directorate-General for Informatics
ECDC	European Centre for Disease Prevention and Control
EFSA	European Food Safety Authority
EMA	European Medicines Agency
EU	European Union
EURCs	European Reference Centres
EURLs	EU Reference Laboratories
FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
JRC	Joint Research Centre
MFF	Multiannual Financial Framework

NRL	National Reference Laboratories
SANTE	Directorate General for Health and Food Safety
SARS	Severe acute respiratory syndrome
SDGs	Sustainable Development Goals
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
Better Training for Safer Food (BTSF)	Better Training for Safer Food (BTSF) is a Commission training initiative covering food and feed law, animal health and welfare and plant health rules.
Bovine spongiform encephalopathy	Bovine spongiform encephalopathy (BSE), commonly known as mad cow disease is a transmissible spongiform encephalopathy and fatal neurodegenerative disease in cattle that may be passed to humans who have eaten infected flesh.
Budget line	A Budget line is a graphical representation of all possible combinations of two goods which can be purchased with given income and prices, such that the cost of each of these combinations is equal to the money income of the consumer.
Comitology	Comitology refers to a set of procedures through which EU countries control how the European Commission implements EU law. Broadly speaking, before it can implement an EU legal act, the Commission must consult, for the detailed implementing measures it proposes, a committee where every EU country is represented.
EU Reference Laboratories	EU Reference Laboratories (EURLs) aim to ensure high-quality, uniform testing in the EU and support Commission activities on risk management and risk assessment in the area of laboratory analysis.
One Health Approach	One Health: is a term used to describe a principle which recognises that human and animal health are interconnected, that diseases are transmitted from humans to animals and vice versa and must therefore be tackled in both. The One Health approach also encompasses the environment, another link between humans and animals and likewise a potential source of new resistant microorganisms. This term is globally recognised, having been widely used in the EU and in the 2016 United Nations Political Declaration on AMR.
Sustainable Development Goals (SDGs)	The 17 Sustainable Development Goals (SDGs) and their related 169 targets, which are at the heart of the UN's 2030 Agenda for Sustainable Development, provide a new policy framework worldwide towards ending all forms of poverty, fighting inequalities and tackling climate change. The adoption of the 2030 Agenda and its SDGs represent a change of paradigm of the international policies on development cooperation. The EU has committed to implement the SDGs both in its internal and external policies. For more details see *The Sustainable Development Goals* available at https://ec.europa.eu/europeaid/policies/sustainable-development-goals_en

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

Summary

Regulation (EU) No 652/2014[147] establishes a common financial framework (hereafter “the CFF Regulation”, or the “Food Chain Programme”)) for the management of the food chain spending over the 7-year programming period 2014-2020. The ceiling for expenditure for the whole period is established at EUR 1 891 936 000.

The Food Chain Programme covers both veterinary (animal) and phytosanitary (plant) measures, through either annual or multiannual programmes pre-approved by the Commission, and through emergency measures implemented to ensure a decisive response in the event of crises situation and unforeseeable events affecting animal or plant health. A number of official control related activities aimed to enhance the safety of EU food products and the correct application of food chain requirements are also financed at EU level, such as training for enforcement officials, a coordinated approach to testing and analyses through the activities of the EU Reference Laboratories, relevant studies and IT systems. This package of measures ensures that the EU has a credible framework of legislation and controls to promote high levels of safety along the entire food supply chain, creating in turn the conditions for a stable internal market where food, animals and plants can circulate freely.

Provisions for the management of the EU food chain expenditure for the 2014-2020 period are laid down in Regulation (EU) No 652/2014. The EU spending in this area, which mostly takes the form of direct (co-)financing to the Member States, covers veterinary measures, phytosanitary measures and official control related activities.

Animal health and plant health measures impact at several different levels, with specific actions depending on the prevelance of the (animal) disease or (plant) pest concerned in the EU territory. This cycle develops around four main pillars: (i) prevention; (ii) surveillance and early detection; (iii) rapid reaction; and (iv) eradication. If a disease or a pest is not present in the EU, but there is a risk that it could enter its territory, prevention measures are put in place to avoid its introduction. For some strategic diseases a vaccine stock ("vaccine bank") is also established at EU level to be immediately used in case of emergency situations. If a specific disease or pest is more likely to enter or has already entered the EU, surveillance activities are put in place to, respectively, timely detect its introduction or assess its epidemiological evolution since the initial outbreak(s). Early detection is of fundamental importance especially in the case of certain animal diseases

[147] REGULATION (EU) No 652/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, amending Council Directives 98/56/EC, 2000/29/EC and 2008/90/EC, Regulations (EC) No 178/2002, (EC) No 882/2004 and (EC) No 396/2005 of the European Parliament and of the Council, Directive 2009/128/EC of the European Parliament and of the Council and Regulation (EC) No 1107/2009 of the European Parliament and of the Council and repealing Council Decisions 66/399/EEC, 76/894/EEC and 2009/470/EC http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0652

which, once entered, may have a potential devastating effect on animal production and/or on public health, leading also to extensive trade disruption and economic losses. In case an outbreak occurs, early reaction measures are immediately implemented to contain the spread of the disease or the pest and to eradicate the outbreak. This is done in order to minimize the impact on, for instance, plant and animal production and trade. When a disease or a pest is endemic in the Union territory, a number of eradication activities are put in place to progressively eliminate it in the concerned area.

The funding of official control related activities covers a wide range of measures, including training programmes for enforcement staff in the Member States and in non-EU countries exporting to the EU (the "Better Training for Safer Food" initiative, which trains every year 7000 enforcement staff), the activities of 45 EU Reference Laboratories', which ensure high-quality and uniform testing in the EU, and provide training to hundreds of National Reference Laboratories (NRL) in a number of priority areas; Coordinated Control Plans (EU-wide coordinated controls to ascertain compliance across the EU with certain specific requirements, e.g. a specific plan directed at verifying the adulteration of honey, or the presence of undeclared ingredients in certain foodstuffs); studies and evaluations, and a number of important IT systems that enable enforcement authorities to trace foods subject to specific health requirements, to exchange in real time notifications concerning the emergence of a risk along the chain (for the health of humans, animals, plants), to inform and support one another in taking measures necessary to counter such risk, and to cooperate across borders on a daily basis in case of cross border violations (including those resulting from fraudulent and deceptive practices).

In line with the Commission's vision for the post-2020 financial framework[148], the technical and financial support provided at EU level for the implementation of the food chain activities contribute to help primary producers and the food industry to provide a safe and high-quality food supply, produced in a sustainable way at affordable prices for more than 500 million Europeans, while respecting the requirements for plant health, for animal health and welfare, and for the protection of the environment. The continuous improvement of the animal and plant health status in the EU also helps promote market access for EU food producers, contributing to the increase of exports and confirming the agri-food industry as a leading sector of the EU economy.

1.2. Lessons learned from previous programmes

Summary:

The measures receiving technical and financial support under the Food Chain Programme contribute to a safe and secure EU food supply chain, which is prosperous and sustainable, and strong on the global scene. Ensuring a high status of human, animal and

[148] https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en

plant health, these activities help to protect more than 500 million European citizens, and provide a solid foundation based on high levels of safety for the trade in agri-food products both within the internal market and with third countries.

Overall, the recently conducted mid-term evaluation revealed that the Regulation is functioning well within its policy context. All activities receiving EU financial support in this area have proven to serve the Food Chain Programme objectives as well as the Commission's overall priorities, including the functioning of an effective internal market and the support to trade with non-EU countries.

Nevertheless, some areas of concern are identified. Particularly, a specific mechanism to access a reserve for crises in case of large-scale emergencies needs to be identified; the monitoring system is to be improved and integrated with a cost-effectiveness analysis; the current grants system needs to be simplified, and the plant health funding strengthened.

The first three years of implementation of the common financial framework for the food chain (established by Regulation (EU) No 652/2014), namely the period 2014-2016, were assessed in the context of a mid-term evaluation exercise[149], whose scope included all spending areas expected to be covered by the next food chain programme.

Overall, the mid-term evaluation revealed that the programme is functioning well. All activities receiving EU financial support in this area have proven to serve the programme's objectives, namely the improvement of human, animal and plant health, as well as the overall Commission's priorities, including the functioning of an effective internal market and the support to trade with non-EU countries.

Based on the analysis performed, it was concluded that the majority of the activities covered by the programme proved to be effective in achieving their objectives, and showed progress in the indicators used to monitor the food chain measures implemented. Overall, the use of EU resources is efficient and consistent with the results achieved. Particularly, in the veterinary area, the improvement of the animal health status is accompanied by a progressive and significant reduction of the financial resources needed, allowing for resources to be re-deployed to address new priorities. The measures co-financed by the Food Chain Programme strongly contribute to creating EU added value: Member States benefit from the prioritised and targeted implementation of EU co-funded activities, especially for emergency, eradication, control and monitoring measures for animal diseases and plant pests throughout the Union. The EU financial provisions on

[149] REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Mid-term evaluation of Regulation (EU) No 652/2014 of the European Parliament and of the Council laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material […] (COM(2017) 546 final) and accompanying staff working documents (SWD(2017) 314 final, SWD(2017) 315 final, and SWD(2017) 316 final).
https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_comm_report_en.pdf
https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_staff_work_doc_en.pdf
https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_exec_sum_en.pdf
https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_synopsys_report_en.pdf

animal health have been recognised, notably by the European Court of Auditors, as uniform and consistent in their application and enforcement in all EU Member States.

The Food Chain Programme has proven to be flexible to address emerging needs for co-financing especially in the occurrence of outbreaks. It also has proven to be coherent with other EU and national policies in the area of food safety. In this context, it has to be recalled that the CFF Regulation serves the financing needs of a comprehensive and broad part of the EU legislative framework (the food chain acquis), composed of important sectorial acts (on animal health, welfare, on plant health, on food and feed safety, food and feed additives, on hygiene requirements, just to name the most important ones). This opens the possibility to provide financial support to a quite substantial range of operational measures (listed in the CFF Regulation). Mostly the Food Chain Programme provides incentives which act as a catalyst for more substantial efforts by the Member States in the overall EU interest. This support also serves as a real example of EU solidarity (EU and the Member States) which in turn promotes an EU model for risk protection along the food chain.

In addition, the Food Chain Programme offers the possibility for providing financial support to measures which are not listed under the eligible costs in the Regulation itself; the formulation of this provision is very broad, as it generally refer to the possibility to fund additional measures in the animal and plant health areas "in exceptional and duly justified cases" such as awareness campaigns to inform all the concerned parties in case of outbreaks to further booster the measures implemented to fight against animal or plant diseases. To date, such requests have come from several Member States, confirming the flexibility and coherence of the CFF Regulation with other related EU programmes. The mid-term evaluation, in fact, concluded that requests in this sense could be considered as evidence of the fact that EU intervention in these areas already addresses all relevant needs and might be extended to other areas covered by the Regulation. A clear example of synergy between programmes covering complementary areas concerns primary agriculture and, more specifically, the interaction between the provisions of the CFF Regulation and the Common Agriculture Policy (CAP) Regulation in the event of an outbreak. While the CFF addresses eligible direct costs incurred to tackle animal diseases and plant pests, such as the compensation to owners, the costs of vaccination, and the slaughtering of animals or the culling of trees, the CAP has provisions to contribute to covering some indirect costs, such as market losses suffered by farmers.

In addition, the possibility should be noted to include under Horizon 2020 research projects to further improve knowledges of specific animal and/or plant diseases as well as new tool such as vaccination. This is another example of synergy between programmes covering complementary areas.

Also the outcome of the consultation process in the context of the mid-term evaluation [150] revealed a large appreciation of the EU financial contribution in those areas. This exercise mostly included an open public consultation and a targeted on-line stakeholder consultation, further complemented by targeted interviews of different stakeholders' representatives. There was general agreement among stakeholders that funding opportunities provided by the CFF regulation in the area of animal health are an essential tool to ensure disease prevention and the timely and efficient control of animal diseases. An overall call for specific attention to preventive measures was expressed.

Among the main achievements resulting from the long-term impact of the measures implemented even before 2014, a good example is the eradication of Bovine Spongiform Encephalopathy in cattle[151], a disease which is transmissible to humans through the consumption of contaminated beef products. The long-term EU co-financing against this disease resulted in a drop in the number of positive cases from more than 2000 in 2001 to 5 cases only in 2016, getting close to its complete eradication. Another good case concerns rabies, an important zoonosis[152] which has been almost eradicated in the EU in wildlife (complete eradication is expected by 2020), with the number of cases falling from 726 in 2010 to only 18 in 2016. A fall of the infections in poultry population (such as laying hens) by salmonella spp. has also been achieved following the implementation of EU co-funded salmonella control programmes. This has led also to benefits in terms of human health, as salmonellosis is an important zoonosis, (one of the main causes of human contamination is the consumption of eggs). The incidence of confirmed human cases decreased from 105.450 in 2010 to 94.600 in 2015.

From the administrative point of view, the CFF Regulation was envisaged to modernise and simplify the pre-existing financial provisions. The scope for simplification and rationalisation was addressed by: replacing the previous legal framework, over-complex and often out-of-date, with a single piece of legislation covering the whole food chain area; rationalising the funding rates, with the definition of three standard rates only, namely: 50%, 75% and 100%; aligning the procedures in the phytosanitary and veterinary fields under a harmonised framework to ensure clarity, transparency and a sound regulatory environment; reducing the use of Comitology and Commission Decisions in order to shorten the time for contract and payment.

An additional step towards the overall simplification of the system was the introduction of a unit cost system used for reimbursing the activities carried out to implement veterinary programmes. The new system was perceived by both the Commission and the Member States as facilitating the request for funding and for reimbursements. To date, it

[150] COMMISSION STAFF WORKING DOCUMENT Synopsis report accompanying the document Report from the Commission to the European Parliament and to the Council Mid-term evaluation of Regulation (EU) No 652/2014 of the European Parliament and of the Council laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material […] (SWD(2017) https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_synopsys_report_en.pdf

[152] A disease which can be transmitted to humans from animals.

covers about 50% of the eligible costs and is currently under revision in view of further extending it to other spending areas, especially in the phytosanitary field.

Some adjustments were introduced to adapt the financial tools used in these spending areas to the provisions of the current Financial Regulation, notably the grants. However, experience shows that, taking into account the characteristics of the food safety expenditure (non-competitive funding consisting of reimbursement to the Member States), the allocation of grants can be further simplified.

From the monitoring point of view, a comprehensive set of performance indicators currently allows evaluating the achievements in the main areas covered by the Food Chain Programme. Nevertheless, those indicators are purely technical and are not accompanied by cost-effectiveness indicators. This shortcoming limits the possibility to investigate the causal effects behind the results and impacts achieved thanks to the food chain spending under the CFF Regulation. In the context of the "budget for results" approach, the development and implementation of a cost-effectiveness analysis in the food chain area is therefore needed in view of the next MFF. A specific study to identify a tailor-made model for cost-effectiveness analysis is currently ongoing.

The success of the current financing programme in avoiding a major crisis on the scale of past crises should not mask the vulnerability of the system, as outbreaks from animal diseases and plant pests tend to cyclically occur and reoccur in the EU territory. The need to establish a direct mechanism to react to large scale emergencies affecting food, animals and plants should be further considered. Under the EU 2014-2020 budget, the reserve for crises in the agricultural sector is not available for the food chain area. In the event of serious outbreaks of animal[153] and plant epidemics, whose budgetary impact might not be accommodated within the ceiling of the current programme, the financial support to implement eradication activities and to timely contain the spread of these epidemics would be difficult.

Further consideration will also have to be given to the funding of plant health activities, which is still at an initial phase, in order to properly respond to the needs in this area, e.g. in terms of integration between survey programmes and emergency measures. It is important to consider that the achievement of the eradication of certain pests is often more complicated than in the animal health area due the high number of host species, latency of symptoms and the nature of disease vectors, notably insects. This greatly complicates control and eradication measures in the event that a pest becomes established. In cases where eradication is no longer possible, a containment approach is still an effective way to prevent further spread of the pest into the rest of the EU territory.

[153] One example is the recent case of avian influenza, whose budgetary impact largely exceeds the annual CFF ceiling established at EUR 20 million for both animal and plant health emergencies. Notably, the 19 Member States affected by the epidemics since 2016 have claimed to date more than EUR 100 million, of which 35% only could be paid within the Food Chain budget. Extra resources still need to be found to cover the remaining amount.

Real life example of success story of synergies, with other IMP programmes:

The spreading of antimicrobial resistance (AMR) is a natural biological phenomenon but lately a variety of factors have contributed to accelerate its dispersion. AMR is responsible for an estimated 25,000 deaths yearly and over EUR 1.5 billion of healthcare costs and productivity losses in the EU. Combating antimicrobial resistance has become a global public health challenge. AMR has also become a political priority within the EU, the G7, the G20, the UN and other international organisations.

In 2008, the European Council called upon the Member States to strengthen surveillance systems and improve data quality on antimicrobial resistance and on consumption of antimicrobial agents within both the human and veterinary sectors. A new EU Action Plan to combat antimicrobial resistance was adopted in 2017 to prevent and reduce the spreading of AMR, and preserve the capacity to fight microbial infections. The key objectives of this new strategy are built on three main pillars: (i) making the EU a best practice region on AMR; (ii) boosting research, development and innovation on AMR; and (iii) shaping the global agenda on AMR

As part of this AMR Action Plan several other programmes (e.g. EU Programmes for Health and Food-and-Feed[154], Horizon 2020) as well as the EU Agencies (EFSA, EMA and ECDC) collaborate and coordinate with different national authorities in order to reach the outlined objectives from a one Health perspective and in support of Member States' national action plans. This inclusive strategy with representation of all relevant actors at EU level and the aim to address gaps on the Health and Animal side holistically represent a successful example of the One Health approach.

Real life example of problems due to lack of flexibility, coherence, separation from other programmes dealing with similar or complementary issues? The reserve for crises in the agricultural sector is set under Heading II of the EU Budget to provide additional support in case of major crises affecting agricultural production or distribution. The initial Commission proposal for a CFF Regulation provided that also DG SANTE could access this reserve, in order to cope with severe veterinary and phytosanitary crises whose budgetary impact might not be accommodated within the ceiling of Heading III. Following a difficult negotiation with the legislative authority, the possibility to use this reserve was eventually dropped from the CFF proposal.

In the event of a crisis, the costs associated would then have to be covered first within the CFF built-in reserve for financing emergency measures of EUR 20 million per year. Any additional amount would have to be financed from the margin of Heading 3 and/or by reprogramming. If (full) financing under Heading 3 were not possible, the Commission would have to examine any other possibility for financing the necessary measures in accordance with all relevant legislations, including in the field of the Common

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Agricultural Policy. Finally, should the severity of the crisis require further financial resources, the Commission would recur to alternative mechanisms, such as the flexibility instrument or the contingency margin. Still, those mechanisms are not immediately accessible and do not represent a guarantee of availability of financial resources to face the emergency. This constitutes an important risk also from the perspective of control and eradication as certainly on the availability of EU funding is a powerful instrument in taking quick and decisive measures to combat the spread of diseases and pests. The recent avian influenza example presented in this section (see footnote 5) confirms the risks related to similar situations.

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2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

Summary

Under the present MFF, the Food Chain Programme has an average annual budget of EUR 250 million, covering the three main spending areas of animal health, plant health and official controls related activities. For the post-2020 financial framework, animal health measures are expected to continue representing the largest share of the Food Chain Programme budget, followed by plant health measures and, third, official controls related activities.

In the light of the findings of the recent mid-term evaluation and consultations, the present food chain spending strategy remains valid for the next MFF. Nevertheless, a number of recent and emerging challenges, such as globalisation, an increasingly complex food supply chain and climate change, will pose significant threats and are therefore expected to influence the future EU approach in this area.
The optimisation of the administrative system is also expected to contribute to a more effective and efficient EU Food Chain Programme, improving its overall functioning as well as its capacity to respond to the present challenges, for example by exploring possible synergies or seeking further simplifications.

The 2014-2020 Food Chain Programme has an average annual budget of EUR 250 million, which covers the three main spending areas of animal health, plant health and official controls related activities. During the current MFF, the average annual envelope allocated to veterinary measures has amounted to EUR 180 million with the figure rising to almost 210 million in 2017 due to the Avian Influenza crisis, of which EUR 160 million on average for veterinary programmes and EUR 16 million, 23 million, and 51 million, respectively, for 2015, 2016, and 2016 for emergency measures, representing 75% of the total spending in this area. The second main envelope has concerned phytosanitary measures, with an annual average budget of EUR 12 million, of which almost the entire amount has been allocated so far to cover survey programmes. As regards the annual spending on official control related measures, EUR 16 million has been allocated to the EU Reference Laboratories, while the budget for the Better Training for Safer Food initiative has amounted to EUR 15 million. The remaining EUR 30 million have covered the spending for IT systems which support tracing of commodities, alert notifications and administrative cooperation for enforcement purposes, and other measures and supporting/administrative activities.

In view of the next MFF, animal health measures are expected to continue representing the largest share of the food chain budget, as animal diseases remain a major priority for Member States for health, trade and political reasons. Given their biological origin and character of vectors transmitting the diseases, the need to monitor and tackle them will continue. In addition, any deterioration in the current very satisfactory animal health status could quickly undermine the progress accomplished in recent years. For the post-2020 programme, veterinary measures should mostly focus on: disease prevention through veterinary programmes, in line with the increasing demand for safety and security, especially at the EU borders; emergency measures and crisis management, due to the increased risk of veterinary crisis as a result of globalisation of markets, intensification of production and climate change; availability of EU vaccine banks to complement the national capacity, which should be reinforced by both including provision for dealing with new diseases and increasing the capacity for existing ones.

Plant health measures are becoming growingly important due to increased globalisation and trade, being accompanied by new plant health threats. For the next MFF, phytosanitary measures should mostly target the following activities: phytosanitary programmes, with the systematic implementation of surveillance activities to early detect the presence of certain priority pests in the whole EU territory, and to increase the capacity of reaction of national phytosanitary services; emergency measures to be implemented at the very initial stage of the outbreak, with an early and decisive response system at EU level. Surveillance activities were only introduced by the present Food Chain Programme in order to complement the emergency intervention making the overall system to tackle plant pests more coherent and structured, with an increased attention paid to prevention.

Official controls related activities will continue providing support to Members States to implement sectorial measures, thus enabling the sophisticated EU enforcement system to work efficiently. Given the contribution of those measures to the overall protection needs, and their strategic support to the internal market and trade, the current approach remains valid for the next MFF, where these measures should cover: action to improve testing and analyses by laboratories serving the EU food chain enforcement needs (through activities carried out by the EURLs); training activities carried out under the BTSF initiative; Coordinated Control Plans (CCP) allow coordinated controls by Member States on specific priorities, including the fight against frauds in the food chain; EU IT systems, databases, alert and notification tools developed at Commission level, which are largely and daily used by the Member States and whose contribution can be strengthened thanks to increased digitisation of data. This comprehensive system is an essential tool for verifying and monitoring that relevant Union requirements are being implemented, complied with and enforced.

In light of the findings of the overall evaluation and consultation exercises recently conducted, the present food chain spending strategy is expected to be largely confirmed during the next MFF. Still, a number of recent and emerging challenges, most of which are mentioned in the paragraphs above, pose significant threats to the EU in the food chain area, and are therefore expected to influence the future EU approach in this area. The increasing complexity of food supply chains is a key aspect, with the globalisation of trade meaning more opportunities, but also increased risk due to global vectors and global diseases. In this context, increased emphasis needs to be put on prevention, particularly as concerns trans-boundary exotic diseases from neighbouring third countries. Other exogenous factors such as increased risk of vector borne diseases and climate change may alter disease emergence and spread patterns. Exceptional circumstances such as emergency situations related to animal and plant health may pose serious risks from both the sanitary and economic perspectives. The sustainability of the food system will be improved by increasing the general consumers' awareness as well as through public–private partnerships for reducing food waste all along the food chain. It will also be important to have performant risk analysis tools for preventing fraudulent practices. In addition, the sustainability issue is therefore of growing importance, especially with a view to the Sustainable Development Goals (SDGs). On top of that, opportunities for synergies between next Food Chain Programme and R&I FP ('FP9')should be explored. In particular the following areas to anchor to FP9 are: support EU health and food safety – and related animal health, welfare, plant health – legislation; connections to EITs Health and Food; support integrated work with MS on health and food safety research (i.e. Networking); legislative processes including innovation in health and food sectors.

In this changing and challenging context, there is a strong demand from citizens and consumers as well as from the national authorities for a continued EU engagement in this area, with citizens expecting the EU to protect them and their interests by guaranteeing strong interventions and controls all along the food chain, and to properly address these security and safety threats.

The optimisation of the administrative system might make the next EU food chain programme more effective and efficient in its overall functioning as well as in its capacity to respond to these challenges. While the present approach has proven to be flexible in adapting to new priorities and needs, new synergies with other EU spending programmes could be envisaged on horizontal activities such as studies and evaluations, information campaigns and communication, knowledge building and trainings, cross-border administrative cooperation and networking, as well as on IT tools, with a view of supporting the implementation of the legislation in the whole food chain area. Also the scope for simplification could be further addressed as described in section 1.2 above, contributing to improving and modernising the food chain system for the next MFF.

Challenges	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among	Rule-making, standard setting and enforcement at EU	Health as a resources for the society and the internal market

Programme/line		Member States	institutions level	
Food Chain Programme	- Increased consumers' expectations regarding the integrity and safety of the food chain; - Insufficient incentive for sustainable consumption	- Cross-border public policy challenges in the food chain related areas, including with third countries - Limited cooperation/exchange of best practices between authorities	- Soft regulation and application of best practices	- Globalisation of trade - Climate change - Loss of biodiversity - Risk of pandemics, cross-border health and health security threats - Cyclical outbreaks of animal and plant pests - Food waste - High costs of cross-border health crises, food borne diseases, food fraud, animal diseases and plant pests

Candidate for / Programme/line	**Flexibility** (moving funds from one IMP programme to other)	**Simplification**	With which other IMP programmes there are potential **synergies**	
Food Chain Programme: **all spending areas**	N/A	- Development of cost-effectiveness analysis / monitoring system - Exploring flat funding rates	See below	
Food Chain Programme: **veterinary programmes**	N/A		N/A	
Food Chain Programme: **phytosanitary survey programmes**	N/A	- Introduction of lump sums for reimbursements	N/A	
Food Chain Programme: Studies / **data gathering / evaluations**	N/A		Potentially all programmes - More visibility for those activities and improved knowledge and competence sharing	
Food Chain Programme: **Information campaigns / external communication**	N/A		Potentially all programmes - Resource sharing and unified messages to the general public	
Food Chain Programme: **Knowledge building / Trainings to Member State**	N/A		N/A	
Food Chain Programme: **IT tools**	N/A		Potentially all programmes - Administrative cooperation/ network of MS; resource and data sharing	

2.2. Objectives of the programmes of the next MFF

Summary

The post-2020 Food Chain Programme is expected to attain a key general objective, namely the contribution to a high level of health and welfare for humans, animals and plants along the food chain.

Under this overall umbrella, three sectorial objectives are then identified, for each of the three main spending areas expected to be covered by the Food Chain Programme itself. More specifically, veterinary measures will aim at improving the prevention, control and eradication of animal diseases in the EU territory; phytosanitary measures at improving the prevention, containment and eradication of plant pests in the EU territory; and official controls related activities at improving the effectiveness, efficiency and reliability of the food supply chain.

The post-2020 Food Chain Programme is expected to attain the general objective of contributing to a high level of health and welfare for humans, animals and plants along the food chain while:

- improving the sustainability of European food and feed productions and increasing quality standards across the EU;
- ensuring a high level of protection for consumers and the environment, including the preservation of biodiversity;
- enhancing the competitiveness of the EU food and feed industry and favouring the creation of jobs.

This overarching objective is crystallised into three specific objectives, related to the three spending areas covered by the programme itself, namely:

- improving the prevention, control and eradication of animal diseases in the EU territory (animal health);
- improving the prevention, containment and eradication of plant pests in the EU territory (plant health);
- improving the effectiveness, efficiency and reliability of official controls related activities along the food supply chain, carried out with a view to implement and enforce EU rules in this area (official control related activities).

The sectorial measures implemented to achieve the specific objectives above will mostly consist of:

- for animal health:
    - programmes for the eradication, control and surveillance of animal diseases and zoonoses;
    - veterinary emergency measures;
- for plant health:
    - survey programmes concerning the presence of pests;
    - phytosanitary emergency measures;
- for official controls related activities:
    - EU Reference Laboratories and Centres' activities;
    - training of control staff;
    - Coordinated Control Programmes ;
    - Food waste prevention activities;
    - IT systems.

In order to assess whether the above-listed measures will contribute to the attainment of the Food Chain Programme objectives, monitoring arrangements will be established for each area and the following evaluation criteria will be used:

- the continued relevance of all objectives, namely the relationship between the needs and problems in the food chain area and the general and specific objectives and related measures identified for each of the spending areas covered by the programme itself;
- the effectiveness of the implemented food chain measures in achieving the general and specific objectives, also in light of the progress measured through the monitoring system in place;
- the efficiency in the use of the financial resources spent under the food chain budget and their consistency with the results achieved;
- the coherence of the measures implemented within the Food Chain Programme, both internally and with other EU interventions;
- the EU added value created thanks to the implementation of the food chain measures receiving technical and financial support under this programme.

Challenges / **Programme/line**	**Empowerment of citizens, consumers and businesses**	**Administrative cooperation and integration among Member States**	**Rule-making, standard setting and enforcement at EU institutions level**	**Health as a resources for the society and the internal market**
Programme 1		xxx		
Food Chain Programme: **veterinary measures**	Improving the prevention, control and eradication of animal diseases in the Union territory	Improving the prevention, control and eradication of animal diseases in the Union territory	Improving the prevention, control and eradication of animal diseases in the Union territory	Improving the prevention, control and eradication of animal diseases in the Union territory
Food Chain Programme: **phytosanitary measures**	Improving the prevention, containment and eradication of plant pests in the Union territory	Improving the prevention, containment and eradication of plant pests in the Union territory	Improving the prevention, containment and eradication of plant pests in the Union territory	Improving the prevention, containment and eradication of plant pests in the Union territory
Food Chain Programme: **official controls and related activities**	Improving the effectiveness, efficiency and reliability of official controls related activities along the food supply chain, carried out with a view to implement and enforce Union rules in this area	Improving the effectiveness, efficiency and reliability of official controls related activities along the food supply chain, carried out with a view to implement and enforce Union rules in this area	Improving the effectiveness, efficiency and reliability of official controls related activities along the food supply chain, carried out with a view to implement and enforce Union rules in this area	Improving the effectiveness, efficiency and reliability of official controls related activities along the food supply chain, carried out with a view to implement and enforce Union rules in this area

Potential for / **Programme/line**	**Simplification of your programme, and/or synergies and/or flexibility**
Food Chain Programme: **veterinary measures**	Flexibility: N/A Simplification: no simplification actions involving other IMP programmes are envisaged Synergies: between next Food Chain Programme and R&I FP ('FP9')
Food Chain Programme: **phytosanitary measures**	Flexibility: N/A Simplification: no simplification actions involving other IMP programmes are envisaged Synergies: between next Food Chain Programme and R&I FP ('FP9')

Food Chain Programme: **official controls and related activities**	Flexibility: N/A Simplification: no simplification actions involving other IMP programmes are envisaged Synergies: synergies on horizontal actions covered by the official controls related activities could be explored with all other IMP programmes on e.g.: studies, evaluations, data gathering activities, information campaign and external communication activities, IT tools.

3. PROGRAMME STRUCTURE AND PRIORITIES

Summary

The actions already receiving EU financial support in the food chain area will remain a high priority for the post-2020 programme targeting very diverse diseases and pests that impact on different animals and plants across the entire eco-system; new diseases also emerge such as BSE, SARS, Corona virus and mutations of avian flu, which present new risks. In these circumstances, the best approach is to aim for a high level of preparedness, which equips the EU and its Member States to deal with diseases in general, focusing on those which are already present. The findings of the mid-term review of the CFF Regulation confirm also that what is presently managed represents the critical mass of funding in order to make the programme work effectively. In addition, experience shows that EU added value in the food chain area goes beyond what individual Member States could achieve by implementing national measures without EU support. In continuity with Regulation (EU) No 652/2014, the next Food Chain Programme is also expected to take the form of a Regulation to be adopted through ordinary legislative procedure. The legal basis for establishing the upcoming proposal will be Articles 43, 114 and 168 of the Treaty on the Functioning of the European Union.

Based on the experience of their past and ongoing implementation, the actions already receiving EU financial support in the food chain area will remain a high priority for the post-2020 programme. The targeted diseases and pests are very diverse and impact on different animals and plants across the entire eco-system. However, while they differ hugely in their nature and structure, they all have the potential of a catastrophic impact on the health of the target species, be it animal or plant. This in turn can lead to huge trade disruption and losses for the agri-food sectors in question and in cases of zoonotic diseases in animals with an impact on human health. Experience, moreover, teaches that disease outbreaks and their impact are highly variable and subject to change due to climatic, trade and biological factors. New diseases also emerge such as BSE, SARS, Corona virus and mutations of avian flu, which present new risks. In these circumstances, the best approach is to aim for a high level of preparedness which equips the EU and its Member States to deal with diseases in general, focusing of course on those which are already present.

On this basis, the next Food Chain Programme is expected to achieve the specific objectives through the following measures:

- emergency measures, namely actions to contain and eradicate outbreaks of animal and pest diseases;

- crisis management activities, implemented in case of cross-border threats to reduce animal and plant health risks and mitigate their consequences;
- eradication programmes, through actions aimed at eradicating animal diseases and plant pests in the EU territory;
- control programmes, through actions aimed at containing the spread of a specific animal disease or plant pest and to minimise its impact;
- surveillance/survey programmes, aimed to collect and record data on specific animal diseases and plant pests to assess their epidemiological evolution and allow targeted control and eradication or containment measures;
- implementation and enforcement of EU Food chain rules through official controls related actions, such as:
  - BTSF, through training enforcement and control staff in the Member States and in third countries exporting to the EU;
  - Support and consolidate the network of EURLs and EURCs activities;
  - IT systems, with a view of maintaining and improving the integrated working of IT and networks which enable the Member States and the Commission to work jointly to counter health risks along the food chain, implement and enforce food chain rules across the EU and facilitate trade;
  - actions directed at raising awareness and promote innovation in preventing food waste along the food chain.

The findings of the mid-term review of the CFF Regulation also confirm that what is presently managed represents the critical mass of funding in order to make the programme work effectively. This base line is supported by data collected using existing performance indicators.

Experience shows that EU added value in the food chain area goes beyond what individual Member States could achieve by implementing national measures without EU support. The health status of the EU is only as strong as the weakest link. All Member States much therefore play their part in ensuring that there is a high level of health protection and of preparedness to deal with outbreaks. The achievement of a higher animal and plant health status in the EU was possible thanks to both the technical and financial support provided by the EU to the Member States: on the one hand, budgets of Members States alone, especially of those struggling with economic crisis or other constraints, have difficulties to secure appropriate financial resources to respond to the combination of present and potential challenges; on the other hand, the variety of measures to put in place to tackle pests and diseases requires a centralised management system in order to properly coordinate and organise the implementation of specific actions in the Member States. Member States which might not have a direct interest in combatting a particular disease or pest also have to be reminded of their obligation to look to the overall EU interest. This requires a centralised approach to ensure the necessary oversight and a high level of overall ambition in combatting diseases.

The EU added value provided by the EURLs activities and the BTSF programmes is linked to the nature of their activities: the network of laboratories ensures that all EU

Member States work within a consistent and uniform regulatory framework, while the EU training programme promotes a common approach towards the implementation and enforcement of EU legislation. This contribution towards the harmonisation of rules at Union level and the sharing of knowledge and expertise in the food chain and related areas is a concrete example of positive interaction within the EU, which could not be achieved through isolated efforts at national level and without the EU financial support.

Should the current approach to food chain funding be confirmed, the post-2020 programme is expected to continue contributing to achieving and supporting EU added value. Member States will still benefit from the prioritised and targeted implementation of EU co-funded activities, especially for emergency, eradication, control and surveillance measures for animal diseases and plant pest throughout the Union. The financial solidarity provided by the EU support will enable Member States to take the required actions to protect both own, and wider EU interests. Otherwise these may go beyond the financial and operational capacity of an individual Member State. The food chain programme funding will enable harmonised and robust controls, which satisfy an important need with respect to an effective food chain policy.

In continuity with the present legislation, namely Regulation (EU) No 652/2014 on the management of the expenditure in the food chain area, the next Food Chain Programme is also expected to take the form of a Regulation to be adopted through ordinary legislative procedure. The legal basis for establishing the upcoming proposal will be Articles 43, 114 and 168 of the TFEU. As the post-2020 Food Chain Programme will continue acting as a financial umbrella covering the management of expenditure in the areas of animal health, plant health, and official controls related activities, its scope will have to be aligned to the sectorial legislation in those fields, as recently revised/amended.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

Summary:

The food chain expenditure implemented under Regulation (EU) No 652/2014 mostly consists of direct co-financing to the Member States. The principal delivery mechanism used is the grant with only three standard maximum rates to reimburse eligible costs, namely 50%, 75% and 100%. As this approach proved to be clear, effective and efficient, ensuring both flexibility to the financial and policy framework and consistency with the subsidiarity principle, its key elements will continue to be used in the next MFF. Procurement will continue to be the delivery mechanism for Better Training for Safer Food (BTSF). Further steps towards increased simplification will be considered for the upcoming Food Chain Programme, in order to e.g. reduce the administrative burden for both the Commission and the national competent authorities or facilitating the requests for reimbursements. In this view, the increased use of unit costs and ceilings, or the application of lump sums and flat rates will be explored, as well as a definition of a minimum threshold for receiving financial support under the Programme.

The food chain expenditure implemented under Regulation (EU) No 652/2014 primarily consists of direct co-financing to the Member States, which are almost exclusive beneficiaries of the EU spending in this area. The Member States receive a reimbursement for the eligible costs incurred to carry out the eligible measures. The Union financial contribution mainly takes the form of a grant (the only exception being the voluntary payments to international organizations), implemented through grant decisions.

Within the present financial framework, all food chain activities are currently under direct management, and financing is mostly managed by Commission services (with the sole exception of the BTSF initiative which is implemented by the executive agency CHAFEA).

Regulation (EU) No 652/2014 establishes a standard reimbursement rate of no more than 50% of the eligible costs incurred to implement veterinary and phytosanitary measures (both annual/multiannual programmes and emergency measures); under certain conditions specified in the regulation itself, the applicable rate can be increased to 75% or 100%[155]. The eligible costs for BTSF and EURL activities funded through procurement and grants, respectively, are covered in full.

Based on the findings of the recent mid-term evaluation of Regulation (EU) No 652/2014, the current financial arrangements – whose key elements are described above – ensure the good programme implementation as concerns both the efficiency and the effectiveness, as well as in terms of flexibility. Particularly, direct management has proven to be effective in this area, which is characterised by a comprehensive and complex legislation, requiring a high level of specialisation and a deep understanding of scientific developments. In this context, direct management has ensured a cost-effective and rational use of human resources, with a limited number of staff employed to manage these funds, liaising with the highly qualified scientific and technical experts at policy-making level.

As regards subsidiarity, budgets of some Members States alone, especially of those harder hit by economic crisis or other constraints, on one hand have difficulties to secure appropriate financial resources to respond to the combination of present and potential challenges. On the other hand, the variety of measures to put in place to tackle animal

[155] Article 5 (Maximum rates of grants) to Regulation (EU) No 652/2014
1. Where the Union financial contribution takes the form of a grant, it shall not exceed 50 % of the eligible costs.
2. The maximum rate referred to in paragraph 1 may be increased to 75 % of the eligible costs in respect of: (a) cross border activities implemented together by two or more Member States in order to control, prevent or eradicate pests or animal diseases; (b) Member States whose gross national income per inhabitant based on the latest Eurostat data is less than 90 % of the Union average.
3. The maximum rate referred to in paragraph 1 may be increased to 100 % of the eligible costs where the activities benefitting from the Union contribution concern the prevention and control of serious human, plant and animal health risks for the Union, and: (a) are designed to avoid human casualties or major economic disruptions for the Union as a whole; (b) are specific tasks which are indispensable for the Union as a whole as laid down by the Commission in the work programme adopted in accordance with Article 36(1); or (c) are implemented in third countries.

diseases and plant pests requires a centralised management system in order to properly coordinate and organise the implementation of specific actions in the individual Member States, within an EU framework where the overall system is only as strong as the weakest link.

In light of these considerations, the overall approach of the current system is expected to be confirmed for the period post-2020. By the same token, the present application of only three standard funding rates for animal and plant health measures, which has been largely welcomed by the beneficiaries since its introduction, is expected to be maintained. Experience shows that it is easy to manage and provide the system with great transparency since eligibility conditions are limited and clear, and in line with proportionality and solidarity criteria. The implementation of unit costs and ceilings in the area of veterinary programmes and emergency measures has already contributed to the simplification of the program implementation, leading to lower administrative burden for the Commission as well as for the Member States, and facilitating the requests for funding and for reimbursements. It currently covers about 50% of the eligible costs and a further revision of the program implementation is ongoing, in view of extending it to other food chain spending measures, such as the financing of EURLs. In the plant health area, the use of unit costs seems more difficult to apply because of the limited availability of historical data as well as due to the nature of costs themselves, which cannot be defined in detail as is the case of animal health. The use of lump sums covering all or certain categories of eligible costs is therefore being considered as an alternative method with a view of replacing real costs. Both unit costs and lump sums or, where applicable, flat rates would then be pre-established in such a way as to allow the payment of grants only upon achievement of concrete outputs and/or results.

With a view to reducing the administrative burden attached to EU funding – both for the Member States and for the Commission –the definition of a minimum threshold for receiving financial support under veterinary and phytosanitary measures is a further element which will be considered. In view of the next Food Chain Programme, the EU funding for small financial value programmes might therefore be discontinued for cost-effectiveness reasons, and also because the administrative costs attached to their implementation might equal or even exceed the eligible costs themselves, so as there will be no interest at national level to apply for EU financial support.

As regards synergies with other programmes of the Single Market Programme, opportunities are expected to arise for a coordinated approach in certain areas (training and capacity building, cross-border enforcement, data gathering and processing, support to networks of Member States authorities, awareness raising activities and IT related actions) as appropriate. Additional synergies with the ESF+, notably through actions on AntiMicrobial Resistance will be maintained and further exploited.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

Summary

The performance of the post-2020 Food Chain Programme will be evaluated through a comprehensive set of indicators, focused on both activities (output indicators) and results (outcome indicators), complemented by a number of economic indicators to assess the effectiveness of the relevant spending measures (cost-effectiveness indicators) implemented under the different policy areas covered. Both

intermediate and final targets will be defined for each selected indicator, subject to periodic (annual) adjustments based on the epidemiological evolution and other specific factors. Additional indicators covering the wider economic, social and environmental impacts (impact indicators) will also be monitored.

The assessment of the next Programme is expected to consist of an intermediate and a final evaluation, focused on the attainment of the specific objectives. The progress made should be evaluated taking into account the previously agreed indicators and defined targets.

The core objective of the Food Chain Programme is to protect human, animal and plant health from the risks of pests and diseases which are, largely but not exclusively, foodborne. Previous programmes and measures have been very successful in ensuring a high level of protection in this respect throughout the EU. This has delivered very important benefits for health but also the ability for trade to take place on a safe basis both within the EU and with third countries. The very substantial regulatory framework on food safety, animal and plant health at the heart of the Internal Market can only function effectively if there is a sufficient and continued investment in its implementation and enforcement.

Experience has taught us that it is imperative to have strong regulatory and administrative structures in place in the EU to protect against diseases and to react when, not if, there are incursions of these diseases. The absence of diseases or their low incidence is not, therefore, an excuse for complacency. On the contrary, it is necessary to remain very vigilant and to have in place the necessary support measures, including contingency plans, crisis preparedness measures and well trained officials to provide EU citizens, animals and plants with effective disease surveillance, control and eradication measures. The best measure of future success will remain the capacity to maintain the existing high health status in the EU, the smooth trade flows and the absence of major disease outbreaks with their devastating impact on health and the economy.

While the three areas currently receiving EU financial support, namely animal health, plant health and official controls related activities, are expected to be confirmed for the next Food Chain Programme, some adjustments to the present objectives (as presented under section 2 of the present Annex) are envisaged, to improve on the existing set of indicators used, especially in the areas of plant health and official controls related activities. The current technical indicators will then be revised in view of a transparent, effective and credible monitoring system, which for the first time is expected to be complemented by a cost-effectiveness analysis tailor-made for the food chain interventions.

The performance of the post-2020 Food Chain Programme will then be monitored through a comprehensive set of indicators, focused on both activities (output indicators) and results (outcome indicators), complemented by a number of economic indicators to evaluate the effectiveness of the relevant spending measures (cost-effectiveness indicators) implemented under the different policy areas covered. This core set will be accompanied by a number of additional indicators covering the wider economic, social and environmental impacts (impact indicators) which may be expected from the Food Chain Programme. For the first three categories of indicators, both intermediate and final targets for the next MFF will be established, as they are all directly related to the programme implementation. As regards impact indicators, even if the Food Chain Programme contributes significantly to their positive evolution, no direct and exclusive link can be established, due to time lags and the complexity of the factors which impact on disease outbreaks and their evolution. They are therefore expected to be monitored as a key qualitative indication of the relevance of the food chain policy, but no specific targets are likely to be established. In terms of data collection, technical and financial information needed to measure and monitor output, outcome and cost-effectiveness indicators will be handled at DG SANTE level: the main sources will be the intermediate and final reports submitted every year by the Member States, as well as the several notification (IT) tools in place in the areas concerned. Data on impacts, such as the value of agri-food production, trade flows and the evolution of exports, are expected to be mostly collected through other tools/databases available at Commission level, such as the indicators monitored by EUROSTAT and the

Number of (national) veterinary programmes and of (survey) phytosanitary programmes successfully implemented

periodic reporting from EFSA.

A preliminary analysis of the data needed to compile these indicators has been conducted in the context of ongoing studies: a JRC study on cost-effectiveness (currently in its final stages) and an external study on data gathering and analysis (still at inception phase). Both exercises have revealed that the present situation for monitoring and data collection is positive, particularly in the animal health area, and that needed information is largely already available at either DG SANTE or Commission level for both financial and technical aspects. In most cases, this data would therefore simply need to be continuously followed up in a structured and systematic way to allow proper ex-ante, ongoing and ex-post monitoring. They will represent a key tool to assist policy-makers throughout the whole policy cycle, in order to ensure a budget-for-results-oriented approach, which is transparent in the benefits it delivers for stakeholders and citizens. In this scenario, the present IT tools for notification, alert, digitization of data might need to be strengthened and further integrated.

In continuity with the present monitoring system[156], both intermediate and final targets will be defined for each selected indicator, subject to periodic adjustments based on endogenous aspects related to the nature of the measures implemented, notably the epidemiological situation actually prevailing. Targets design will also be based on the evolution of exogenous factors influencing the attainment of the objectives (as described in the previous sections when presenting emerging challenges and threats). The Commission experts will be discussing those aspects with the representatives of the Member States in the relevant institutional fora, notably in the context of the regulatory committee meetings, as well as on *ad hoc* basis, when there is a need to address veterinary or phytosanitary problems. Following this approach, a reasonable definition of targets for the three policy areas will be possible at the end of the present MFF, with 2020 as a baseline scenario, with annual updates agreed between the Commission and the national competent authorities[157].

The list of indicators for the post-2020 period is under development based on the ongoing studies addressing the future monitoring system. Taking into account this evolving scenario, a non-exhaustive proposal for key indicators is presented in the table at the end of the present section.

A composite indicator is suggested for the monitoring of the Single Market [and Health] Programme that is an aggregation of two programme indicators that is "Successfully implemented national veterinary and phytosanitary programmes".

In line with the provisions of Regulation (EU) No 652/2014, the assessment of the next Programme is also expected to consist of an intermediate and a final evaluation, focused on the attainment of the specific objectives. The progress made should be evaluated taking into account the previously agreed indicators and defined targets. In the light of the present experience, where the mid-term evaluation found a shortcoming in the limited availability of data, the interim evaluation exercise for the next Food Chain Programme is recommended to be conducted once satisfactory financial and technical data for the first three years of implementation (namely the period 2021-2023) is available. The findings of both the mid-term and the ex-post evaluations are expected to feed into Commission evaluation reports to be presented to the European Parliament and to the Council.

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[156] https://ec.europa.eu/food/sites/food/files/safety/docs/cff_animal_vet-progs_guidance_progs_erad_2018-2020.pdf
[157] https://ec.europa.eu/food/sites/food/files/animals/docs/diseases_sanco-12915-2012_en.pdf
https://ec.europa.eu/food/sites/food/files/safety/docs/cff_animal_vet-progs_guidance_progs_erad_2018-2020.pdf

Specific Objective	**Indicator**	**Definition**	**Unit of measurement**	**Source of data**	**Frequency of measurement**	**Baseline**	**Target**
Animal health: improving the prevention, control and eradication of animal diseases in the Union territory	Number of national programmes successfully implemented	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved programme. Programmes whose implementation is in line with EU legislation and the terms agreed with the Commission are considered successful.	Percentage	Grant decisions (one per MS) and Final payment checklist	Annual	2020	100%
	Number of emergency situations successfully addressed (by disease)	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved emergency measure. Measures whose implementation is in line with EU legislation and the terms agreed with the Commission are considered successful.	Percentage	Grant decisions (one per emergency, i.e. one per MS and per diseases) and Final payment checklist	Depending on needs (emergency measures are not predictable by definition)	2020	100%

	Reduction of incidence	Incidence is a technical parameter used to monitor the epidemiological evolution of a given disease in a given population. It is the proportion of new cases within a specified time period divided by the size of the population initially at risk.	Percentage (of animal population)	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in Portugal for bovine brucellos is 30% (namely the minimu m % of reductio n compare d to 2015 baseline (0,20))	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiologi cal evolution by 2020, and then updated every year as described in the main text
	Reduction of prevalence	Prevalence is a technical parameter used to monitor the epidemiological evolution of a given disease in a given population. It is the proportion of a particular population found to be affected by a disease.	Percentage (of animal population)	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in Portugal for bovine brucellos is 30% (namely the minimu m % of reductio n compare d to 2015 baseline (0,24))	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiologi cal evolution by 2020, and then updated every year as described in the main text
	Number of outbreaks	Technical parameter used to monitor the epidemiological evolution of a given disease.	Number or percentage (depending on the disease)	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in the Union for Avian influenza in domestic poultry is less than 85% compare d to 2015 baseline)	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiologi cal evolution by 2020, and then updated every year as described in the main text

	Number of cases	Technical parameters used to monitor the epidemiological evolution of a given disease.	Number	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in the Union for rabies in wildlife is 0 (2015 baseline was 128 cases))	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiological evolution by 2020, and then updated every year as described in the main text
Plant health: improving the prevention, containment and eradication of plant pests in the Union territory	Number of surveys programmes (by pest / pest category) successfully implemented	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved programme. Programmes whose implementation is in line with the EU legislation and the terms agreed with the Commission are considered successful.	Percentage	Grant decisions (one per MS) and Final payment checklist	Annual	2020	100%
	Number of emergency situations successfully addressed (by pest)	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved emergency measure. Programmes whose implementation	Percentage	Grant decisions (one per emergency, i.e. one per MS and per pest) and Final payment checklist	Annual	2020	100%

		is in line with the EU legislation and the terms agreed with the Commission are considered successful.					
	Reduction of number of outbreaks	Technical parameter used to monitor the epidemiological evolution of a given pest.	Number	Final technical reports (submitted by the MSs)	Depending on needs (emergency measures are not predictable by definition)	2020	Specific targets for this indicator will be defined individually for each pest in each Member State based on the epidemiological evolution by 2020, and then updated every year as described in the main text
Official controls related activities: improving the effectiveness, efficiency and reliability of the food supply chain harnessing official controls related activities, carried out with a view to implement and comply with the Union rules in this area	Number of activities successfully carried out by the EURCs	Quantitative and qualitative assessments on the laboratories activities performed following the EU request. Activities whose implementation is in line with the terms agreed with the Commission are considered successful.	Percentage	Annual Work programme and Final reports (submitted by each EURC)	Annual	2020	100%
	Number of launched training actions as included in the annual work programme	Ability to respond to EU and national needs in a flexible and effective way through the organisation of thematic BTSF trainings (both standard and e-learning)	Percentage	Annual Work Programme and Final reports on the outcome of the training	Annual	2020	100%
Animal health + Plant health + Official Controls related activities	Food and live animals: trade value	Evolution of extra EU-trade (export)	Million euro	Eurostat database (economic accounts for agriculture	Monthly	N/A	N/A

				)			
Animal health + Plant health + Official Controls related activities	Animal products: production value	Production value at basic prices	Million euro	Eurostat database (economic accounts for agriculture)	Annual	N/A	N/A
Animal health + Plant health + Official Controls related activities	Number of human cases due to a zoonoses	Evolution of human cases due to animal diseases transmissible to humans	Number	EFSA annual report	Annual	N/A	N/A
Composite IMP indicator	Successfully implemented national veterinary and phytosanitary programmes"	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved programme. Programmes whose implementation is in line with EU legislation and the terms agreed with the Commission are considered successful. That means the programmes submitted by the Member States are in line with the requirements listed in the specific EU legislation and additional guidelines (COM guidelines, COM working document on strategy against specific disease, recommendation by former FVO audits, specific task force, …) and when all elements contained in the programmes	Percentage	Grant decisions (one per MS) + Final technical and financial report + Payment checklist	Annual	2020	100%

		submitted by the Member States, previously approved by the Commission, are implemented by the national authorities.					

Sub-Annex 1: Evidence, sources and quality

6. EVIDENCE, SOURCES AND QUALITY

Summary for the main IA text:

The main evidence base used in the context of the present impact assessment is the outcome of the mid-term evaluation of Regulation (EU) No 652/2014, which included an external study and an internal assessment performed by the Commission. The mid-term evaluation report was presented by the Commission to the European Parliament and to the Council in September 2017. The evaluation was conducted in line with the Better Regulation requirements and provided good evidence of the positive implementation of the Common Financial Framework over the first three years of the present MFF. Nevertheless, two specific shortcomings affected this exercise, namely the limited time available to undertake the evaluation and the absence of a cost-effectiveness analysis implemented in this area.

The mid-term evaluation is currently being complemented by a soon-to-be finalised JRC study addressing the cost-effectiveness issue, and a data gathering study aimed at filling in some information gaps and analytical needs in view of the next Food Chain Programme. The intermediate results of both studies have progressively fed into the present impact assessment exercise.

The main evidence base used in the context of the present impact assessment has been the outcome of the mid-term evaluation of Regulation (EU) No 652/2014 on the management of expenditure in the food chain area. This evaluation exercise included a study carried out by an external contractor, whose final version was delivered in July 2017, and an internal assessment performed by the Commission, with a final evaluation report presented to the European Parliament and to the Council in September 2017. In this context, both targeted and open public consultations were conducted. The mid-term evaluation fully covered the implementation of the main food chain measures for 2014, 2015 and partially 2016, dependant on preliminary data available. Where relevant, it also took into account results on the long-term impact of the predecessor measures. It provided a qualitative and quantitative overview of the measures implemented under the

Regulation, and assessed them against the five evaluation criteria set by the Better Regulation policies in the European Commission: relevance, European added value, effectiveness, efficiency and coherence. There are however a number of issues to consider when assessing the strengths of the evidence base used for this study, specifically linked to the limited time available to undertake the evaluation:

- the mid-term evaluation exercise started in the second half of 2016, where complete technical and financial data were only available for the first two years of implementation of the CFF Regulation;
- a number of transitory measures applied during both 2014 and 2015, while the provisions laid down in the Regulation were fully applicable only from 2016.

Moreover, no cost-effectiveness analysis has been developed so far in the food chain area. Whilst a methodological approach to conduct this kind of economic analysis was expected to be delivered in the context of the external study, the task was not investigated as requested. Therefore, a significant instrument to perform the evaluation was missing.

These shortcomings have objectively limited the external analysis, which is mostly descriptive and largely based on the opinions of the stakeholders and on the perceptions of the beneficiaries of the EU financial support in this area. The overall evaluation exercise was nevertheless complemented by the internal assessment conducted at EU level, which largely relies on the continuous analysis performed at policy, technical and financial level by the Commission services, including the constant dialogue with all stakeholders/beneficiaries for both scientific and budgetary aspects. The monitoring of an existing set of robust operational technical indicators was particularly useful in the context of this evaluation: even if they do not provide cost-effectiveness results, those indicators allowed evaluating the achievements and/or the performance of the major activities implemented thanks to the EU funding in the areas covered by the Regulation.

To complement the economic evaluation of Regulation (EU) No 652/2014 in the specific area of cost-effectiveness, a targeted study is currently being carried out by the JRC. The objective is to develop and implement a comprehensive set of cost-effectiveness indicators for the main spending areas covered by the Food Chain programme, as well as to investigate the potential calculation of the cost of non-intervention at EU level. The study is in its last stages and the final report is expected to be validated by April 2018. Relevant intermediate findings were integrated into the present impact assessments, notably as concerns the monitoring system and the proposed indicators to be used for the post-2020 Food Chain Programme.

Concurrently, an external study focused on data gathering and analysis in the food chain area was launched in October 2017. It covers all policy areas under the food chain funding, and consists of two assignments: the first one focuses on gathering and analysing data on the cost-efficiency, benefits and EU added-value of the actions performed under the Food Chain Programme; the second one, based on relevant budgetary and policy indications made available, on designing detailed programme indicators for future monitoring and evaluation purposes, in relation to the actions that will be retained for the next Food Chain Programme. The final report is expected to be delivered in May 2018. Still, its intermediate findings have fed into the preparation of the present impact assessment.

Sub-Annex 2: Stakeholder consultation

Summary for the main IA text:

The mid-term evaluation of the CFF Regulation included a comprehensive consultation exercise which addressed both the general public and targeted stakeholders from both public and private sectors. Overall, the findings of the consultation revealed the appreciation of the implementation of the EU spending in this area in terms of relevance with the EU needs, added value achieved at EU level, effectiveness of the measures implemented, efficiency of the resources invested and coherence with the EU policies and legislations. Emphasis was put on the need to increase attention to preventive measures and on the possible reduction of the administrative burden for both the EU and the Member States.

In the context of the mid-term evaluation of Regulation (EU) No 652/2014, a comprehensive consultation exercise was conducted. Its outcome is summarised in the Commission Staff Working Document Synopsis report[158] accompanying the mid-term evaluation report itself. The consultation covered aspects relating to the evaluation criteria used in this framework, namely relevance, added value, efficiency, effectiveness, and coherence. It addressed both the direct beneficiaries of the grants awarded under the Regulation, notably the central veterinary and phytosanitary Competent Authorities (CAs) of EU Member States, as well as the European and the National Reference Laboratories representatives, and stakeholders which are indirectly involved in the funded activities, especially farmers, consumers, food-industry and retailers representatives.

Stakeholders had the opportunity to provide their feedback on a Commission evaluation roadmap on the mid-term evaluation on Regulation (EU) No 652/20141, during a 4-week period starting on 9 June 2016. In addition, an open public consultation (OPC) of all interested parties has been conducted using the European Commission 'Public consultations' website and the DG SANTE 'Consultations and feedback' web page. The open public consultation was carried out between 16 December 2016 and 17 March 2017. Moreover, a round of targeted consultations was conducted by the external contractor, and included: stakeholders interviews addressing representatives of the European Commission (DG SANTE and DG AGRI), and selected stakeholders (CAs, industry representatives, targeted NGOs) in a number of MSs; targeted stakeholders interviews, to further investigate relevant aspects raised in the context of the previously conducted questionnaires; case study interviews, identified based on the assessment of the results from the desk study and questionnaires. While the participation in the OPC

[158] SWD(2017) 316 final
https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_synopsys_report_en.pdf

was low (only 5 contributions received), the response rate in the context of the targeted stakeholders' consultations was generally high.

The respondents in both the OPC and the targeted questionnaires generally evaluated the Regulation to be relevant and in line with the current food chain needs. Overall, they considered the Regulation to have a satisfactory EU added value. The respondents also considered the Regulation to be very efficient, and satisfactory in terms of effectiveness. While none of the participants in the OPC addressed the coherence issue, the large majority of respondents to the questionnaires agreed on the coherence of the Food Chain Programme with other EU policies, or evaluated it as at least complementary and/or synergistic with the EU legislation in the food chain area and with other EU policies. No particular conflict was identified and no specific need for additional synergy with any of the other IMP programmes was expressed in this context. Overall, an increasing call for specific attention for preventive measures in this area was highlighted, as well as the need to reduce administrative burden, e.g. in terms of reporting requirements, which is some cases is considered to be disproportionate.

The results of the different parts of the consultation exercise were largely coherent among each other, and a general appreciation for the food chain programmes was expressed in terms of both technical and financial support provided at EU level.

Sub-Annex 3: Evaluation results

Summary for the main IA text:

Being the first common financial framework established in the area of food chain, Regulation (EU) No 652/2014 was firstly evaluated at mid-term in the context of the recently conducted interim evaluation (final report adopted in September 2017).

Overall, the mid-term evaluation revealed that the CFF Regulation is functioning well within its policy context. All activities receiving EU financial support in this area have proven to serve the CFF objectives, namely the improvement of human, animal and plant health, as well as the overall Commission's priorities, including the functioning of an effective internal market and the support to trade with non-EU countries. The evaluation concluded that activities funded under the Regulation contribute to a EU which is safe and secure, prosperous and sustainable, social, and stronger on the global scene.

The mid-term evaluation of Regulation (EU) No 652/2014 consisted of an external study[159], whose final report was delivered by the selected contractor in July 2017, and a Commission mid-term evaluation report to the European Parliament and to the Council[160] which was established and presented in September 2017.

The evaluation focused on the measures implemented in the areas of animal health (veterinary programmes and emergency measures), plant health (survey programmes and emergency measures), laboratories (EURLs), and training (BTSF); particularly, it assessed whether, in terms of their results and impacts, these measures achieve the objectives set out the Regulation, as regards the efficiency of the use of resources and the added value at Union level. At case level, the evaluation covered all 28 Member States.

Overall, the mid-term evaluation concluded that the CFF Regulation is functioning well within its policy context. All activities receiving EU financial support in this area have proven to serve the CFF objectives, namely the improvement of human, animal and plant health, as well as the overall Commission's priorities, including the functioning of an effective internal market and the support to trade with non-EU countries. The EU financial provisions on food safety, animal and plant health have been recognised as uniform and consistent in their application and enforcement in all EU Member States. This ensures in turn that both citizens and businesses are confident that this financial

[159] Mid-term evaluation of Regulation (EU) No 652/2014 prepared by IBF International consulting (see attached staff working document)

[160] COM(2017) 546 final - Report from the Commission to the European Parliament and to the Council - Mid-term evaluation of Regulation (EU) No 652/2014 of the European Parliament and the Council laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material [..]
https://ec.europa.eu/food/sites/food/files/cff_mid-term-evaluation_comm_report_en.pdf

framework is fair and effective in promoting high safety standards in a key sector of the EU economy. The activities funded under the Regulation contribute to a EU which is safe and secure, prosperous and sustainable, social, and stronger on the global scene.

Before the entry into force of Regulation (EU) No 652/2014, the provisions for the management of the expenditure in the food chain area were scattered across many pieces of legislation. In line with the Communication 'A Budget for Europe 2020', the establishment of a common financial framework covering all spending areas concerned was envisaged to modernise and simplify the pre-existing financial system. The mid-term evaluation exercise finalised in September 2017 was therefore the first evaluation addressing a food chain spending programme. This evaluation was not submitted to the RSB for its scrutiny.

Annex 18: Programme specific annex on *Customs and tax policy development support budget line*

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Scope and context

Both, the customs union and EU tax policy, are – at a different level - fundamental conditions for the smooth functioning of the Internal Market.

For 50 years, the customs union has been a significant example of successful integration in the EU. It is one of the few areas of exclusive competence of the EU and it remains a foundation of the Union and a fundamental enabler of the Internal Market and the other EU political priorities: without the customs union the elimination of internal frontiers would not have been possible. In addition, the harmonised legislative framework provides the basis for the collection of customs duties, which constitute 16% of the EU budget

Similarly, EU tax policy is a key element in efforts to strengthen the EU Internal Market. In the domain of indirect taxes (mainly VAT and excise) – the largest source of revenue for national budgets and a substantial contribution (12%) to the EU's budget - the Union developed a comprehensive set of legislation that is a fundament of the establishment and functioning of the Internal Market and the avoidance of distortion of competition. In the field of direct taxation (income tax and company tax) with the juxtaposition of 28 different tax systems, the EU can rely on the general provisions as regards the Internal Market (Art. 114-115) to provide overall tax governance and adopt relevant EU legislation supporting the functioning and completion of the internal market and fighting tax fraud and tax evasion.

Over the recent years, new challenges arose through a.o. rapidly changing technologies (digitalisation, connectivity, Internet of things, block-chain) and business models (e-commerce, supply chain optimisation), increasing volumes of world trade, international tax competition between countries and tax shopping by companies, reduced public financial means, a persistent transnational crime and security threat. These trends, if not addressed appropriately, risk creating distortions of competition and jeopardising the functioning of the Internal Market and the 4 freedoms, wrecking social fairness and undermining EU competitiveness.

In its role as guardian of the Treaties and in view of its prerogative for legislative initiatives, the Commission has a particular duty to remain alert, monitor and anticipate changes in the tax and customs environment and propose appropriate (legislative) action. Against this backdrop, it is of utmost importance that it has appropriate resources at its disposal to prepare and carry out the actions – beyond the overall framework for cooperation provided by the Fiscalis and Customs programmes – that support policy strategy and coordination.

1.2. Lessons learned from previous programmes

The budget line "Policy strategy and coordination" for taxation and customs has not been subject to evaluation in view of the limited budget allocated – 3,2 €m/yr in the on-going Multi-Annual Financial Framework – and the obvious added value of actions carried out.

The activities funded under this prerogative line include:

- Studies, analyses, data collection:
    - In the area of indirect taxation policy: e.g. impact assessments, evaluation of existing VAT/excise legislation, specific VAT and excise duties issues, penalty system on tax compliance, the future of taxation etc.
    - In the area of direct taxation policy: e.g. EUROMOD tool, issues linked to double taxation cases, transfer pricing, taxation of pension funds and life insurance companies, aggressive tax planning, tax analyser, tax compliance costs, taxation and financial stability, etc.
    - In the area of customs: e.g. issues linked to impact assessment, comparative analyses, studies linked to legislative proposals e.g. on cash control, the implementation of the Union Customs Code, consultancy and expertise in waste and dangerous products, or the development of a framework to measure the performance of the Customs Union, etc.
- Information campaigns / external communication: production and development of awareness-raising materials;
- expenditure on Information Technology (IT) covering both equipment and services needed for internal market activities and as a complement to IT systems developed under Fiscalis and Customs programmes;
- Access to or acquisition of databases: e.g. acquisition of economic data for impact assessments and studies, activities in customs classification;
- Provision of publications, tools, library services and other supporting services related to the supply of tax and customs information;
- Similar actions supporting policy strategy and coordination in taxation and customs: e.g. visiting Fellows programmes, translation services, etc.

As this prerogative line addresses only the Commission's own needs, no external consultation has been carried out and this proposal relies exclusively on experience drawn by Commission services.

This experience demonstrates that all existing characteristics of the prerogative line – areas covered, authorised actions, amounts at stake, etc.) are fit-for-purpose: the existing budget line does not only bring significant added value for policy definition but a fundamental element of the Commission's capacity to deliver a vision and design tax and customs policies in view of new challenges and trends.

However, there would be room for optimising the administrative processes behind these actions, e.g. by establishing framework contracts for the provision of studies in cooperation with other domains covered by the Internal Market [Framework] Programme.

Against this background, it is proposed to place this prerogative line under the consolidated Internal Market [Framework] Programme in order to allow for more and enhanced synergies across complementary domains.

2. THE OBJECTIVES

2.1. Challenges for the programmes of the next MFF

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Policy strategy and coordination for taxation and customs	N/A	N/A	√	N/A
LEGEND: √ -relevant to the objective, N/A not relevant				

The activities under the prerogative line relates exclusively to rule-making, standard setting and enforcement at EU institutions level. All other activities – e.g. administrative cooperation – are dealt with separately under the Fiscalis and Customs programmes[161].

2.2. Objectives of the programmes of the next MFF

The specific objective of this prerogative line is to support the definition and coordination of policy strategy – i.e. rule-making, standard setting and enforcement at EU institutions level – in the tax and customs domains.

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
Policy strategy and coordination for taxation and customs	N/A	N/A	Support the definition and coordination of policy strategy in the tax and customs domains	N/A

3. PROGRAMME STRUCTURE AND PRIORITIES

This budget line being a prerogative line – i.e. a line to be used by the Commission at its own prerogative in view of new challenges and needs as part of policy strategy and coordination –, there is no relevance to define in advance a particular structure and it would be impossible to establish priorities at the start of the Multi-Annual Financial Framework. The key consideration here is to define the critical mass of funding needed to allow effective policy strategy and coordination by the Commission.

Over the 2014-2020 period, funding amounted to 3,2 €m/yr. Whereas no significant increase seems necessary as most needs could be funded over the recent years, a minor increase to cope with inflation – estimated to about 15% - would be welcome as it would allow pursuing activities at the same level as in the past. On the contrary, a reduction by more than 25% – i.e.

161 Given their specific characteristics – a.o. their exclusive focus on tax and customs administrations and not on citizens, consumers and businesses, the importance of resources allocated –, the Fiscalis and Customs programmes are not concerned at all by possible synergies as contemplated in this integrated Internal Market Programme.

below a budget of 2,4 €m/yr – would have non-negligible consequences as it would prevent carrying out several much needed studies or other activities.

4. Delivery mechanisms of the intended funding

As a prerogative line, this budget line is – and can only be – subject to direct management by the Commission.

5. How will performance be monitored and evaluated?

As a prerogative line, it is impossible to determine in advance the use of the allocated funds and thereby to define specific indicators as to the outputs, results or impacts. It is therefore proposed to monitor and evaluate performance on a financial basis, as is currently the case with the existing budget line. In other words, Commission services will focus on timely budget execution.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
Support the definition and coordination of policy strategy in the tax and customs domains	Timely budget execution	Execution of more than 95% of budget by year-end	Use of budget available	ABAC (Commission financial system)	Annual	>95%	>95%

Sub-Annex 1: Evidence, sources and quality

Evidence, sources and quality

Not applicable

Sub-Annex 2: Stakeholder consultation

Not applicable

Sub-Annex 3: Evaluation results

Not applicable

Annex 19: Programme specific objectives

This annex presents the detailed operational objectives for each of the programmes/budget lines included under the scope and how they each contribute to the identified content specific objectives of the Single Market Programme.

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
An Ambitious Competition policy for a stronger Union in the digital age				
Competition programme	To raise awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules, thereby strengthening the effectiveness and legitimacy of those rules.	To strengthen, deepen and extend cooperation and partnerships with European public administrations (including national competition authorities and courts) in the form of direct contacts as well as interoperable IT infrastructures ensuring the exchange of confidential documents and information.	To ensure that the enforcement of EU competition policy as well as policy guidance is supported by state-of-the-art tools and infrastructure (including software and hardware) as well as external technical expertise and information. To raise awareness of EU competition policy among a wider group of stakeholders concerned by the enforcement of EU competition rules, thereby strengthening the effectiveness and legitimacy of those rules.	N/A
IT and business solutions for the Single Market				
1. To support the efforts of the Member States and European Institutions in modernising and digitising the public sector organisations at all levels	The publication of open government data will allow easier access to information.	The provision of IT tools to public authorities (building on the results of ISA2 and other programmes) will strengthen administrative and judicial cooperation.	N/A	The digitisation, adoption of common standards and interoperability will affect all sectors, including healthcare. Health sector in particular, can benefit from more efficient internal processes, better information sharing, and communication with patients.
2. To provide inclusive and	eParticipation tools will support	N/A	N/A	N/A

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
user-friendly end-to-end digital public services to all citizens and businesses in the Union	the representation of citizens' interests.			
3. To contribute to the reduction of administrative burden by promoting administrative cooperation, interoperability through digital means and user engagement to allow citizens and businesses to enjoy user-centred services that address their needs.	Will lead to increased sharing and reuse of standardised open data, benefiting other public administrations, businesses and citizens.	The provision of IT tools to public authorities (building on the results of ISA2) will strengthen administrative and judicial cooperation.	N/A	N/A
4. To ensure that policy makers in the EU have the necessary capabilities for making more evidence-informed policies, deciding rapidly between alternative options and better monitoring implementation.	The abundance of open data and the use of data analytics will contribute to better policy making.	N/A	The assessment of ICT implications will ensure that policy making takes into account ICT and the latest technological developments.	N/A
[European Statistical Programme (ESP)]				
European Statistical Programme' (ESP)	To produce and communicate high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European Statistical System and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart systems and digital	To produce and communicate high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European Statistical System and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart systems and digital technologies.[	To produce and communicate high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European Statistical System and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart	To produce and communicate high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European Statistical System and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
	technologies.[		systems and digital technologies.[	systems and digital technologies.[
Implementation and Development of Single Market for Financial Services				
Implementation and Development of Single Market for Financial Services	To provide evidence based policy making for a deeper and more integrated Capital Markets Union so as to ensure long-term effects on jobs and growth and contribute to a stronger Union.	To monitor the implementation of the Banking Union, in the Member States	To deliver an EU strategy on sustainable finance which is a priority action of the CMU Action Plan, as well as one of the key steps towards implementing the historic Paris agreement and the EU's agenda for sustainable development.	N/A
FISMA - Standards in the field of reporting and auditing				
Standards in the field of reporting and auditing	N/A	N/A	To support standardisation organisations working towards standards settings in financial reporting and auditing	N/A
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)				
Capacity-building programme enhancing the involvement of consumers and other financial services end-users in Union policy making in the area of financial services.	To provide citizens with better information about financial services in order to take the right personal financial decisions.	N/A	To preserve a balanced and structured interaction with stakeholders to improve the calibration of the financial services rules	N/A
Company law and anti-money laundering				
Company law and anti-money laundering	N/A	To develop and maintain tools and platforms required by EU law (e.g. maintain interconnection of the business interconnection as required by Directive 2017/1132 and develop interconnection of MS beneficial ownership registers under Directive 2015/849 – 4th	To facilitate dialogue with civil society and other stakeholders (feedback gathering) Facilitate introduction of new technologies, in particular use of digital tools and processes To ensure the development, implementation,	N/A

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
		AMLD including the most recent amendments – 5th AMLD)	enforcement and monitoring of high-quality and effective Single Market rule making and standard setting (in the company law and anti-money laundering and counter terrorism financing field)	
Consumer programme and New Deal for consumers				
Consumer programme and New Deal for consumers	To Ensure consumers are aware of their rights and of consumer safety issues To Strengthen consumer organisations' roles in consumer policy-making and advocacy at EU and national levels To reduce vulnerability of consumers also linked to negative consequences of market digitalisation To enable assistance and redress systems for individual consumers including support to the ADR bodies, the ODR Platform, and the ECC-Net To ensure qualified entities in the meaning of the Injunctions directive can deliver on their injunctive role	Ensuring enforcement authorities competent in consumer and product safety laws can deliver a high level of compliance to the acquis To ensure the availability of market intelligence tools and joint actions in the field of product safety including in relation to testing of dangerous products To enable effective and coordinated EU-level enforcement actions in the field of consumer law and product safety To enable effective enforcement cooperation with third countries	To provide a high quality general information on consumer markets and conditions and behaviours and on safety issues To integrate and develop information on consumer markets with a view to develop evidence for enforcement actions at the EU level To generate evidence on market issues stemming from new technologies (IOT, IA, mobile e-commerce)	N/A

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
	To promote sustainable consumption behaviours			
Internal Market governance tools				
Internal Market governance tools	To enhance access to information, advice, improved problem-solving services and procedures on a cross-border basis	To Improve management of cross-border Single Market challenges, while promoting IT rationalisation	Giving SOLVIT a more prominent role in the overall EU Law enforcement. Ensure the coherent application of the single digital gateway quality standards	N/A
Internal Market – Support to standardisation				
Support to Standardisation activities	To promote the participation and interests of the stakeholders in the European standardisation system, improving their information and use of standards and showing them the benefits of these.	N/A	To develope and promote use of standards in areas which are new or dominated by few players and Union financing is necessary to assure the participation of start-ups and newcomers in that market	Development and use of standards in support of Union legislation and policies for safety reasons and in areas which are new or dominated by few players and Union financing is necessary to assure the participation of start-ups and newcomers in that market
Internal Market for goods and services				
Single market for goods and services	To improve the safety of citizens and the level playing field for businesses	To support the completion of the single market of goods and services. To enhance Member States' capacity to enforce EU harmonised product rules. To facilitate administrative cooperation of MS in several areas: market surveillance, mutual recognition, prevention of technical barriers, services and public procurement.	To provide a regulatory environment that promotes innovation and responds to new technological and societal challenge,	N/A

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
		COSME		
COSME	1. Promoting the creation and sustainable growth of enterprises, in particular SMEs. 2. Strengthening the competitiveness of enterprises and fostering entrepreneurship. Specific objectives 1) Addressing the access to finance gap for SMEs 2) Facilitating SMEs' access to markets and supporting them in addressing global and societal challenges; 3)Business Environment, Industrial modernisation, Competitiveness and Entrepreneurship	To address SME policy issues by sharing good practices and economic with Member States and participating countries.		
		Health programme		
Health programme			Support EU health legislation	Prepare for and counter health crises
		Empower health systems with emphasis on their digital transformation		Empower health systems with emphasis on their digital transformation
	Support integrated work: Health technology assessment, ERNs and best practices	Support integrated work: Health technology assessment, ERNs and best practices	Support integrated work: Health technology assessment, ERNs and best practices	Support integrated work: Health technology assessment, ERNs and best practices
		Food Chain Programme		
Food Chain programme	Improve the prevention, control	Improve the prevention, control	Improve the prevention, control	Improve the prevention,

Challenges / Programme/line	Empowerment of citizens, consumers and businesses	Administrative cooperation and integration among Member States	Rule-making, standard setting and enforcement at EU institutions level	Health as a resources for the society and the internal market
	and eradication of animal diseases in the Union territory	and eradication of animal diseases in the Union territory	and eradication of animal diseases in the Union territory	control and eradication of animal diseases in the Union territory
	Improving the prevention, containment and eradication of plant pests in the Union territory	Improving the prevention, containment and eradication of plant pests in the Union territory	Improving the prevention, containment and eradication of plant pests in the Union territory	Improving the prevention, containment and eradication of plant pests in the Union territory
	Improve the effectiveness, efficiency and reliability of official controls related activities along the food supply chain	Improve the effectiveness, efficiency and reliability of official controls related activities along the food supply chain	Improve the effectiveness, efficiency and reliability of official controls related activities along the food supply chain	Improve the effectiveness, efficiency and reliability of official controls related activities along the food supply chain
Customs and tax policy development support budget line				
Customs and tax policy development support budget line	N/A	N/A	To support the definition and coordination of policy strategy in the tax and customs domains	N/A

Annex 20: Programme specific Indicators

This annex presents the detailed monitoring indicators used for the programmes/budget lines included under the scope of the Single Market Programme.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
An Ambitious Competition policy for a stronger Union in the digital age							
State-of-the-art enforcement and policy guidance	Estimate of customer benefits resulting from cartel prohibition decisions.	Impact Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Estimate of customer benefits resulting from merger interventions.	Impact Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Macroeconomic benefits modelling using customer benefits as an input.	Impact Indicator	EUR	Inhouse	Regular	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Stakeholder surveys on the perception of enforcement and policy guidance.	Result Indicator	Percentage	Survey	Regular	To be defined in 2020	Increasing trend for 2021-2027

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
State-of-the-art enforcement and policy guidance	Number of published policy guidance texts with the purpose of interpreting antitrust, merger and State aid rules in light of market realities, contemporary economic and legal thinking as well as developments in the EU Courts' case-law.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Amount of fines imposed in antitrust, cartel and, merger decisions.	Output Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art	Amount of unlawful	Output Indicato	EUR	Inhous e	Annual	To be define	No target

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
enforcement and policy guidance	State aid to be recovered pursuant to a Commission decision.	r				d in 2020	for 2021-2027
State-of-the-art enforcement and policy guidance	'Additionality': Amount of private investment leveraged by individual State aid measures, according to the counterfactual assessment made in a Commission decision (this may either be 'input' additionality (i.e. the beneficiary invests more own resources as a	Result Indicator	EUR	Inhouse; Member State reports; Member State evaluations	Regular	To be defined in 2020	Increasing trend for 2021-2027

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	result of the aid) or 'output' additionality (i.e. the beneficiary generates higher output of eligible activities as a result of the aid).						
State-of-the-art enforcement and policy guidance	Number of Commission decisions in the field of antitrust and cartels.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027[162]
State-of-the-art enforcement and policy guidance	Number of Commission statements of objections in the field of antitrust	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027

[162] It is not meaningful to set numerical targets for competition policy enforcement. Most of the indicators used to measure the Commission's performance include trends as targets (stable, increase, decrease, no target). On-going investigation by the Commission is always without prejudice to the final decision to be taken by the Commission in the case. However, DG Competition, like most competition authorities, provides the number of decisions (or intervention rate) to indicate the level of activity and output for the preceding year, also for deterrence purposes. As regards antitrust and cartel enforcement, a target would also depend on factors beyond the Commission's control (decisions of the parties or other market players to disclose infringements through the leniency programme, whistleblowing, complaints or the availability of information to the Commission to detect infringements ex officio). In each and every case, the Commission must fully respect the rights of defence of the parties. These considerations are also relevant for the following indicators: Amount of fines imposed in antitrust, cartel and, merger decisions; Number of Commission statements of objections in the field of antitrust and cartels; Number of Initiation of Proceedings in antitrust cases; Number of antitrust cases with ongoing monitoring of remedies or commitments.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	and cartels.						
State-of-the-art enforcement and policy guidance	Number of Initiation of Proceedings in antitrust cases.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Number of formal antitrust complaints.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[163]
State-of-the-art enforcement and policy guidance	Number of leniency applications in cartel procedures.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[164]
State-of-the-art enforcement and policy guidance	Number of antitrust cases with ongoing monitoring of remedies or commitments.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027

[163] As the formal submissions of complaints by market participants are driven by factors beyond the control of the Commission, no output target can be set. In recent years, we have been facing a period of intense restructuring and M&A activity with no signs of abatement for the coming years. This has led to a steady increase in the number of merger notifications that we receive every year. 2017 was the second busiest year ever, with 380 notifications (5% more than in 2016; 37% more than in 2013). This number was exceeded only in 2007, just before the start of the financial crisis, when 402 cases were notified to the Commission. It can safely be anticipated that the period 2018/2019 will continue to be characterised by a very intense merger activity, in terms both of number of notifications and complexity of cases.

[164] DG Competition's leniency applications in cartel procedures are driven by the willingness of the cartels' participants to cooperate and the time they chose to do so. As this is a factor beyond the control of the Commission, no output target can be set.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
State-of-the-art enforcement and policy guidance	Number of Commission simplified and non-simplified decisions in the field of merger control.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[165]
State-of-the-art enforcement and policy guidance	Number of Commission merger decisions subject to commitments, withdrawals in phase two, or prohibitions (i.e. intervention decisions).	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Number of merger referral requests and decisions.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement	The share of GBER expenditure over	Result Indicator	Percentage	Inhouse	Annual	To be defined in	Increasing trend for

[165] DG Competition's enforcement activities in the merger area are driven by merger activity on the markets and notifications by companies. As this is a factor beyond the control of the Commission, no output target can be set.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
and policy guidance	total expenditure on State aid.					2020	2021-2027[166]
State-of-the-art enforcement and policy guidance	The percentage of horizontal State aid of all aid in the EU.	Result Indicator	Percentage	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
State-of-the-art enforcement and policy guidance	Number of Commission decisions in the field of State aid.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027[167]
State-of-the-art enforcement and policy guidance	Number of Commission decisions opening the formal investigation procedure in the field of State	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027

[166] The trend may reach a plateau before 2027, as the share of GBER expenditure over total State aid expenditure was already high at the time of writing (97% of all new aid measures being implemented under the GBER, representing ; about 46 % of total spending (based on average country specific shares to reflect equally differences in Member States practice).

[167] Excluding aid in the field of agriculture. DG Competition's enforcement activities in the State aid area are also driven by notifications by Member States. As this is a factor beyond the control of the Commission, no output target can be set.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	aid.						
State-of-the-art enforcement and policy guidance	Number of Commission recovery decisions in the field of State aid.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Amounts of State aid recovered under Commission decisions in the field of State aid.	Output Indicator	EUR	Inhouse	Annual	To be defined in 2020	No target for 2021-2027
State-of-the-art enforcement and policy guidance	Number of aids awards above EUR 500,000 published in accordance with the State Aid Modernisation	Output Indicator	Number	Member State reporting	Annual	To be defined in 2020	Increasing trend for 2021-2027[168]

[168] As a cornerstone of its State Aid Modernisation (SAM) initiative, the European Commission has introduced new transparency requirements concerning state aid granted by Member States to undertakings. For each state aid award above €500,000, Member States will be required to publish the identity of the beneficiary, the amount and objective of the aid and the legal basis. State aid transparency builds on the practice already existing under European Structural and Investment Funds or the Common Agricultural Policy.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	transparency requirements.						
State-of-the-art enforcement and policy guidance	Positive results of State aid 'transparency compliance checks' carried out by the Commission.	Result Indicator	Percentage	Checks by the Commission	Annual	To be defined in 2020	Increasing trend for 2021-2027[169]
State-of-the-art enforcement and policy guidance	Number of State aid measures subject to ex-post monitoring.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027[170]
State-of-the-art enforcement and policy guidance	Number of State aid schemes and their annual budget subject	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027

[169] Positive results in the sense that Member States publish complete and accurate information in line with the State aid transparency requirement, as compared to negative 'non-compliance' findings; this trend is based on the premise that the number of samples analysed increases, so as to provide more total results as a meaningful basis.

[170] The Commission continuously monitors the implementation of state aid measures by Member States. This ex-post monitoring exercise involves a check of the legal basis and the list of beneficiaries and an evaluation of each beneficiary, the region in which the beneficiary is located and the principal economic sector in which the beneficiary has its activities. These requirements also apply mutatis mutandis to ad hoc aid. Such information must be kept for at least 10 years and must be available to the general public without restrictions.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	to the evaluation obligation.						
Boosting internal partnerships	Number of national judges trained in EU competition law for national judges.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Regular meetings of Directors General, the ECN Plenary, ECN working groups and sectorial subgroups.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Opinions and amicus curiae briefs provided to national courts concerning the application of the EU antitrust and cartel rules and	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	replies to requests for information from courts.						
Boosting internal partnerships	Number of national court judgments reported to the Commission by the Member States.	Output Indicator	Number	Reports by Member States	Annual	To be defined in 2020	Increasing trend for 2021-2027 171
Boosting internal partnerships	Regular meetings with the national competition authorities in the Merger working group.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of envisaged decisions	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027 172

171 Under Article 15(2) of Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty the "Member States shall forward to the Commission a copy of any written judgment of national courts deciding on the application of Article 81 or Article 82 of the Treaty. Such copy shall be forwarded without delay after the full written judgment is notified to the parties."

172 Article 11(4) states that "No later than 30 days before the adoption of a decision requiring that an infringement be brought to an end, accepting commitments or withdrawing the benefit of a block exemption Regulation, the

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	signalled to the Commission under Article 11(4) of Regulation 1/2003.						
Boosting internal partnerships	Number of documents exchanged between the National Competition Authorities and the Commission using the IT application available to them with this purpose.	Result Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of State aid High-level fora and SAM-working	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027

competition authorities of the Member States shall inform the Commission". To that effect, the national competition authorities shall provide the Commission with inter alia a summary of the case.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	group meetings under the multilateral partnership.						
Boosting internal partnerships	Number of sectoral and thematic working group meetings under the State aid multilateral partnership.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of country visits under the bilateral State aid cooperation.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Number of replies to 'eState aid WIKI' queries and trends in response time.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027 [173]

173 'eState aid WIKI' is a platform for informal exchanges on general State aid matters (thus not case-specific) between the Commission's services and the Member States and EFTA countries (including the EFTA Surveillance Authority).

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
Boosting internal partnerships	Trends in response time to 'eState aid WIKI' queries.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Decreasing trend for 2021-2027
Boosting internal partnerships	Number of queries regarding mandatory State aid transparency requirements submitted by Member States.	Output Indicator	Number	Submissions by Member States	Annual	To be defined in 2020	Decreasing trend for 2021-2027 174
Boosting internal partnerships	Use of the IT-tool 'Transparency Award Module 'TAM' by Member States.	Result Indicator	Number	Use of Tool by Member States	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting internal partnerships	Percentage of State Aid notifications that use the IT application available open to	Result Indicator	Percentage	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027

174 Overall trend, which presupposes an increase in the quality and frequency of updates of the IT tool 'Transparency Award Module (TAM) and related user-guidance provided by the Commission. Temporary increases are not excluded, in particular after a Member State starts using TAM and is therefore likely to submit a large number of queries during the initial phase.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	Member State for this purpose.						
Boosting external partnerships	Number of contributions by the Commission to increased international convergence of competition policy to multilateral fora (International Competition Network (ICN), OECD and UNCTAD).	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of technical assistance workshops organised by the Commission with third countries with a view to increased international	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	convergence of competition policy.						
Boosting external partnerships	Number of cooperation cases where the Commission cooperates with other third country competition authorities in merger and antitrust cases.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of third country competition authorities the Commission cooperates with on average per case.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Boosting external partnerships	Number of working visits to	Output Indicator	Number	Inhouse	Annual	To be defined in	Increasing trend for 2021-

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	third country authorities with a view to increased international convergence of competition policy.					2020	2027
Boosting external partnerships	Number of competition cooperation agreements and free trade agreements containing provisions on competition and subsidies-related rules.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Wider stakeholder outreach	Number of outreach actions to raise awareness of EU competition policy.	Output Indicator	Number	Inhouse	Annual	To be defined in 2020	Increasing trend for 2021-2027
Wider stakeholder	Number of people/organisation	Output Indicato	Number	Inhouse	Annual	To be defined in	Increasing trend for

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
outreach	s reached with outreach actions aimed at raising awareness of EU competition policy.	r				2020	2021-2027
Wider stakeholder outreach	Percentage of positive replies in opinion surveys agreeing that effective competition has a positive impact on consumers.	Result Indicator	Percentage	Survey	Regular	To be defined in 2020	Increasing trend for 2021-2027
Wider stakeholder outreach	Number of subscribers/ readers of DG Competition's publications	Output Indicator	Number	Inhouse	Regular	To be defined in 2020	Increasing trend for 2021-2027
IT and business solutions for the Single Market							
To facilitate the engagement and participation of public, private and	The number of users of IT Solutions under the	Output	number	Internal -			

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.	Internal Market Programme that have a direct Public facing dimensions						
To facilitate the engagement and participation of public, private and civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.	User centricity score of some public facing Digital Solutions	Output	Number/benchmarking	Externally conducted evaluation			
To facilitate the engagement and participation of public, private and civil society stakeholders in policy-making and collaborative public service design, co-creation and delivery.	Number of data sets that have been produced/published in open standards	Output	Number	tbd			
To identify, develop, pilot, deploy, maintain and promote the	Number of digital assets/components that		number	Ideally Join-up unless impossible for			

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
digital enablers that would support the Internal Market programme objectives and facilitate information exchanges at all levels;	have been develope d/reused /uptake			securit y purpos es.			
To identify, develop, pilot, deploy, maintain and promote the digital enablers that would support the Internal Market programme objectives and facilitate information exchanges at all levels;	Number of successf ul cross-border pilots launched	results	number	Particip ants Survey + interna l			
To ensure the promotion and uptake of the digital elements and their associated communities that contribute to an efficient Internal Market programme;	Number of conferen ces/enga gement initiative s around Single Market digital elements	Output	Number	Interna l -			
To ensure the promotion and uptake of the digital elements and their	Reuse of Single Market digital assets (core	Result	Number	NIFO survey combin ed with joined-up and			

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
associated communities that contribute to an efficient Internal Market programme;	vocabulary; building block, framework…)			possible results of technical assistance			
To facilitate sharing and re-use of solutions and best practices between Internal Market players;	Extent to which Member States include the principles of the European Sharing and Reuse Framework in their policies at national level	Result	Number – scale 0 to 12	NIFO Questionnaire, National Interoperability Framework Observatory			
To undertake the necessary activities to ensure digital aspects are harnessed by design into Internal Market activities and optimally benefit citizens, businesses and administrations	Extent to which ICT is taken into account when preparing new Internal Market related legislation	output	Number	NIFO Questionnaire, National Interoperability Framework Observatory			
European Statistical Programme' (ESP)							

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
To produce and communicate high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European Statistical System and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart systems and digital technologies	Impact of statistics published on the internet	Eurostat impact on Internet: number of mentions and percentage of positive/negative opinions	Web mentions and share of positive/negative opinions	Dashboards on Eurostat's impact on the web. Web "mentions" are any text mentioning Eurostat on websites or social networks	Annual (measured monthly)	2020	Increase
Implementation and Development of Single Market for Financial Services							
A new boost for jobs, growth and investment	Employment rate population aged 20-64			EUROSTAT	Yearly	69.2% (2014)	At least 75%
A deeper and fairer internal market with a strengthened industrial base	FINTEC – composite indicator of financial integration in Europe			ECB	Yearly	O.5/0.3	Increase
A deeper and fairer economic and monetary union	CISS – Composite indicator of systemic stress			ECB	Yearly	0.25 in normal times 0.8 in a crisis mode	stable
Standards in the field of reporting and auditing							
To improve the conditions for	Number of			IFRS	Yearly	135	Maintain positive

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
the efficient functioning of the internal market by supporting the transparent and independent development of international financial reporting and auditing standards	countries using the IFRS					(2017	trend
To improve the conditions for the efficient functioning of the internal market by supporting the transparent and independent development of international financial reporting and auditing standards	Percentage of standards endorsed in the EU compared to the number of standards issued by the IASB			FISMA	yearly	97%	100%
Enhancing the involvement of consumers and other end-users in Union policy-making in financial services (ICFS)							
To further enhance the participation and involvement of consumers and other financial services end-users in Union and relevant multi-lateral policy-making in the area of financial services.	Number of position papers and responses to public consultations for both beneficiaries.	Proxy value to measure pro-activity of beneficiaries to influence EU policy-making in the area of financial services.	Position paper or response to EU public consultation.	Beneficiaries' annual reports.	Annual.	56 (2017)	Maintain positive trend. (minimum threshold for 2020 = 30)
To contribute to the information of consumers and other financial services end-users about issues at stake in the financial	Number of Twitter followers.	Proxy value to capture the reach of the beneficiaries' information	Twitter followers.	Beneficiary Twitter accounts for most up-to-date	Annual.	1740 (2017)	>2500

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
sector.		dissemination activities.		data.			
Company law and anti-money laundering							
Company Law: support the development of the EU regulatory framework in the area of company law and corporate governance with a view to making business more efficient and competitive while providing protection for stakeholders affected by company operations; ensure appropriate evaluation and enforcement of the relevant acquis; inform and assist stakeholders and promote information exchange in the area. Anti-money Laundering and counter terrorism financing (AML/CTF): to enhance the correct and full implementation and application of EU legal framework for anti-money laundering and countering terrorism financing (AML/CFT) by	Timely budget execution	Execution of more than 95% of budget by year-end	Use of budget available	ABAC (Commission financial system)	Annual	>95%	>95%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
the EU Member States, to develop future AML/CFT policies to address new challenges in the AML/CTF field.							
Consumer programme and New Deal for consumers							
General performance indicator	Improvement in the Consumer Conditions Index	Composite indicator reflecting consumers and traders perception on the functioning of retail markets	Index 100= maximum theoretical score	Consumer Scoreboard (Commission)	Every two years	65 (2016) (current target for 2020: 66)	Improvement of 3 points over the period
Strengthening consumer organisations' roles in consumer policy-making and advocacy at EU and national levels	% of consumers who trust consumer organisations to protect their rights as consumers	% of consumers who agree (strongly agree or agree) that they trust consumer organisations to protect their rights as consumers	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two year	72% (2016)	75% at the end of the reference period
Enabling assistance and redress systems for individual consumers including in a cross border context	Number of visits to the websites of the ECCs.	Total number of unique visitors on ECCs websites	Nb	ECCs	yearly	4.3mio (2016)	+1% per year
Ensuring qualified entities in the meaning of the future Directive on representative actions (replacing the current Injunctions Directive) can deliver on their role to bring representative actions [subject to adoption of the Directive on representative actions]	Increased capacity of qualified entities	Number of qualified entities participating in cooperation and exchange of best practices mechanism	Nb	Commission	Every two years		At least one qualified entity per country at the end of the period
Ensuring enforcement authorities competent in consumer and product safety laws can deliver a high level of compliance to the acquis	% of compliance rate in first level SWEEPS of the CPC network	% of websites checked by CPC authorities in a CPC sweep and found compliant to consumer law	%	Commission	yearly	N/A	Above 40% on average over the period

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	% of RAPEX notifications entailing at least one follow-up action (by other Member States)	% of RAPEX notifications entailing at least one follow-up action (by other Member States)	%	Commission	yearly	46% in 2017	Increase of 30 % over the MFF period to 60 %
Ensuring the availability of market intelligence tools and joint actions in the field of product safety including in relation to testing of dangerous products	Number of joint actions performed	Number of joint actions performed	Nb	Commission	Every two year		At least 3 at the end of the period
Enabling effective and coordinated EU-level enforcement actions in the field of consumer law and product safety	Number of coordinated EU-level actions performed	Number of coordinated EU-level actions performed	Nb	Commission	Every two year		At least 3 at the end of the period
Providing a high quality general information on consumer markets and conditions and behaviours and on safety issues	Publication of a relevant set of indicators on retail markets	Number of EU level report on consumer markets or conditions published by the Commission	Nb	Commission	yearly	1 per year	1 per year
Ensuring consumers are aware of their rights and of consumer safety issues	% correct answers to 3 questions on consumer knowledge of relevant legislation	Average percentage of correct answers given by consumers on 3 questions related to the following topics: rights in case of the reception of unsolicited products, faulty product guarantee and distance purchase cooling-off period.	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two years	49% (2016)	53% at the end of the reference period
Reducing vulnerability of consumers also linked to negative consequences of market digitalisation	% of consumers who feel vulnerable because of the complexity of offers, terms and conditions	% of consumers who have declared to feel vulnerable or disadvantaged (either " to a great extent" or "to some extent") when choosing and buying goods or services, because of the complexity of offers, terms and	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two years	21.3% (2016)	19% at the end of the reference period

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		conditions					
Promoting sustainable consumption behaviours	% of consumers who are influenced by the environmental impact when choosing goods/services	% of consumers who declared that considering everything they have bought during the last two weeks, the environmental impact of any goods or services also influence their choice (one of the following answers: "yes, for all or most of the goods/services bought"," yes, but only for some", "Yes, but only for one or two")	%	Regular survey on consumer attitudes towards cross-border trade and consumer protection (Consumer Conditions Scoreboard)	Every two year	49.8% (2016)	53% by the end of the reference period
Internal Market governance tools							
Enhancing access to information through the Your Europe public information website	Visits and user satisfaction	Number of visits to the Your Europe portal and user satisfaction	One individual person visiting a single webpage in a single on-line session.	YE users statistics	Yearly measurement	20,1 million / 90% of user satisfaction / 2017	Stable number of users (over 100 million visitors over the whole period) and user satisfaction
Enhancing access to information through the Your Europe public information website, ensuring full coverage of national information citizens and businesses need, in line with Annex I of the SDG proposed Regulation	Succesful search	Percentage of businesses and citizens who indicate they have found the information they were looking for.	One individual person visiting a single webpage in a single on line session.	YE/SDG user statistics	Yearly measurement	Bench mark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 90%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
Enhancing access to advice and assistance through YEA	YEA performance	Performance of the YEA service in terms of number of enquiries received, ensuring continuted high quality and speed of replies	Individual enquiries	YEA user statistics	Yearly measurement	22662 enquiries received (of which 19042 eligible) in 2017	+/- 20.000 eligible cases per year.
Giving SOLVIT a more prominent role in the overall EU Law enforcement.	SOLVIT performance	Maintain the performance standard of SOLVIT while ensuring good availability, particularly with regard to businesses	Number of days between receipt and closure of a case.	SOLVIT network statistics	Yearly measurement	2.414 cases in 2017: 64 days average.	+/- 60 days average.
Improve management of cross-border Single Market challenges, while promoting IT rationalisation	Policy areas covered by IMI	IMI performance in terms of policy areas covered	Policy area	IMI statistics	Yearly measurement	12 policy areas covered in 2017	Integrating at least 1 to 1.5 new policy area every year
Improve management of cross-border Single Market challenges, while promoting IT rationalisation	EPC applications	IMI performance in terms of submitted EPC applications	Each individual EPC application	IMI and EPC statistics	Yearly measurement	2.309 EPC applications submitted in 2017	Duplicating the issuance of EPC, depending on the expansion of the covered professions.
Improve management of cross-border Single Market	IMI bilateral requests	IMI performance in terms of	Bilateral requests	IMI statistics	Yearly measurement	14.764 requests sent	Increase use of the system of 10% per

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
challenges, while promoting IT rationalisation		number of bilateral requests					year.
Improve awareness of services available through the gateway	Monthly users	Trends in average number of monthly users.	One individual person visiting a single webpage in a single on line session.	User statistics	Monthly measurement	Bench mark to be decided in year 1, upon launch of the SDG	Monthly increase from benchmark in month 1
Eliminate or overcome duplication complexity, improve findability of information, advice, problem-solving services and procedures on a cross-border basis	Monthly users	Trends in average number of monthly users.	One individual person visiting a single webpage in a single on line session.	User statistics	Monthly measurement	Bench mark to be decided in year 1, upon launch of the SDG	Monthly increase from benchmark in month 1, towards target of 90%
Improve quality across the board for all information, assistance and problem-solving services, as well as e-procedures	Satisfaction with quality	Percentage of business and citizens who indicate satisfaction with quality (based on criteria).	Quality criteria to be defined in the SDG Regulation.	User statistics	Yearly measurement	Bench mark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 90%
Ensure that EU citizens and businesses can complete the most important part of their interactions with the administration online	Ability to complete procedures on-line	Percentage of businesses and citizens who indicate that they have been able to complete the available procedures fully	Individual users	User statistics	Yearly measurement	Bench mark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 95%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		online.					
Make all procedures indicated in the SDG fully accessible for non-national citizens and businesses	Ability to complete procedures on-line	Percentage of cross-border businesses and citizens who indicate that they have been able to complete the available procedures fully online.	Individual users	User statistics	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Yearly increase from benchmark in Year 1, towards target of 95%
Get a more systematic overview of obstacles encountered by cross-border users	Feedback	Usability of data from user feedback tool and from assistance services regarding obstacles in the Single Market and quality of resulting report	Data received through the user feedback tool	User feedback	Yearly measurement	Benchmark to be decided in year 1, upon launch of the SDG	Positive feedback from stakeholders on usefulness of reporting on Single Market obstacles
Support to Standardisation activities							
Impact of standardisation in the internal market	> 90% average of all EU members	Percentage of agreed EU standards that have been published /enforced at National level	Active published European standards at National level /Active European standards	CEN, CENELEC	TRIMESTRIEL	90% average of all EU members	95% average of all EU members
Implementation of EU Regulation No	Acceptance of the report after	Report based on Art 24 EU	No infringements of the EU	CEN, CENELEC, ETSI,	ANNUAL	Compliance with the provisio	Positive report

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
1025/2012	positive assessment	Regulation No 1025/2012	Regulation No 1025/2012	organisations mentioned in the annex III of the EU Regulation No 1025/2012		n of the EU Regulation No 1025/2012	
Publication of harmonised standards fulfilling essential requirements (KPI #1)	This KPI will have a weight of 30% in the overall performance index of each European s standardisation organisations (CEN, CENELEC, ETSI)	This KPI is based on the Art. 10(6) of Regulation (EU) No. 1025/2012, and relates to the fulfilment of essential requirements by the CEN, CENELEC, ETSI harmonised standards sent by CEN, CENELEC, ETSI to the Commission for reference publication in the Official Journal of the European Union (OJEU).	KPI #1 = [(nbr of hs – nbr of EC fc) / (nbr of hs)] x 100% Where hs is the number of harmonised standards sent by CEN, CENELEC, ETSI to the Commission for reference publication in the Official Journal of the European Union (OJEU). EC fc is the number of formal communication of non-publication received by CEN, CENELEC, ETSI from the EC within 2 months from the day the harmonised standard has been	The KPI will use the formal communication of non-publication in the OJEU received by CEN, CENELEC, ETSI from the Commission (within 2 months from the day the reference of the harmonised standard has been sent to the Commission) to calculate the level of acceptance of the harmonized standards for	Annual	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a weighted sum.	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a weighted sum.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
			sent to the Commission by CEN, CENELEC, ETSI	reference publication.			
Timely delivery of standards (KPI #2)	This KPI will have a weight of 35% in the overall performance index.	This KPI aims at monitoring the capacity of the CEN, CENELEC, ETSI to manage the projects they undertake, for identified actions covered by the Operating Grant work programme and for standardization related work covered by Action Grants.	a. Actions defined in the Operating Grant (Partial KPI #2a) Five (5) actions and their corresponding indicators will be jointly identified and agreed between the Commission and CEN, CENELEC, ETSI within the Operating Grant proposal. This partial KPI (KPI #2a) measures the percentage of achievement from the 5 actions identified. KPI #2a = [(nbr of actions timely achieved) / 5 identified actions] x 100% b.Deliverables defined in Action	Information received by the CEN, CENELEC, ETSI	Annual	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a weighted sum.	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a weighted sum.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
			Grants (Partial KPI #2b) CEN-CENELEC will follow up the implementation of the action grants and the contractual deliverables, in terms of: • Overall quality of the cost justification files sent by CEN, CENELEC, ETSI to the Commission based on the Cost Control Strategy (KPI #2bsub1); • Providing information (KPI #2bsub2) to the Commission in the form of: payments forecast for the signed contracts; and a status update for the new contract proposals. The format,				

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
			content and periodicity of the above reports will be jointly identified and agreed between the Commission and CEN, CENELEC, ETSI for the given year. KPI #2bsub1 = [(nbr of correct justification files) / (nbr of justification files sent)] x 100% KPI #2bsub2 = [(nbr of reports provided) / (nbr of reports agreed)] x 100% This partial KPI (KPI #2b) measures the percentage of deliverables achieved from these two sub-KPIs, as follows: KPI #2b = [(KPI #2bsub1 + KPI #2bsub2)] / 2				

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
			c.KPI calculation The final value for the KPI for timely delivery is the combination of the two partial KPIs, weighted at 80% for the Operating Grant deliverables and 20% for the Action Grants deliverables. KPI #2 = (KPI #2a x 80%) + (KPI #2b x 20%)				
3. Reduced development time (KPI #3)	This KPI will have a weight of 35% in the overall performance index.	Action 3 of the strategy communication COM(2011) 311 pays a lot of importance to speeding up the standard development process and sets a target to reduce the development time with 50% by 2020. This KPI will only apply to	KPI #3 = [Avg target (N) / Avg achieved (N)] x 100% Where:Avg target (N): Agreed target for the average development time for the year in question Avg achieved (N): The average development time achieved for the year in question	Information received by the CEN, CENELEC, ETSI	Annual	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a weighted sum.	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a weighted sum.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		home grown mandated standards. A home grown mandated standard is a standard developed by CEN-CENELEC-ETSI, not linked to ISO-IEC, following a standardization request (mandate) received from the Commission and accepted by CEN-CENELEC-ETSI, and which is intended to be referenced in the Official Journal of the European Union (OJEU).					
Overall Performance Index (OPI)	OPI >85%	KPIs (1, 2, 3) will be combined into an Overall Performance Index (OPI) for the Partner, obtained as a	OPI = (KPI #1 x 30%) + (KPI #2 x 35%) + (KPI #3 x 35%)	KPI (1, 2,3)	Annual	85%	95%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		weighted sum.					
Single market for goods and services							
Increased cross-border and coordinated market surveillance for harmonised non-food products[1]	Joint market surveillance campaigns	Joint market surveillance campaigns in the area of harmonised product legislation with 80% or more participating MS	Number of campaigns	ICSMS	yearly	5-7 campaigns/year with over half MS participating (2017)	**2021-2023 :** 15 **2023-2027:** 30-40
Increased cross-border and coordinated market surveillance for harmonised non-food products[1]	National enforcement strategies building enforcement capacities		Number of strategies supported	ICSMS	yearly	- limited, ad-hoc best-practice exchange measures (2017) - 3 pilot strategies (2020)	**2021-2023:** 7 **2023-2027:** 10
Increased cross-border and coordinated market surveillance for harmonised non-food products[1]	Peer reviews of Member States' enforcement strategies and performa	In-depth peer reviews of member states' market surveillance conducted by the EU	Number of peer reviews	EU Product Compliance Network	yearly	None (2017)	**2021-2023:** 3 **2023-2027:** 5

[1] Regulation n° (EC) 765/2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products, Proposal for a Regulation on Compliance and Enforcement of Union harmonisation legislation on products (COM(2017)795, 19.12.2017)

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Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	nce	Product Compliance Network					
COSME							
1. Addressing the access to finance gap for SMEs	Number of SMEs receiving support and total volume of financing made available to SMEs supported	Output indicator	Units, euros	EIF	annual	2020	To be set in function of the available budget
2. Facilitating SMEs' access to markets and supporting them in addressing global and societal challenges;	Number of companies participating in matchmaking events	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Number of companies supported having concluded business partnerships;	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Number of entrepreneurs or SMEs receiving business advisory services	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Number of SMEs created after participation of entrepreneurs in actions of	Output indicator	units	Executive Agency, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	the programme						2020
	Satisfaction rate of beneficiaries of the programme or participants to the programme;	Output indicator	percentage	activity monitoring or surveys	Annual, or bi-annual	2020	none
3)Business Environment, Industrial modernisation, Competitiveness and Entrepreneurship	Number of partnerships, agreements or projects generated by collaborative or networking activities	Output indicator	units	EASME, activity monitoring	Annual, or bi-annual	2020	To be set in function of the available budget and results in 2020
	Satisfaction rate of beneficiaries of the programme or participants to the programme;	Output indicator	percentage	Activity monitoring, survey	Annual or Bi-annual	none	none
	Number of SMEs/Entrepreneurs benefitting from outputs generated by the measures of this objective	Output indicator	units	Activity monitoring, survey	Annual or Bi-annual	None	
All objectives	Budget Implementation rate	Measures the degree to which the implementation follows the	percentage	ABAC	annual	none	Between 95 and 100%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		budget allocation					
All objectives	Number of beneficiaries awarded in calls in proportion to applications received	Measures the success of calls published	Percentage	Agency IT tool	annual	none	none
All objectives	Geographical coverage of the measure per capita	Measures the distribution of the funding across participating countries	euros	EIF, EASME, Eurostat	annual	none	none
All objectives except access to finances	Employment and turnover increase by companies having been supported	Impacts and results measurement	Units and euros	Surveys	Evaluations, prinicipally final and ex-post	none	none
Health Programme							
1. Prepare for and counter health crises[175]	Quality of EU response to future health crises - improvement	Assessment of the quality of EU response to future health crises, and in particular, in terms of observed improvement in comparison with previous	Qualitative	Evaluation/assessment reports prepared by the Commission and by EU other institutions or by relevant International Organisations,	Depends on occurrence of severe health crises	Situation during the Ebola crisis: EU responsemechanisms demonstrated added value, but lessons learnt from	Improvement in the management of future cross-border health crises in comparison with previous occurrences

[175] This has to be understood as every potential crisis with a health dimension.

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		crises		drawing lessons from previous crises		experience and capacity gaps were also highlighted	
1.1 Capacity-building measures for crisis preparedness, management and response	a. Quality & completeness of national preparedness plans	Availability, quality and completeness of preparedness plans and extent to which Member States have put them in place to counter future health threats, as shown by the transmission of these plans to the Health Security Committee and their subsequent analysis by the Commission	Quantitative/qualitative	Commission/DG SANTE /Health Security Committee (HSC)	Annual	Situation in year 2020, as regard quality and completeness of national preparedness plans	90% of Member States reporting full compliance with the International Health Regulations, through annual reporting to WHO
	b. Level of uptake of tools by professionals/practitioners	Adoption and implementation by professionals and practitioners in Member States of tools developed during	Quantitative/qualitative / level	Assessment by Commission/DG SANTE /HSC	Annual/permanent	Situation in year 2020	Good to very good level by all MS Specific target will depend upon the severity of case/issue /outbreak

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		capacity building and other knowledge sharing exercises (e.g. percentage of messages of those supposed to be transmitted through the Early Warning and Response System – EWRS)					addressed (e.g. Ebola, Infuenza)
1.2 Response to cross-border health threats during crisis	a. Availability of vaccines and countermeasures during crises	Level of availability in terms of quantity and quality of vaccines and other medical countermeasures to be used during disease outbreaks and crises with health dimension obtained through joint procurement or any other mechanism supported by the Health Programme	number	Commission/DG SANTE	Annual/permanent	Situation in 2020: number of available medical countermeasures	Availability across EU of 3 additional vaccines/ countermeasures at end of the Programme

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
1.3. Support laboratory capacity	a. EULabCap index	EULabCap index is an aggregated index resulting from the annual survey carried out by the European Centre for Disease Prevention and Control – ECDC. The aggregated index provides a robust EU-wide assessment of collective laboratory capacity	Number – on a scale of 0-10	The EULab Cap survey methodology developed by the European Centre for Disease Prevention and Control - ECDC – Annual EULab Cap Report released by ECDC	Annual	In 2015, the EULab Cap aggregate index for EU/EEA was 7.5 on a scale of 0-10	Regular increase of the aggregated EULabCap index
1.3. Support laboratory capacity	b. Number of laboratories participating in Joint Actions	Number of laboratories participating in Joint Actions launched by the Programme with the aim to support laboratory capacity	Quantitative (number)	Beneficiaries of the grant agreements concluded in the context of the Joint Actions to support laboratory capacity	Annual	37 associated / collaborating partners from 25 European countries are participating in EMERGE Joint Action	expanding the involvement of relevant laboratories across the EU – 10 new members by 2028 covering most Member States + relevant partner countries
2. Empower health systems with emphasis on their digital transformation	Decrease in the costs related to management of information, resulting	EU-wide assessment of the decrease of the costs of management of informati	number	Comprehensive study to be carried out by Joint Research Centre	multiannual	Situation in 2020: estimate of costs of information manage	Reduction, at the end of the Programme, by 20% of information managem

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	from increased digital transformation of health systems	on, linked with increased digital transformation of health systems		– JRC, with a view to assessing, among others, the reduction of costs of management of the information, resulting from increased digitisation of health systems		ment by health systems, derived from the planned Study	ent costs as compared to baseline
2.1 Support the digital transformation of health and care	Number of eHealth solutions or tools up-taken and implemented in Member States' health systems	Number of eHealth solutions or tools up-taken and implemented in Member States' health systems per million euros invested from the Health Programme's budget	number	Member States, National contact points – NCPs, surveys	Annual/permanent	Situation in 2020	At least 1 case of eHealth solution or tool up-taken and implemented per million euros invested from the Health Programme, over the duration of the Programme 2021-2028
2.2 Support the development of a sustainable EU health information system	Health networks sustainability	Depending on their needs and priorities, the sustainability of current and future networks	qualitative	Ad hoc report or survey carried out by Commission Services or by an	At the end of the Programme	situation in 2020	Sustainability of health information networks at end of the Programme, by

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		on health information is defined in this context by their ability to continue their operations after the end of co-funding from the Health programme budget;		external organisation acting on behalf of Commission services			2028
2.3 Support the national reform processes for more effective, accessible and resilient health systems	Number of health-related recommendations coming from the EU Semester process that are successfully addressed, with the support of the Health Programme (or of the ESF+ Programme)	Number of health-related recommendations coming from the EU Semester process that are successfully addressed, with the support of the Health Programme (or of the ESF+ Programme)	number	EU Semester Process, Commission services	Annual	In 2017, EU Semester country-specific recommendations related to health systems were issued to nine Member States	At least one country-specific recommendation relating to health systems successfully addressed, with support of the Health Programme (or of the ESF+ Programme)[176]
3. Support EU health legislation	Degree of transposition of EU health legislation into the national legal systems measured by regular evaluatio	Degree of transposition of legislation into national laws/regulations and legal systems. The degree of	qualitative	Commission/MS authorities/Evaluation reports	Frequency in accordance with the provisions in the relevant legal acts	Situation in 2020, as will have been assessed by the Commission and Membe	High degree of transposition by all Member States

[176] To be confirmed by the responsible operational unit

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	ns	transposition is measured among others by regular reports, some of which are foreseen in the concerned legal acts.				r States	
3.1. Manage, maintain and implement the legislation on medical devices	Percentage of Member States which have implemented the EU legislation in the field of medical devices in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of medical devices in their national legal system, as reported by successive evaluation reports	percentage	Commission/MS authorities/Evaluation reports	Same as the frequency provided for in the legal act	Situation in 2020, as will have been assessed by the Commission and Member States	90% of Member States having implemented the EU legislation in the field of medical devices at the end of the Programme
3.2. Support the implementation of Union legislation on medicinal products and on Health Technology Assessment	a. Number of projects by the Biological Standardisation Programme (BSP) for the quality control of	Number of projects by the Biological Standardisation Programme (BSP) for the quality control of biologicals. The activities by biological standardis	number	Commission/MS authorities/Evaluation reports	Annual	118 projects finalized since its inception, 4 in 2016	Around 4 BSP projects concluded annually

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	biologicals	ation program ensure the independence of tests on biologicals, allows comparison of tests, ensures high quality biologicals and aims to reduce animal testing in the EU.					
3.2. Support the implementation of Union legislation on medicinal products and on Health Technology Assessment	b. Number of Regulatory Members from Member States joining the ICH	Number of Regulatory Members from the Member States joining the ICH and implementing its guidelines	number	Commission/ MS authorities	Annual	Situation in 2020, as provided by Commission services' evaluation	Regulatory Members from 14 additional Member States joining the ICH and implementing its guidelines at the end of the Programme
3.3. Monitor and support Member States in their implementation of legislation in the area of substances of human origin	Percentage of Member States which have implemented the EU legislatio	Percentage of Member States which have implemented	percentage	Commission/MS authorities/Evaluation reports	Same as the frequency provided for in the legal act	Year 2020	90% of Member States having implemented the EU legislation in the field of

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
(SoHO)	n in the field of substances of human origin (SoHO) in their national legal system	the EU legislation in the field of substances of human origin (SoHO) in their national legal system, as reported by successive evaluation reports					substances of human origin (SoHO) at the end of the Programme
3.4. Support the implementation of tobacco legislation	Percentage of Member States which have implemented the EU legislation in the field of tobacco in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of tobacco in their national legal system, as reported by successive evaluation reports	percentage	Commission/Member States Authorities	Same as the frequency provided for in the legal act	Situation in 2020, as provided by Commission services' evaluation	90% of Member States having implemented the EU legislation in the field of tobacco at the end of the Programme
3.5. Support the implementation of Union legislation in the area of cross-border	Percentage of Member States which have	Percentage of Member States which have	percentage	Commission/MS authorities/Evaluation	Annual or at least at frequency provided for in relevant	Situation in 2020, as provided by	90% of Member States having implemented the

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
healthcare	implemented the EU legislation in the field of cross-border healthcare in their national legal system	implemented the EU legislation in the field of cross-border healthcare in their national legal system, as reported by successive evaluation reports		reports	legal act	Commission services' evaluation	EU legislation in the field of cross-border healthcare at the end of the Programme
3.6. Support to the Commission' scientific committees on "Consumer Safety" and on "Health, Environmental and Emerging Risks"	Number of scientific opinions issued and approved	Number of scientific opinions issued and approved by the Commission's scientific committees	number	Commission	Annual	30 opinions finalized since 2016	Continuous number of opinions in line with recent values: 10/year, (if the average number of issues arising in a given year is higher than 10) or all arising issues receiving a scientific opinion, in case their average annual number is less than 10.
4. Support integrated work	Strength of integrated work engageme	The Strength of integrated work	number	Commission/DG SANTE /CHAF	Annual	Situation in 2020	Increase of the composite indicator by 20% at

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	nt	engagement indicator will be based on an equal weighting aggregation of the indicators of the 3 operational priorities below[177] : ERNs, HTA, and Implementation of Best Practices		EA			the end of the Programme
4.1.ERNs	Number of patients supported by ERNs	Number of patients which were diagnosed and treated by ERN networks	number	Commission/DG SANTE /CHAFEA	Annual	Number of patients that made consultations in ERNs by 2020	Early in its development, target to be established in 2020
4.2.HTA.	a. Transitional period. coordination level	Number of Member States which have joined the Coordination Group as members in the transitional period.	percentage	Commission/DG SANTE /NCPs	Annual	Situation in 2020, as provided by Commission services' evaluation	Increase by 20%[178]
4.2.HTA.	b. Number of joint clinical	Number of clinical	number	Commission/DG SANTE	Annual	Situation in 2020, as	50 HTA

177 The detailed aggregation methodology for defining the composite indicator from the indicators requires further information and data analysis in order to be finalised
178 To be confirmed by responsible operational unit: applicable only before the adoption of HTA legislation. Once HTA legislation is adopted, the relevant indicator will be addressed under the *Support to EU health legislation* specific objective

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	assessments on medicinal products and on medical devices	assessments jointly carried out		/NCPs		provided by Commission services' evaluations	
4.3.Implemenation of best practices	a. Number of best practices transferred per million of € invested	Number of best practices transferred to Member States (receiving MS) per million of € invested from the Health Programme	number	Commission/DG SANTE /NCPs/ad hoc survey	Annual	Situation in year 2020, as provided by estimations relating to the 4th Health programme	na[179]
4.3.Implemenation of best practices4	b. Percentage of EU population of the geographical territory in which each best practice is transferred	Percentage of EU population of the geographical territory in which each best practice is transferred	percentage	Commission/DG SANTE /NCPs/ad hoc survey	Annual	No baseline available	Maximizing the percentage of EU population of the geographical territory in which each best practice is transferred, with

[179] Due to lack of experience, the target will be set up in 2020, when more information and data become available

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
							a target of at least 5%
Overall Programme Indicator	Reduction of the difference between the 5 best performing Member States (MS) in terms of Mortality rate and the 5 worst performing MS	Reduction of the difference between the 5 best performing Member States (MS) in terms of Mortality rate and the 5 worst performing MS	Quantitative	Commission/Member States/Health Security Committee	Frequency of available data in Eurostat's Database	Situation in 2020	Reduction of observed inequality by 20%
CFF for Food Chain							
Animal health: improving the prevention, control and eradication of animal diseases in the Union territory	a. Number of national programmes successfully implemented	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved programme. Programmes whose implementation is in line with EU legislation and the terms agreed with the Commission are considered successful.	Percentage	Grant decisions (one per MS) and Final payment checklist	Annual	2020	100%
	b. Number of emergency situations successfully addressed	Following the submission of technical and financial final reports by the Member	Percentage	Grant decisions (one per emergency, i.e. one per MS and per	Depending on needs (emergency measures are not predictable by definition)	2020	100%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
	(by disease)	States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved emergency measure. Measures whose implementation is in line with EU legislation and the terms agreed with the Commission are considered successful.		diseases) and Final payment checklist			
	c. Reduction of incidence	Incidence is a technical parameter used to monitor the epidemiological evolution of a given disease in a given population. It is the proportion of new cases within a specified time period divided by the size of the population initially at risk.	Percentage (of animal population)	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in Portugal for bovine brucellosis 30% (namely the minimum % of reduction compared to 2015 baseline (0,20))	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiological evolution by 2020, and then updated every year as described in the main text
	d. Reduction of prevalence	Prevalence is a technical parameter used to monitor the epidemiological evolution of a given disease in a given	Percentage (of animal population)	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in Portugal for bovine brucellosis 30% (namely	Specific targets for those indicators will be defined individually for each disease in each Member State based

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		population. It is the proportion of a particular population found to be affected by a disease.				the minimum % of reduction compared to 2015 baseline (0,24))	on their epidemiological evolution by 2020, and then updated every year as described in the main text
	e. Number of outbreaks	Technical parameter used to monitor the epidemiological evolution of a given disease.	Number or percentage (depending on the disease)	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in the Union for Avian influenza in domestic poultry is less than 85% compared to 2015 baseline)	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiological evolution by 2020, and then updated every year as described in the main text
	f. Number of cases	Technical parameters used to monitor the epidemiological evolution of a given disease.	Number	Final technical reports (submitted by the MSs)	Annual	2020 (e.g. expected result for 2020 in the Union for rabies in wildlife is 0 (2015 baseline was 128 cases))	Specific targets for those indicators will be defined individually for each disease in each Member State based on their epidemiological evolution by 2020, and then updated every year as described in the main text
Plant health: improving the prevention, containment and eradication of plant pests in the Union	a. Number of surveys programmes (by pest / pest category) successfully	Following the submission of technical and financial final reports by the	Percentage	Grant decisions (one per MS) and	Annual	2020	100%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
territory	implemented	Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved programme. Programmes whose implementation is in line with the EU legislation and the terms agreed with the Commission are considered successful.		Final payment checklist			
	b. Number of emergency situations successfully addressed (by pest)	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved emergency measure. Programmes whose implementation is in line with the EU legislation and the terms agreed with the Commission are considered	Percentage	Grant decisions (one per emergency, i.e. one per MS and per pest) and Final payment checklist	Annual	2020	100%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		successful.					
	c. Reduction of number of outbreaks	Technical parameter used to monitor the epidemiological evolution of a given pest.	Number	Final technical reports (submitted by the MSs)	Depending on needs (emergency measures are not predictable by definition)	2020	Specific targets for this indicator will be defined individually for each pest in each Member State based on the epidemiological evolution by 2020, and then updated every year as described in the main text
Official controls related activities: improving the effectiveness, efficiency and reliability of the food supply chain harnessing official controls related activities, carried out with a view to implement and comply with the Union rules in this area	a. Number of activities successfully carried out by the EURCs	Quantitative and qualitative assessments on the laboratories activities performed following the EU request. Activities whose implementation is in line with the terms agreed with the Commission are considered successful.	Percentage	Annual Work programme and Final reports (submitted by each EURC)	Annual	2020	100%
	b. Number of launched training actions as included in the annual work programme	Ability to respond to EU and national needs in a flexible and effective way through the organisation of thematic BTSF trainings (both standard and e-	Percentage	Annual Work Programme and Final reports on the outcome of the training	Annual	2020	100%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		learning)					
Animal health + Plant health + Official Controls related activities	a. Food and live animals: trade value	Evolution of extra EU-trade (export)	Million euro	Eurostat database (economic accounts for agricultur e)	Monthly	N/A	N/A
	b. Animal products: production value	Production value at basic prices	Million euro	Eurostat database (economic accounts for agricultur e)	Annual	N/A	N/A
	c. Number of human cases due to a zoonoses	Evolution of human cases due to animal diseases transmissibl e to humans	Number	EFSA annual report	Annual	N/A	N/A
Composite IMP indicator	Successfully implemente d national veterinary and phytosanitar y programmes	Following the submission of technical and financial final reports by the Member States, the Commission carries out the evaluation and decides on the final payment of the eligible costs incurred for each previously approved programme. Programmes whose implementa tion is in line with EU legislation and the terms agreed with the Commission are considered successful. That means the programmes submitted	Percentage	Grant decisions (one per MS) + Final technical and financial report + Payment checklist	Annual	2020	100%

Specific Objective	Indicator	Definition	Unit of measurement	Source of data	Frequency of measurement	Baseline	Target
		by the Member States are in line with the requirements listed in the specific EU legislation and additional guidelines (COM guidelines, COM working document on strategy against specific disease, recommendation by former FVO audits, specific task force, …) and when all elements contained in the programmes submitted by the Member States, previously approved by the Commission, are implemented by the national authorities.					
Customs and tax policy development support budget line							
Support the definition and coordination of policy strategy in the tax and customs domains	Timely budget execution	Execution of more than 95% of budget by year-end	Use of budget available	ABAC (Commission financial system)	Annual	>95%	>95%