The Committee will meet at 2.00 pm in Committee Room 1.

1. **Declaration of Interests**: The new Member of the Committee will be invited to declare any relevant interests.

2. **The EU’s forthcoming agenda and the priorities of the Scottish Executive**: The Committee will hear evidence from—

   Andy Kerr MSP, Minister for Finance and Public Services

3. **The external relations strategy and activities of the Scottish Executive**: The Committee will hear evidence from—

   Andy Kerr MSP, Minister for Finance and Public Services

4. **Promoting Scotland worldwide: an Inquiry into the external relations policy, strategy and activities of the Scottish Executive**: The Committee will discuss draft terms of reference for this new Inquiry.

5. **Renationalising regional development funding**: The Committee will discuss proposals for an ongoing review of the debate on the development of a new framework for regional development and the future of European structural funds.

6. **Convener’s Report**: The Convener will update the Committee on the—

   - Proposals to develop an ‘early warning system’ to monitor subsidiarity and on interparliamentary co-ordination
   - Membership of the Scottish Committee on Euro Preparations
   - Potential impact of the EU’s hallmarking draft Directive
   - Potential impact of the European Commission’s Internal Market Strategy (Priorities 2003-2006) on the ownership of Scotland’s water sector
   - Implementation of the Waste Electrical and Electronic Equipment Directive and the reuse of printer cartridges
7. Sift of EC/EU documents and draft legislation: The Committee will consider the latest list of EC/EU documents and draft legislative proposals received for this meeting.

Stephen Imrie
Clerk to the Committee
Tel: 0131 348 5234
Email: europe@scottish.parliament.uk

The following papers are attached for this meeting:

Agenda Item 1
There are no papers for this Item

Agenda Item 2
The EU’s forthcoming agenda and ministerial priorities

Agenda Item 3
See agenda Item 2

Agenda Item 4
BRIEFING PAPER: “Proposed terms of reference for Inquiry into the external relations strategy of the Scottish Executive”

Agenda Item 5
BRIEFING PAPER: “Proposals for an ongoing review of the debate on the development of a new framework for regional development and the future of European structural funds”

SPICe Briefing: Reform of the European Structural Funds

Agenda Item 6
Convener’s Report, including:

Agenda Item 7
Sift of EC/EU documents and draft legislative proposals
SCOTTISH EXECUTIVE MINISTERS’ EU POLICY PRIORITIES FOR THE ITALIAN PRESIDENCY

INTRODUCTION BY THE MINISTER FOR FINANCE AND PUBLIC SERVICES

The European Union and its policies are very important to Scotland. There is a significant EU dimension to a wide range of the Executive’s policy responsibilities, and the Executive therefore engages very positively and actively with a wide variety of stakeholders on the EU dimension to its work, at both Ministerial and official level.

This paper brings together statements from my Cabinet colleagues of their EU policy priorities for the Italian Presidency. It shows that the Executive continues to be actively and dynamically engaged in the European policy process.

I hope this paper proves helpful in assisting the European and External Relations Committee, and other Scottish Parliament Committees whose policy areas involve an EU dimension, to make positive contributions to Scotland’s engagement with European Union issues.

ANDY KERR
STATEMENT BY THE MINISTER FOR FINANCE AND PUBLIC SERVICES

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for External Relations Issues

General overview of the Presidency

The Intergovernmental Conference: a Constitution for Europe: The Convention on the Future of Europe under Giscard D'Estaing's chairmanship has finished its work. The text of their draft Constitutional Treaty was submitted to the Thessaloniki European Council in June 2003. The Italians have indicated that the Intergovernmental Conference (IGC) on the draft Treaty will commence on 4 October. They would like to conclude the IGC process by December 2003.

At present, the Convention’s text proposes:

- **legal personality** for the European Union, allowing it to sign international treaties in its own right;
- a **full time President** of the European Council;
- a **European Union Minister for Foreign Affairs**, who would chair the Foreign Affairs Council but also serve as a Vice President of the Commission;
- a separate **Legislative and General Affairs Council**;
- Presidencies of other **sectoral Councils** to last for periods of at least a year and rotate among all Member States equally;
- extension of **qualified majority voting** (QMV), except for a few politically sensitive areas such as taxation, social security and foreign policy;
- from 2009, the introduction of **double majority** voting, requiring assent from at least half of Member States representing at least 60% of the Union’s total population;
- membership of the **Commission** limited to 15, rotating among Member States equally, with further non-voting Commissioners;
- incorporation of the **Charter of Fundamental Rights** into the Constitutional Treaty;
- bringing provisions on **freedom, security and justice** into a common general legal framework according to the Community model, thus including for the first time police and judicial co-operation on criminal matters;
- provisions on **subsidiarity** which recognise the role of regional government;
- a fuller role for **national parliaments** through enhanced consultation;
- a new provision under which a minimum of **1 million EU citizens** could demand that the Commission bring forward a proposal on a specified issue.

**Enlargement** - Arrangements for Accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia on 1 May 2004 are in place. Closing negotiations with Bulgaria and Romania to keep on track with the timetable for their accession on 1 January 2007 will be Italy's priority; it will also continue discussions with Turkey and with other aspiring applicants to the Union.
External relations - the New Europe as an international factor of peace and stability: The Italians are keen to re-build EU relations with the USA. The Cancun WTO talks in September will be an important event in this context. The Italian Presidency plans to give a high priority to combating illegal immigration.

Important issues for the Scottish Executive during the Italian Presidency

The Intergovernmental Conference: The U.K. is currently developing its negotiating line and the Executive is working to ensure that Scottish interests are taken into account as the position is drawn up.

Enlargement: The Executive remains strongly supportive of Enlargement, and it continues to maintain close contact with the UK Government over the implications of enlargement. We also continue to support the UK in promoting awareness of Enlargement across Scotland. Additionally we are considering how to foster closer links between Scotland and some of the Enlargement countries.

The role of Scotland within the EU: Our involvement in the Committee of the Regions (CoR) included regular attendance at Plenaries and the Territorial Cohesion Commission by the Minister for Transport and attendance by the First Minister at meetings of the Commission for Constitutional Affairs and European Governance. In addition, the Executive continued its involvement with the Congress of Local and Regional Authorities of Europe (CLRAE), through the Minister for Education and Young People’s membership of the Sustainable Development Committee and the Working Group of Regions with Legislative Power. The Executive continues to act as a leading player in the REGLEG group, with the First Minister assuming the Presidency of the Group for 12 months from November 2003. It is intended that the Deputy Minister for Finance, Public Services and Parliamentary Business will attend the Conference of Peripheral Maritime Regions (CPMR) General Assembly in Brittany in September 2003.

Promoting Scotland in Europe: Since devolution the Executive has been active through a range of activities including inward and outward visits, membership of international bodies, “Scotland Weeks” in Brussels, Sweden and Catalonia and setting up offices in Brussels and Washington. The Executive will develop the Scottish International Forum in the period to 2006 as the key instrument for ensuring better strategic planning and integration between the different agencies who promote Scotland abroad. In addition the Executive will ensure - in co-operation with other Scottish bodies - that there is an attractive range of generic promotional material which embody the six key messages about Scotland that Ministers wish to promote, as well as the key message of the Fresh Talent Initiative that Scotland is an attractive place to live and work.

Links with Sub Member State Administrations in Europe: The Executive continues to attach a great deal of importance to its bilateral links with other European devolved administrations. Over the life of the Italian Presidency, we intend to continue the progress we have made in implementing the Co-operation Agreements and subsequent Work Plans signed with Catalonia and Tuscany. Similar agreements have been signed with North-Rhine Westphalia (February 2003) and Bavaria (June 2003). Work to develop Action Plans for these will take place during the Italian Presidency. The agreements offer the twin benefits of providing good opportunities for mutual policy enrichment and extending our influence in the EU by deepening our relations with influential EU partners.
Prospects for the Economy and Public Finance

The top priorities as stated by the Presidency

The Italian Presidency will devote great attention to the pursuit of the objectives set by the Lisbon strategy, which aims to make the European economy the most dynamic in the world by 2010. The central pivot of this line of action will be more effective support for the economy by increasing public investment in Europe with the aid of the relevant European financial institutions. According to the "European Action Plan for Growth", prepared by the Italian government, the "social model" for the next years "is based on public goods within a market economy". The revitalisation of the European economy must rely on public investment that can be financed either through market instruments or a European Financing Facility, which is to be developed by the European Investment Bank.

One of the four central themes of the Italian Presidency [identified in the "Italian EU Presidency Forward Look"] is the increased effort to boost economic growth through the proposed "European Action Plan for Growth". The focus is put on public investment to plug gaps in the Trans-European Networks (TENs) in transport, energy transfers and telecommunications through loans from the European Investment Bank (EIB).

Important issues for the Executive to be dealt with by the Presidency

The Scottish Executive is committed to creating the conditions to maximise sustainable economic growth in the medium and long term. Our economic strategy, which is set out in Smart Successful Scotland and the Framework for Economic Development, aims at strengthening the supply side of the economy, to improve productivity, competitiveness and growth.

Part of the strategy is to maintain a first-class infrastructure that strengthens links of communication and transport between Scotland and continental Europe. The TEN priority of the Italian Presidency will help Scottish business reach foreign markets more easily by closing gaps in infrastructure.

In the Partnership agreement, the Scottish Executive has committed itself to Excellence in Public Services - investment matched by returns. The European Commission and the EIB are striving to achieve the same for their TEN projects. Improving Value For Money (VFM) and affordability of infrastructure investment for the public sector features prominently in the implementation of TENs.

We expect that the implementation of the Italian priorities will add leverage to the thrust of our own growth-oriented policies.

ANDY KERR
STATEMENT BY THE DEPUTY FIRST MINISTER AND MINISTER FOR ENTERPRISE AND LIFELONG LEARNING

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for European Structural Funds

Important issues for the Executive to be dealt with by the Presidency

The future of Structural Funds post 2006 is the subject of a long debate initiated by publication of the European Commission’s Second Cohesion Report in January 2001 and which should culminate in agreement in the European Council of Ministers around late 2005. The Italian Presidency is holding an Informal Ministerial Meeting on Regional Policy in October and the First Minister may attend the meeting as part of the UK delegation. The European Commission is due to publish its third Cohesion Report in December which will indicate its thinking ahead of formal proposals due from the Commission spring 2004 under the Irish Presidency.

Implementation

The Scottish Executive is the managing authority for Structural Funds in Scotland although Programme Management Executives carry out the day-to-day implementation of the funding Programmes. Scottish Structural Funds total around £1 billion in the current 2000-2006 programme. These Funds come from the Highlands and Islands Special Transitional Programme, Objective 2 (East, West and South), Objective 3 and Community Initiatives. Structural Funds policy is a reserved matter, led by the Department of Trade and Industry.

The main implementation challenge for the Executive during the Italian Presidency will be to meet the spending targets under the so-called N+2 rule which obliges the European Commission to take back any Structural Funds budget allocation for 2001 which remains unspent at the end of 2003. Based on current spending levels, all but the East and West of Scotland Programmes are presently on target for 2003 although there is also a risk that Objective 3 will fall short of the target. Action Plans have been put in place for all Programmes and the relevant PMEs are considering what further steps can be taken to improve progress and thereby avoid automatic de-commitment of funds.

Prospects for Lifelong Learning

The top priorities as stated by the Presidency

The Italian Presidency aims to finalise, by the November Council, the Erasmus Mundus (previously Erasmus World) programme, which establishes an EU scholarship scheme for third country students at Masters level. The main issue of contention has been the level of funding.
At the same council, the presidency wishes to finalise the e-learning programme: there are three aspects to this, Internet twinning for secondary schools, development of virtual university campuses and improving digital literacy for the socially excluded.

The Presidency wants to reach a Decision establishing the legal basis for support for education and training.

**Important issues for the Executive to be dealt with by the Presidency**

**Erasmus Mundus (formerly ‘Erasmus World’)***

Scotland supports and welcomes the principles behind the proposed Erasmus Mundus programme. DfES has the lead in this area on behalf of the UK and Executive officials are working closely with DfES colleagues in order to ensure that Scotland’s interests are considered within the context of the proposed programme as appropriate.

The Erasmus programme in its current form aims to enhance co-operation between higher education institutions (HEIs) within Europe and to increase opportunities for student and staff mobility. The Commission has proposed that the programme should be enhanced to provide scholarships which would allow students of third countries to experience study within the EU via joint programmes arranged by EU institutions. This part of the programme will be called Erasmus Mundus and one of the core objectives of this activity is to enhance intercultural understanding and co-operation between the EU and third countries.

The fine detail and funding associated with the proposals are still to be finalised, but promoting higher education in overseas markets appears to be emerging as an area of interest for the Italian Presidency. Scotland, as does the rest of the UK, has less of an interest in that aspect of Erasmus Mundus as we are already engaged in a number of successful marketing initiatives to promote education overseas. The main benefits of the proposal for UK HEIs will be increased opportunities for collaboration with other EU institutions through the development of joint programmes. The Executive is however supportive of the promotional aims of Erasmus Mundus, given that efforts to enhance the EU as a study destination will also enhance the profile of Scottish HEIs. It is also possible that the scheme could provide an opportunity for some third country students to benefit from study in the EU which they would not otherwise have.

**e-learning**

E-learning policies are the responsibility of various Executive Departments. Scotland’s position on e-learning and its relation to European education, training and youth programmes (Socrates, Leonardo and Youth) will be covered by the Education Department

A major lifelong learning concern for Scotland is making learning more accessible. We need to make learning available in new and interesting ways. There are challenges here for providers. One such area of challenge is posed by e-learning. It offers the potential of bringing learning to potential learners wherever they are. It is able to package learning in new ways e.g. by combining games technology and learning. E-learning can build on the way in which more and more people are making use of the internet as a place to shop, communicate and find information. The opportunity to learn through assistive technology has significant potential in supporting students with disabilities and learning difficulties.
While there has been a lot of hype about e-learning, the reality is that few people have any experience of it. In Scotland we are trying to make learning accessible in new ways, by making it more attractive and of good quality so that people want to learn more.

In Scotland, the Scottish Higher Education Funding Council (SFEFC) and Scottish Higher Education Institutions are working in partnership with the UK eUniversities Worldwide (UkeU) to ‘deliver the best of UK university education online across the world’. In addition, Scotland established the Interactive University (IU) to work in partnership with Scottish Higher and Further Education Institutions to develop high quality e-learning content for Scottish education and looking to export this knowledge abroad. The IU was established by Heriot Watt University in 2002.

**Legal Basis for Education and training**

The Scottish Executive’s lifelong learning strategy "Life Through Learning, Learning Through Life", published in February 2003, recognises the influence of EU thinking on lifelong learning. The Executive is committed to engaging with other European Countries to progress the mutual recognition of qualifications. We have developed bilateral relationships with other European countries where that brings opportunities to learn from each other. Scotland is represented on several European Working Groups considering important education and training issues such as credit transfer and the mutual recognition of professional qualifications.

**Implementation**

The implementation of Erasmus Mundus proposals will not require any direct action from the Scottish Executive. The UK Socrates Erasmus Council based at Canterbury University has responsibility for administration of the Erasmus programme within the UK.

The Scottish Executive will seek to ensure that public sector investment in e-learning is co-ordinated and takes account of complementary actions by convening on a regular basis an E-learning Public Sector Group. It is expected this group will meet before the end of the year.

Scotland in representing the UK is part of the European Commission Working Group on Credit transfer in vocational education and training. The purpose of the group is to facilitate mobility and transferability in VET. The group is expected to publish an Interim report in October 2003.

**Prospects for Employment**

Whilst the lead in Employment and Industrial Relations is reserved, Scottish Executive officials are working with DfES/DWP colleagues and contributing to the UK National Employment Action Plan which is due for completion in October 2003.
Prospects for Enterprise

State Aid

Commission proposals for state aid reform…both policy and procedural are expected to be issued. These will have significant implications for all Member States as well as Scotland. We have been liaising with DTI and Treasury officials in an attempt to influence Commission thinking before papers are circulated. The Commission have also signalled their intention to look at the Regional Aid Guidelines, which will govern where, and how, national regional aids can be paid post 2006. Again we are working with DTI and Treasury officials in an attempt to influence UK thinking. Given that both structural funds and Assisted area map coverage (where we pay Regional Selective Assistance) will be significantly reduced post 2006, it is essential that we have as much scope as feasible to help achieve national regional policy objectives.

Research & Development

The Sixth Framework Programme (FP6) was launched during the Greek Presidency, including measures to produce a strong European Research Area. The first calls have been made for bids and the Executive introduced on 1st April the Scottish Proposal Assistance Fund (SPAF) to help SME’s with applications for funding. It is important that Scottish companies are encouraged and assisted to access this funding if we are to meet the Partnership Agreement commitment to increase business investment in R&D and improve productivity levels in Scottish industry to compare with our OECD competitors.

A substantial proportion of the FP6 funds is directed towards Life Sciences, an area in which Scotland is particularly strong. Scottish Executive officials are working with Scotland Europa and other contacts in the Commission to establish and maintain useful contacts with potential European partners through the Bio Regions network.

The proposal for a Council Decision on EU funding for embryonic stem cell research is still under discussion and remains an important issue for the Scottish Biotechnology industry.

Scottish Executive officials and Scottish Enterprise are aware of the opportunities offered by the Sixth Framework Programme and continue to promote it.

JIM WALLACE
STATEMENT BY THE MINISTER FOR JUSTICE

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for Justice and Home Affairs

Top Presidency Priorities

In December last year the Italian Presidency presented a joint programme of work with the Greek Presidency which made it clear that the top political priorities in the area of Justice and Home Affairs would be promoting the Seville agenda on asylum and immigration and the control of external borders and increasing internal security through police co-operation measures.

The Italian programme confirms that the Presidency will seek to:

- Improve security for Europe’s citizens
- by focusing on asylum and immigration and control of external borders in the light of the Thessaloniki European Council; and
- effective measures to combat international crime.
- Renew commitment to the fight against terrorism by promoting increased co-operation, enhancing the role of Europol and introducing measures directed at the financing of terrorism.
- Take action to combat drug trafficking by implementing the EU action plan, focusing on action to reduce supply
- In the field of judicial co-operation, focus largely on civil justice measures, particularly family law and parental responsibility.

Scottish Executive Interests

Civil Judicial Co-operation

The Presidency is focussing on progressing a number of measures in this field. Top priority will be to finalise the Parental Responsibility Regulation and to ratify the 1996 Hague Convention on Parental Responsibility and Child Protection. These measures relate to the enforcement of orders for access across borders and the jurisdiction, recognition and enforcement of orders relating to children and are of considerable interest to Scotland. Officials have regularly attended working groups in Brussels to ensure that the measures adopted are in line with Scots law and with UK objectives of consistency with existing international conventions. The Presidency has arranged three days of Working Group at the beginning of September with the aim of concluding detailed negotiations in order to go to the October JHA Council for final decision.

There is one major outstanding issue and that is the time for implementation. Adequate time is needed for internal law to be prepared to receive the new text – this is particularly important since the scope includes public law measures on the care, protection and supervision of children. The Justice Council in June accepted a French suggestion that implementation should be July 2004 if possible but this may not be practical.
The 1996 Convention was signed by all the Member States in April this year. It is expected that the Presidency will place a draft decision before the Council in November at the latest for ratification.

The Presidency is continuing negotiation on the **European Enforcement Order for Uncontested Claims**. This negotiation has been underway for some time now and the Presidency has indicated that it does not intend to conclude negotiations this year. At the same time negotiations have started on a parallel proposal for a **European Payment Order** procedure. Each of these is focused on cross-border claims where there is, in principle, no defence. The difficulty in relation to the Enforcement Order has been establishing a minimum standard in relation to service. We have successfully resisted attempts to impose personal service in every case and will continue to do so. On small claims we have participated by submitting directly information about Scottish procedures and will take an active interest if a proposal comes forward later this year as is anticipated.

Additionally, work is going ahead on **applicable law in tort and delict** and in contract where an Instrument is expected. Officials are attending the Working Group.

The proposal for a **Directive on Compensation for Victims of Crime** has been progressed during Working Group discussions under the Greek Presidency. The proposal aims to establish a minimum standard in the EU by making it compulsory for all Member States to provide an adequate level of State compensation for victims. We aim to ensure that any proposal is compatible with our existing UK domestic arrangements. The directive is on the provisional agenda for the November Council.

Later in 2003 or early in 2004 we expect to see further proposals on **the law applicable to divorce and on wills and inheritance**. We will monitor these proposals for implications for Scotland. The Commission has indicated that it will be bringing forward proposals on **applicable law in relation to matrimonial property and on succession**. These will have major impacts on the law of Scotland and it will be essential that direct engagement is made in these negotiations both within Scotland and outside. However, the Presidency has not programmed in any action this year.

**Procedural Safeguards in the Field of Criminal Law**

A proposal from the Commission on procedural safeguards in the field of criminal law will be taken forward under the Italian Presidency. The proposal is to provide for minimum standards of protection for those suspected or accused of a crime. This includes issues such as access to legal representation, access to interpretation and translation facilities and protecting vulnerable defendants. Since there could be implications for Scots Law arising from these proposals we will be following progress closely and, in line with the UK approach to mutual recognition, seeking to avoid any wholesale approximation of laws. An official attended the public hearing held in June and a draft framework decision is expected in the autumn.

**Action on Drugs**

Largely a continuation of existing measures and proposals with some new initiatives. There will be support for the delivery of the EU Action Plan on Drugs (2000–04). In addition the Presidency is seeking to introduce new initiatives including action to combat the impact of
drug use on road accidents, training for drug law enforcement officers and adolescent drug abuse. These are expected to be non-binding but may be of some interest.

The Action Plan reinforces much of the work already being undertaken in Scotland, particularly on enforcement. The Executive core funds the Scottish Drug Enforcement Agency (SDEA), which works in partnership with Scottish and UK Police Forces, the National Crime Squad, the National Criminal Intelligence Service, Her Majesty’s Customs & Excise and other law enforcement agencies to stem the flow of drug trafficking and organised crime in Scotland. We will continue to monitor enforcement activity against published targets, with the focus remaining on Class A drugs (during 2002-03, the SDEA reported a 366% increase in the weight of Class A drug seizures compared to the previous year).

Asylum and Immigration

The top Presidency priority in the JHA field. This is reflected in the draft agenda for the first JHA Council in October which looks set to be dominated by these issues. Although asylum and immigration are reserved issues there may be implications for Scotland from some of the proposals. In particular, the proposed Directive on Minimum Standards on Procedures in Member States for Granting and Withdrawing Refugee Status may impact on who may provide legal aid as well as eligibility for legal aid in Scotland.

Implementation

Recent measures which have been agreed and are being implemented in Scotland include the EU Framework Decision on the European Arrest Warrant (which is being implemented by means of the Extradition Bill) and various EU framework and other international agreements on mutual legal assistance in criminal matters (which are being implemented by means of the Crime (International Co-operation) Bill). Both Bills are Westminster legislation.

Although extradition is reserved, casework relating to fugitives in Scotland was executively devolved to the Scottish Ministers. The Extradition Bill, which introduces new streamlined arrangements for the surrender of fugitives from justice, seeks to confer on the Scottish courts and Scottish Ministers the necessary powers to enable them to continue to take decisions concerning the extradition of such persons in Scotland. The Bill applies UK wide further to a Sewel motion in the Scottish Parliament. The Scottish Executive drew up the necessary Scottish provisions in the Bill. The Bill is currently being considered by the House of Lords, after which it will return to the House of Commons with a view to completing its Parliamentary scrutiny and receiving Royal Assent towards the end of 2003.

The Crime (International Co-operation) Bill implements the mutual legal assistance provisions of the Schengen Convention, the Mutual Legal Assistance Convention of 2000 and its associated Protocol and the FDs on orders freezing assets and evidence, terrorism and non-cash means of payment. The Bill applies UK wide further to a Sewel motion in the Scottish Parliament. The Scottish Executive has subsequently been fully involved in drawing up the provisions required to reflect Scottish procedure. The Bill is currently in the Commons and, as with the Extradition Bill, it is thought that it will have completed its Parliamentary passage by the end of 2003.

CATHY JAMIESON
STATEMENT BY THE MINISTER FOR EDUCATION AND YOUNG PEOPLE

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for Education and Youth

The top priorities as stated by the Presidency

As with the Greek Presidency, Education and Youth are not amongst the top priorities for the Italian Presidency. However, they have prepared very thoroughly for their six months’ tenure and plan to finalise some of the work done during the Greek Presidency in the areas of education and youth.

The Presidency wishes to finalise, by the 24 & 25 November Education Youth & Culture Council, their e-Learning Programme, a key element of which is support for Internet twinning for secondary schools. The Programme is designed to complement the kind of bi- and multi-lateral school and youth sector partnerships and joint projects encouraged through EU Education Action Programmes such as Socrates and Youth for Europe, and initiatives such as European Netdays.

The Presidency also plans to agree a Council Resolution on making school an open learning environment to prevent and combat early school leaving and youth disaffection. It wants to look at how schools, families and communities can be encouraged to tackle this issue in partnership. The primary focus will be on education systems and ways of combating early school leaving.

The European Commission consulted on linguistic diversity and language learning earlier this year, and an Action Plan is expected in the second half of 2003 with the aim to increase inter-cultural understanding, to protect linguistic diversity and to promote mobility by enabling Europeans to learn more languages and to learn them more effectively.

The Presidency also intends to launch a debate on the next generation of the Socrates, Leonardo and Youth action programmes, with the Commission due to publish proposals for these at the end of November.

The Presidency would like to ensure the Information and Participation Open Method Objectives under the EU White Paper on Youth are taken forward. The Presidency would like to achieve a Resolution on the information and participation of young people at the Council in November.

Finally, the other issue of substance for the Italians in the Youth field is establishing a legal base for support for Youth NGOs. As with education and training organisations, new EU rules on financing and transparency mean that future funding of youth NGOs will require a legal base.
Important issues for the Executive to be dealt with by the Presidency

Although the EU does not have competence over education and youth policies, the Executive will continue to monitor how the recommendations of the Commission or the Presidency impact on, or agree with, our existing policies and current and future priorities in education and youth.

**e-Learning Programme**

This programme relates to a number of the Executive’s National Priorities in Education, ongoing developments with the National Grid for Learning (NGfL) and encouraging use of ICT as a cross curricular tool. This can help foster an international outlook amongst young people whilst at the same time equipping them with the skills and abilities necessary for the 21st Century. Ongoing developments with the NGfL, including achieving the goal of 100% Internet access and the roll out of Spark, the Scottish schools intranet, will ensure that Scottish secondary schools are well placed to benefit from this programme.

**Resolution on making school an open learning environment to prevent and combat early school leaving and youth disaffection**

This is significant to Scotland, given the range of current work on widening access to schools and ensuring pupil support & inclusion which is taking place. We are working with our European partners to influence the content of the Resolution so that it is consistent with key Executive priorities and commitments in this area, such as ensuring wider community access to schools and encouraging partnership working between schools and voluntary and youth organisations.

**EU Action Plan on Linguistic Diversity & Language Learning**

Discussions on the exact content of the Action Plan are taking place at the moment, with the final version expected to focus on three key areas – lifelong language learning, improved language teaching and creating language friendly environments. We are engaging in these discussions to make sure that the final plan is consistent with the Executive’s commitments in this area, including the provision of opportunities to learn a modern language in primary schools; investment in Gaelic Medium Education; and the introduction of a National Language Strategy for Scotland.

**Implementation**

The Executive is not subject to EU obligations and priorities in this area.

PETER J PEACOCK
STATEMENT BY THE MINISTER FOR HEALTH AND COMMUNITY CARE

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for Health policy

Top priorities as stated by the Presidency

The Italian Presidency has prioritised a preventative approach to healthcare and the promotion of healthy lifestyles. The Presidency will hold a conference on this theme in Milan on 3 – 4 September. As normal, however, much of the work of the Presidency will be taken up by continuing or completing work that has already been initiated.

Important issues for the Executive to be dealt with by the Presidency

The most important issues to the Executive that will be dealt with by the Presidency are:

Patient Mobility and the Future of Health Care Development in the EU

The June 2002 Health Council adopted a set of conclusions on patient mobility and the single market. The conclusions agreed the setting up of a High Level Process of Reflection (HLPR), including a Ministers’ group, to take the discussion further. The HLPR’s main focus is patient mobility in the light of recent European Court of Justice cases which have suggested that the provision of health care services is subject to single market/freedom of movement EU rules. The HLPR is also considering more generally the future directions of Health Care in the EU and what part the EU will play.

The HLPR is meeting both in plenary and in working groups. Plenary sessions were held in February and July 2003. A final plenary session is expected in November or December 2003. The aim is to finish the Process by end 2003 - with some sort of recommendations - to allow these to feed into the 2004 Inter-Governmental Conference (IGC).

John Hutton is the DH Minister, representing UK interests on the Group.

A meeting of EU Health Ministers in Milan on 5/6 September will provide an opportunity for informal discussion on this topic. A concluding meeting of the HLPR’s Ministerial Group will take place in December, and the conclusions will feed into the IGC. Devolved Administration’s interests are represented by DH, and there is regular consultation with the Executive.

Directive on the Safe Use of Human Tissues

The European Commission published a proposal in June 2002. The aim of this Directive is to ensure the quality and safety of human tissues and cells intended for all human applications. **It is intended to complement the blood Directive that was previously adopted by the Council and the European Parliament and is now being implemented.** The proposed tissue Directive seeks to introduce a harmonised
regulatory framework to ensure the safety and quality of human tissues and cells intended for human applications. The Directive would place the UK’s existing voluntary accreditation scheme for tissue banks on a statutory basis; and standardise practice in Europe, making the exchange of human tissues and cells between Member States safer and easier. The Directive does not cover organs, blood or blood products or autologous cells (tissues or cells removed from and transplanted back to the same person) but it does cover gametes (sperm and egg cells).

The Commission’s proposed Directive aims to introduce a harmonised regulatory framework to ensure the safety and quality of human tissues and cells intended for transplantation. The proposed Directive intends to do this by:

- requiring a competent authority (or authorities) in each Member State to inspect and accredit tissue banking establishments
- ensuring that human tissues and cells intended or used for transplantation are traceable (from donor to recipient and vice versa) within the EU
- introducing a monitoring system for adverse incidents and reactions to transplanted tissues
- introducing a system for the regulation of imports of human tissues and cells from non-EU countries, to ensure their safety and quality.

The proposed Directive does not cover organs, blood or blood products or animal tissues and cells.

In 2001 the UK Health Departments launched a voluntary accreditation scheme for all tissue banks that store and process human tissue for therapeutic use within the NHS. There are good clinical governance reasons to apply for accreditation and public sector tissue banks now have until 31 March 2004 to seek accreditation under the present arrangements. The only agency responsible for tissue banking in Scotland is the Scottish National Blood Transfusion Service. They are aware of the Directive and that the voluntary accreditation scheme (which applies to them) has been extended to March 2004.

**Council Recommendation on Screening for Cancer**

Following a Commission proposal, a Council Working Party on Public Health has drawn up a draft Council Recommendation on population-based Cancer Screening. Council recommendations are **not legally binding** on member states, but most will want to be seen to implement them and will have to report progress to the Commission. The Italian Presidency hopes to arrive at a final text at the October Council.

The draft Council Recommendation on Cancer Screening covers breast, cervical and colorectal cancers.

The Executive has in place well established national population-based screening programmes for breast and cervical cancers. The age ranges recommended by
Council are 50-69 (breast) and for cervical to start pap smear screening between the ages of 20 and 30. The Scottish Breast Screening Programme routine upper age range for invitation is currently being extended over a three year round of screening to women between 50 and 70 so action is being taken which will mean we meet the Recommendation. Routine invitation for cervical screening begins from age 20, where appropriate, so that one is also met. However in line with evidence from a Scottish Pilot, Liquid Based Cytology is being introduced into the cervical screening programme and will replace the Pap smear test. It is expected that the alternative smear taking method will be fully introduced across Scotland by spring 2004. These are the only two cancers for which screening programmes are currently recommended by the UK National Screening Committee (NSC - the body that advises Government on screening programmes).

The Recommendation on colon cancer is a bit more complex. The evaluation report on the colorectal cancer pilot (Scottish arm in North East Scotland and English arm in Coventry and Warwick) confirms the potential benefits of colorectal cancer screening and that FOB testing can work in an NHS setting. The age range used in the pilot was 50-69 and not 50-74 as mooted in the Council recommendation. The Minister has re-affirmed his commitment on a number of occasions to introduce a colorectal cancer screening programme. In line with that commitment work is ongoing looking at a number of areas identified in the Evaluation Report together with planning issues. It is expected that this further planning work will take around 5 years. The NSC will be considering the Evaluation Report and their advice will be taken into account in the planning work.

**Bio-terrorism**

DG SANCO (Directorate General for Health and Consumer Affairs) has established a **Task Force on Bio-terrorism** to take forward their commitment from the 16 November 2001 Health Council to put together a programme to combat the threat of bio-terrorism. The **current position** on bio-terrorism is set out at greater length in the ‘Communication from the Commission to the Council and the European Parliament on Co-operation in the EU on preparedness and response to biological and chemical agent attacks (health security)’ (COM(2003)320) issued in June 2003.

Terrorism is reserved, and the HD/NHS role therefore is about being ready and able to a) work within an established response framework and b) treat casualties.

Clearly that work should take account of appropriate integration/co-ordination at the UK, EU and international levels.

Examples of related SEHD activity include publishing revised guidance for NHS on response to deliberate chemical or biological releases;

publishing a draft smallpox plan, and taking forward vaccination of a cadre of health care workers.
WHO Framework Convention on Tobacco Control

Commissioner Byrne and the Greek Presidency were among the first to sign the World Health Organisation **Framework Convention on Tobacco Control (FCTC)** in Geneva on 16 June 2003. The UK was also among the first individual member states to take this earliest opportunity to sign. Ratification of the Convention by the EU may be sought at the December Council (it needs to be ratified both by Member States and by the EU). A Conference on ‘Tobacco: Prevention and Communication’ will be held in Rome on 13-15 November.

The FCTC is the first international, legal instrument designed to counter the harmful effects of tobacco consumption. It is significant also because it is the first ever treaty devoted to health adopted by almost all the countries of the world (all 192 WHO Member States). It covers a whole range of issues such as a comprehensive ban on tobacco advertising and sponsorship, controls on labeling of products, education about the health affects of tobacco, tackling smuggling, protection of the public from the effects of second-hand smoke and measures to reduce the availability of tobacco to young people. Most of the measures contained in the FCTC are not new to the UK and Scotland. Scotland will continue to work with the UK Government and partners in Europe and in the World Health Organisation to consolidate effective action to tackle this global threat to public health. The FCTC can only act to strengthen and support these efforts and it is, therefore, to be warmly welcomed.

European Centre for Disease Prevention and Control

During the Greek Presidency the SARS outbreak heightened the profile of communicable disease prevention. The Commission issued in July a draft regulation to establish a European Centre for Disease Prevention and Control. Political agreement on this will be sought at the December Council. The Executive recognises the benefits of collaboration on a UK and European level in public health matters, and NHSScotland contributes to these networks. The Executive is taking account of this in developing plans for health protection in Scotland, following consultation earlier this year.

Reform of the Community System for Medicine Authorisation

As the regulation of medicines is a reserved matter, the Medicines and Healthcare products Regulatory Agency is representing UK interests.

The Commission has issued proposals for a new Regulation and two proposed amendments to current directives to review the procedure for licensing of human and veterinary pharmaceuticals. The three proposals are:

- Draft Regulation on procedures for authorisation of marketing and operations of the European Agency for the Evaluation of Medicinal Products.
- Draft directive on Medicinal Products for human use.
- Draft directive on Medicinal Products for animal use.

Political agreement on the first two documents was achieved at the June Health Council. Political agreement on the veterinary medicinal products directive has now
been achieved and Common Position on all three texts is scheduled for late September. Following Common position, the draft regulation and directives fall to be considered by the European Parliament under co-decision and completion of this legislation is expected to take place by May 2004.

**Pharmaceutical Industry**

On 1 July, the Commission issued a communication “A Stronger European-based Pharmaceutical industry for the Benefit of the Patient – A Call for Action”. This was mainly inspired by industrial policy considerations and the Lisbon 2000 Agenda to build the European Union into the most competitive and dynamic knowledge-based economy in the world, but any developments coming from this communication may also impact on health services.

The Scottish Executive is liaising with the Department of Health and the Medicines and Healthcare products Regulatory Agency to ensure that Scotland’s voice is heard.

**Traditional Herbal Medicines**

As the regulation of medicines is a reserved matter, the Medicines and Healthcare products Regulatory Agency is representing UK interests.

The Commission presented their new proposal on traditional herbal medicines to the Health Council on 27 June 2002. The legislation would provide a regulatory framework for the approval of traditional herbal medicines so that they will meet systematic safety and quality standards. Good progress has been made under the Italian presidency which is aiming for political agreement at the October Council.

**Social Protection**

The June Council agreed a proposal for a **European Health Card**, which will replace the current E111 form, which allows short term access to health care in other EU member states for short stays. Implementation is set for June 2004 with, however, a possible extension to December 2005, for member states not currently using an insurance card system. The United Kingdom will be taking advantage of this extension.

Department of Health are taking the lead on this topic. They are scoping the extent of the work, which involves talking to key stakeholders and interested parties. This work is still at an early stage and there will be a close working relationship between the Executive and DH on this issue.

MALCOLM CHISHOLM
STATEMENT BY THE MINISTER FOR ENVIRONMENT AND RURAL DEVELOPMENT

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for Agriculture

The top priorities as stated by the Presidency

In agriculture, the overriding priority for the Italian Presidency will be to complete, as far as possible, the detailed arrangements for implementation of the package of CAP reform measures agreed under the Greek Presidency in June 2003. Rapid progress is essential if the reforms are to be implemented with effect from January 2005 as planned. The CAP reform package will also have a significant bearing on the EU’s approach to the World Trade Organisation talks on agricultural trade which are to take place in Cancun in September 2003.

Important issues for the Executive to be dealt with by the Presidency

Setting the rules for the implementation of the CAP reform package is the top agricultural priority for the Presidency, Scotland, the UK and all other Member States. The package will radically alter the structure of support to EU farmers. Key elements of the package are replacement of a raft of individual production-related subsidies with a single annual payment unrelated to production (decoupling) and the transfer of a percentage of the single payment to provide funding for rural development measures (modulation). Helpfully, there is flexibility to apply many of the provisions at regional level within the Member State which will enable measures to be tailored to meet Scottish circumstances. This could include retention of a measure of production subsidy, if desired.

The important challenges for the Executive through to the end of 2003 are to:

- assess the likely impact of the reform package in Scotland;
- seek the views of stakeholders through a programme of meetings, public consultation and a conference; and
- participate fully in the development of the detailed rules for implementation of the CAP package.

Other important agriculture dossiers for Scotland are summarised below.

Sheep identification. The Commission produced proposals for sheep identification and traceability late in 2002 and will hope to progress this during the Italian Presidency. The Commission proposal to accurately record sheep ID numbers manually is unworkable and some of the other proposals would be extremely difficult to implement and enforce given the scale and structure of the sheep industry in Scotland. The Executive, while supporting the principle of improving sheep identification, will continue to press for a more workable proposal in line with the current Scottish batch traceability system.
Welfare of animals during transport. In July 2003 the Commission adopted a package of proposals to better protect the welfare of animals during transport and hope to reach agreement by the end of the year. Balancing animal welfare considerations with trade considerations is difficult but the Commission’s proposals on journey times are not supported by our Vets and would create serious problems for farmers in remote parts of Scotland, particularly the islands. The Executive will continue to seek an agreement which will, overall, improve the welfare of livestock during transport while permitting certain derogations where geographically desirable.

Implementation

Less Favoured Area Support Scheme (LFASS). LFASS is delivered under the Rural Development Regulation and is worth over £60 million per year to Scottish farmers. The Commission requires changes to be made to the Scottish scheme for 2004 and discussions with the industry are taking place to help devise a model which would be acceptable both to the industry and the Commission.

Foot and Mouth Directive. Directive was ratified in June 2003 for implementation by mid-2004. It sets out legal minimum measures to be adopted by Member States to help control future outbreaks of Foot and Mouth Disease. Main issue to be resolved with stakeholders is the use of emergency vaccination.

EU Scrapie in sheep measures. Measures for Scrapie genotype testing and Scrapie eradication were adopted in February 2003 with various implementation dates through to April 2005. Implementation of the genotyping measures is expected to be relatively straightforward on the back of the GB National Scrapie Plan. By virtue of their draconian nature, however, the proposed eradication measures would create serious implementation difficulties. Proposed amendments to the eradication measures are due to be discussed by a Working Group and the Standing Committee on the Food Chain and Animal Health which seems likely to push back the planned implementation date of 1 October 2003.
Prospects for Environment Policy

General overview of the Presidency

Environment policy is not one of the key priorities of the Italian Presidency but there are nevertheless a number of dossiers on which they will look to make progress. They will look to agree a common position on the revision to the Bathing Waters Directive and aim to conclude work on a substantial number of technical dossiers and legislative packages where agreement has not yet been reached. On the non-legislative front, the Presidency’s key focus will be on sustainable development, specifically the integration of the environment into economic development strategies and the further development of a list of indicators for sustainability.

Important Environmental issues for the Scottish Executive during the Italian Presidency

The Presidency will look to maintain momentum on sustainable development, following on from the Spring 2003 European Council and the World Summit on Sustainable Development (WSSD). A workshop of experts will be convened in Rome in September to look at the use of sustainable development indicators and there will be a meeting in December to evaluate progress on the Cardiff Process (integration of the environment into EU sectoral policies). There will also be an exchange of views on sustainable development at the October Council, followed by adoption of Conclusions in December. These will be transmitted to the General Affairs Council for consideration in relation to the Spring 2004 European Council.

The Scottish Executive is committed to sustainable development and to following up the agreement reached at Johannesburg during WSSD. Given that the Summit dealt with sustainable development across the world, much of the responsibility for implementation is inevitably reserved. However, there are a number of issues that do, in whole or in part, fall to the Scottish Executive. For example, progress on more sustainable consumption and production, biodiversity and renewable energy are matters of considerable importance in Scotland. As a region of the EU, we fully support efforts to implement the outcomes of the WSSD and are interested in the aspects of the EUSDS that impact on devolved responsibilities. Therefore, we will be following closely the work being undertaken in the European Union in relation to this.

The proposed revision to the Bathing Waters Directive is of considerable interest to the Scottish Executive since this will impact on our performance in meeting European standards. The Directive’s primary aim is the protection of public health at bathing water sites through the creation of an obligation to meet microbiological quality standards for bacterial indicators of faecal pollution. The Scottish Executive was closely involved in the consultation process leading up to the proposed revision and will continue to argue for a fair Directive that respects differences across Europe in terms of use, climate and topography. The Presidency hopes that the Council will be able to reach a common position at the October Environment Council, while the European Parliament is scheduled to give the proposal its first reading in October. The Executive is liaising closely with the European Parliament on the proposal.

New initiatives and proposals of particular interest to Scotland that can be expected from the Commission during the Italian Presidency include: (i) a proposal for a Directive on the third
and final pillar of the Aarhus Convention - Access to Justice; and (ii) a proposal for a new EU Chemicals policy. The latter dossier has attracted considerable debate and the Commission received some 7000 responses to its recent Internet consultation on a draft proposal. The Commission is expected to formally adopt its proposal in October.

Implementation of European Environmental Obligations

The Executive is investing heavily to implement the National Waste Plan, which as well as delivering our domestic priority of increased recycling will achieve our EC obligation to reduce landfilling of municipal waste to 75% of 1995 levels by 2010, 50% by 2013 and 35% by 2020. We are also currently implementing a number of other Directives on pollution control and waste management.

Another important measure to be implemented is the Strategic Environmental Assessment Directive that will ensure that a strategic environmental assessment is undertaken as part of the decision-making process on certain plans and programmes. The Executive is taking forward its work on the Directive as part of its wider commitment to SEA.

In line with our obligations the Scottish Executive will be transposing Directive 2002/03 relating to ozone in ambient air. The Directive requires, with respect to ozone, that adequate information is made available to the public and also that air quality is maintained where it is good and improved in other cases.
Prospects for Fisheries

The top priorities as stated by the Presidency

Significant challenges remain in the fisheries sector, most notably on the need for sustainable management of whitefish stocks - in particular, measures to promote recovery of North Sea and West of Scotland cod stocks. These will be reflected in decisions on TACs and quotas for 2004, to be taken at the December 2003 Council; and on future arrangements for the management of fishing effort.

The Presidency will also try to secure agreement on new regulations relating to Western Waters and the Irish Box; and to progress arrangements for the establishment of Regional Advisory Councils.

Important fisheries issues for the Executive to be dealt with by the Presidency

The outcome of negotiations on TACs and Quotas, and recovery plans covering cod and associated stocks, will be of major importance to the Scottish fleet given its dependence on mixed demersal (whitefish) fisheries. The aim will be to agree fishing opportunities which strike a fair balance between stock conservation and socio-economic concerns: and the replacement of the existing bureaucratic and flawed effort management arrangements with more practical and effective measures. The Executive will seek, amongst other things, to protect valuable fishing opportunities for nephrops (prawns). The negotiating context is, however, difficult given UK (Scottish) exposure on these issues and other Member States’ generally unsupportive positions.

Also of major importance is the development of Regional Advisory Councils, designed to give stakeholders a much more proactive role in fisheries management. The Executive has been actively promoting development of such Councils. Although associated regulations may not be agreed this year, we expect substantive and formative discussions during the Italian Presidency.

On Western Waters and the Irish Box, the key political issues rest with other Member States. Nonetheless we shall be seeking an outcome to negotiations which protects Scottish interests (such as the exclusion of pelagic fisheries from restrictive effort controls).

ROSS FINNIE
STATEMENT BY THE MINISTER FOR SOCIAL JUSTICE

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE EUROPEAN UNION

Prospects for Communities

The top priorities as stated by the Presidency

The key priorities of the Italian Presidency will be: social inclusion; enlargement; the Employment Strategy, and immigration/asylum. The main events during the Presidency are likely to include:

- Agreement of Council Conclusions on Streamlining Open Co-ordination on Social Protection at the October Council, for submission to the December European Council.
- Publication of the Third Report on Economic and Social Cohesion in December 2003, setting out the Commission’s vision for the next Structural Funds programming period (2007-2013), and including proposals for initiatives on accessibility and support for services of general interest, tackling urban deprivation and employment and training.
- A Directive applying the principle of equal treatment between men and women beyond the fields of employment, vocational training and social security (though this may pass to the Irish Presidency to progress).
- Adoption of a communication on the European Year of People with Disabilities in November, drawing conclusions on the achievements and sketching out possible future action. The Presidency also aim to adopt Council Conclusions on the Year in December, and organise a conference in Rome on 5-7 December.

Important issues for the Executive to be dealt with by the Presidency

Social Inclusion

The Commission/Council conclusions of their examination of Member States’ National Action Plans for Social Inclusion (NAP) will be published in December 2003 as the Joint Report on Social Inclusion 2003. This, along with the Peer Review process, will provide a good basis for comparison of the approaches of Member States to promoting social inclusion. The UK NAP, submitted in July 2003, sets out the UK’s priorities and efforts for the coming 2 years (July 2003- June 2005), and includes Executive contributions on our strategic approach to tackling poverty and promoting social inclusion.

Work will continue following the Commission’s recent Communication on Streamlining Open Co-ordination on Social Protection and Council Conclusions are expected to be agreed at the October Council, for submission to the December European Council. This should result in a single reporting structure bringing together social inclusion (the NAP), pensions, and health/long term care for the elderly from 2006.

Publication of the Third Report on Economic and Social Cohesion in December 2003 will set out the Commission’s vision for the next Structural Funds programming period (2007-2013). Proposals for future initiatives on accessibility and support for services of general interest, tackling urban deprivation and employment and training will be monitored for
their impact on current Communities portfolio priorities for building safe strong communities and promoting work as the best route out of poverty:

On services

- By 2004, we will bring forward proposals for improvements to the planning system to strengthen the involvement of communities, speed up decisions, reflect local views better, and allow quicker investment decisions.
- We will establish a new Scottish Building Standards Agency, and a new Scottish Social Housing Standard to promote energy efficiency, use of brownfield land, and the adoption of sustainable development policies.
- We will help voluntary organisations to develop and deliver programmes that meet the complex needs of our most disadvantaged communities, through providing a more effective legal and financial framework, and supporting their engagement with Community Planning Partnerships.

On urban deprivation

Co-ordinated by the Cabinet Delivery Group on Closing the Opportunity Gap, we will demonstrate that we are closing the opportunity gap for disadvantaged communities in respect of key outcomes for education, health, justice, transport, housing and jobs. This will include:

- Stronger, safer communities, though the introduction of community wardens, and an anti-social behaviour Bill in Autumn 2003.
- Continued investment in the Central Heating Programme, community ownership, and housing improvements, to help towards our targets for reducing and eradicating Fuel Poverty.
- Meeting the housing support needs of elderly people, the homeless, refugees and other vulnerable groups through the £300 million Supporting People programme.
- Fewer people having to sleep rough, and working towards our target that by 2012 every homeless person will be offered permanent accommodation.

On employment and training

We will work to help those cannot access a job because of skills or other barriers, by:

- Investing in childcare to enable more people in the most disadvantaged communities to access work and training.
- Working alongside the tax, benefit and employment policies of the UK Government to reduce low household income and contribute to the ambitious long term goal of ending child poverty within a generation.

The Proposal for a Directive on Consumer Credit aims to increase consumer protection and will have implications for Scottish financial institutions, and our financial inclusion target to provide free debt advice for those who need it by 2006, particularly those burdened with multiple debt.
Equality

The Scottish Executive will continue to support the Commission’s work on **mainstreaming gender equality** in its work, including in the European Structural Funds, which mirrors the Executive's own commitment to mainstreaming equalities issues in its work.

The Scottish Executive will continue to feed in its views to the UK Government in its response to any proposals from the Commission for a Directive applying the principle of **equal treatment between men and women beyond the fields of employment, vocational training and social security** that may come forward during the course of the Italian Presidency. The Scottish Executive's interest is to contribute to the process of ensuring that any future Directive in this area will contribute to gender equality without having any unintended consequences. The majority of issues covered in any eventual proposal will be reserved.

The Scottish Executive has facilitated the **European Year of Disabled People** in Scotland. We have facilitated a steering group of disabled people, disability organisations and key players to agree aims and objectives for the year in Scotland and to plan and implement a work programme. This work programme has been backed up by over £200,000 of Scottish Executive funding. We are keen to learn from the lessons of the European Year and to use these lessons to inform our policies on disability equality in 2004 and beyond, and to ensure that information from Scotland is available to those across Europe who have an interest.

Focussing on immigration/asylum and security, the Italian Presidency is likely to push for more money and concerted action at an EU level. On asylum, the Presidency aims to finalise the Directives on **Qualifications** and **Procedures** before the end of the year. Immigration and asylum issues are for the Home Office and it will be for them to implement any new policy/regulations. The Executive will monitor these and assess any impact they may have on the provision of legal aid in Scotland. It would be for Home Office Ministers to attend Council meetings.

The Communities Portfolio contributes to each of the Executive’s key priorities by tackling poverty and disadvantage, by building safe strong communities and by creating a fair, equal Scotland, with rights for all. My priorities for the Italian Presidency will help in creating a Scotland where everyone can enjoy a decent quality of life and share in the benefits of growing Scotland’s economy irrespective of where they live or the challenges they face.

MARGARET CURRAN
RESTRICTED

STATEMENT BY THE MINISTER FOR TOURISM, CULTURE AND SPORT

MINISTERIAL PRIORITIES FOR THE ITALIAN PRESIDENCY OF THE
EUROPEAN UNION

Prospects for Tourism, Culture and Sport.

The top priorities as stated by the Presidency

The Italian Presidency has indicated that it sees culture as a priority. As the Italian Prime Minister has extensive business interests in the media, there may be some considerable interest in this area under the new Presidency.

In the cultural field, the EU will need to decide how it will participate in the debate for an international instrument on cultural diversity. In November 2001 the United Nations Educational, Cultural and Scientific Organisation (UNESCO) adopted the Universal Declaration on Cultural Diversity and an action plan, including drawing up an international instrument on cultural diversity. It is expected that UNESCO’s General Conference, to be held in October 2003, will discuss the nature of such an instrument on how to take discussions forward.

The Presidency will need to take a decision on whether to extend the “Culture 2000” programme to 2005 and 2006. This programme supports cultural co-operation projects in all artistic and cultural sectors. It was originally established for a five-year period (2000-2004), but there is now a Commission proposal to extend the programme for a further two years.

There is also likely to be a discussion on the circulation of museum holdings during the Presidency. A resolution will be proposed on co-operation of European museums in the circulation of works of art and historic interest.

Finally, many of the topics under the audio-visual heading that was started or continued under the Greek Presidency have not yet been concluded and it is expected that the Italian Presidency will want to make progress on them. The Council will continue discussions about the work programme on preparation for future proposals on the “Television Without Frontiers” Directive. The Council will also consider a proposal to extend the current MEDIA Plus and MEDIA Training programmes for one year. A resolution has also been proposed on the deposit of cinematographic and audio-visual works.

The EU currently has no specific competence in the area of sport, although it is able to take forward some sport-related initiatives under the auspices of its competence in education, health and social policies. The Italian Presidency plans to look at:

- Rediscovering the value of sport;
- International activity aimed at developing sporting infrastructures in developing nations; and
- The harmonisation of European doping legislation (at the Informal in Florence on 1-3 October, Ministers will discuss European co-operation on anti-doping).
We are not aware of the Italian Presidency proposing any significant actions in relation to tourism.

**Important issues to the Executive to be dealt with by the Presidency**

The work programme in both the cultural and sport fields are of interest to the Executive, but are unlikely to have a significant impact on the Executive’s programmes and policies. On issues of EU competence, such as those relating to the international instrument on cultural diversity, this will be matter for the UK Government in consultation with the Scottish Executive as appropriate.

The Executive already promotes cultural diversity and the Scottish Arts Council has a specific programme relating to this. It is unlikely that the possible international instrument on cultural diversity will impact on programmes already underway. The “Culture 2000” programme has proven valuable in supporting cross boundary cultural projects and we would welcome an extension of the programme to 2005 and 2006. In particular, the Executive is currently exploring how this programme might further support the promotion of Scotland programme planned for various European countries in the next three years. The Executive would also support greater co-operation between European museums in exchanges of works of art and items of historical interest. The Executive is already encouraging this within Scotland, particularly between the national institutions and local museums and galleries; and international exchanges are already being encouraged under the agreements that the Executive has reached with various regions within Europe, such as Tuscany, and as part of future planned promotion of Scotland programmes throughout Europe.

The Executive welcomes the Italian Presidency’s recognition of the value of sport. The Executive has committed considerable resources to supporting sporting activity and the sporting infrastructure in Scotland in recognition of its role in improving health through better overall fitness and as a means of deterring crime through providing alternative activities. The Executive is fully supportive of the action being taken at an UK level by the UK Government and UK Sport in the fight against the misuse of drugs in sport.

**Implementation**

The Executive is not currently subject to the implementation of any EU obligations in the tourism, culture and sport fields.

FRANK MCAVEETY
Prospects for Transport

Although transport is not a main priority for the Italian Presidency, the Presidency will begin discussions on the revision of the Trans-European Networks (TENs) guidelines. Other transport priorities will include possible Commission initiatives on road safety, and infrastructure charging.

Trans-European Networks (TENs)

TENs is a reserved matter, on which the Department for Transport (DfT) lead. The Executive liaise closely with the DfT on all such matters. A Commission legislative proposal is expected in September or October. The Transport Council will define the programming and planning needed to achieve transport system objectives. In parallel, ECOFIN will develop the instruments to implement those objectives. Negotiations on this file may be slow and difficult, as with the last attempt to update the Guidelines. While it currently appears that funding will be prioritised on major large scale trans-national projects, there remains a potential Executive interest in TENs developments and funding mechanisms.

Road Safety

The Executive will continue to accord a high priority to road safety. The Executive has set demanding targets for a 40% reduction in fatal and serious road casualties, and a 50% reduction in child fatal and serious road casualties by 2010, compared with the average for 1994-98. Good progress has been made. In 2002, fatal and serious casualties were 27% below the baseline and child fatal and serious casualties were 38% below the baseline.

- The Executive will continue to provide funds to the Scottish Road Safety Campaign for the production of key road safety education initiatives and publicity messages
- Continue to fund free membership of the Children’s Traffic Club in Scotland, which offers road safety training to all 3 and 4 year old children in Scotland
- Continue to carry out annually the Moving Cursor Programme, which involves the investigation of clusters of accidents on trunk roads and a programme of remedial measures.

Infrastructure Charging

The Executive do not expect that the Commission's proposals on infrastructure charging will affect our current work on road user charging. We shall, of course, consider any implications that arise. The Executive are in discussion with the DfT on issues around the interoperability of charging systems and will continue to ensure that we have appropriate input into the policy formulation of this, and other, proposals.
Second Railway Package

The key component in the strategy is to shift the balance between modes. These issues are reserved. Some revision to UK law might be required.

Political agreement on the Commission’s Second Railways Package was reached at the Transport Council held on 28 March 2003. The Common Position has now been agreed and sent to the European Parliament (four of the five proposals in the Second Package are subject to co-decision). The Common Position text addresses the concerns the UK Government had expressed about the potential adverse impact of costs and on safety of the proposed requirements on interoperability and on Common Safety Targets. The fifth element of the Second Package is a Council Decision for the Community to negotiate accession to the Convention on the International Carriage of Goods and Passengers by Train (COTIF). This does not require co-decision; as a result the way is now clear for the Commission to proceed. The Executive will continue to liaise with the DfT on this issue to ascertain the impact, if any, on Scotland.

Aviation

The creation of a Single Sky is seen as a major challenge. The Italian Presidency will be overseeing the Single Sky Regulatory Package which will establish a more integrated airspace in the EU. There was political agreement at the Transport Council in December 2002; and the 3 Single Sky regulations should come into force by the end of 2003, although it will take some years for the full benefits of Single Sky to be achieved. We support the concept of the Single Sky and while it is a reserved matter, we have confidence that DfT will represent the UK’s interest as the benefits will accrue to all countries within the UK and the wider European Union. The Presidency will also oversee the Denied Boarding Regulation which provides for passenger compensation for being ‘bumped off’ flights and for delays. While this regulation would seem to be customer friendly, the cost to airlines may be passed on in higher ticket prices to customers, for example from the no-frills operators. The Executive have a particular interest in this matter in the Highlands and Islands where weather can often cause delays. Compensation payments could affect the viability of services for some operators and Loganair have already made representations to the Executive on this matter. We need to ensure that DfT are aware of the implications for Scotland.

Of particular interest to Scotland is the proposed revision of the Air Slots Regulation. It is unlikely that this will move forward during this Presidency. The Executive will continue to keep in close contact with DfT on the proposed changes to the Regulation, particularly with regard to the ongoing issue of measures to secure access to major hub airports such as Heathrow and Gatwick for regional air services i.e. the ‘access to London’ issue. The current dialogue between the Executive and DfT on the forthcoming UK White Paper is more pressing than the revision to the slots regulation as the White Paper will be issued in December of this year and DfT’s approach to the slots regulation will then largely be governed by the position they have adopted in the White Paper.

It is unlikely that the Slots issue will be dealt with by the Presidency. There may be a preliminary discussion at the December Council on the revision of the Internal Market Rules (3rd Package). Of great interest to Scotland is the inclusion in the Third Package of EC Regulation 2408/92 on Public Service Obligations (PSOs). The PSO aspect is another part of the on-going debate between the Executive and DfT, in the preparation of the White
Paper. As a result, DfT has not finalised its position to the Commission. We are keeping in close contact with DfT to ensure that our views are incorporated.

The Executive is in regular contact with the UK Government about a wide range of aviation matters. DfT is fully aware of our particular interest in the Slots Regulation, which is unlikely to make progress during this Presidency; and also our interest in the PSO aspect of the Third Package Regulations. It is unlikely, however, that a new Regulation on PSOs will be in place for at least 2 years.

**Maritime**

Most of the maritime issues to be pursued by the Italian Presidency fall within the UK’s reserved responsibilities. The Executive will continue to work hard to ensure that Scottish interests are taken into account when the UK approach is formulated. The following observations are offered on specific issues.


The Directive is designed to strengthen the criminal law framework for the enforcement of the law against ship-source pollution. The issue is reserved with DfT having the lead interest. The Government’s position is that it cannot support the Directive in its current form as it takes the view that matters relating to criminal law, including imposition of criminal sanctions, fall to Member States, not the Community.

Specific concerns include the possibility that the Directive could result in some lawful discharges being treated as criminal. The Government doubts the necessity of including imprisonment among the penalties for offences of the sort envisaged, and also the Directive fails to distinguish clearly between criminal liability and compensation.

DfT’s approach is very much in line with our wishes and we are not aware of any major issues from a justice or environmental perspective.

**European Maritime Safety Agency**

This agency will provide technical and scientific assistance in the field of maritime safety and prevention of pollution by ships. There have been no recent developments on the issue of the permanent location of the agency's headquarters but the UK Government has entered a bid for these to be in Glasgow. The final decision will rest with the EU Heads of State and Governments, and EU Agency locations have not been discussed since a planned decision at the summit in Belgium in December 2001 was unexpectedly deferred. A decision on location is not a precondition to EMSA starting work and the Agency is now operating from a temporary HQ in Brussels. There are a number of strong competing bids for EMSA but the Executive remains committed to promoting Glasgow’s case.

Over the lifetime of the Italian Presidency, there are also likely to be developments on other maritime issues of interest to Scotland which have not been flagged up as priorities for the Presidency. These are:
EC Access to Ports Services Directive

The proposal for a Directive on market access to ports services aims to establish more comprehensive rules through competition. The main impact of the Directive would be to allow competition for the provision of services such as cargo handling, pilotage and passenger services in ports which handle a certain level of freight or passengers per year. Second reading in the European Parliament has been completed and the conciliation procedure will coincide with the Italian Presidency. The Executive has been fully involved in assessing the impact of the proposed Directive in Scotland with DfT. As a result amendments have been made to the text to ensure that the Directive is compatible with plans for tendering the Clyde and Hebrides ferry services, and we would wish to ensure that those remain in place.

Maritime Cabotage Regulations

During the Greek Presidency the European Commission continued its review of the regulations on maritime cabotage and the related guidelines on maritime state aids. This is a subject of great importance to Scotland. In May 2003 the Commission circulated a working document ‘Amendments to Community Guidelines on State Aid to Maritime Transport’ and sought the views of Member States. The Executive submitted written comments to the Commission on the revised guidelines and also accompanied DfT to a meeting of Member States in June 2003. The most relevant section of the guidelines of interest to the Executive, for its interests in the provision of Scottish Lifeline of Ferry Services, are the provisions for amendments to Chapter 9 (Public Service Obligations and Contracts). The Executive broadly welcomes the thrust of the Commission’s thinking which introduces greater flexibility and is in line with some of the ideas on which the Executive made representations previously. There are still some areas where the Executive’s views are not fully aligned with those of the Commission, however, the time for debate with the Commission has now ended and we await the regulations in their final form later this year. No firm date for publication has been given by the Commission. It is clear, however, that the final regulations will not affect the Executive's obligation to tender the Clyde and Hebrides ferry services.

NICOL STEPHEN
EUROPEAN AND EXTERNAL RELATIONS
COMMITTEE

BRIEFING PAPER

“Proposed terms of reference for Inquiry into the external relations strategy of
the Scottish Executive”

Introduction

1 At its meeting of the 24 June 2003, the Committee agreed in principle that one
of its first parliamentary inquiries for the second session of parliament would
look in depth at the strategy, policy, functions and activities of the Scottish
Executive in the area of external relations.

2 This would cover the links between the Scottish Executive, the devolved
government in Scotland, and other parts of the UK (including the UK
Government), the EU and wider. The Inquiry would look, insofar as it exists,
at the strategy of the Executive, its resources and structures, how it
encourages other bodies/agencies to co-ordinate their activities aimed at
promoting Scotland abroad. The Inquiry would also seek to assess the
implementation of the various strands of the strategy and the success to date
of activities, including what more can be done.

3 It was agreed that the Clerk to the European and External Relations
Committee be asked to draft proposals for terms of reference, and for these to
be discussed at the first meeting after the summer recess. These are set out
in Annex A.

Action requested

4 Members of the Committee are requested to read and comment upon the
draft terms of reference, with a view to their adoption at today’s meeting.

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ANNEX A

PROPOSED TERMS OF REFERENCE

Proposed Inquiry Title

Promoting Scotland worldwide: an Inquiry into the external relations policy, strategy and activities of the Scottish Executive

Background – developing an external relations policy (timeline to date)

In 1999, the then Foreign Secretary Robin Cook MP told the House of Commons that, “Labour's plans for devolution will create a Minister for European Affairs in a Scottish administration, set up a Scottish European office in Brussels accountable to a Scottish Parliament in Edinburgh, confer on Scottish Ministers the same observer status as that of the German Länder”.

Upon establishment of the Parliament, responsibility for such matters rested ultimately with the then First Minister, Donald Dewar MSP, with involvement from Jack McConnell MSP in then his capacity as Finance Minister, in part because of his involvement with EU funds but also because he became increasingly engaged in promoting Scotland’s wider interests in Brussels.

When Henry McLeish MSP became First Minister, Jack McConnell MSP was given a new portfolio. His formal title was to be “Minister for Education, Europe and External Affairs”. This was the first time that such a role (Europe and External Affairs) was mentioned explicitly in a ministerial title and portfolio. As a consequence, the previous Committee began the process of altering its remit to cover scrutiny of the external relations policy of the Scottish Executive. Previously, its scrutiny functions extended only to EC/EU issues.

Press reports prior to the Nice summit of late 2000, began to note the emergence of significant efforts being by the Executive made to carve out an approach for its new external relations policy. According to reports, this said the Minister would, “Set out a new strategy for Scotland in Europe, which puts the Executive on a potential collision course with the Foreign Office in London. He [Jack McConnell] is aiming to build strategic alliances with parts of the Continent to pursue Scotland’s interests separately from those of the UK. Although it does not clash directly with Robin Cook, it represents the most significant extension of the Executive’s role since the parliament was elected”.

In a press release issued by the Scottish Executive at the time, the Europe and External Affairs Minister was quoted as saying:

“Scotland must step up its involvement with Europe if it is to be in the premier division of legislative regions or nations within EU member states.

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1 Official Report, House of Commons, Scottish Grand Committee, 13 January 1997; c 29.
2 The Sunday Herald, 3 December 2000
“For the first time the Executive has a Scottish Minister with a specific responsibility for Europe. This demonstrates that it is a top priority for the Executive to engage constructively and thoroughly with the European Union. With the benefits of devolution, we are determined to make a step-change in our level of engagement. We have already done much to create links with other nations and regions. Now we need to move our engagement up a gear or two. […]”

“Ministers must do everything possible to raise Scotland’s profile in the EU. We cannot move on alone though. We have to work in close partnership with others such as the local authorities, Parliament, our MEPs and our arts bodies. The objective of this increased activity is simple. It is to help achieve a Scotland in which both its people and businesses feel completely at ease in Europe: a Scotland influencing decisions which will ultimately affect us all and a Scotland where jobs dependent on European markets are secure”\(^3\).

By early 2001, this political message had been translated into the day-to-day work of the administration’s civil servants in its expanded External Relations division, which is responsible for both EU affairs and international relations. At this stage in the development of an external relations policy, officials had three priorities in relation to the EU. These were:

- To monitor and where necessary influence the UK line on the forthcoming enlargement;
- To raise Scotland’s profile within the EU in relation to the smaller member states, other territorial governments and the EU’s institutions; and,
- To exchange ideas with other territorial governments on policy.

When Jack McConnell MSP became First Minister, responsibility for such functions were to be shared with Jim Wallace MSP in his role as Deputy First Minister and, by the summer of 2001, the Executive was making the arguably bold step of submitting a joint policy paper along with the Convention of Scottish Local Authorities (CoSLA) direct to the European Commission as part of the debate on the governance of the EU. This led to further involvement and engagement by the Executive in the parallel debate on the future of Europe and the resulting draft constitutional Treaty. This culminated in a joint submission to the Convention developing the new Treaty, along with the UK Government’s representative and the other devolved governments.

Outwith the European Union, the Executive also became more involved in a dialogue with other nations and in efforts to promote Scotland abroad. Amongst its main efforts was the launch of a more domestic Scottish involvement in annual Tartan Day events held in North America (established in 1998 in the USA and traced back also to the early 90’s in Canada). During one of these events, the then First Minister was invited to have a short personal audience with the President of the United States. Subsequently it was announced that a civil servant from the Scottish Executive would be placed in the UK’s embassy in Washington DC, with the title First Secretary, Scottish Affairs. Despite the somewhat overreaction in some quarters, this was not a new phenomenon as Scottish officials had been placed overseas through Scottish Trade International.

\(^3\) Scottish Executive News Release, 4 December 2000, SE3124/2000
Elsewhere in the world, the Scottish Executive reported that it was keen on developing links with the Eastern Cape region of South Africa. These links were to be one of the benefits of the attendance by a delegation from the Scottish Executive to the World Summit on Sustainable Development 2002 being held in Johannesburg, South Africa. It is unclear how these links have been furthered.

By January 2002, the parallel activities of links with the EU and promotion of Scotland elsewhere had been brought together when the Deputy First Minister wrote to the then Committee to provide a new definition of “external relations”. He said4:

“The Executive is of course engaged in a very wide range of external (that is, European Union or international) activities, across all Ministerial portfolios; and foreign affairs policy of course remains a reserved matter, for which the UK Government is responsible. My interests as the Scottish Executive Minister with responsibility for external relations primarily comprise the following:

- the development and implementation of links with Europe;
- co-ordination of the Executive’s role in European Union decision-making;
- co-ordination of the Executive’s implementation of EC legislation;
- the Executive’s contribution to cross cutting EU issues (such as the Future of Europe debate); and
- co-ordination of the Executive’s international activities, including the promotion of a positive image of Scotland overseas.”

As part of these activities, the Executive has now signed formal bilateral, subject-specific ‘protocols’ with a number of regions across the EU – Catalonia, Tuscany, North Rhein Westphalia and Bavaria. It has also built links with other countries such as Ireland, the Nordic states, the Czech Republic and Estonia.

In February 2002, the Executive helped create the Scottish International Forum to maximise and improve the promotion of Scotland overseas. It is intended to bring together the main organisations and agencies involved in promoting Scotland overseas, including Scottish Enterprise, the CBI, VisitScotland, the Scottish Arts Council, the British Council, the Scottish Parliament, the Scotland Office and CoSLA. It is chaired by the Executive. These types of activities are central to the Executive’s Global Connections Strategy and its Global Scot Network.

In February 2003, the First Minister again expanded his vision of the external relations policy to include the importance of attracting more people to Scotland to help both our economic performance and add to the diversity of our population. This lead to the ‘Fresh Talent’ initiative, designed to encourage people to consider coming to live and work in Scotland.

In a final development, the recent changes to the structure of the UK Government led to an agreement with the new Secretary of State for Scotland that the Scottish

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4 European Committee Paper, EU/02/1/2, 15 January 2002.
Executive would now take the lead in the promotion of Scotland abroad. This potentially gives the Executive a freehand in such matters.

**Key questions for the Inquiry**

The Inquiry can be broken down into five key areas:

- Definition and implementation of a coherent, co-ordinated and resourced strategy for external relations
- Success of efforts to develop government-to-government links with the European Union and internationally
- Analysis of the efforts to co-ordinate the Scottish Executive’s role in the EU decision-making process (including inter- and intra-UK processes) and in the implementation of obligations
- Success of efforts to promote Scotland abroad, including through tourism, economic development, trade, education links, culture and heritage and the attraction of a new populace to Scotland
- Success of Tartan Day and its future development, in particular the plans of the Scottish Executive for future involvement and resource allocation

It is suggested that the following questions form the basis of the Committee’s terms of reference, drawing on these five key areas.

**Strategy**

1. To what extent does the Scottish Executive have a clear policy and vision for external relations, what does it comprise of and how is it resourced?
2. How has this strategy developed over time and how might it develop in the future?
3. How is the strategy internally co-ordinated within the Executive?
4. How is the strategy externally co-ordinated outwith the Executive with other governmental, public and private sector bodies?
5. How does the Scottish Executive seek to work with the Foreign and Commonwealth Office in terms of promoting devolution, receiving visitors etc?

**Links**

1. What government-to-government links have been, and will be, established, and what were the purposes of these links?
2. How effective have the links been, how have they been implemented and reviewed and what benefits are they providing?
3. What were the criteria used for deciding (in the past or in the future) where such links should be made?
4. How sustainable have the links been?
5. How are the formal and informal links co-ordinated internally and externally?

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5. Scottish Parliamentary Question, S2W-1006
6. How successful has the Executive been in encouraging and supporting others in Scotland to benefit from such links?

7. What bodies, networks, associations is the Executive a member of, what is the value of these networks and is membership of any other grouping planned?

8. What other networks are Scottish politicians a part of and what processes are followed in terms of nominations to such networks?

**EU decision-making process**

NB. Much of this has been covered in previous inquiries, but it may be useful to revisit some of the following questions.

1. How does the Executive co-ordinate its role in the EU decision-making process (including inter- and intra-UK mechanisms and processes) and in the implementation of obligations?

2. How effective has this been and what improvements can be made?

**Promotion of Scotland abroad**

1. What is the rationale for promoting Scotland abroad, how does the Executive achieve this, how does it co-ordinate both internally and externally with other bodies?

2. What level of resources is available and what strategies and activities are being used?

3. What success stories do we have and what needs to be improved?

4. What are the benefits of the ‘Scotland in’ series of events, the coherency of the programme and the sustainability of this promotional tool?

5. What visits, delegations or trade missions has the Executive participated in and what measures are planned?

**Tartan Day**

1. What is or should be the purpose of Tartan Day?

2. What strategy has been used in the past to promote the events and what are the Executive’s plans for its involvement in the future, both in North America and in Scotland/UK?

3. What level of resources has been spent in the past and how might this change?

4. How can the co-ordination both within Scotland and externally be improved?

5. What are the Executive’s broader plans for Scottish-US relations?

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7. Such as ‘Scotland in Sweden’, ‘Scotland in Brussels’ and ‘Scotland in Catalonia’
Proposed witnesses

In addition to a general, open call for evidence, it is suggested that the following be specifically invited to give evidence:

- Scottish Executive Ministers
- Scottish Executive civil servants in the External Relations Division and the Scottish Executive’s EU office, including those responsible for strategy development, bilateral links, inter-UK links, the International Forum and the ‘Fresh Talent’ initiative
- Scotland Office
- Foreign and Commonwealth Office
- British Council, Scotland
- Scotland the Brand
- Scottish Council for Development and Industry
- Scottish Development International
- Scottish Enterprise
- VisitScotland
- CBI Scotland and the Federation of Small Businesses (Scotland)
- European Commission
- European Parliament
- Scottish based diplomatic and consular corps
- National Museum of Scotland
- Scottish Arts Council
- Scottish Screen
- Network of International Development Organisations in Scotland
- Leading industrialists and other figures who promote Scotland globally

Given that one of the specific aims of the Inquiry is to assess the merits of Tartan Day and its future potential, the following ought to be invited to give evidence. These bodies and individuals were selected to build upon some of the previous links established through delegations attending previous Tartan Day events. The list is not necessarily definitive and other bodies can be added if the Committee chooses.

- First Secretary, Scottish Affairs, UK Embassy, Washington DC
- First Secretary, Northern Ireland Bureau, Washington DC
- National Conference of State Legislatures
- American Scottish Foundation National Tartan Day Committee and state-level coordinators
- St Andrew’s Society
- Ripon Educational Fund
- Scottish Studies Foundation, University of Guelph
- Contacts in the US Congress
- Scottish Coalition (umbrella of nine national US-Scots organisations)
- Other US and Canadian state legislatures

It may also be valuable for the Committee to make contact with some of the governments and bodies that the Executive has signed formal protocols with, or
intends to, to assess the perceived value of the bilateral contacts from the view of
the other party involved.

**Timetable**

It is proposed that the Inquiry runs from late September (assuming adoption of the
terms of reference), until mid to late June 2004. This will enable the Committee to
have a sustained period of evidence taking in what is a wide-ranging Inquiry, and to
particularly assess the merits of Tartan Day 2004.
EUROPEAN AND EXTERNAL RELATIONS
COMMITTEE

BRIEFING PAPER

“Proposals for an ongoing review of the debate on the development of a new framework for regional development and the future of European structural funds”

Introduction

1 At its meeting of the 24 June 2003, the Committee agreed in principle that one of its first parliamentary activities for the second session of parliament would look in more detail at the ongoing debate on the future of regional development funding and, in particular, at the question of ‘renationalisation’ of funds and the proposals set out in the UK Government’s consultation document.

2 It was agreed that this task may not necessarily need to be realised through the vehicle of a full parliamentary Inquiry, but could perhaps be achieved through some sort of ongoing review.

3 It was agreed that the Clerk to the European and External Relations Committee be asked to draft proposals and options for taking this issue forward. These are set out in Annex A. Members may also wish to see the briefing paper produced by SPICe (SB 03/62), which accompanies this paper.

Action requested

4 Members of the Committee are requested to read and comment upon the proposals and options, with a view to their adoption at today’s meeting.

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PROPOSALS AND OPTIONS

Background

On 5 March 2003, the UK Government published a consultation entitled, “A Modern Regional Policy for the United Kingdom”. This paper sets out proposals for far-reaching changes to the current regime in Scotland covering the use of European structural funds and state aids. Such funds and aids are designed to tackle regional disparities, boost economic growth, reduce unemployment and address anomalies in the labour market (such as gender inequality). Over the period 2000-2006, Scotland is set to receive just over £1bn in structural funds, around 11% of all such funding across the UK.

The UK Government’s consultation paper comes as a timely contribution to the wider debate in the EU on how to tackle regional disparities, especially with the introduction of new, lagging economies in Central and Eastern Europe after enlargement. This enlargement is certain to lead to pressures to spend the broadly capped sums available for regional development elsewhere within the EU amongst the new poorer Member States and not in the relatively richer regions of the Union that used to benefit.

The final negotiations on the future EU policy on structural funds and state aids will not end until 2005 and so the debate has a very long way to run before the final decisions - which have to be by unanimity of the current and new Member States - are made.

The previous Committee launched a limited and rapid consultation exercise, primarily with Scottish local authorities (as some of the main beneficiaries of, and co-contributors to, structural fund expenditure). This took place in the last weeks of the previous parliamentary session.

Amongst the many issues raised, the central question of ‘renationalisation’ or ‘repatriation’ of funds is the most critical and the most controversial. In simple terms, the UK Government’s proposals, if adopted by the EU, would see Member States agree common principles for a new funding regime after 2006, but the delivery of regional policy would be substantially devolved and decentralised, and offer greater flexibility to Member States and regions. EU support, both financial and institutional, would be refocused on those poorest Member States that will benefit most from direct EU involvement (i.e. mostly Central, Eastern and Southern Europe).

For other Member States (including the UK), regional policy would be resourced domestically with greater freedom to deliver according to domestic priorities than under the current regime.

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1 Published by the Department for Trade and Industry, HM Treasury and the Office of the Deputy Prime Minister.
The critical paragraph in the UK Government’s consultation document regarding this domestic resource allocation reads as follows, “If the [UK’s] Framework were agreed, we [the UK Government] would guarantee that, by increasing UK Government spending on regional policy, UK nations and regions receive a level of resources which ensures they do not lose out from the UK’s proposals on Structural Funds reform, for example from the transitional funding they would have automatically received from the application of the eligibility criteria to EU25 instead of EU15. We would commit to ensuring that nations and regions have sufficient resources to continue to be able to promote regional productivity and employment from increased domestic spending on regional policy, targeted on those areas of high unemployment and low GDP.”

The Scottish Executive has not yet produced a definitive public statement on the merits of this proposal as a contribution to the merits of this approach. However, the umbrella Scottish European Structural Funds Forum which it chairs did produce a statement that was sent to the UK Government. The key paragraph reads, “The Forum supports a central role for the EU in regional policy although would not be able to support the UK’s proposed EU Framework without further detailed discussion with UK Government officials on the precise implications of it. We endorse the recognition of the importance of subsidiarity in setting priority objectives for regional policy. Sufficient funding would need to be allocated to regional policy through appropriate financial instruments over the long term to ensure that the Framework objectives could be successfully implemented.”

In recent days, the UK DTI has published a statement on its position as a result of the consultation responses it received. This can be found at:

http://www.dti.gov.uk/europe/whatsnew.html

This mentions that the DTI hopes to have an initial policy response by early September 2003.

**Key questions**

The central questions are therefore:

1. What kinds of sums might be expected to be allocated to Scotland from 2007 onwards under the options for various types of new funding regimes for regional development?

2. What can these funds be spent on and what could a new funding and management regime look like?

3. How will the UK Government’s proposals for renationalisation of the funds ensure long-term funding (i.e. over 7 years) and how they would ensure their proposal meets the needs of the objectives set out in the Lisbon and Gothenburg agendas?

4. How can the UK Government ensure local flexibility in relation to Lisbon agenda, for example? How will this affect linking regional policy to other EU policy areas, such as rural development, fishing, competition etc?
5 What firm ‘guarantees’ would be available to protect the levels of funding, the funding objectives and the management regime in Scotland under either the kinds of options proposed by the UK Government in the DTI paper or, alternatively, the other regimes being discussed elsewhere in the EU and in the European Commission? Will monies be ring fenced, i.e. what will the actual ‘bottom line’ be in terms of receipts from the various mechanisms proposed in the DTI paper?

6 How likely is it that the UK Government’s view of a new funding regime framework will be identical or similar to that adopted by the Member States come 2005?

**Options for future work**

The previous and current Committee has received extensive evidence and information from external bodies and individuals, most recently from local authorities and others.

The majority of the evidence received either expressed a fairly sceptical view of the UK Government’s proposals or a more openly hostile view. However, it is also recognised that the overall debate in the UK and in the EU is still ongoing and that many questions need answered in order to understand the UK Government’s position better. It is also unclear where the Scottish Executive itself stands on the central issue.

In a response to the UK Government’s consultation paper, this Committee has sent a letter to the UK Secretary of State for Trade and Industry expressing the following view:

“At this stage, we in the Committee do not necessarily reject nor endorse the mechanisms you outline in your paper. We consider that the UK Government’s consultation paper perhaps raises questions that need to be answered in terms of the detail of how the proposed framework would work, what levels of finance will be provided and for how long can this be guaranteed, what levels of finance could be provided using other methods of funding regional development etc.”

The Committee also asked that the DTI and HM Treasury to contribute to any ongoing work that the Members choose to undertake. In a response from the Rt. Hon Patricia Hewitt MP (14 July 2003), the DTI agreed that officials from this department and from HM Treasury would contribute to any future inquiry. The Secretary of State also stated she would welcome any further comments the Committee wished to make.

Given the level of commitments that the Committee has entered into (in principle), the fluid nature of the general debate and the extent of previous work and consultations in this subject, it is suggested that the Committee may wish not to launch a new, extensive parliamentary Inquiry but to consider other options. These would consist of:

- **Option 1**: a new, full parliamentary inquiry
• **Option 2**: appointing a reporter(s) to conduct inquiries on behalf of the Committee

• **Option 3**: launching a new, focused call for views limited to the central questions listed above. This would seek evidence from bodies beyond the local authority sector. These could be summarised by the Clerk and SPICe and a further discussion paper brought back to the Committee.

**It is recommended by the Convener that option 3 be chosen.** This would enable the Committee to seek the views of other bodies and individuals in Scotland, the UK and elsewhere in the EU, on the central questions raised above. A summation of this material would be brought back to the Committee for discussion. The Committee would then hold a one-off evidence-taking session with the key decision-makers (e.g. Scottish Executive ministers, UK Government representatives (preferably ministers rather than officials only) and European Commission representatives). The Committee would then publish its conclusions, report to Parliament and send these to the Executive, UK Government, European Commission and other interested parties.

This preferred option ensures the Committee continues to have a focused engagement with the subject matter as the debate pans out through 2003 and 2004, whilst freeing time for the Committee’s other proposed formal inquiries into external relations policy and its ongoing scrutiny tasks. It time it is suggested that the detailed scrutiny of structural funds becomes a matter for other committees of the Parliament, notably the Enterprise and Culture Committee, whose minister (Jim Wallace MSP) has this responsibility in his portfolio.

**Timetable**

It is suggested that if option 3 is agreed to, as recommended, then the Clerk would issue the call for views on behalf of the Committee on or around the end of September. A summation of views would then be produced probably by the end of the year. An evidence-taking session would be set up at a suitable committee meeting and a draft report produced shortly thereafter for discussion by the Committee.
This paper provides an overview of the extent of Scotland’s engagement with the Structural Funds since 1975 and highlights the distinctive approach developed in Scotland with regard to implementing the funds. The current debate on the reform of the Structural Funds is then considered within the context of the European Commission’s and EU Member State perspectives on the role for the funds post-2006. The position of the UK Government is considered and the response of the Scottish Executive, Scottish Parliament European and External Relations Committee and a range of other Scottish and non-Scottish organisations. Lastly, the perspectives of the European Parliament, the Committee of the Regions and other sub-national authorities, such as the German Lander, are also considered with regard to reform of the structural funds.
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KEY POINTS

- Scotland has obtained significant levels of funding from the European Structural Funds since 1975
- Scotland has been a pioneer in the development of the partnership approach to implementing the Structural Funds
- The process of negotiating the shape of the Structural Funds post 2006, following enlargement, is currently ongoing. EU member states tend to propose one of the three approaches for sharing out the fund post 2006. These are: 1) renationalise EU regional policy; 2) retain the current structure of EU regional policy but limited only to Objective One; 3) continue EU regional policy for both Objective One areas and areas outwith Objective One.
- The UK Government issued a consultation paper on the issue and proposed that EU regional policy should be renationalised
- The Scottish Executive position, issued via the Scottish Structural Funds Forum, is that more information is required on the detail of the UK Government proposals before the Executive can adopt a position on the proposals suggested by the UK Government
- The Scottish Parliament European and External Relations Committee consulted on the issue and found that most of the consultation responses received were unconvinced by the UK Government’s proposals
- The Scottish Parliament European and External Relations Committee adopted a position similar to that of the Scottish Executive highlighting the need for more information regarding the UK Government proposals for renationalising EU regional policy
- Responses from other sub-national organisations across the UK have tended to have significant concerns, similar to those of Scottish organisations such as local authorities, regarding the UK Government proposals
- Both the European Parliament Committee on Regional Policy, Transport and Tourism and the Committee of the Regions have issued detailed proposals for the future of the Structural Funds post 2006. Both have rejected the proposal to renationalise EU regional policy
- The German Länder have issued a joint position on the future of the Structural Funds. Many of their proposals appear to have been adopted by the Committee of the Regions
- The negotiating positions of member states will continue to be refined over the coming months and debates on this issue are likely to intensify. The European and External Relations Committee of the Scottish Parliament has indicated that it intends to consider the issue.
INTRODUCTION

The European Structural Funds represent the main mechanism via which the EU encourages greater economic and social cohesion between the regions of the European Union. A general introduction to the European Structural Funds can be obtained from SPICe paper SM DA01-03 European Structural Funds’

During the current funding period, 2000-06, Scotland will obtain £1,094m in Structural Funds (McVicar and Wakefield 2001, p1). Negotiations concerning the future of the Structural Funds post 2006 are currently gathering momentum. The UK Government has published a consultation document outlining its position on reform of the Structural Funds. Discussions concerning the UK Government’s negotiating position are likely to continue over the next few months. This briefing outlines some background on the Structural Funds in Scotland prior to considering the debates which are emerging regarding the future of the Structural Funds post 2006.

THE EUROPEAN STRUCTURAL FUNDS

Scotland has received funding from the European Structural Funds since 1975. Table One details the amount of funding received in total as a % of the UK allocation over the period 1975 – 1999.

Since 1989 European Structural Fund support has been distributed on a programme basis. At present there are two main sources of support. These are funds based on Structural Fund programmes (Objectives One, Two and Three) which provide the vast majority of financial assistance to Scotland, and Community Initiatives.

The Structural Fund programmes for 2000-06 are provided through three funds. These are:

- **Objective One** – which focuses upon regions ‘whose development is lagging behind’. Regions whose GDP per capita is less than 75% of the EU average are eligible for Objective One support. Objective One funding consists of monies from the European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Guidance and Guarantee Fund (EAGGF), and the Financial Instrument for Fisheries Guidance (FIFG). The European Commission highlights four economic indicators common to Objective One regions. These are: low levels of investment; a higher than average unemployment rate; lack of services for businesses and individuals; and, poor basic infrastructure. At present, Objective One support, amounting to 70% of the Structural Fund budget, is available in fifty regions of the EU covering 22% of the EU population. Objective One support across the EU between 2000-06 totals €127,543m with a further €8,411m in transitional support being distributed to former Objective One regions.

- **Objective Two** – provides support to areas undergoing ‘structural difficulties’ and experiencing any of four main forms of socio-economic decline. These are: restructuring in industrial or service sectors; decline in traditional activities in rural areas; urban decline; and difficulties affecting areas reliant upon the fishing industry. Objective Two consists of ERDF and ESF funding totalling 11.5% of the total Structural Fund budget. 18% of the EU population live in an Objective Two area. EU funding for Objective Two

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1 ‘Transitional support’ refers to regions which previously received funding, either via Objective One or Two, during the previous programming period 1994-99, but were not eligible for support during the 2000-06 period. The intention of transitional funding is to provide a ‘soft landing’ for these regions rather than an abrupt end to the support available from the EU.
between 2000-06 across the EU will total €19,733m with a further €2,721m provided in transitional support.

- **Objective Three** – provides support dealing with ‘human resource development’ covering the policy areas of employability, social exclusion, lifelong learning, adaptability and entrepreneurship and equal opportunities. The fund consists solely of monies from the European Social Fund. All of the regions outwith those obtaining Objective One support are eligible for Objective Three. Objective Three support totals €24,05m between 2000-06 or 12.3% of the total Structural Fund budget.

### Table One – Structural Fund Allocations to Scotland, 1975 - 1999

<table>
<thead>
<tr>
<th>Year</th>
<th>European Structural Funds allocation to Scotland £m</th>
<th>Share of UK Structural Funds Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>Real Terms</td>
</tr>
<tr>
<td>1975</td>
<td>17,900</td>
<td>82,321</td>
</tr>
<tr>
<td>1976</td>
<td>24,150</td>
<td>97,716</td>
</tr>
<tr>
<td>1977</td>
<td>22,950</td>
<td>81,740</td>
</tr>
<tr>
<td>1978</td>
<td>37,750</td>
<td>121,039</td>
</tr>
<tr>
<td>1979</td>
<td>58,900</td>
<td>161,714</td>
</tr>
<tr>
<td>1980</td>
<td>46,760</td>
<td>108,571</td>
</tr>
<tr>
<td>1981</td>
<td>127,400</td>
<td>270,144</td>
</tr>
<tr>
<td>1982</td>
<td>129,600</td>
<td>257,004</td>
</tr>
<tr>
<td>1983</td>
<td>143,640</td>
<td>272,231</td>
</tr>
<tr>
<td>1984</td>
<td>174,070</td>
<td>313,427</td>
</tr>
<tr>
<td>1985</td>
<td>117,300</td>
<td>200,625</td>
</tr>
<tr>
<td>1986</td>
<td>126,000</td>
<td>208,993</td>
</tr>
<tr>
<td>1987</td>
<td>131,130</td>
<td>206,492</td>
</tr>
<tr>
<td>1988</td>
<td>143,450</td>
<td>211,558</td>
</tr>
<tr>
<td>1989</td>
<td>101,320</td>
<td>139,446</td>
</tr>
<tr>
<td>1990</td>
<td>130,945</td>
<td>167,128</td>
</tr>
<tr>
<td>1991</td>
<td>207,038</td>
<td>248,230</td>
</tr>
<tr>
<td>1992</td>
<td>141,505</td>
<td>164,547</td>
</tr>
<tr>
<td>1993</td>
<td>156,337</td>
<td>177,196</td>
</tr>
<tr>
<td>1994</td>
<td>140,023</td>
<td>156,148</td>
</tr>
<tr>
<td>1995</td>
<td>223,566</td>
<td>241,333</td>
</tr>
<tr>
<td>1996</td>
<td>256,897</td>
<td>269,352</td>
</tr>
<tr>
<td>1997</td>
<td>315,269</td>
<td>333,872</td>
</tr>
<tr>
<td>1998</td>
<td>575,323</td>
<td>583,221</td>
</tr>
<tr>
<td>1999</td>
<td>402,907</td>
<td>408,713</td>
</tr>
</tbody>
</table>

Source: Written question from John Swinney MP MSP to Calum MacDonald MP, Ref 80089, 13 April 1999, House of Commons Hansard Written Answers. Notes: (1) For the period 1975 to 1989 the figures are exclusively ERDF. (2) The years 1990 to 1999 include ERDF and ESF, as well as EAGGF and FIFG which are in the Objective 1 and Objective 5b Programmes (1994-99). (3) From 1990 to 1993, ESF was the responsibility of the Secretary of State for Education and Employment (formerly the Secretary of State for Employment). Before 1990, ESF was administered by the European Commission and Scottish figures are not available. (4) The figures have been converted to current prices using HM Treasury deflator tables dated 22 December 1998.
Table Two details the allocations to each of the EU member-states between 2000-06 for each of the three funding streams. The UK will receive 8.5% of the total funds available from the three funding sources between 2000-06.

<table>
<thead>
<tr>
<th>Member State</th>
<th>Obj 1</th>
<th>Obj 1 - Transitional</th>
<th>Obj 2</th>
<th>Obj 2 - Transitional</th>
<th>Obj 3</th>
<th>Total</th>
<th>% of funds to Member State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>0</td>
<td>625</td>
<td>368</td>
<td>65</td>
<td>737</td>
<td>1795</td>
<td>0.98</td>
</tr>
<tr>
<td>Denmark</td>
<td>0</td>
<td>0</td>
<td>156</td>
<td>27</td>
<td>365</td>
<td>548</td>
<td>0.30</td>
</tr>
<tr>
<td>Germany</td>
<td>19299</td>
<td>729</td>
<td>2984</td>
<td>526</td>
<td>4581</td>
<td>28049</td>
<td>15.37</td>
</tr>
<tr>
<td>Greece</td>
<td>20961</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20961</td>
<td>11.49</td>
</tr>
<tr>
<td>Spain</td>
<td>37744</td>
<td>352</td>
<td>2553</td>
<td>98</td>
<td>2140</td>
<td>42887</td>
<td>23.51</td>
</tr>
<tr>
<td>France</td>
<td>3254</td>
<td>551</td>
<td>5437</td>
<td>613</td>
<td>4540</td>
<td>14395</td>
<td>7.89</td>
</tr>
<tr>
<td>Ireland</td>
<td>1315</td>
<td>1773</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3088</td>
<td>1.69</td>
</tr>
<tr>
<td>Italy</td>
<td>21935</td>
<td>187</td>
<td>2145</td>
<td>377</td>
<td>3744</td>
<td>28388</td>
<td>15.56</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0</td>
<td>0</td>
<td>34</td>
<td>6</td>
<td>38</td>
<td>78</td>
<td>0.04</td>
</tr>
<tr>
<td>Holland</td>
<td>261</td>
<td>0</td>
<td>578</td>
<td>102</td>
<td>528</td>
<td>1469</td>
<td>0.81</td>
</tr>
<tr>
<td>Portugal</td>
<td>16124</td>
<td>2905</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19029</td>
<td>10.43</td>
</tr>
<tr>
<td>Finland</td>
<td>913</td>
<td>0</td>
<td>459</td>
<td>30</td>
<td>403</td>
<td>1805</td>
<td>0.99</td>
</tr>
<tr>
<td>Sweden</td>
<td>722</td>
<td>0</td>
<td>354</td>
<td>52</td>
<td>720</td>
<td>1848</td>
<td>1.01</td>
</tr>
<tr>
<td>UK</td>
<td>5085</td>
<td>1166</td>
<td>3989</td>
<td>706</td>
<td>4568</td>
<td>15514</td>
<td>8.50</td>
</tr>
<tr>
<td>EU - Total</td>
<td>127543</td>
<td>8411</td>
<td>19733</td>
<td>2721</td>
<td>24050</td>
<td>182458</td>
<td>100.00</td>
</tr>
</tbody>
</table>


In addition to funding via the three ‘priority’ objectives support is also available through Community Initiatives. These are funds which are intended to assist projects dealing with specific issues affecting the whole of the European Union. There are four Community Initiatives (CIs) during the 2000-06 programming period which are worth €10.442m or 5.35% of the Structural Fund budget. The four Community Initiatives are:

1. **Equal** – aims to eliminate inequalities and discrimination in the labour market and is worth €2,847m in ESF support across the EU with €376m allocated to the UK.
2. **Interreg III** – promotes cross-border, transnational and interregional cooperation and is financed via ERDF support worth €4,875m between 2000-06 with €362m allocated to the UK.
3. **Leader +** - is financed via the EAGGF Guidance section and aims to bring together stakeholders in rural societies and economies to look at new local strategies for sustainable development. Leader + support totals €2,020m between 2000-06 with the UK allocated €106m over this period.
4. **Urban II** – provides ERDF support to undertake innovative strategies aimed at regenerating cities and declining urban areas. The budget for Urban II is €700m with €117m allocated to the UK.

**SCOTLAND’S ENGAGEMENT WITH THE STRUCTURAL FUNDS**

As highlighted in Table One Scotland has been a significant beneficiary of the European Structural Funds since 1975. Due to the early engagement of Scottish institutions such as local authorities Scotland has provided a significant source of innovation with regard to the development of the Structural Funds. For example, Strathclyde Regional Council was one of the first European sub-national authorities to open a representative office in Brussels. The
development of the partnership approach to manage and disseminate Structural Funds has also been an area in which Scottish institutions have been key players. There are currently five Structural Fund programme management executives (PMEs) in Scotland which manage and administer the process of distributing the Structural Funds on behalf of the Scottish Executive and the European Commission. The five PMEs are:

**Highlands and Island Partnership Programme.** The Highlands and Islands Partnership programme is a ‘special transitional programme’ covering a programme area which previously received Objective One support during the 1994-99 programming period. Funding of the programme comes from each of the four Structural Funds – ERDF, ESF, EAGGF and FIFG. The programme allocates funding in order to meet the six strategic objectives of the programme. These are

- to increase incomes and prosperity in the region relative to the EU average;
- to reduce social and economic disparities;
- to create and safeguard employment;
- to ensure that communities and individuals can make a full contribution to the development of the region;
- to reduce the problems caused by peripherality and insularity,
- to enhance the environmental quality of the region in terms of sustainability and biodiversity.

Source: Highlands and Islands Partnership Programme website (2003).

The Highlands and Islands Partnership programme will obtain €308m in EU support between 2000-06.

**East of Scotland European Partnership (ESEP).** The East of Scotland Objective Two programme consists of €251m in ERDF support between 2000-06. The Programme focuses funding upon three main areas of activity: strategic economic development, strategic locations and sectors and community economic development. The provision of funding for these priorities is also underpinned by four horizontal or central development themes. These are: sustainable development, enterprise development, learning and innovation, and building regional capacity.

**South of Scotland European Partnership (SoSEP).** SoSEP provides Objective Two ERDF support to a programme area covering the Borders and Dumfries and Galloway. The value of the programme in terms of ERDF is €73.13m between 2000-06. The programme is structured around three priorities for funding. These are competitive enterprises, competitive locations, and people and communities.

**Strathclyde European Partnership (SEP).** The Strathclyde European Partnership distributes Objective Two ERDF and ESF support to a programme covering the vast majority of the former Strathclyde Regional Council area. The programme, which is worth €483m between 2000-06, structures its financial interventions around three priorities. These are competitiveness and innovation, developing the region as a competitive location, and increasing the economic and social cohesion of the region.

**Scottish ESF Objective 3 Partnership.** This programme provides ESF support to Lowland Scotland. The programme is worth €498.8m between 2000-06. Support is structured around five main priorities. These are raising employability, addressing social exclusion, lifelong learning, a competitive economy, and addressing gender imbalance.

Table Three details the funds that Scotland receives in terms of the three priority objectives of the Structural Funds in comparison to the funding that the UK as a whole receives.
Table Three – Value of Structural Fund programmes in Scotland, 2000-06, € and £m (1)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Scotland</th>
<th>UK</th>
<th>Scotland as % of UK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Objective 1 (H&amp;I Partnership Programme)</td>
<td>300</td>
<td>214.3</td>
<td>6,019</td>
</tr>
<tr>
<td>Objective 2</td>
<td>807</td>
<td>576.4</td>
<td>4,138</td>
</tr>
<tr>
<td>Objective 3</td>
<td>481</td>
<td>343.6</td>
<td>4,568</td>
</tr>
<tr>
<td>Community Initiatives</td>
<td>105</td>
<td>75.0</td>
<td>940</td>
</tr>
<tr>
<td>Total</td>
<td>1,614</td>
<td>1152.9</td>
<td>15,665</td>
</tr>
</tbody>
</table>

(1) € converted to £ at 1€ = 0.695 or £1 = €1.4.

Table Four outlines the expected level of spend by each of the five programmes in Scotland over the period 2000-06. The figures contained in Table Four represent not only the financial allocation from the European Commission but also the match funding from public sector organisations, the voluntary sector and the private sector.

Table Four – Total allocations for the 2000-06 European programmes in Scotland (£m)

<table>
<thead>
<tr>
<th>Programme</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highlands and Islands</td>
<td>124</td>
<td>119</td>
<td>114</td>
<td>108</td>
<td>88</td>
<td>70</td>
<td>49</td>
</tr>
<tr>
<td>Objective 2 West</td>
<td>253</td>
<td>241</td>
<td>228</td>
<td>213</td>
<td>176</td>
<td>161</td>
<td>153</td>
</tr>
<tr>
<td>Objective 2 East</td>
<td>124</td>
<td>116</td>
<td>107</td>
<td>98</td>
<td>77</td>
<td>67</td>
<td>62</td>
</tr>
<tr>
<td>Objective 2 South</td>
<td>25</td>
<td>25</td>
<td>26</td>
<td>26</td>
<td>24</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Objective 3</td>
<td>174</td>
<td>166</td>
<td>148</td>
<td>148</td>
<td>152</td>
<td>155</td>
<td>158</td>
</tr>
<tr>
<td>Total</td>
<td>700</td>
<td>667</td>
<td>593</td>
<td>593</td>
<td>517</td>
<td>477</td>
<td>446</td>
</tr>
</tbody>
</table>

Source: Scottish Executive (2003a), p256.

In addition to the main Structural Fund programmes Scotland also obtains funding from Community Initiatives. The Equal programme in Scotland, which is managed by the Scottish ESF Objective 3 PME, is worth €32.98m between 2000-06. The Leader + programme is designed to work alongside the Rural Development Plan for Scotland and is worth roughly £17m in Scotland. Scotland has one URBAN II programme, managed by the Strathclyde European Partnership, which covers the Clyde Urban Waterfront, Port Glasgow and Clydebank South. This programme is worth €12.9m between 2000-06. There is also involvement by Scottish institutions in four InteregIIIB projects – Northern Periphery, North Sea, Atlantic Area and North West Europe.

Scotland pioneered the development of PMEs and the partnership approach as a means of managing the Structural Funds. In 1999 the Scottish Executive conducted a ‘review of the programme management executives’. The report, published in 2000, identified the following advantages of the PME approach developed in Scotland:

1. their capacity to promote good practice and innovation
2. their capacity to identify gaps in policy and delivery
3. their ability to share experience between the partners and to help strengthen institutional capacity where this is weak
4. the role they can play in dealing with the complexity of the Programmes and procedures required by EU Regulations and therefore making them accessible to partners and project applicants
5. where appropriate, their ability to take a pro-active role in assisting project development” (Scottish Executive, 2000, p3-4).
In evidence to the Scottish Parliament European Committee, an official from the European Commission made the following comments with regard to the Scottish model of PMEs:

I have a view about the goodness or badness of PMEs, a subject on which I could hold forth at great length, taking us way past suppertime. The idea of having a group of people who are dedicated to implementing the programmes is excellent. It was pioneered here in Scotland. In other parts of the United Kingdom, people tried to do the same thing through Government departments. That did not work as well as dedicated secretariats had worked here (Scottish Parliament European Committee, 2000, Col472).

A recent report by Bachtler and Taylor (2003), identified ways in which the Structural Funds have added value to European, national and regional policies. These included

1. ‘Cohesion added value’. The Structural Funds have enabled additional economic activity to take place, improve the quality of existing economic development practice and acted as a catalyst for regeneration. Structural Fund interventions have also engaged a broader range of organisations in economic development, focussed interventions on the poorest areas and safeguarded or increased domestic regional development spending.
2. ‘Political added value’. The Structural Funds have made the EU more visible to citizens, communities, businesses and public authorities. Accordingly, the funds can be considered to have engendered further European economic and political integration.
3. ‘Policy added value’. The programming approach to implementing the funds has promoted a more strategic dimension to regional/economic development policy making. The funds have also been an important driver of policy and institutional innovation at the national and regional levels.
4. ‘Operational added value’. Structural Fund programming is also considered to have resulted in enhanced transparency, co-operation and co-ordination of the design and delivery of regional/economic development policy resulting in more effective interventions.
5. ‘Learning added value’. The Structural Fund programming approach has promoted learning and innovation through establishing a culture of evaluation and the sharing of best practice.

Nevertheless a range of problems remain associated with the implementation of the Structural Funds such as excessive bureaucracy and the process for developing programmes or applying for funds can be complex, demanding and costly for applicant organisations. In addition, the eligible areas within the current programming period (2000-06) are often small, fragmented and lacking in coherence for effective regional development to occur.

THE EUROPEAN STRUCTURAL FUNDS POST 2006

The process for renegotiating the reform of the Structural Funds post 2006 is currently underway. The enlargement of the European Union post 2006 to include Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia will radically alter the map of regional disparities in the EU. This will result in the distribution of the Structural Funds post 2006 being directed towards the new entrants to the EU and away from existing beneficiaries. The process of reform was initiated by the publication of the European Commission’s First progress report on social and economic and social cohesion (European Commission January 2002) and Second progress report on social and economic cohesion (European Commission January 2003). These two documents outline the background to and debates ongoing across the EU with regard to reform of the Structural Funds. The second report on economic and social cohesion comments that:
The enlargement of the European Union to include 25 Member States will present an unprecedented challenge for the competitiveness and internal cohesion of the Union (European Commission 2003 p3).

This report goes on to highlight three main trends that will result from enlargement. Firstly, a widening of economic disparities within the EU as the gap between the richest 10% of regions and the poorest 10% will more than double. 25% of the EU population will reside in regions with per capita GDP 75% (the current threshold for Objective One support) below the EU average, currently the figure is 18%. Of the total EU population of 116m people living in such areas, 60% will be resident in the current ‘candidate’ countries. Lastly, three million jobs will need to be created in order to bring the current average level of employment in the new Member States in line with that of the rest of the EU. Nevertheless it also highlights advantages of enlargement including the higher rate of growth in candidate countries than the EU, the economic potential of these countries and the fact that their entry into the EU will raise the average level of education in the EU. Accordingly, the poorest levels of education will “continue to be concentrated among other areas in certain regions in southern Europe (Portugal, Spain, Italy, and Greece)” (European Commission 2003, p3).

The second report also highlights four areas of policy agreement which have emerged from the reform debate thus far. These are

- a redistribution function in favour of the less well-off Member States and regions (with a significant macroeconomic impact, promoting genuine convergence);
- the strengthening of economic and political integration (development of the infrastructure networks, improved access for remote regions, cooperation projects);
- a contribution to achieving the Community priorities set by the Lisbon strategy, as amplified by the Goteborg (Gothenburg) European Council, including the economic and social restructuring from globalisation;
- a contribution to better governance (partnership, an evaluation culture etc) (European Commission 2003, p4).

The report also recognises the variations in the challenges facing and opportunities available to address economic and social cohesion between and within Member States and regions. Accordingly the report indicates that a more variable or ‘menu’ based approach could be adopted whereby member states in conjunction with regions identify the policy areas for action most appropriate to the particular conditions in a region. The report comments that:

A large number of contributions stress that the Member States and regions do not possess the same strengths for achieving these goals. In addition, a policy intended to meet the various challenges facing the Union, that recognises and involves the regional level, is consistent with the spirit of the Commission White Paper on Governance, and especially with the obligations arising under the Treaty on cohesion, which are to ‘promote its overall harmonious development’ and ‘reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas (European Commission 2003, p5).

The second report also comments on the issue of whether regional policy should be ‘renationalised’, which is the current position of the UK Government, in the following terms:

Initial positions in certain Member States within the debate that actions of this nature outside the Objective 1 regions should be abandoned entirely by the Union and responsibilities returned to the Member States (‘renationalised’) do not appear to have
gained ground, and the need to have the means to achieve major European priorities has been recognised (European Commission 2003 p5).

Later the report comments:

The Commission recommended in the second cohesion report that the debate on the future of European cohesion policy should focus on content rather than on financial resources. In this way, contributors to the debate were encouraged to reflect on what the Member States of the Union should seek to achieve together in this field with the support of Community policy. To a large extent this has been the case, although proposals such as those regarding the renationalisation of the policy tend to be motivated by budgetary considerations (European Commission 2003 p7).

In a comprehensive overview of the negotiation process, Bachtler, Josserand and Michie (2002) suggest that the common ground amongst member states on the issue of reform is limited to the following points:

1. EU regional policy is important and necessary for solidarity between richer and poorer parts of the EU;
2. the less-developed regions should remain the main priority of future regional policy; and
3. the administration of EU regional policy needs to be simplified.

The positions of EU member states with regard to reform of the Structural Funds is broadly summarised by Bachtler, Josserand and Michie (2002) into three main negotiating positions. These are

1. **Rationalisation of EU regional policy.** This position proposes a ‘renationalisation of EU regional policy involving either a complete cessation of the Structural Funds in the wealthier member-states or a budget transfer of EU monies to part-fund policies and priorities determined by member-states. Germany, Austria, Netherlands, Sweden and the UK are cited as favouring this option.
2. **Retention of current EU regional policy support for lagging regions.** This position tends to stress that the Structural Funds should be adequately resourced in order to ensure continued support for the poorer i.e. Objective One areas of the current EU. Countries cited as taking this view are Italy, Portugal and Spain.
3. **Continuation of EU regional policy outside lagging regions.** This perspective tends to support a limit on the budget allocated to EU regional policy but is in favour of continued Structural Fund interventions in areas outside of Objective One. In particular interventions aimed at areas undergoing economic and social conversion or for areas with serious geographic or natural handicaps are supported. Member-states which are cited as being associated with this perspective are Belgium, Finland, France and Ireland.

In July 2002 an independent Study Group was established by the President of the Commission, Romano Prodi, to analyse the consequences for the EU of the Lisbon Agenda and enlargement. The report of the group, known as the ‘Sapir Report’ (Sapir 2003) (after the chairman of the Group), made a number of recommendations relating to the Structural Funds. The report criticised the current focus of the Structural Funds upon regions and not countries, commenting that

The design and the implementation of the current EU cohesion policy are insufficiently focused. The largest part of the current EU cohesion policy focuses on regions (Structural Funds) and only a minor part focuses on countries (the Cohesion Fund). At present, all EU countries receive money under this policy and all countries, with the exception of Luxembourg and Denmark (the
richest Member States) have at least one region labelled as ‘low income’. This is the result of the predominant regional focus of current EU cohesion policy and of the fact that its negotiations are driven by judgements about the net budgetary balances of Member States (Sapir 2003, p146).

The Sapir report endorsed some of the main principles underpinning the implementation of the Structural Funds such as multi-annual programming, national co-financing of EU funds and additionality. However the Sapir report goes on to suggest a fundamental change in the focus of the Structural Funds away from regions to countries. The report recommends that:

EU convergence policy should concentrate on low-income countries rather than low-income regions, and that eligibility for access to EU assistance should be reviewed at the end of each programming period. In addition, convergence funds allocated to low-income countries should focus on two areas: (1) institution building, and (2) investment in human and physical capital, leaving beneficiaries free to decide how to allocate resources across different national projects. The Report also recommends EU restructuring support for workers who lose their job and need support to retrain, to relocate or to start a new business, as a complement to national welfare policies. Part of the restructuring efforts should also be devoted to the agricultural sector (Sapir 2003, p6).

The position adopted by the Conference of Peripheral and Maritime Regions (CPMR) provides an indication of the perspective of sub-national authorities with regard to the Sapir report. CPMR (2003) commented on the findings of the Sapir report with regard to the Structural Funds as follows:

we remain entirely sceptical in respect of the findings of the study discussed at the meeting of the Commissioners on Sunday, 13 July 2003 [referring to the Sapir report]. Firstly, the form of this initiative is in total contradiction with the way the debate on the future of regional policy has been progressing since initiated by the Commission in early 2001 on the occasion of the publication of the cohesion report. … It risks provoking not just a mere lack of interest, but rather a real disillusionment for all the regional and local partners, whose growing role in EU policies has nevertheless been significantly developed in the work led by the Convention. Indeed, regional and local authorities have expressed their unanimous support for the continuation of an ambitious regional policy partly relying on spheres of government closest to the citizens, either through the Committee of the Regions or the main European organisations representing regional and local authorities. Such an option also goes against the opinions on the issue expressed by the European Parliament and the Economic and Social Committee, as well as the initial results of the debates held between Member States during the Greek Presidency of the Union (CPMR 2003, p3).

THE POSITION OF THE UK GOVERNMENT

In March 2003 the DTI, HM Treasury and the Office of the Deputy Prime Minister issued a consultation paper (Treasury 2003) (known hereafter as the DTI paper), which provides an initial perspective on the UK Government’s likely position on the renegotiation of the Structural Funds. The consultation document sets out a number of objectives which the Government has for the negotiations. These include

- an outcome which supports and adds value to the UK’s existing approach
- a system of support which enables resources to be applied effectively with significantly simpler, better integrated and more flexible implementation arrangements than at present
- reform of the Structural Funds which actively supports the Lisbon agenda of higher productivity and employment, encouraging investment in both physical and human capital, protecting the environment and promoting sustainable development
- concentrate EU budgetary support on the relatively less prosperous states
• achieve a fair deal for the UK in budgetary terms; and
• that the overall EU budget for Structural Funds is constrained and focussed where it will provide maximum value for money (Treasury 2003, p25-26).

In order to meet these objectives the DTI paper proposes that the UK Government should advocate an approach to the funds known as an “EU Framework for Devolved Regional Policy” (Treasury 2003, p27). The DTI sets out this approach as revolving around three main themes:

1. common principles which are based on broad EU-wide, outcome-focused objectives and founded on the Lisbon priorities to achieve Treaty obligations;
2. flexibility for devolved and decentralised domestic policies to support these objectives;
3. separation of aims from means, distinguishing policy from funding.

The DTI paper goes on to comment that:

Regional assistance in the more prosperous Member States (i.e. Member States with greater than 90% of the average EU GNP per capita measured in purchasing power parities, the criterion currently used for the Cohesion Fund) would be funded domestically. This could be subject to possible transitional Community support, though to keep administrative costs to a minimum it might be that this funding period should be kept as short as possible (Treasury 2003, p27).

In effect the DTI proposal amounts to a ‘renationalisation’ of EU regional policy. Whilst the most prosperous Member States would agree to structure their regional policies in line with EU policy the funding and implementation of regional policy would revert to the Member State. The DTI paper ‘guarantees’ that the UK Government would ensure that UK nations and regions would receive a level of resources which would be at least equivalent to that of any EU transitional funding as the eligibility criteria changes from the EU15 to the EU25. The DTI paper also indicates that UK regional policy would be targeted on areas of high unemployment and low GDP.

In relation to how the “EU Framework for Devolved Regional Policy” would operate in Scotland the DTI paper makes the following comments:

the devolved administrations in Scotland, Wales and Northern Ireland would benefit from increases in funding for domestic regional programmes on a multi-annual basis from the incorporation of this new approach into the block formula arrangements, in a way which ensures that, taking account of any exceptional circumstances, they receive their fair share. Implementation of regional economic policy is fully devolved and so as now, they would be free to allocate these resources in support of their own national priorities. In addition the spending ought to be more effective because the devolved administrations would have greater flexibility than under the current EU-led arrangements (Treasury 2003, p28).

Despite regional policy being renationalised the DTI paper indicates that some of the strengths of the current Structural Funds approach could be retained such as seven year funding, partnership working, and the ability to ‘badge’ projects to reflect their special status. However the UK Government suggests that their proposed approach would address some deficiencies with the current system by having more regionally or locally determined priorities and simplified implementation.

The consultation on the DTI paper closed on 4 July 2003.
SCOTTISH PERSPECTIVES ON THE REFORM AGENDS AND THE DTI PAPER

THE SCOTTISH EXECUTIVE POSITION

In February 2003, a speech (Scottish Executive 2003b) by the then Deputy Minister for Finance and Public Services, Peter Peacock MSP, in response to the Commission’s second report on economic and social cohesion (European Commission 2003), outlined the position of the Scottish Executive on the reform of the funds. The Minister highlighted disadvantages amongst key groups and geographic areas of Scotland that would still require attention post 2006 and welcomed the European Commission’s suggestion of tripartite contracts between the Commission, Member State and regional authorities for implementing Structural Fund programmes. The Deputy Minister then appeared to suggest that the Scottish Executive position at that time was opposed to the proposal to renationalise the Structural Funds. The Deputy Minister made the following comments with regard to ‘renationalisation’:

“Your paper sets out where the Commission's approach, you believe, has clear advantages over the approach of those who would argue for a renationalisation of regional policy.

The Commission need to continue to develop and articulate these arguments more widely if the debate on the future is to be fully informed.

I also believe that the Commission need to address fully the arguments of those who advocate renationalisation – that a clear benefit of renationalisation would be to give greater freedom and flexibilities than would otherwise be the case under the Commission's own proposals” (Scottish Executive 2003b, p2).

The Deputy Minister also articulated the need for peripherality to be given more prominence within the criteria determining eligibility, clarity on whether existing NUTS II area would qualify for support and, that a revision of State Aids policy is necessary. The opportunity to link reform of the Structural Funds with reform of the Common Agricultural Policy (CAP) was also raised by the Deputy Minister.

The Scottish Executive response to the consultation on the DTI paper was made via the Scottish European Structural Funds Forum (hereafter termed ‘the Forum’). The Forum was established as a result of the Executive ‘review of the programme management executives’. The report commented that a forum was needed in order to provide:

“the opportunity for strategic review by those concerned with wider issues, involving where possible senior representatives of the local authorities and Board Members of the Enterprise networks as well as similar individuals from the other Partner organisations” (Scottish Executive 2000, p16).

The membership of the Forum as of February 2003 is detailed in Annex One. The membership of the Forum following the election is still to be finalised. Accordingly, Annex One provides an indication of the range of organisations which are represented on the Forum. Members of the

2 NUTS refers to the Nomenclature des Unites Territorial Statistiques (NUTS), i.e. the statistical units used by the European Commission to define different hierarchical administrative levels. There are three levels of units – NUTS I, II and III. NUTS II typically refers to counties or provinces.
Forum are expected not to represent the specific interests of the organisation from which they are drawn but rather bring their expertise to bear upon the issues which the Forum considers.

The response of the Forum to the DTI paper emphasised the need for regional policy to be firmly entrenched at European, UK and Scottish levels. The Forum suggested that the EU should focus support upon the Lisbon Agenda of global competitiveness and economic growth as well as the Gothenburg Council commitments to sustainable development. In addition the EU should aim to promote the economic and social cohesion of the Union and act to demonstrate solidarity between the richer and poorer parts of the Union. At a UK level the Forum highlighted the need for an active and long term regional policy to address regional imbalances across the UK. At a Scottish level the Forum emphasised the need for regional policy to address problems of structural change and development particularly with regard to physical and geographical barriers to growth and in dealing with urban deprivation. On the key question of the renationalisation of the funds the Forum commented that:

The Forum supports a central role for the EU in regional policy although would not be able to support the UK’s proposed EU framework without further detailed discussions with UK Government officials on the precise implications of it. We endorse the recognition of the importance of subsidiarity in setting priority objectives for regional policy. Sufficient funding would need to be allocated to regional policy through appropriate financial instruments over the long term to ensure that the Framework could be successfully implemented (Scottish European Structural Funds Forum 2003, p4).

Accordingly, the current Scottish Executive position on the issue is that they cannot adopt a stance either in favour or opposed to the renationalisation proposals contained in the DTI paper without further information and discussion with regard to how the framework proposed in the DTI paper would operate in practice.

THE POSITION OF THE SCOTTISH PARLIAMENT EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

During the previous Parliament, the then European Committee considered the issue of Structural Fund reform prior to the publication of the ‘DTI paper’. The report of the Committee made the following comments:

The Committee notes the divergence of views on whether regional development funding should no longer be an activity funded by the European Union but should be ‘re-nationalised’ as a responsibility of the Member States. Whilst recognising the merits of some of the arguments for such a regime, the Committee recommends that from 2006 any future initiatives for regional development retains an emphasis on EU involvement.

The Committee is not convinced that leaving decisions on regional development in the hands of central governments and their finance departments is the way to proceed. We agree with the representative from the Conference of Peripheral and Maritime Regions when he told the Committee that, ‘Some people advocate a rationalisation of policies. If policies are abandoned, there will be a necessary transfer of budgets for the same amount. There is no guarantee that there will be the same solidarity at the national level (Scottish Parliament European Committee 2002, p20-21).
The Committee went on to recommend that the four principles currently underpinning the Structural Funds – partnership, programming, additionality and concentration – be re-emphasised in the post 2006 programmes. It also recommended that consideration be given to increasing the relative share of the EU budget available for regional development.

The Scottish Parliament’s European and External Relations Committee also considered the issue of reform of the structural funds in June 2003. It welcomed the consultation exercise but noted that only limited time for consideration of the issue was available due to the dissolution of Parliament. Accordingly it highlighted that it intends to further consider the issue in the period leading up to the publication of the European Commission’s Third Cohesion Report expected in November 2003. In their response to the DTI paper the Committee indicated that they shared the broad vision contained in the DTI paper with regard to

- distributing resources more simply and effectively;
- supporting the Lisbon Agenda;
- recognising the linkages between EU regional policy and other EU policy areas;
- the need to support lagging regions of the EU;
- achieve a fair deal for the UK in budgetary terms.

However the Committee went on to comment that:

we do not necessarily see a proposal that there be no institutional or financial link between the UK, as a member state, and Europe as the best means to achieve this. We seek more information on this point in order to make a firm statement one way or the other (Scottish Parliament European and External Relations Committee 2003).

With regard to the issue of renationalisation the Committee did not adopt a specific position on the issue but did highlight that the submissions which the Committee had received were unconvinced about the proposal. The comments of the Committee were as follows:

Most of the submissions made to the Committee at best, remain unconvinced of the principle of ‘renationalisation’ and the actual worth of the financial guarantee proposed. The issues raised include those of the actual ‘bottom line’ in terms of receipts from either the mechanisms proposed in your paper or the alternatives suggested by others, and the question of the time periods over which finances can be guaranteed (7 years in the case of EU funds and potentially over 3 years or less in the UK given the cycle of comprehensive spending reviews and the outcome of elections).

At this stage, we in the Committee do not necessarily reject nor endorse the mechanisms you outline in your paper. We consider that the UK Government’s consultation paper perhaps raises questions that need to be answered in terms of the detail of how the proposed framework would work, what levels of finance will be provided and for how long this can be guaranteed, what levels of finance could be provided using other methods of funding regional development etc. It is for this reason that we trust that the DTI and HM Treasury will be willing to answer some of these points during our future inquiry (Scottish Parliament European and External Relations Committee 2003).

The Committee also went on to express its support for measures that would simplify the application procedure and payment regime whilst also endorsing the Scottish model of partnership as the most appropriate means of managing the funds.
A range of Scottish organisations, principally local authorities, developed responses to the DTI paper. In broad terms respondents tended to support the need for simplification of the funding process and reform of state aids. The vast majority of respondents were opposed to the proposal to ‘renationalise’ the Structural Funds or stated that they could not adopt a position in favour of renationalisation without more detail about how regional policy would operate within the UK. A range of objections to the proposals relating to renationalisation in the DTI paper tended to be posited. These include

1. That the duration of Structural Fund programmes is one of their key advantages as they run over a 7 year period. In contrast many UK Government and Scottish Executive regeneration programmes operate over shorter timescales. As a result renationalisation may result in a loss of the benefits which derive from strategic planning of a programme over a longer timeframe.
2. The development of partnership arrangements to implement the Structural Funds has been one of the advantages of the funds. This has been a particular strength of the Scottish programmes. Renationalisation of the funds may reduce the imperative for partnership working and there may be a risk that funding programmes will be more centrally controlled from the Scottish Executive.
3. The Structural Funds act as a key instrument to raise the visibility of the European Union and demonstrate how it can impact upon local communities. Renationalisation may diminish or even eliminate this visibility.
4. It is not clear how a framework will be developed which will be able to distinguish between local flexibility and the need to meet the Lisbon objectives. As a result there may be a danger that the commitment to the Lisbon Agenda objectives may be watered down.
5. The UK Government proposals do not provide for a robust, well funded (ring fenced) regional policy.
6. The DTI paper does not recognise the linkages between European regional policy and other EU policy areas such as rural development, agriculture, fishing and competition.

A range of alternative approaches have been suggested by Scottish respondents to the consultation. These alternatives tend to range from a broad set of principles which should underpin reform to more detailed formulations. Examples include:

1. Suggestions that a Regional Policy for Scotland be developed. The basis for this policy would be the planning and methodological processes used for the Objective One and Two programmes. Funding for a Scottish regional policy could be obtained from European, national and local partners along the same lines as currently operate for the European programmes.
2. A ‘menu’ approach should be adopted to Structural Fund interventions. This would involve the Structural Funds being targeted at specific types of area (for example, urban, rural, industrial etc). In addition, interventions could also be targeted at particular themes identified at the Lisbon summit such as the knowledge economy.

In terms of a listing of the broad principles which should underpin reform, the COSLA (2003) submission offers a range of principles which echo many of those found in other responses. These are
That, in broad terms, the existing responsibilities and structures should be retained but built on;
That the benefits of and good practice of the partnership approach should not be lost;
That regional policy at member state level should continue to be based primarily on economic need and not on nationally set political criteria;
That the procedures must be simplified to allow the more effective implementation of programmes in future;
That the most logical approach to encourage a reduction in bureaucracy and create a holistic and strategic regional policy would be to bring together the range of existing policies and set up an integrated structural fund;
That there should be a menu of policy areas, from which member states can, in conjunction with regional and local stakeholders, identify the most appropriate for their own circumstances; and
That Local Government, with its statutory responsibilities for the co-ordination of Community Planning, should be the senior partner in the delivery of regional policy. (COSLA 2003 p2).

Responses from a rural background highlighted the lack of recognition in the DTI paper of regional policy being operated along the lines of a variable or menu approach particularly with regard to rural issues. For example, the Highland and Islands European Partnership (HIEP) commented:

there is no significant mention of the menu approach as set out in the Second Cohesion report which specifically identifies regions with severe geographic handicaps as being worthy of special consideration (HIEP 2003, p3).

From an alternative sectoral perspective, the Scottish Council for Development and Industry (SCDI) commented that they supported the spirit of the UK Government’s proposals particularly with regard to devolved decision making, simplification, reducing red tape and targeting the Accession countries. However SCDI did raise a number of concerns. These were similar to many of the issues raised by COSLA such as that the UK Government could not require the Scottish Executive to spend monies on regional policy and that the renationalisation process would not necessarily reduce red tape or lead to greater effectiveness. SCDI also emphasised the need for a continuing and growing role for the private sector in the delivery of projects. With regard to the efficacy of the DTI paper as a strategic response to the reform agenda, SCDI made the following comments:

As a response to the EU wide debate on Regional Policy reform the UK paper is less concerned with discussing the strategic aims and objectives of Regional Policy than with the mechanism for controlling funding and managing policy decisions. This is unfortunate in that it appears to close-off important questions in the debate including – What do we want Regional Policy to achieve? What is the role of Regional Policy? Where should focus and priority lie? What to retain or drop from existing EU Regional Policy practice? How can we improve transparency and accountability? (SCDI 2003, p4).
PERSPECTIVES FROM OTHER PARTS OF THE UK

Views from other regions and cities within the UK with regard to the reform of the Structural Funds and the DTI paper have tended to shadow those of organisations in Scotland responding to the DTI paper. Responses have tended to agree with the need to simplify administrative procedures, reform state aid and allow for a greater degree of flexibility in the selection of eligible areas. However, on the issue of renationalisation of regional policy respondents have tended either to be opposed to the proposal or suggest that there is insufficient detail in the DTI paper upon which to make an informed decision.

For example, a joint response by key stakeholders\(^3\) in London commented on the benefits of the Structural Funds such as improved policy making, strategy setting and implementation at a regional level, the development of partnership and policy innovation. The London response then went on to state:

> London is therefore strongly opposed to calls for re-patriation of funds to domestic programmes. There is a critical need for the EU to have the means to support an integrated and coordinated approach to achieving its policy priorities (London 2003, p3).

The East of England joint response\(^4\) also raises issues relating to renationalisation similar to those raised in Scotland such as, concern that different electoral cycles means that UK Government funding cannot guarantee funding over a seven year period as currently exists. The response welcomes the UK Government’s recognition of the need for a European framework for regional policy. However, it then states:

> The proposals currently contain insufficient detail on what the government is planning in terms of implementation and delivery, particularly in England and its regions, and also on how the proposals for the operation of national policy within the richer Member States would fit in with the European framework. There is also insufficient detail as to how the European framework would have a serious and coherent regional dimension (East of England 2003, p4).

Later the response comments:

> Overall, partners felt that the European element in the paper is very weak and that it needs to be strengthened in order for the proposals to be effective in terms of promoting cohesion within the European Union (East of England 2003, p5).

In a similar vein, the West Midlands Regional Assembly (WMRA) raises two key concerns it identifies with the DTI paper. These are firstly, “the lack of certainty around the funding guarantee from HM Treasury, the independence of this funding and scope for local and regional involvement. In their present form they provide no basis for a secure alternative to EU regional aid” (WMRA 2003, p16). Secondly, WMRA suggest that ‘renationalisation’ will have a negative impact on cohesion policy through diminishing the linkage between European policy and some of the financial levers to used achieve those policies.

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\(^3\) These were the Mayor of London, the Association of London Government, the London Development Agency, Greater London Enterprise and the London Voluntary Sector Training Consortium.

\(^4\) The response was issued by the East of England Regional Assembly (EERA), East of England Development Agency (EEDA) and a range of other organisations including local Learning and Skills Councils (LSCs), universities and colleges, local authorities, Job Centre Plus, regional MEPs and business, voluntary and community sector organisations whose input was obtained through a consultation event.
Alternatively, the Yorkshire and the Humber response (2003) highlights the political uncertainties which are attached to the renationalisation proposal. Their response on ‘the future of cohesion policy’ states:

> It is important that Cohesion is a policy that is decided upon and agreed at the EU level and not left to Member State Governments. The existence of an EU wide policy ensures that the economic weak areas in any Member State are addressed. This was seen in the UK throughout the 1980s where Government commitment to regeneration was weak but who had to have a policy to draw down EU resources allocated to them. Without the EU Cohesion Policy it is very unlikely that this money would have been made available from the UK Treasury to the same level (Yorkshire and the Humber 2003, p5).

The need for a continued recognition of and support dealing with urban problems has also been evident in responses to the DTI paper. Birmingham City Council’s (2003) response to the debate on reform of the Structural Funds has also recognised that the bulk of Structural Fund monies will need to go to Central and Eastern Europe post 2006. However the Council also highlights the need for a continuing European regional policy post 2006 to address the ‘severe structural problems and inequalities’ in Europe’s cities and industrial conurbations. The Council emphasises the role of cities and conurbations as the ‘key motors’ in managing the transition from an industrial to a knowledge economy and therefore proposes the need for a greater urban focus to the funds post 2006.

**PERSPECTIVES FROM THE EUROPEAN PARLIAMENT**

**THE COMMITTEE ON REGIONAL POLICY, TRANSPORT AND TOURISM**

At its meeting on 8 July 2003, the European Parliament’s Committee on Regional Policy, Transport and Tourism adopted its report and a motion for a European Parliament resolution on the Commission’s second progress report on economic and social cohesion (European Commission 2003). This report is set to be debated at the Parliament’s plenary session in Strasbourg on 2 September 2003.

The Committee’s report supports the Commission’s stance of rejecting attempts at the renationalisation of regional and cohesion policy and welcomes its determination to maintain a genuine Community policy. It reiterates its conviction that 0.45% of EU GDP must be considered as a minimum requirement for the successful funding of the EU’s regional and cohesion policy and stresses the need for a direct link between future regional policy and European competition policy, with particular reference to tax concessions and State aid in the regions.

On **Objective One** the Committee supports the following

- The European Commission should pay special attention to those regions suffering from the ‘statistical’\(^5\) effects of enlargement, which will lose their eligibility for Objective One as a result of the recalculation of EU GDP
- The threshold of 75% of the average GDP in the EU member states must remain the essential criterion for eligibility for Objective One but also calls on the Commission to

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\(^5\) EU enlargement will cause a “statistical effect”. Many of the new countries joining the EU in 2004 are very poor. When the EU enlarges the average level of GDP per head across the Union is likely to fall by 13%. The “statistical effect” of lowering the average EU GDP per capita will be to shift some of those regions currently receiving Objective 1 status above the 75% threshold.
investigate the possibility of using additional assessment criteria, such as unemployment levels, isolation and accessibility (islands, mountainous areas and sparsely populated areas)

On **Objective Two** the Committee supports
- the idea of a new Objective Two to foster regional competitiveness, within the framework of balanced and sustainable polycentric development
- future Objective Two to include all the regions not eligible for Objective One, to receive support in line with their development levels and the extent of their problems
- the need to concentrate on main factors of regional competitiveness, such as accessibility, research and development, education and training and the information society
- particular attention to be paid to regions which suffer from a permanent handicap, such as islands, mountainous regions and sparsely populated regions
- the need for an accurate definition of the relationship between regional policy and the rural development policy that is to be implemented within the second pillar of the CAP and also in the context of the socio-economic aid available from the structural section of the FIFG
- the idea of a single programme and a single financial package per region
- the need for clear and unambiguous criteria for the implementation of Objective Two, in order to achieve a fair distribution of economic resources between the regions
- the active pursuit of the notion of tripartite contracts between the Commission, Member State and the region.

**PERSPECTIVES FROM THE COMMITTEE OF THE REGIONS**

On 2 July 2003 the **Committee of the Regions** (CoR) adopted its opinion on the Second Progress Report on economic and social cohesion (European Commission 2003). This was based on the report produced by the CoR’s Commission for Territorial Cohesion Policy on 30 April 2003. During the debate, the report’s rapporteur, Michael Schneider, State Secretary (Germany, European People’s Party), called for “regional and local authorities to be fully involved in the conception and implementation of cohesion policy”. He underlined the necessity to ensure consistency and coordination between sectoral policies with a territorial impact (agriculture, transport, research and innovation, employment and training, competition, etc.) and to simplify the procedures for granting aid and to integrate the current intervention instruments on a regional basis.

The CoR opinion calls for the future Objective One to include
- regions with a per capita GDP of up to 75% of EU average (EU-25), regions hit by the so-called statistical effect and regions with particular handicaps. The structural disadvantages of extremely sparsely populated and outermost regions should continue to be taken into account irrespective of their GDP;
- transitional arrangements for regions which, thanks to favourable development, have gone over the 75% threshold (phasing out);
- Member States with a per capita GDP below 90% of the EU average (cohesion countries). They should receive combined cohesion and structural fund support.

According to the CoR opinion, its position takes into account the challenges arising from EU enlargement. CoR realises that appropriate solutions have to be found both for the accession countries and for the problems which continue to exist in the regions of the present EU. 18 regions representing 21 million inhabitants will no longer be eligible for Structural Fund aid.
Cohesion policy in the new Member States must not be founded solely at the expense of current support areas which are not able to cope with structural change without outside assistance. The so-called statistical effect is a particular problem for less developed regions.

CoR supports the view of the European Commission in relation to the challenge from EU enlargement and the need to find a fair solution. CoR appears to have taken on board most of the demands of the German Lander, such as that the regulations post 2007 should include a provision that regions which only go above the 75% limit because of the lower EU average should continue to retain their Objective One status.

The opinion also calls for the launch as of 2007 of a new **Objective Two**. This would cover all regions ineligible under Objective One in order to reinforce the competitiveness of the regions in line with the Lisbon and Gothenburg European Councils\(^6\). Within the new Objective Two, CoR supports

- a thematical or territorial approach which could cover areas, such as transport links, innovation, accessibility, research and development, the environment, lifelong education and training, social inclusion. A more thematic approach does not rule out the regional level if the latter plays a central part in the definition of priorities and implementation of Objective Two programmes, and if these priorities are based on territorial and thematic criteria clearly defined at the Community level;
- cities being at the heart of economic, social and territorial change. Measures in urban areas and rural areas should also be eligible for Structural Fund support;
- European added value of cross-border, transnational and inter-regional co-operation.

The CoR also takes the view that the regional and cohesion policy budget must be adequate to deal with the challenge of enlargement and should therefore be calculated on the basis of 0.45% of GDP. In its opinion, it also underlined its commitment to continue to play “an active role in the debate on the shape of European cohesion policy post 2006”.

**PERSPECTIVES FROM THE GERMAN LANDER**

The German Lander have been amongst the most pro-active of EU sub-national authorities in terms of engaging with the debate on the Structural Funds post 2006. On 21 May 2003 the German Lander adopted a joint position on the future of EU regional policy. A key concern has been to reconcile the demands of Objective One regions (mainly East German regions), Objective Two regions (West Germany) and the non-Objective regions (West Germany).

The key interests of the **non-Objective regions** (West Germany) are:

- reduce the net payer position of Germany (the German contribution to the EU budget is presently 22%);
- focus on new Objective One (75% of EU 25);
- overall ceiling of 270 Billion EURO programming period;
- more flexibility on state aid.

The key interests of **Objective One regions** in Germany (mainly in the Eastern part of Germany) are:

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\(^6\) At the Lisbon and Gothenburg European Councils agreement was reached on guidelines for competitiveness and sustainable development. These guidelines are supposed to determine the priority objectives of the EU strategy in future decades.
• the neutralisation of the so-called “statistical effect” within Objective One;
• phasing out for current Objective One crossing the 75% threshold for the 15 EU Member States;
• key focus on Objective One;
• strict state aid regime.

The key interests of **Objective Two regions** in Germany (mainly West Germany) are:

• maintaining Objective Two;
• more flexibility on state aid regime;
• feasible share between Objective One and Two;
• continuation of regional approach.

In their joint position on the future of EU regional policy, the Lander recognise that a solution has to be found within the future Objective One regarding competition policy and which is based on the principle of equal treatment. They do not consider that the transitional measures (Phasing Out) are sufficient in this regard. In relation to Objective One, the German Lander want regions with specific problems to be given special consideration in the existing Structural Fund regulations even in the current programming period. Other demands include

• the regulations post 2007 should contain a provision to the effect that regions, which only go above the 75% limit because of the lower EU average, should continue to receive Objective One status. Regional prosperity would be the criterion for the distribution of Objective One resources to support areas as it is now and would help to ensure a differentiated yet fair distribution of resources without compromising the ceilings decided at the highest political level;
• steps should also be taken to ensure that these regions retain their status as areas eligible for support under Article 87(3) (a) of the EC Treaty and continue to be subject to the support regime laid down in this same article.7

**FUTURE TIMETABLE**

The negotiations surrounding the reform of the Structural Funds post-2006 are currently gathering pace with the debates surrounding reform likely to intensify over the coming months. Accordingly, representations by Scottish organisations which currently access the Structural Funds (such as local authorities and voluntary sector organisations) are likely to intensify over the next six to nine months. The Scottish Parliament European and External Relations Committee has indicated that it intends to continue to return to the issue in advance of the completion of the Commission’s Third Cohesion Report expected in November 2003. The likely timetable for the reform debate and negotiations at a European level is summarised in Table Five.

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7Article 87 (3) (a) allows Member States to grant state aid in a number of areas where it is compatible with the common market. This includes aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious unemployment.
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<td>January 2003</td>
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Source: Bachtler et. al. (2002) p.22.

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Source: Minutes of the Scottish European Structural Funds Forum, 10th February 2003.
SOURCES


Highlands and Islands European Partnership. (2003) Response to a Modern Regional Policy for the United Kingdom. [Unpublished paper]


CONVENER’S REPORT

1. Proposals to develop an ‘early warning system’ to monitor subsidiarity and interparliamentary co-ordination. One likely outcome of the debate on a new constitutional Treaty for the EU is an ‘early warning system’ on subsidiarity. This gives Member State parliaments the right to submit a reasoned opinion against a new EU legislative proposal to the European Commission. Provided a third of chambers (counting unicameral parliaments as two) submit such opinions, the Commission would have to re-consider its proposal. Reasoned opinions would have to be sent within six weeks of a proposal being transmitted to national Member State parliaments.

It has been proposed by the UK Government that, whilst recognising this is properly a matter for parliaments, the devolved parliaments and assemblies in the UK should be able to contribute to the operation of this system in the UK.

In a positive response to a letter from the previous Committee, the Chairman of the House of Commons European Scrutiny Committee, Mr Jimmy Hood MP, has written to the Convener asking for views on how such a system might operate across the UK. Details of this are set out in Annex A, along with comments on the internal issues this raises for the Parliament. The Convener now recommends that:

Members consider the issues raised in Annex A and agree to provide a response to the House of Commons European Scrutiny Committee by its scheduled deadline of 11 September. It is recommended that the positive proposals by the House of Commons committee be agreed to, with the issues relating to the internal workings within the Scottish Parliament being considered and agreed to at a later date. It is also recommended that Members support the idea, in due course, of some kind of parliament-to-parliament concordat or memorandum of understanding on such matters.

2. Membership of the Scottish Committee on Euro Preparations. During June 2003, the Secretary of State for Scotland has been considering the membership and remit of the newly formed Scottish Euro Preparations Committee which he chairs. Given the Committee’s previous work on the state-of-preparation for the euro within Scotland and the expertise both within the Committee and elsewhere
in the Parliament, the Convener wrote to the First Minister asking him to approach the UK Government with a view to consider a representative(s) from the Parliament be asked to join the Committee. It is being proposed that amongst others, the First Minister, the Deputy First Minister and the Minister for Finance and Public Services sit on the Committee.

In a copy of a letter received from the First Minister, he has recommended to the Secretary of State for Scotland that such a request should not be agreed to, but that the Preparations Committee may offer to report back regularly to the Committee (and other Committees with an interest). The Convener now recommends that:

Members agree to this proposal and write accordingly to the First Minister, copying in the Secretary of State for Scotland.

3. **Potential impact of the EU’s hallmarking draft Directive.** During recess, the Committee received a copy of a letter sent by the Scottish Council for Development and Industry to the DTI. This raises concerns regarding the potential impact of a revised effort to push through the proposed Hallmarking Directive on Scottish interests. This letter is reproduced in Annex B.

It is suggested that new efforts to move this Directive towards adoption will be made under the Italian Presidency. If agreed to, according to the SCDI and the various UK Assay Offices (one of which is based in Edinburgh), there is a risk that jewellery, gold and silverware can be sold to the public having been marked by the manufacturer alone, without being tested of hallmarked by an independent assay office. It is suggested that this raises the risk of under-carating and fraud and that this could prejudice the interests of the Scottish industry, possibly close the Scottish Assay Office and generally be detrimental to the consumer and economic interests in Scotland. It is understood that UK ministers have vowed to resist the Directive. Other politicians, such as Mark Lazarowicz, Labour MP for Edinburgh North & Leith and Elspeth Attwooll MEP (UK, ELDR) have also expressed concerns.

However, according to the European Commission’s office in the UK, “[…] market control would continue to be carried out exclusively by national authorities. Suggestions that cheap foreign jewellery could flood into the UK are highly misleading. Other EU countries are quite capable of ensuring product standards. Consumers would be free to purchase any jewellery they want, including British hallmarked products.”

The proposed Directive, as yet unpublished, is believed to follow the qualified majority voting procedure, with a number of countries such as Portugal and the Netherlands against. It is unclear if a blocking majority still exists if the Italian Presidency were to push forward with the Directive. Hallmarking also appears to be a reserved issue (Section C7, Scotland Act 1998)

The Convener now recommends that:
Members agree that this is potentially an issue of great concern and agree to write to the Executive to seek its views and ask what efforts it is making along with the UK Government to ensure that this Directive is not brought forward or, if it is, that it is rejected or amended. This letter would be copied to other relevant bodies. If necessary, Members may wish to appoint a reporter to look further into the issues raised and keep track of developments, or task this to the Clerk.

4. **Potential impact of the European Commission’s Internal Market Strategy (Priorities 2003-2006) on the ownership of Scotland’s water sector.** In May 2003, the European Commission published a Communication\(^1\) which sets out its priorities for the Internal Market during 2003 to 2006.

This states that in relation to network industries or utilities, that, “The priority now is to complete the process of market opening by adopting existing proposals and making new ones where necessary. One area where new action may be required is the water sector – which remains fragmented and where there are potential gains to be had from modernisation. However, this will be the subject of further study. European policy on the question of ownership of water and water services will continue to be neutral.”

However, the Commission then state that, “Over the next few years, massive investment will be needed to raise the quality of our infrastructure […] Given the tough budgetary constraints on governments, it is unlikely that public money alone will be enough to finance these needs. The private sector will play an increasingly important role in financing infrastructure and in modernising our vital services and ensuring that they are affordable and of the highest possible quality.”

As an action point, the Commission states it, “will undertake a review of the legal and administrative situation in the water and waste-water sector. This will include an analysis of the competition aspects, in full respect of Treaty guarantees for services of general economic interest and environmental provisions. All options will be considered, including possible legislative measures.”

Members may wish to reflect upon this and the case history of the postal services directive, which was driven by a ‘modernisation’ agenda, but which led to far-reaching measures for market opening which may yet lead to problems in Scotland, particularly with the universal service obligations in rural areas. The Convener now recommends that:

"Members agree that an urgent statement be sought on the Executive’s position vis-à-vis ownership of the Scottish water sector and its plans to address such concerns both at UK level and EU level. Members may also wish to agree to inform Scotland’s MEPs, particularly those on the Committee for Legal"

\(^1\) COM(2003) 238 final
Affairs and the Internal Market of its activities and ensure they receive copies of all correspondence.

5. **Implementation of the Waste Electrical and Electronic Equipment Directive and the reuse of printer cartridges.** In July 2003, the Convener wrote to the Minister for Environment and Rural Development concerning the implementation of the Waste Electrical and Electronic Equipment Directive and the reuse of printer cartridges. A letter was received from the Minister at the end of July (**see Annex C**). Whilst confirming the situation with regards the reuse of reconditioned printer cartridges, the Minister also notes that the Executive has as yet not decided whether to publish separate Scottish Regulations to transpose this Directive, or to join a UK wide system. The Convener recommends:

That Members agree to write a letter to the Minister asking for more information on the merits of Scottish Regulations or a UK-wide approach.

**Richard Lochhead MSP**
Convener
2 September 2003
ANNEX A

PROPOSALS FOR AN EARLY WARNING SYSTEM ON SUBSIDIARITY

Background

One of the features of the debate on the reform of the EU and a new constitutional Treaty has been the role of national Member State parliaments. Traditionally their role has been one of scrutiny of their own governments, particularly in relation to the European Council, Council of the EU and the plethora of working groups. However, a proposed feature of the new Treaty and its Protocols and provisions, if adopted, is to provide for an ‘early warning system’ that involves national (that is Member State level) parliaments. This is intended to enable these parliaments to raise concerns regarding subsidiarity issues on any given EU legislative proposal, relatively early in the decision-making process.

It is arguable whether this is a new provision or not since all new legislative proposals are supposed to adhere to the subsidiarity principle (essentially a political view on whether or not the legislation is best proposed at an EU, national or other level of government). Thus the European Commission is supposed to make such an assessment prior to proposing legislation. Such assessments are also supposed to be a feature of the discussions in COREPER, the body of Member State representatives (i.e. ambassadors) to the EU. Member State parliaments and their committees through their oversight role could already in theory exert influence through COREPER and ultimately through ministers in the Council formations to prevent a proposal going through or to seek amendment.

Nevertheless, for whatever reason, these provisions are deemed inadequate and a new system is being suggested. In the relevant Protocol to the final draft of the constitutional Treaty, now to be the subject of intergovernmental discussions and agreement, the provisions of this ‘early warning system’ are set out.

In article 9 of the proposed Treaty itself, it states, “[...] Under the principle of subsidiarity, in areas which do not fall within its exclusive competence the Union shall act only if and insofar as the objectives of the intended action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level.” It further states that, “The Union Institutions shall apply the principle of subsidiarity as laid down in the Protocol on the application of the principles of subsidiarity and proportionality, annexed to the Constitution. National Parliaments shall ensure compliance with that principle in accordance with the procedure set out in the Protocol.”

The proposed Protocol on subsidiarity states that the European Commission shall justify its proposal with regard to the principles of subsidiarity and proportionality. Any legislative proposal should contain a detailed statement making it possible to appraise compliance with the principles of subsidiarity and proportionality. This statement should contain some assessment of the proposal's financial impact and, in the case of a framework law, of its implications for the rules to be put in place by Member States, including, where necessary, the regional legislation.
Any national Parliament (i.e. at Member State level) or any chamber of a national Parliament of a Member State may, within six weeks from the date of transmission of the Commission's legislative proposal, send to the Presidents of the European Parliament, the Council of Ministers and the Commission a reasoned opinion stating why it considers that the proposal in question does not comply with the principle of subsidiarity [N.B. not subsidiarity and proportionality, but only the former]. It will be for each national Parliament or each chamber of a national Parliament to consult, where appropriate, other parliaments with legislative powers within the Member State.

Where reasoned opinions on a Commission proposal's non-compliance with the principle of subsidiarity represent at least one-third of all the votes allocated to the Member States' national Parliaments and their chambers, the Commission shall review its proposal. This threshold shall be at least a quarter in the case of a Commission proposal or an initiative emanating from a group of Member States under the provisions of Article III-165 of the Constitution on the area of freedom, security and justice. After such review, the Commission may decide to maintain, amend or withdraw its proposal. The Commission shall give reasons for its decision.

It is important to note that this 'early warning system' refers only to subsidiarity not subsidiarity and proportionality, that if refers to scrutiny of legislation before adoption\(^2\), that it confers this right only on national Member State parliaments and that it is up to each national Member State parliament to decide whether to consult with other parliaments/assemblies within the Member State.

In a separate Protocol, the nature of the information and documents to be provided to national parliaments is set out. This states that all Commission consultation documents (green and white papers and communications) shall be forwarded directly by the Commission to Member States' national Parliaments upon publication. The Commission shall also send Member States' national Parliaments the annual legislative programme as well as any other instrument of legislative planning or policy strategy that it submits to the European Parliament and to the Council of Ministers, at the same time as to those Institutions. All legislative proposals sent to the European Parliament and to the Council of Ministers shall simultaneously be sent to Member States' national Parliaments.

By convention, all documents and papers laid at Westminster for consideration by the relevant European committees in the UK Parliament are simultaneously provided (now mostly in electronic format) to the Scottish Parliament and its European and External Relations Committee. This includes the relevant UK Government Explanatory Memorandum [NB. it is these papers that form the basis of the sift of EU

\(^2\) There are separate provisions for an appeal to the European Court of Justice on subsidiarity grounds following the adoption of a legislative proposal. These provide for the Court of Justice to have jurisdiction to hear actions on grounds of infringement of the principle of subsidiarity by a legislative act, brought in accordance with the rules laid down in Article III-270 of the Constitution by Member States, or notified by them in accordance with their legal order on behalf of their national Parliament or a chamber of it. In accordance with the same Article of the Constitution, the Committee of the Regions may also bring such actions as regards legislative acts for the adoption of which the Constitution provides that it be consulted. This provides no right of direct access for a body such as the Scottish Parliament. It is unclear how the Scottish Parliament can raise such an appeal.
papers which is a regular feature of the Committee’s work]. It is not envisaged this
collection will change.

Proposal from the House of Commons

Although properly a matter for parliaments, the UK Government did, whilst
recognising this caveat, express a view that the devolved parliaments and
assemblies should be an integral part of the ‘early warning system’ in the UK. This is
a view supported by the Scottish Executive.

As the Scottish Parliament and/or its committees has no direct right of appeal either
pre-adoption or post-adoption of a legislative proposal, it is essential that it makes
full use of the UK Parliament’s rights.

Partly as a result of the excellent relations built up over time between the chairs of
the relevant committees across the UK and partly as a result of logical necessity, it is
proposed that the UK Parliament and the devolved parliaments/assemblies, or more
appropriately their relevant committee(s), work out an internal system of co-
operation.

The House of Commons European Scrutiny Committee has considered its options
for an engagement with the proposed ‘early warning system’. Its working procedures
are properly a matter for Members of that committee and the House of Commons as
a whole. However, one provision is a suggestion that the Scottish Parliament might
want to co-operate and input views.

It must be recognised that only the House of Commons and the House of Lords has
the right of appeal (to object to a proposal on subsidiarity grounds) to the
Commission. This is not a right extended to other parliaments within the Member
State. It is also imperative to note that this right only exists within a six-week window
from receipt of a legislative proposal.

The Commons’ committee sits on a weekly pattern and will need some time to
prepare a reasoned opinion if it chooses to do so. Therefore, if the Scottish
Parliament and/or its committee(s) is to input views on a Scottish dimension to the
question of subsidiarity, it would have to work extremely quickly.

It is suggested by the European Scrutiny Committee that (i) when its staff encounter
a document to which an objection may be made, they alert the devolved bodies as
early as possible, and (ii) the European Scrutiny Committee makes it clear that if the
devolved bodies identify subsidiarity problems which it has missed, it will be willing to
rescind clearance of the EU legislative proposal and initiate the procedure for
objecting on subsidiarity grounds.

It is the Convener’s view that this is a very helpful and positive suggestion
made by the Commons’ committee and should be agreed to in principle by this
Committee. Unless the IGC were to agree to amend the Treaties provisions to allow
for a direct right for bodies such as the Scottish Parliament, this will be the only
system available to Members. It is also important to note that this internal co-
operation within the Member State may not be enjoyed by the Parliament’s counterparts elsewhere in the EU.

Internal issues

The internal working proceedings for the House of Commons are of course properly a matter for it. If agreed to by the Committee, the means of communication and input from the Scottish Parliament to the House of Commons are fairly clear. However, consideration of more detailed working procedures and timetables does raise a number of issues where guidance from the Committee is sought over the coming months. It is not necessary to resolve these issues at today's meeting.

Decision-making within the Scottish Parliament

The European Scrutiny Committee’s preferred option within the House of Commons for agreeing to raise an objection is for a motion to be placed on the Order Paper to be agreed without debate by the House. The motion would be initiated by the debate in the Committee. It is not proposed that the power to object be delegated solely to the Committee.

Within the Scottish Parliament it is the Convener's view that only the European and External Relations Committee could systematically undertake an analysis of identifying possible non-compliant proposals, especially with the need to work within the six-week window allowed for communication of views to the Commons (in reality this will be even shorter as the Commons will need time for its own considerations, and any views would need to be sent from the Scottish Parliament before a final decision to object is taken by the House of Commons committee).

However, under Standing Orders, all parliamentary committees in the Scottish Parliament have the right to scrutinise relevant EU issues and, in recent months, the Committee and its staff have made great efforts to increase the work of other subject committees in EU matters and to enable this Committee to focus on more horizontal issues.

The practicality of allowing all other committees the ‘right’ of similar input to the Commons must, however, be questioned. In practical terms, it is very unlikely that the Commons committee would be prepared to take views from more that one committee of the Scottish Parliament. Also, the skills and expertise for such a judgment and the time in which to make it still reside with the European and External Relations Committee. Therefore, it is suggested that the European and External Relations Committee itself is the vehicle to discuss possible objections, but that in doing to it endeavours to alert the relevant subject committee(s) that it is doing so.

A second issue that arises is whether or not a formal decision of Parliament is required and not just a view from one of its committees. Since parliamentary committees are not ‘sovereign’ in their own right, it is suggested that it may be preferable to seek the agreement of Parliament to the view expressed by the Committee. However, given that the view from the Parliament will only be an input to the Commons which alone has the right to object and, with a mind on the timetable,
care must be given to the practicalities of how the business of the Chamber might be organised. Again, it is not necessary to resolve this issue now.

The options open to the Committee are not dissimilar to those at the Commons. The Committee may be able to seek powers to take such decisions, although this may raise issues relating to changes to Standing Orders (requiring necessary approvals). Alternatively, the views of the Committee on a case for objection could be endorsed by a body within the Parliament such as the Bureau.

Within the Committee, given its fortnightly pattern of meetings, a number of further issues are raised, chiefly as a result of timetables. The question is should the Committee as a whole have to take the decision formally at a meeting (decisions of committees usually are)? Could a sub-committee be formed which, if necessary, could convene and meet more rapidly as and when required to take a decision to object to a legislative proposal? Or could such a power be delegated to the Convener or some other group from within the Committee, which does not require agreement to set up a sub-committee (which has impacts on parliamentary resources)? All these options essentially are a trade-off between proper accountability of decision-making and speed. Again, it is not necessary to resolve this issue now.

Whilst speed of decision-making should not govern the proper procedures, the Committee must note that any views submitted by it or the Parliament to the Commons outwith the latter’s decision-making cycle are essentially worthless. The Commons itself has a maximum of six weeks in which to object.

Internal resources

It will also be necessary for the Clerk to consider the level of resources required to facilitate the analysis of subsidiarity and to prepare the necessary papers for the Committee. Whilst the allocation of resources is not a matter for the Committee as such, it may be that one option would be to appoint a standing adviser, or panel of advisers, to help with the process. These issues are a matter for Members.

Role of local authorities

A further strand of the proposed ‘new’ powers under the early warning system is that in addition to devolved parliaments, local government should also be consulted if the Member State so decides. It is not clear if the House of Commons/Lords intends to offer the same level of engagement to local authorities across the UK, including Scotland. One option for the European and External Relations Committee would be to use its newly created network of local government European Officers, and to offer to forward the relevant papers and documents to these contacts and to listen to any feedback given, before deciding whether to make comment to the House of Commons to ask for it to object to a proposal on the grounds of subsidiarity.

Recommendation

It is recommended by the Convener that we agree in principle to the proposal made by the House of Commons committee and thank it for its positive suggestions and
co-operation on this matter. Furthermore, it is recommended that the Committee takes note of the issues raised above and tasks the Clerk with providing further information and guidance on such matters.
ANNEX B

COPY OF THE LETTER SENT BY SCDI TO THE DTI

The Rt. Hon. Patricia Hewitt MP
Secretary of State for Trade and Industry
1 Victoria Street
London, SW1H 0ET

2nd June 2003

Dear Secretary of State

EU Hallmarking Draft Directive - Negative Impacts in Scotland

The Scottish Council for Development and Industry (SCDI) is an independent membership network, which strengthens Scotland’s competitiveness by influencing Government policies to encourage sustainable economic prosperity. It is a broad-based economic development organisation, with membership drawn from Scottish business, trades unions, public agencies, educational institutions, local authorities, and the voluntary sector. SCDI has a strong interest in Scottish manufacturing and design and I write to offer its views on the EU Hallmarking Draft Directive.

I am sure that you will be aware that there is an intention to table the above Draft Directive under the forthcoming Italian Presidency of the European Union - commencing in July 2003. The principal effect, with the inclusion of Annex II and III, would be to allow jewellery, gold and silverware to be sold to the public having been marked by the manufacturer alone - without being tested or hallmarked by an independent Assay office.

The potential for under-carating and fraud is obvious. Other countries which rely upon manufacturer testing alone have experienced this on a significant scale. SCDI’s main concern is centred on the negative impacts that adoption of the Directive and the loss of hallmarked status on gold and silverware designed and manufactured in Scotland would incur. Specifically,

- the loss of sales to a small, craft dominated, highly skilled, indigenous manufacturing sector which would be likely with the end of the sought after Scottish Hallmark “brands” of the Lion Rampant and Edinburgh Castle. These hallmarks being particularly sought after by collectors, tourists to Scotland and the Scottish public.
- the likely closure of the Scottish Assay Office and end of independent, third-party quality assurance.
- the attendant loss of industry levy support for jewellery, gold and silverware design students, applied arts exhibitions and the active promotion of Scottish design and craft skills both in the UK and abroad. Much of this activity is currently organised and part funded by the Scottish Assay Office on an industry self levy basis.
- the loss of a 400 year old, culturally distinct, tradition of Scottish hallmarking which has for centuries added value to the SME dominated gold, silverware and jewellery industry in Scotland.

SCDI
Consumer Protection:

Furthermore, it is expected that the Draft Directive would lead to costly and currently unnecessary "post market surveillance" for which Trading Standards organisations would require additional funds at direct cost to the taxpayer.

Independent hallmarking is predominantly a consumer protection device. It is SCDI's view that removal of the national systems currently in place and replacement with a manufacturer self certification system (Annex III) would remove consumer protection in a product area where - even for an expert jeweller - it is not possible to determine by simple sight or touch the true precious metal content of a piece of jewellery.

The Houtwipper Judgement, made by the European Court of Justice in 1994, further states that "There is no doubt that controls and hallmarking carried out by an independent body have a more significant preventative effect and better protect customers than when the hallmarking is carried out by the manufacturer himself. In this field frauds constitute a foreseeable risk and the member state must be free to refuse to accept that criminal liability is sufficient assurance against such a risk."

Negative Economic Impacts on Scotland:

The potential negative impacts on the Scottish industry are of great concern to SCDI. The sector in Scotland is characterised by high design standards, craft level manufacture and SME firm structures. The sector is dispersed across urban and rural, central and peripheral Scotland and - with hallmarking - provides a distinctive value-added product which is well received by Scots and visitors to Scotland alike.

This last point has significant multiplier effects in that the availability of a distinctive Scottish hallmarked product is important for retailers and manufacturers generally but especially for those retailers in the Scottish tourism sector. As a popular tourist destination, Scotland benefits from a distinctive cultural identity and devices such as Scottish hallmarking or, for example, geographically distinct Scotch Whisky or internationally renowned Scottish Golf courses all contribute to that identity. The withdrawal of hallmarking would only serve to erode the overall "national" brand and, in turn, the attractiveness and economic potential of the Scottish tourism industry.

The potential loss of these economic multiplier effects would be keenly felt in economically disadvantaged, peripheral, rural areas in Scotland such as Orkney which maintains a small but successful jewellery cluster. Firms would suffer sales losses and employment losses without the brand and quality assurance support of Scottish hallmarking and assaying. Employment losses would be particularly severe in peripheral, rural areas.
such as Orkney. Such negative impacts would not be limited to peripheral rural areas as the sector exists in a dispersed fashion across urban and rural Scotland.

In summary, the issue might be likened to the widely accepted cultural and economic arguments on the geographically defined AOC Appellation d'Origine Contrôlée, quality assurance system for wine in France - or indeed the DOCG Denominazione di Origine Controllata e Garantita, system adopted for wine in Italy. These are appropriate parallel examples where independent, national systems of identification and quality control provide a similar mix of consumer protection, economic and employment benefits and receives cross-EU support. Similarly, SCDI can see no social or economic benefit in ending the process of independent, third party Scottish hallmarking.

The Draft Directive appears somewhat self interested in that it would help to support the Italian jewellery sector (as predominantly large manufacturers without an independent hallmarking system) but would be prejudicial to the jewellery sectors in the UK, France, Ireland, the Netherlands, Portugal and Spain where hallmarking is currently compulsory. With nine of the ten accession countries also operating compulsory hallmarking systems this Draft Directive is not supportive of what is widely recognised across Europe as current good practice in securing quality standards.

In conclusion, SCDI would expect the Scotland Office, Department of Trade and Industry and UK Representation in Brussels to recommend and work for the rejection of the EU Draft Directive on Hallmarking. SCDI believes that the adoption of such a Directive would have negative economic impacts in Scotland for the jewellery sector, for the retailing and tourism sector, and for consumer protection. There are also potential negative cultural impacts in the loss of a distinctly Scottish “branding” device and any loss of culturally distinct jewellery, gold and silverware product and design.

I will await your comments with interest. I am copying this letter to the Scotland Office, Scottish Executive and to the group of Scottish MEPs.

Yours sincerely,

Alan Wilson  
SCDI Chief Executive
Thank you for your letter of 3 July about the implementation of the Directive on Waste Electrical and Electronic Equipment, particularly in relation to businesses which recondition printer cartridges for reuse.

I understand my colleague Allan Wilson wrote to you on 18 July on this subject, since you raised this point in a debate on the Landfill (Scotland) Amendment Regulations 2003 in which he was appearing for the Executive. As Mr Wilson noted, the European Commission has confirmed that the Waste Electrical and Electronic Equipment Directive (2002/96/EC) does not apply to printer cartridges, and so will not affect independent operators refilling cartridges. On the other hand, “smart chip” technology may be used by manufacturers to prevent refilling. My officials have raised this issue with the DTI, which has confirmed that it is monitoring the situation. The DTI states that cartridges fitted with these chips represent only a small part of the market, but that it will consider appropriate action if that situation should change.

You ask about the Scottish Executive’s plans for implementing the Directive. This Directive has a mix of reserved and devolved aspects, and we are still considering whether it is best implemented by separate Regulations for Scotland, or by joining a UK-wide system. As Mr Wilson advised you, we will be publishing proposals for implementation later in the year.

I hope that this is helpful, and in particular that it reassures you that implementation of the Directive will not prevent the refilling of printer cartridges.
COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS

Internal Market Strategy

Priorities 2003 - 2006
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Introduction

This Strategy sets out what the European Union needs to do over the next three years to derive maximum benefits from the Internal Market after enlargement. The Commission has already described the achievements of the Internal Market over the last decade. This analysis shows the significant benefits that a properly functioning Internal Market can and does bring, but it also shows that the Internal Market does not yet function optimally in a number of ways and that sizeable benefits are therefore being missed. A fresh impetus is required to eliminate remaining weaknesses and allow the Internal Market to deliver its full potential in terms of competitiveness, growth and employment.

Part A : Context

1. The role of the Strategy in the EU’s economic reform process

The European Council of 20 and 21 March 2003 recognised the importance of the Internal Market Strategy as one of the key economic policy co-ordination instruments at EU level, alongside the Broad Economic Policy Guidelines (BEPG) and the Employment Guidelines (EG). The actions set out in the Internal Market Strategy must therefore be seen in conjunction with the actions suggested in the BEPG and the EG. All three of these instruments have been streamlined and given a three-year perspective in order to ensure a more comprehensive, efficient and coherent approach to economic reform in the EU.

The Internal Market Strategy will be an important input into the new Competitiveness Council. In addition, the Commission is presenting a number of other policy documents which are relevant to competitiveness, including the Communication on Industrial Policy in an Enlarged Europe, the Green Paper on Entrepreneurship, the Communication on Innovation Policy, and "Investing in Research: an Action Plan for Europe." This will allow the Competitiveness Council to consider the relationship between the different strands of its work and enable it to set the overall framework for competitiveness, as requested by the European Council.

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4 See particularly the section in the BEPG on "Economic reforms to raise Europe's growth potential" which includes general recommendations aimed at improving the functioning of the Internal Market.
This Strategy should also be seen as a response to the European Parliament's recent report on the Internal Market Strategy.10 This report stressed that improving the functioning of the Internal Market should be a top priority for the Union and called for a major new initiative to speed up the delivery of key reforms.

2. Why a new Strategy now?

The Commission sees three main reasons why the EU needs to make a determined push now to improve the Internal Market:

- The sub-optimal performance of the Internal Market is one of the challenges that stands between the EU and the realisation of the ambitious objective it set itself at Lisbon in 2000. It is necessary to take decisive action quickly. We know that it can take several years before adopted measures produce real impacts on the ground. In order for the EU to become the most competitive and dynamic knowledge based economy in the world by 2010, the measures needed to create a genuinely unified and integrated market must be adopted very soon.

- It is urgent to develop an effective strategy to strengthen the Internal Market, because enlargement is only a year away. Enlargement offers unprecedented opportunities for both existing and new Member States, but it is not without risks. The Internal Market is perpetually vulnerable to fragmentation and enlargement will be a moment of heightened vulnerability, unless we strengthen all our key policy instruments and concepts so that they continue to work well, or better, in a Union of 25 countries.11 Only then can the potential gains which enlargement offers be realised.

- The EU, in common with other parts of the world, is currently facing a slowdown in economic growth and job creation. This makes it all the more essential to press ahead with structural reforms in order to increase the capacity of our economies to grow. Removing the bottlenecks in the Internal Market will put Europe in a much better position to face up to the ever stiffer competition from emerging economies. It will also leave the Union better protected against future fluctuations in the economic cycle and provide it with a stronger economic basis to deal with the huge challenges of an ageing population.

3. A more focused approach

When adding a few extra floors to a building - which is what enlargement will do to the EU - it is essential to ensure that its foundations are sufficiently strong. The Strategy, therefore, focuses very firmly on strengthening the “basics” or “fundamentals” of the Internal Market; removing obstacles to trade in goods and services, ensuring that agreed rules are correctly implemented and effectively enforced, cutting red tape, tackling tax barriers, expanding procurement opportunities.

The problems to be tackled are in many cases old ones that have resisted earlier attempts to solve them. But covering familiar problems does not mean “business as usual”. The Commission is putting forward some fresh ideas and calling for stronger political determination to deliver results for both business and consumers.

11 28 with the EEA countries.
Not all the proposed actions, of course, are new. Much vital work is already in the pipeline and in some cases already well advanced (for example, the Financial Services Action Plan, the political agreement on a Community Patent) and this Strategy calls for their early adoption or completion. Other proposed actions are outlined here but will need to be the subject of further examination and impact assessment before the Commission is able to make concrete proposals. Yet other actions are for the Member States themselves to implement. Further detail on all the proposed actions, including the timetable, can be found in the annex.12

4. A shared agenda

As the Internal Market's regulatory framework takes shape, the emphasis is shifting towards the Member States who have to make the Internal Market work in practice – on a daily basis. The Internal Market belongs to them – not the Commission. It is they who must implement Internal Market law promptly and correctly, inform their citizens and businesses of their rights, and resolve problems as and when they occur. It is they who must act according to the letter and the spirit of the Internal Market, refraining from putting in place national laws which conflict with Internal Market principles. To fulfil their role successfully, they must cooperate more closely amongst themselves and with the Commission.

In order to be effective, therefore, this Strategy must be viewed not just as a Commission document, but as a shared agenda, behind which the Council, the European Parliament and the Member States (existing and new) can all throw their weight.

The new Constitutional Treaty, which will emerge from the Inter-Governmental Conference, will define the relationship between the different EU institutions and between the EU and the Member States. It is essential that this Treaty continues to provide a robust legal basis for the further development of the Internal Market, so that it can go on serving Europe’s interests and empowering our citizens and businesses.

12 The actions are classified in the annex according to three types: type 1: early adoption or completion; type 2: for further examination and discussion; and type 3: for Member States to implement.
Part B: Priorities

1. Facilitating the Free Movement of Goods

a) Assessment

Trading goods across borders within the EU still remains more costly and complex than doing business within a Member State. When selling abroad, companies sometimes have to have their products re-tested or even modified in order to meet local requirements. The intensity of controls and market surveillance varies from Member State to Member State. Substandard products may slip through the net and be bought by consumers who have the right to expect high health and safety standards for all products on the market.

Free movement of goods (and services) in the Internal Market is above all based on confidence. Confidence of businesses that they can sell their products on the basis of a clear and predictable regulatory framework. Confidence of Member States’ administrations that the rules are respected in practice throughout the EU and that the competent authorities in other Member States will take appropriate action when this is not the case. And, of course, consumers’ confidence in their rights and that the products they buy are safe and respect the environment.

With the EU increasing in size and diversity after enlargement, confidence in the operation of the existing legal framework for the free movement of goods needs to be further strengthened. This can best be done by putting in place a number of disciplines which will make the rules more transparent and more predictable and which will encourage national authorities to have more confidence in each other’s methods and assessments. This is not always glamorous work – but it must be done to foster intra-Community trade and harvest the advantages of economies of scale and specialisation.

<table>
<thead>
<tr>
<th>Technical obstacles continue to frustrate cross-border trade in goods:</th>
</tr>
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<tbody>
<tr>
<td>• Trade with third countries has been growing faster than trade between Member States in recent years and the convergence of prices between the Member States has more or less ground to a halt.¹³</td>
</tr>
<tr>
<td>• 75% of businesses think that removing technical barriers to trade in goods and services should be a top priority for the Union.¹⁴</td>
</tr>
<tr>
<td>• Almost one in five Swedish companies encounter barriers to trade. 85% choose to get round the problem by adapting their products to comply with the rules in the receiving country.¹⁵</td>
</tr>
<tr>
<td>• Technical regulations and conformity assessment are the biggest headache for Spanish businesses – accounting for half of all problems encountered.¹⁶</td>
</tr>
<tr>
<td>• The average time needed to adopt European standards increased from 4.5 years in 1995 to about 8 years in 2001¹⁷. Only 22% of the 600 standards needed to create a genuine Internal Market for construction products have been adopted more than a decade after the Construction Products Directive entered into force¹⁸.</td>
</tr>
<tr>
<td>• Non-application of the mutual recognition principle cut trade inside the EU by up to €150 billion in 2000¹⁹.</td>
</tr>
</tbody>
</table>

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¹⁴ Internal Market Scoreboard No. 11, November 2002.
b) Actions

1. **Mutual recognition** is a cornerstone of the Internal Market. It enables products to circulate freely on the basis of conformity with the national laws in the Member State where the product is first marketed. The principle is that there are no specific procedural rules and no extra paperwork. This is its strength, but at the same time its weakness. When problems occur, there is little or no transparency, there is no commonly agreed approach to evaluating whether levels of protection are equivalent and there is no clear procedure for a company to challenge a negative decision. As a result, many companies decide to abandon certain markets or are forced to modify their products to comply with local requirements. Such responses risk becoming more widespread after enlargement.

The Commission, therefore, takes the view that specific rules are needed to give mutual recognition more structure so as to enhance transparency and to encourage national authorities to act more ‘European’. The Commission believes this could best be achieved by means of a new Community Regulation establishing key principles. These could include mandatory notification in cases where mutual recognition is refused, the possibility for companies to demonstrate that the disputed product is indeed lawfully marketed elsewhere in the EU by means of a standard certificate and possibilities for appeal. Before making a proposal, the Commission will consult widely with the Member States, industry and other interested parties on the different options.

2. In more complex or sensitive areas, mutual recognition is not enough and the only way to remove barriers is to harmonise national rules at EU level. While this is sometimes achieved through detailed, technical legislation, in certain sectors, a simplified regulatory alternative is used, known as the "New Approach." Developed in 1985, this limits legislation to establishing the mandatory essential requirements that products must meet, leaving manufacturers free to choose to apply either the appropriate European standard or any other technical specifications which meet these essential requirements.

The New Approach has been a successful tool for the development of the Internal Market but some of its features need strengthening, particularly in view of enlargement. This includes improving conformity assessment procedures, strengthening administrative co-operation and market surveillance to ensure that effective action is taken when products do not meet the essential requirements and improving understanding of CE-marking. There may also be a case for expanding the use of the New Approach to sectors not yet covered as a means of improving and simplifying legislation.

These ideas are set out in a Commission Communication on “Enhancing the Implementation of the New Approach Directives”, which is being issued in parallel with the Internal Market Strategy. One of the options being considered is the introduction of a common base Directive, including standard articles on horizontal issues common to all New Approach Directives. This

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16 "Línea abierta para la identificación de problemas de la empresas españoles en el mercado único europeo, Fase IV" 2002, Ministerio de Economía and Confederación Española de Organizaciones Empresariales.
17 Internal Market Scoreboard No. 9, November 2001 (figures only cover CEN).
18 See footnote 14.
approach would strengthen consistency between New Approach Directives and ensure more effective implementation.

3. **European standards** play a particularly vital role in the implementation of New Approach Directives. Currently, it takes far too long to develop standards. The European standardisation organisations and industry must work together to speed up the process. There is also a need to ensure quality in the production of standards and their uniform transposition into national standards, including in the new Member States. The promotion of European voluntary marks needs to be reinforced, since nationally controlled marks may have a fragmentary effect. The Commission will ensure implementation of these aims, in particular through partnership and performance contracts that it will sign with the European standardisation organisations in 2003. The aim is to link Community financial support for these organisations to clear performance criteria.

4. In order to ensure that economic development is **sustainable**, the EU has established minimum requirements for the quality of air and water and the reduction of waste. Clearly, success in meeting these requirements will depend on our ability to limit the impact of products on the environment – i.e. the impact of both their production and their use. The EU needs to provide industry with a coherent and flexible regulatory framework which does this effectively - and which at the same time is not detrimental to competitiveness and free circulation within the Internal Market. Otherwise Member States will seek to meet EU environmental requirements by adopting their own national technical rules which can create new barriers to trade.

   In response to this challenge, the Commission has already adopted proposals to introduce environmental requirements into some items of Internal Market legislation. In addition, it will shortly adopt an innovative proposal for a framework Directive on the Eco-design of products. These Directives will need to be adopted and implemented. They are in line with the principles of Integrated Product Policy for which the Commission will set out the next steps shortly. Standardisation also has a role to play here. A better integration of environmental requirements in technical standards can help to reduce the impact on the environment of products and also reduce the development of national environmental legislation. A Communication on this issue is scheduled for adoption by the end of the year.

5. **Consumer confidence in product safety** relies on effective market surveillance and consistent enforcement across the EU by competent authorities, as well as fulfilment by producers and distributors of their obligations. The safety of consumer products is regulated by sectoral Directives and the General Product Safety Directive (GPSD), which has been recently revised and reinforced. The Commission will seek to ensure compliance with the requirements of this Directive, through the development and revision of European standards, and will report on its application by 2006. In addition, the Commission intends to present a legislative proposal on unfair commercial practices to improve consumer protection and the functioning of the Internal Market (for goods and services).

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20 There is also a need to increase the participation of all interested parties, particularly representatives of SMEs, in the drafting of standards.


A more coherent European contract law would also facilitate intra-EU trade and will make it easier for consumers to reap the benefits of the Internal Market. Steps to promote convergence of national contract laws will be pursued through the Action Plan on European Contract Law.23

6. In the **automotive sector**, the EU Whole Vehicle Type-Approval system applies to both passenger cars and motor cycles on a mandatory basis. This system has a number of advantages. Once a car or a motor cycle is type-approved in one Member State, it can be registered and put on the market anywhere in the Community without further testing. This reduces costs for industry and prevents the re-emergence of barriers in the Internal Market. The system now needs to be extended to other types of vehicles, particularly trucks, vans and lorries.

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2. **Integrating Services Markets**

a) Assessment

Considerable differences in regulation from one Member State to the next – and the lack of confidence in each others’ regulatory systems - are the main reason why free movement of services has so far been more a legal concept than a practical reality. Because of the complex and intangible nature of many services - and the importance of the know-how and qualifications of the service provider – they are generally subject to more wide-ranging and complex legal rules than goods.

The picture is not entirely bleak. In financial services, action is well underway – with 32 of the 42 measures foreseen in the Financial Services Action Plan (FSAP) already adopted. However, structural changes, new business models and constantly evolving risk patterns pose new challenges for financial regulators and supervisors. Furthermore, new regulatory bottlenecks have been uncovered, e.g. in the area of clearing and settlement, which constitute the arteries of the financial system. Particular attention will also need be devoted to identifying regulatory barriers which are acting as a brake on trade and competition in markets for those retail financial services which are tradable.

Many other services sectors – such as tourism, distribution, construction, engineering and consultancy, certification and testing services or employment agencies - have not been subject to a comprehensive Internal Market policy. There are different ways of providing these services. While some can be provided at a distance thanks to new information and communication technologies, many still require the permanent or temporary presence of the service provider in the Member State where the service is delivered. For some services, such as distribution, establishment in the target market remains the key commercial strategy. However, these different ways of service provision are all hampered by a variety of legal and administrative barriers²⁴.

These barriers affect all stages of the business process – from the initial establishment of the business and the use of inputs, such as labour and equipment – right through to promotion, distribution, sales and after-sales activities. They result in considerable extra costs for companies doing business between Member States. This leads to a waste of resources, limiting innovation and differentiation of services. Some companies are deterred from trading across borders at all – particularly SMEs – which are prominent in service industries. This limits competition and consumer choice and keeps prices higher than they need to be. And it prevents the full job creation potential of the service industries from being realised.

**It is still very difficult to provide services across borders:**

- Services account for for just 20% of trade in the Internal Market, which is less than a decade ago.

- There is an enormous growth potential in most of the Accession Countries where services represent between 56% and 70% of the economy²⁵ and 54% of total employment²⁶.

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²⁵ Data from the Commission’s 2002 Regular Reports on the Candidate Countries’ progress towards accession (the figure for Cyprus is 77%).

Nearly 90% of all SMEs in the EU are in service industries.27

40% of business service providers say that eliminating barriers to cross-border trade would increase their sales by up to 20%.28

There is plenty of anecdotal evidence on the costs of barriers: one software company spent over €6 million p.a. on the administrative costs associated with moving its staff between Member States; a retail bank paid €19,000 in legal fees before it could run a promotional campaign in two Member States.29

In financial services, recent estimates show that further integration could add €130 billion to EU GDP over ten years and boost employment by 0.5%.30

b) Actions

1. The Council and Parliament should adopt the proposed Regulation on Sales Promotion, which will facilitate trans-European promotional campaigns, and the Directive on the recognition of professional qualifications. The latter aims to promote mobility of skilled professionals, including for temporary provision of services in the ‘host state’ on the basis of compliance with ‘home state’ rules, thus enhancing consumer choice and ensuring competitive pricing of professional services. Member States must then transpose it correctly and on time and ensure that it is properly applied and enforced.

2. The Commission will make a proposal for a Directive on services in the Internal Market before the end of 2003. This Directive will establish a clear and balanced legal framework aiming to facilitate the conditions for establishment and cross-border service provision. It will be based on a mix of mutual recognition, administrative co-operation, harmonisation where strictly necessary and encouragement of European codes of conduct/professional rules.

The Commission will also issue a Communication on the competitiveness of business-related services and their contribution to the performance of European enterprises, setting out non-legislative measures designed to complement the Directive. These will include the development of European standards and measures to improve the statistical coverage of services sectors.

3. Subject to the results of a feasibility study, the Commission intends to propose the extension of the screening mechanism for draft national technical regulations31, to cover services, besides information society services (already covered). This is intended to act as a brake on the creation of new Internal Market barriers in services.

4. The Commission will ensure appropriate follow-up to its report on the safety of services for consumers which envisages the introduction of a legislative measure designed to monitor and support national policies and measures in this area.

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27 Highlights from the 2001 Survey, Observatory of European SMEs, 2002.
28 From a survey on business services carried out for the Commission. See the statistical and technical annex to the 2002 Report on the functioning of Community product and capital markets.
29 See footnote 24.
30 “Quantification of the macro-economic impact of the integration of EU financial markets”, London Economics study for DG Internal Market.
31 This will require an amendment to Directive 98/34/EC.

6. The Commission will make the final proposals provided for under the FSAP, including a new Capital Adequacy Directive (in early 2004).

7. The Commission will also publish a Communication on clearing and settlement in the second half of this year setting out the steps needed to achieve a single European payments area and to facilitate cross-border share trading. This Communication will raise the possibility of establishing an EU-level regulatory framework underpinned by Community legislation.

8. The Commission will consult widely on completing and further developing the FSAP, with particular focus on creating a single market in retail financial services. The Council and Parliament should adopt the Consumer Credit Directive to enable progress towards an effective single credit market.
3. **ENSURING HIGH QUALITY NETWORK INDUSTRIES**

a) Assessment

The “network industries” are vitally important for our quality of life and the well being of all EU citizens. They are also key inputs for EU industry and therefore have a determining effect on our international competitiveness.

Over the past ten years, there has been a significant degree of market opening in these sectors – driven partly by Community legislation and partly by market and technological developments. This has brought considerable benefits for both business and consumers.

The priority now is to complete the process of market opening by adopting existing proposals and making new ones where necessary. One area where new action may be required is the water sector – which remains fragmented and where there are potential gains to be had from modernisation. However, this will be the subject of further study. European policy on the question of ownership of water and water services will continue to be neutral. Further action is also foreseen to deliver a modern and dynamic postal sector.

All of the “network industries” are subject to specific public service obligations, e.g. relating to the provision of essential services to vulnerable groups in the population and those living in geographically remote areas. It is vital that these obligations continue to be met. The Commission will shortly publish a Green Paper looking at the EU’s role in this area, which is intended to launch a wide-ranging debate on the issues involved.

Over the next few years, massive investment will be needed to raise the quality of our infrastructure, particularly in the Accession Countries. Given the tough budgetary constraints on governments, it is unlikely that public money alone will be enough to finance these needs. The private sector will play an increasingly important role in financing infrastructure and in modernising our vital services and ensuring that they are affordable and of the highest possible quality.

However, public-private partnerships raise certain legal issues. These issues must be clarified so as to create a predictable legal framework within which such partnerships can thrive. The Commission will seek to do this in two ways. First, it will clarify the impact of EU competition/state aids policy on services of general economic interest. Secondly, it will clarify how procurement rules apply to situations in which public-private partnerships are bidding for the provision of these services.

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**Market opening has benefited both consumers and business:**

- Combined with technological developments, market opening has brought down prices for national telephone calls by 50% since 1998, and those for international calls by 40%.

- Prices of promotional airfares fell by 41% between 1992 and 2000. The number of routes linking Member States has risen by 46% since 1992 – giving passengers more choice.

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• Domestic consumers are paying 15% less for their electricity in liberalised markets than in closed markets. And they are paying 25% less for their gas in the UK where markets are 100% open.34

• Water is an important sector in the economy, with an estimated annual turnover of €80 billion, which is larger than the natural gas sector. But annual water charges vary from €350 in Berlin to €50 in Rome (with no charge at all in Ireland).35

• Infrastructure investment needs for the Accession Countries are estimated at €100 billion for transport alone.36

b) Actions

1. The Council and Parliament should rapidly adopt the “second railway package”, the proposal on controlled competition for public transport, the package designed to create a Single European Sky and the proposal on access to port services. The Council should give a mandate to the Commission to negotiate an open skies agreement with the US. The Commission will rapidly bring forward proposals for passenger transport market opening in order to complete the Internal Market in the railway sector.

2. The Council should rapidly adopt and effectively implement the “energy package” to open gas and electricity markets completely for non-household customers by 2004 and for household customers by 2007.

3. While European policy on the question of ownership of water and water services will remain neutral, the Commission services will undertake a review of the legal and administrative situation in the water and waste-water sector. This will include an analysis of the competition aspects, in full respect of Treaty guarantees for services of general economic interest and environmental provisions. All options will be considered, including possible legislative measures.

4. Member States must ensure full and timely transposition of the postal services Directive which will open up substantial sections of the market to competition in 2003 and 2006. The Commission will complete, in the course of 2006, a study assessing, for each Member State, the impact on universal service of full accomplishment of the Internal Market for postal services. Based on the results of this study, the Commission may make further proposals.

5. The Commission will continue its efforts to clarify the application of the state aid rules to compensation for the costs of providing services of general economic interest, in the light of forthcoming Court decisions.

6. The Commission will issue a Green Paper in the course of this year with a view to launching a debate on how best to ensure that public-private partnerships for major projects can be undertaken in conditions of effective competition and full legal clarity under procurement rules. If necessary, it will propose further (legislative) measures to facilitate such partnerships.

35 Charges for a family living in a house using 200 cubic metres per year. Study on the application of the Competition Rules to the Water Sector in the EC. Produced by WRe and Ecologic for DG Competition, December 2002.
36 European Commission, DG Transport and Energy.
4. REDUCING THE IMPACT OF TAX OBSTACLES

a) Assessment

As the Internal Market matures, more and more companies are seeking to organise themselves at a European level. However, operating with up to 15 (and soon 25) different systems of corporate taxation adds a whole layer of complexity to doing business.

Companies face a multitude of difficulties, such as the time taken by tax authorities to agree transfer prices for cross-border transactions between two parts of the same group, limits on cross-border loss relief (which can lead to an enterprise with overall losses having to pay tax!) and the problems of double taxation.

Moreover, the current VAT system revolves around taxation in the country of consumption. The result is that many firms doing business across borders have to pay VAT in a Member State where they have no permanent establishment. This is difficult and costly, since the trader may not be fully acquainted with the language and legislation in that country. It is a major obstacle to the smooth functioning of the Internal Market, particularly for SMEs. The current system is also vulnerable to fraud which requires a strong, co-ordinated response by the Member States and the Commission.

Other aspects of tax policy cause problems to both industry and citizens. Some Member States, for example, impose a higher tax on cross-border dividends than on domestic dividends. This kind of tax discrimination acts as a strong disincentive to the cross-border holding of shares and slows the creation of pan-European equity markets.

Furthermore, because of differences in Registration Tax, car manufacturers have to produce different models (e.g. with different engine horse power) for different national markets. This deprives them of the full benefits of operating within the Internal Market. Moreover, people who move to another Member State sometimes end up paying Registration Tax twice on the same car.

**Tax obstacles are a major headache for businesses in the Internal Market:**

- UNICE stresses that the existence of 15 different tax administrations represents "a major burden to business and in particular to SMEs."37

- 77% of businesses say that national tax systems should be more closely aligned.38 Europe's top companies have called for further harmonisation of tax systems across the EU.39

- Compliance costs related to company tax represent anywhere between 2% and 4% of total corporate income tax revenues40 - i.e. between €4.3 billion and €8.6 billion for the EU as a whole.41

37 UNICE reaction to the Commission Communication and Report on Company Taxation in the Internal Market.
38 See footnote 14.
41 CEPS estimate using Commission figures.
b) Actions

1. On company tax, the Commission will take the following steps to remove key obstacles:

- In the short term, it will propose a revision of the Parent/Subsidiary Directive which is designed to eliminate double-taxation within the EU and permit dividends to be paid between companies in the same group without deduction of withholding tax. It will also propose a revision of the Merger Directive which is designed to assist the re-organisation of companies by providing for the deferral of certain tax charges and avoiding double taxation. The plan is to extend the applicability of both Directives by relaxing some of the conditions they set and allowing more companies to benefit from them.

- In the longer term, it will propose steps to introduce a common consolidated corporate tax base at EU level. This could be achieved without harmonising corporate tax rates and would go a long way towards solving the problems faced by companies by reducing the compliance costs which arise from dealing with fifteen separate tax systems, providing cross-border tax relief and simplifying the existing tax complexities associated with transfer pricing.

2. On VAT, the Commission will issue a Communication setting out further steps to modernise and simplify the existing system. These could include the introduction of a single place of compliance for all businesses trading in Member States where they have no establishment. Such an initiative would decrease the administrative cost of VAT for companies and make it easier to do business across borders. It would benefit SMEs in particular.

3. On vehicle taxation, the Commission recommends that Registration Tax should be phased out over a transitional period of five to ten years. Member States should compensate by switching over to increased annual road taxes and fuel taxes. The latter would benefit the environment as well as the Internal Market. The Commission will present legislative proposals to remove the obstacles to the free movement of cars in the Internal Market.

4. On dividends, the Commission will publish a Communication on the effect of the case law of the European Court of Justice on the various types of dividend taxation systems and take action to ensure non-discriminatory treatment, if necessary by launching infringement procedures.
5. EXPANDING PROCUREMENT OPPORTUNITIES

a) Assessment

The European Union’s public procurement market is not yet sufficiently open and competitive. Many public purchasers, particularly at local government level, are unaware of the full extent of the rules. Because of the multiplicity of rules and procedures at national level, many suppliers are reluctant to sell to the government, particularly in another Member State. With few exceptions, procurement still relies entirely on extensive paperwork, ignoring the significant benefits of electronic procurement.

All this translates into limited cross-border participation in contract award procedures, inefficiencies in public procurement markets, lost business opportunities and a reduced likelihood that the taxpayer will achieve value for money. The costs of inefficient procurement are staggering. Public procurement is simply too important to the European economy to allow this situation to continue. With government budgets under severe pressure, more efficient procurement is an obvious way of achieving more with less.

The adoption and effective implementation of the legislative package is essential for modernising Europe’s public procurement systems. Without it, neither a Europe-wide “electronic” procurement market can be achieved, nor will we have a legal framework which is suited for complex contracts, such as those for Trans-European networks. But there is more to be done. As with other key areas in the Internal Market, the Member States will have to play a much bigger role in ensuring that rules, which they themselves have agreed, are effectively applied. They should also simplify their national rules, and standardise procedures as much as possible across procurement entities to make it easier for companies to participate in calls for tender. Steps should also be taken to ensure that public-private partnerships for major projects can be undertaken in conditions of effective competition and transparency under procurement rules.42

The Commission takes the view that Member States should appoint a national authority which would be responsible for the surveillance of contracting entities' compliance with procurement law. Some Member States have already done so. These authorities should have the possibility in the general interest to bring possible infringements before the courts, seeking the imposition of effective remedies against non-compliant contracting authorities. Stronger remedies would need to be complemented by more intensive administrative co-operation between Member States (based on the recently created European Procurement Network).

Part of achieving better compliance is to raise the professional standards of procurement officials. Those responsible for spending major sums of public money should be fully conversant with existing rules on competitive tendering. Member States should, therefore, ensure that their own procurement officials have access to training with a view to acquiring and developing the professional expertise which the importance of their job demands.

42 See also section B.3.
Governments and taxpayers are not getting value for money:

- Procurement represents 16% of EU GDP in – i.e. €1.429 billion.\textsuperscript{43} A five percent cost reduction as a result of more competitive and efficient public procurement markets would therefore save over €70 billion – i.e. more than four times the education budget for Denmark.\textsuperscript{44}

- Only about 16% (in value) of public procurement was published on an EU-wide scale in 2001.\textsuperscript{45}

- Cross-border procurement (including indirect procurement through affiliates in foreign countries) rose from 6%\textsuperscript{46} in 1987 to 10%\textsuperscript{47} in 1998 but has stagnated since then. This is considerably less than in the private sector where cross-border purchasing stands at about 20%.

- Electronic procurement in the EU beyond the posting of notices is negligible.

b) Actions

1. The Council and Parliament should adopt the legislative procurement package, which consolidates and modernises the current regime, and which creates the conditions for electronic procurement to take off. Member States must implement this legislative package into national law correctly and on time. This will provide an excellent opportunity for Member States to streamline and simplify their own legislation and standardise procedures.

2. The Commission intends to suggest that Member States confer onto an existing national surveillance authority (or onto another national body) the power to bring cases before a national review body or court, seeking effective remedies. Such bodies would have to be independent from contracting authorities and would have to ensure that major cases of non-compliance are effectively sanctioned. This could be achieved in the context of the revision of the Procurement Remedies Directives which is planned for 2004.

3. The recently established Public Procurement Network should be extended to include all Member States, EEA and Accession Countries. It should be adequately resourced by the Member States so that it can become the vehicle for resolving cross-border problems (in conjunction with the SOLVIT network), sharing best practices and improving SMEs' access to public procurement. It should also encourage Member States to develop training and ‘certification’ of required competencies, including knowledge of EU law, to improve professionalism.

4. Member States should ensure that all their operational e-procurement systems are in full compliance with the requirements of the legislative package by the time it enters into force (probably during the second half of 2005). They should aim at conducting a significant part of their procurement transactions (in value) on an electronic basis by the end of 2006. Generalised e-procurement should be achieved before 2010. The Commission will, next year, present an Action Plan (which will include both legislative and non-legislative measures) for a co-ordinated approach across the EU.

\textsuperscript{44} 2000 figure, Ministry of Education, Denmark.
\textsuperscript{45} See footnote 43.
\textsuperscript{46} The Single Market Review, sub-series III, Volume 2, Public Procurement, p.221.
\textsuperscript{47} This figure is taken from an independent study carried out for the Commission. See OJ C 330 of 21.11.2000.
5. There is considerable scope for achieving greater efficiency in European defence procurement. This will in turn lead to a more competitive European defence equipment industry. The European Court of Justice has produced some important rulings on the scope of Article 296 of the Treaty which covers exceptions for essential security interests in Member States. The Commission will publish an interpretative Communication by the end of 2003 on the implications of these rulings, inter alia for procurement. It also intends to present a Green Paper in 2004 to looking at any further initiatives in European defence procurement.

6. IMPROVING CONDITIONS FOR BUSINESS

a) Assessment

Action aimed at integrating markets by removing technical and fiscal obstacles to trade and cutting red tape is critical to improving the business environment, but will have its full effect only if we put in place the framework conditions which support creative, dynamic businesses. Small enterprises, in particular, are very sensitive to changes in the business environment. That is why the Feira European Council of June 2000 endorsed the European Charter for Small Enterprises.

The policy measures required to foster entrepreneurship and innovation are mainly within the direct control of Member States. It is up to them to take the necessary action in these areas, drawing fully on exchanges of experience and best practice elsewhere in the European Union. This can be done by benchmarking using the Best Procedure projects co-ordinated by the Commission and by making use of the information collected in the course of the reporting on the implementation of the Charter for Small Enterprises.

Beyond this, however, there are a number of areas where Internal Market policies are directly relevant to boosting entrepreneurship and innovation within what is an increasingly knowledge based economy. Europe is a rich source of creativity. But more action is needed to create the appropriate framework conditions in which that creativity can be transformed into investment and competitive economic activity.

Economic operators need to know that their investment in innovative ideas and products will be protected across the EU, including against piracy and counterfeiting. There has already been a significant degree of Community level harmonisation in this area. But coherent enforcement of intellectual property rights across the EU has now become a key issue, particularly in the digital era, as the relevant goods and services can be easily copied and moved from one place to another. Enforcement issues will be even more crucial in an enlarged Internal Market. In addition, it is important to facilitate the cross-border marketing of copyright protected products, such as print products, films and CDs, so that everyone can share in the results of innovation.

Moreover, investors need the guarantee that, when making investment choices, they can rely on company accounts and reports. Firms need to be confident that they can compete on a level playing field (e.g. free from the distortional effects of state aids), that they will be able to make cross-border strategic alliances and mergers in confidence, and that appropriate legal structures exist to allow all businesses, whatever their size, to operate effectively across the enlarged EU.

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50 The Best Procedure was launched in the framework of the Multi-annual programme for enterprise and entrepreneurship (Council Decision 2000/819/EC of 20 December 2000). It provides a framework to support Member States’ efforts to identify and exchange best practices in areas of particular importance to enterprises.
52 Efforts to enforce intellectual property rights could be strengthened by the involvement of Commission services, especially the European Anti-Fraud Office (OLAF).
The EU must help to create an environment in which businesses can thrive:

- More than 17,000 legitimate jobs are lost annually through piracy and counterfeiting in the EU. 53
- According to industry sources, 37% of software being used in the EU is pirated which represents revenue losses of €2.9 billion. 54 The music industry shows a 7.5% average overall downturn in sales in the EU in 2001. 55 22% of sales of shoes and clothing are in pirated and counterfeit goods. 56
- Currently, patent protection covering just 8 European countries costs around five times as much as in the US or Japan. The political agreement on the Community Patent will halve these costs and provide protection in 25 Member States – still more expensive than the US or Japan but very much better than the current situation. 57
- The contribution made by copyright protected goods and services to EU GDP is significant (above 5%) and growing. 58
- The overall volume of state aid for the EU as a whole was €86 billion in 2001 – or 0.99% of EU GDP. 59
- 39% of mergers and acquisitions are now cross-border – up from 26% ten years ago. Over 40% of large companies have entered into co-operation agreements with companies in other Member States. 60

b) Actions

1. The Council should rapidly finalise the Regulation providing for a legally secure and affordable Community Patent. Two other steps are also necessary to make the Community Patent operational: the 1973 Munich Convention must be revised so as to allow the European Patent Office to issue Community Patents; and a specialised Community Patent Court must be created.

2. The Council and the Parliament should rapidly adopt the Directive to strengthen the enforcement of intellectual property rights (vital in the fight against counterfeiting and piracy), and the Directive on the patentability of computer-implemented inventions.

3. The Commission will submit a Communication on the Management of Copyright and Related Rights. This Communication will identify measures to create a more favourable environment for the cross-border marketing and licensing of these rights.

4. Member States are urged to continue their efforts to further reduce the total amount of state aid while re-directing aid towards horizontal objectives of Community interest, such as environmental protection and research and development. Another priority is the final adoption

53 Economic Impact of Counterfeiting in Europe, Global Anti-Counterfeiting Group, June 2000.
55 IFPI International Federation of the Phonogram Industry figure.
58 The economic importance of copyright and related rights protection in the EU will be assessed and further specified in a study commissioned by the European Commission. The results of the study will be available in Autumn 2003.
59 European Commission, DG Competition.
60 See footnote 14.
of the proposed reform of the mergers regime\textsuperscript{61}. In addition, the Commission will propose a new block exemption Regulation relating to technology transfer agreements between companies.

5. A recently adopted Regulation requires all EU-listed companies to prepare their consolidated accounts in accordance with \textbf{International Accounting Standards} (IAS) from 2005. This will bring transparency and greater comparability between the consolidated financial statements of EU listed companies, hence better capital allocation and possibly a reduction in the cost of capital. IAS are established by the International Accounting Standards Board, an independent international accounting standard-setting organisation. In order to ensure appropriate political oversight, the Regulation stipulates that IAS to be applied in the EU will also have to be endorsed into Community law. Existing IAS will be endorsed during 2003, provided that, for some of them, the appropriate modifications are made.

In addition, it is important to consider the impact of the Regulation on SMEs. Since these are mainly non-listed companies, they are not obliged to switch to IAS. However, it may be in their interest to do so, in order to facilitate their access to capital markets. This will require certain steps on the part of Member States.

The Commission will soon issue a Communication setting out priorities for 2003 and beyond aimed at improving the quality of \textbf{statutory audit} in the EU. These will include: the modernisation and strengthening of the 8\textsuperscript{th} Company Law Directive (which deals with access to and regulation of the audit profession); the creation of a European co-ordination mechanism for public oversight of the audit profession (which will aim to ensure proper oversight of the audit profession at national level and appropriate co-ordination at EU level); and the adoption of International Standards on Auditing in the EU from 2005.

6. The Commission will shortly adopt an action plan on company law and corporate governance in the EU setting out actions for the short term (2003-2005), the medium term (2006-2008) and the long term (2009 onwards). Shorter term actions will include proposals for a 10\textsuperscript{th} Company Law Directive on \textbf{cross-border mergers} and a 14\textsuperscript{th} Company Law Directive on \textbf{cross-border transfers of seat}. The \textbf{Take-over Bids Directive} should also be adopted without delay. These Directives will make it easier for companies to organise themselves more efficiently within the Internal Market.

7. The Commission intends to propose a Regulation on a \textbf{European Private Company Statute for SMEs} subject to the results of a feasibility study. This will allow SMEs to organise themselves more efficiently at European level (i.e. it will give them opportunities similar to those which the European Company Statute gives to bigger companies as from 2004).

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7. MEETING THE DEMOGRAPHIC CHALLENGE

a) Assessment

The ageing of the population will present major challenges for pension systems. The primary responsibility for meeting these challenges lies with the Member States. They will have to take some fundamental political decisions on the reform of public pensions.

However, the Internal Market can help by generating extra growth which should contribute to an improvement in public finances. It can also help to generate extra jobs, which is vital if the Union is to raise its employment rate (including by encouraging greater labour market participation by people over 55) and maintain a sustainable dependency ratio and the financial sustainability of pension systems.

There are also a number of very specific Internal Market measures which can play a useful role as regards occupational (or private) pensions which, in most Member States, will become more important in the future. The establishment of a prudential framework allowing pension funds to operate efficiently in the Internal Market while securing a high level of protection for pensions and the abolition of any sort of discriminatory tax treatment of cross-border occupational pension provision are important issues which need to be tackled urgently.

Over and above the pension problem, the ageing of the population will also have an impact on health services. Member States are responsible for managing their health systems and so it falls primarily to them to meet this challenge. However, the Internal Market impacts on national health policies in a number of ways, particularly as regards cross-border provision of and access to treatments. The only limitation is that this should not unduly impair Member States' ability to ensure sufficient access to high quality hospital treatment on their territory, to control expenditure and maintain high public standards. A well managed application of Internal Market rules to the health care sector has the potential to help both patients and providers by allowing the most efficient possible use of resources across the EU. What is needed now is a shared vision for health systems at a European level so that this potential can be fully exploited.

Ageing means fewer people of working age and more people above pensionable age:

- The number of people over 65 is expected to rise from 61 million in 2000 to 103 million by 2050 and those over 80 from 14 million to 38 million.
- The ratio of people of working age to people above retirement ages (65+) will decline from 4 to 1 to less than 2 to 1 by 2050.
- Only about half of Europeans aged 55-59 are still in employment and less than a quarter of people aged 60-64.

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63 See European Court of Justice Decisions in Kohll (C-158/96), Decker (C-120/95), Smits and Peerbooms (C-157/99) and Vanbraeckel (C-368/98).
• If unfunded pension liabilities were budgetised, in some Member States this would represent a debt of over 200% of GDP.

• Spending on public pension schemes will increase by between 3% and 5% of GDP in most countries over the coming decades.67

b) Actions

1. Member States should implement fully and on time the Pension Funds Directive which will increase both the security and the affordability of occupational pensions. It will also allow multi-national companies to run single EU-wide pension funds, thus facilitating intra-firm mobility across borders.

2. The Commission will launch the second stage consultation of the Social Partners on measures to ensure that people who change employment between Member States (including those who change jobs between different firms) do not suffer undue losses of occupational pension entitlements. Depending on the final outcome of this consultation, the Commission would examine the desirability of proposing a Directive on portability of occupational pensions..

3. The Commission will continue its determined action to tackle tax discrimination against pension funds established in other Member States: this is essential if we are to create a genuine Internal Market for occupational pensions.

4. In the area of health services, the Commission will work closely with Member States – particularly in the High Level Reflection Group on Patient Mobility – to develop a shared vision of the ways in which the Internal Market can support national health systems in full compliance with the relevant jurisprudence of the European Court of Justice. The consultation process, launched in July 2002, will be completed and the results presented to Member States as a basis for further discussion.

67 See footnote 64.
8. SIMPLIFYING THE REGULATORY ENVIRONMENT

a) Assessment

A high quality regulatory environment is essential for competitiveness. That is why the Lisbon European Council put better and simpler regulation at the top of the Union’s political agenda. To translate this political commitment into action, the Commission has presented a Better Regulation Action Plan\(^\text{68}\) and a Simplification Rolling Programme\(^\text{69}\) that address both the preparatory phases of new legislation and the improvement of the existing Community ‘acquis’. The recent Brussels European Council once again emphasised the importance of improving the regulatory framework.

However, presenting an Action Plan is not enough – it must be made to work in practice. The Commission is beginning to impose new disciplines on itself (particularly in the area of ex-ante impact assessment and simplification of the EU’s existing legal acts). It is now up to the Council and Parliament to do likewise, particularly when they introduce major changes to Commission proposals during the negotiations. Better regulation and simplification at EU level will always need to be accompanied by commensurate activity at Member State level, in particular during the sensitive phases of transposing Community legislation into national administrative provisions.

The quality of rules depends not only on making sure that the impacts of a measure have been checked before it is proposed and that it is well drafted, clear and proportionate to its objectives. Within the Internal Market, it also depends on choosing the right legislative technique or instrument – i.e. the one which will most effectively eliminate barriers to cross-border trade while serving public interests, such as health and safety and sustainable development, and respecting national diversity as far as possible.

This involves complex issues, such as the role of mutual recognition as opposed to harmonisation, and where harmonisation is necessary, the use of Regulations or Directives and the appropriate level of harmonisation. It is also necessary to establish the right balance between regulation by the public authorities and the co-regulation or self-regulation by the private sector through the elaboration of European standards and codes of conduct.

The Commission believes that this question of legislative technique or legislative architecture is an important part of the debate on better regulation and one which has not yet been fully explored. It will therefore enter into a wide-ranging consultation during 2003, taking into account developments in the Convention on the Future of Europe and ongoing discussions on a future Inter-Institutional Agreement on Better Regulation, with a view to making clear its views on these complex issues during the course of 2004.

Finally, the European Parliament has suggested\(^\text{70}\) the introduction of an Internal Market “compatibility test” to be applied to all legislation adopted at national level. The Commission believes this to be an interesting proposal. Member States often adopt and implement rules as they see fit without considering the implications for the Internal Market. A “compatibility test” could be a very useful self-imposed discipline.

Business needs better rules – at national and EU level:

- Poor quality regulation costs European business at least €50 billion per year\textsuperscript{71}. The total cost of regulation to society is in the region of 4 to 6% of GDP per year, or between €360 and €540 billion.\textsuperscript{72}

- Member States are responsible for between 50% and 90% of rule-making\textsuperscript{73}. A Swedish study estimated Brussels to be responsible for only about 10% of the regulatory burden\textsuperscript{74}. A recent study in the UK estimated that about 60% of rules are made at national level\textsuperscript{75}.

- No fewer than 6,000 draft national technical regulations have been notified to the Commission since 1992\textsuperscript{76}. While this shows that a screening at EU level is useful, the amount of rules in itself constitutes a serious threat to Europe’s competitiveness.

- 87% of companies say that the most important priority is to have ONE set of rules, instead of 15 – soon to be 25.\textsuperscript{77}

b) Actions

1. The Commission will launch a wide-ranging reflection and consultation on the legislative architecture of the Internal Market and issue its conclusions in 2004 taking into account developments in the Inter-Governmental Conference. The Commission could define certain criteria, which it will take into account, e.g. when deciding whether to pursue mutual recognition, “new” approach or more detailed harmonisation, as well as the conditions under which “home country” control should be applied. It will also address the involvement of the private sector and civil society in co-regulation or self-regulation initiatives, such as the elaboration and implementation of European standards and voluntary codes of conduct.

2. The Commission will work together with the European Parliament, the Council and the Member States to develop the idea of an Internal Market “compatibility test”. The purpose of this test would be to offer guidance to legislators at national level as to how best to reconcile the interests of free movement in a border-free Europe with other legitimate public policy objectives. If such a test were applied at an early stage – and at all levels of government – the risk of fragmentation could be considerably reduced. Together with existing preventive mechanisms, such as the notification of technical rules and regulations, such self-imposed discipline could prove a powerful tool to ensure that lawmakers take wider European interests into account when considering new measures.

3. The Council is invited to establish a horizontal working group on “better regulation” with whom the Commission can interact on a regular basis. This group could work on the implementation of the Better Regulation Action Plan, including on the implementation of the parts for which Member States are responsible. The Commission will also open a web site

\textsuperscript{71} Survey on the quality of the regulatory environment, Internal Market Scoreboard No. 9, November 2001.

\textsuperscript{72} Doorn Report A 50351/2000.

\textsuperscript{73} Walker Opinion, ESC 304/2002.

\textsuperscript{74} Swedish study: Confederation of Swedish Enterprise, Prof. Fredrik Sterzel: Simplifying EU Regulations – Lessons from Swedish Regulatory Experiences May 2001.


\textsuperscript{76} Under the provisions of Directive 98/34/EC.

\textsuperscript{77} See footnote 14.
where interested parties can bring to its attention examples of particularly complex rules or rules which may conflict with the Internal Market “compatibility test”.

4. The Commission will develop, in close co-operation with Member States, appropriate indicators to measure progress towards a higher-quality regulatory framework and lower administrative burdens, starting with the Internal Market. Monitoring of results is essential to keep the better regulation process on track and show to Europe’s businesses and citizens that their governments are serious about this.
9. **ENFORCING THE RULES**

**a) Assessment**

When Internal Market Directives are not implemented on time or not applied correctly in practice, EU citizens and businesses can be effectively deprived of their Internal Market rights. Many rights flow directly from the Treaty: if its provisions are ignored, this can also lead to failure and frustration. This self-inflicted damage causes wholly unnecessary harm to the European economy, and undermines the confidence citizens have in the European Union.

Ultimately, effective application and enforcement can only be achieved if Member States are prepared to play a much more active role in the day-to-day management of the Internal Market. It is up to them to ensure that the rules which they themselves have adopted are made to work in practice.

When things do go wrong, citizens and businesses currently have a choice between lodging a complaint with the Commission or going before a national Court. This is not entirely satisfactory. Litigation at national level can be slow and expensive and is therefore not always a viable option. Complaints lodged with the Commission can result in infringement procedures against the Member State concerned but these take a long time to resolve and do not offer the individual complainant the opportunity to seek damages. Moreover, the Commission cannot possibly intervene in each and every individual case of misapplication, particularly in an enlarged Union. Action is needed now to avoid a drift towards a situation where breaches of Community law go unchallenged and confidence in the operation of the Internal Market is undermined.

There are a number of possible solutions to these problems. Many are set out in the Commission's recent Communication on "better monitoring of Community law." Possible ways forward could include a speeding up of the Commission's handling of infringement procedures and greater use of initiatives such as "package meetings" to resolve more cases without the need for further legal action.

Beyond this, the Commission believes that it is important to develop alternative means of redress other than national litigation or infringement procedures. It will, of course, continue to pursue infringement procedures where this is the most effective way to achieve a solution or where important legal precedents are likely to be established. But for the majority of cases, alternative means of problems solving may be more effective and proportionate.

The use of complementary measures to infringement procedures is now beginning to take off. The SOLVIT initiative, for example, is an attempt – through administrative co-operation between Member States - to make it easier to obtain redress in cases where the Internal Market rules are misapplied in practice. Another possible solution – which could even be integrated with SOLVIT – might be the designation of some kind of a mechanism in each of the Member States which would help to ensure the correct application of Internal Market legislation and relevant Treaty articles.

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79 These meetings involve experts from Member States and the Commission coming together in order to discuss a "package" of cases being examined by the Commission for violation of Community law. Their purpose is to solve cases without the need for further legal action.
Such mechanisms could provide citizens and businesses with a means of redress located in their home Member State. This would be a tangible step towards bringing the enlarged European Union closer to the citizen. They could deal with problems which, although technically breaches of Community law, are really administrative or technical in nature, rather than legal. This would allow the Commission to concentrate on the most serious cases with the most far-reaching implications. Clearly, this suggestion raises a number of important questions to which the Commission would have to find satisfactory answers before taking any initiative.

Better enforcement is equally important as far as consumer interests are concerned. Each Member State has developed an enforcement system adapted to its own national situation. These systems are, however, not always sufficiently adapted to the challenges of cross-border shopping within the Internal Market. Consumers need to be confident that governments have the ability to deal effectively with cross-border fraud or other fly-by-night operations, if they are not to be reluctant to buy from suppliers in another Member State.

<table>
<thead>
<tr>
<th>Late transposition and ineffective enforcement remains a serious problem:</th>
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<tr>
<td>• The average transposition deficit stands at 2.4%. In other words, Member States are late in notifying over 550 national legislative measures transposing EU Directives.81</td>
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<tr>
<td>• The number of open infringement cases has gone up from 700 in 1992 to nearly 1600 today.82 This indicates that large numbers of Directives are not being correctly implemented and properly applied at national level.</td>
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<tr>
<td>• Two thirds of infringement cases which go to the Court of Justice take longer than four years to resolve.83</td>
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<tr>
<td>• Assuming that the new Member States behave in the same way as the existing ones, the number of infringement cases will rise by more than 40% by 2007, unless there is a change of policy.</td>
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<tr>
<td>• Only about half of companies say that they can easily get help from their national authorities when they run into an Internal Market problem.84</td>
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</tbody>
</table>

b) Actions

1. Member States should commit themselves to setting and respecting more ambitious transposition targets at each Spring European Council. This has already happened over the past few years but it should now be put on a permanent footing.85 It is vital to maintain the political pressure on transposition in order to avoid fragmentation of the Internal Market in a Union of 25 countries.

2. The Commission will issue a Recommendation setting out a number of “best practices” which should be applied consistently throughout the Union to ensure better and faster transposition, e.g. the development of transposition "timetables" and the need to discuss the transposition performance regularly with national and regional parliaments. It will also intensify its work with Member States during the transposition phase ("preventive dialogue"). This dialogue will focus particularly on measures of greatest economic importance and those which, because of their nature, may be more difficult to transpose.

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81 Internal Market Scoreboard No. 12, May 2003.
82 See footnote 1.
83 Internal Market Scoreboard No. 8, May 2001.
85 This year’s Spring European Council reaffirmed the existing target of a 1.5% deficit overall and a zero deficit for Directives more than two years past their transposition date.
3. The Commission believes that there may be a case for introducing a legal instrument to make certain implementation aspects mandatory. These could include the obligation to notify measures electronically and the requirement to provide the Commission with “concordance” tables clarifying where provisions have been implemented in national law. Without these tables, checking that the transposition measures adopted in 25 Member States fully conform to the requirements of the particular Directive will become a real paper chase. This instrument could also provide a legal underpinning for SOLVIT.

4. The Commission invites Member States and the Parliament to define a standard transposition period (2 years), from which departures should only be possible when they can be justified by the volume or complexity of the measure to be transposed. Similarly, the Commission wishes to hear views about inserting standard sanctions clauses into Directives as well as standard clauses to put administrative co-operation on a stronger footing.

5. Member States are invited to maximise their efforts to “clean up” their infringements, so that as many as possible of the outstanding cases can be resolved. The Commission believes that many of the currently active cases can be easily resolved if the will to do so is there. The aim should be for each Member State to reduce the number of Internal Market infringements by at least 50% by 2006. The Commission will also promote better follow-up to Court judgements, particularly by Member States who are not directly targeted by the case at hand.

6. The Commission will undertake a study examining the different options for improving the enforcement of Internal Market law. This would look, inter alia, at the desirability and feasibility of designating enforcement mechanisms in the Member States.

7. The Commission will set up a special section on the home page of the EUROPA website describing the various procedures available to citizens and businesses seeking to defend their rights under Community legislation. Essentially, it will describe the most effective ways of obtaining relief, which will most often involve alternative ways of settling problems, such as through the SOLVIT network. The aim is to solve problems more quickly and limit resort to infringement procedures to the most serious breaches of Community law. In all cases, estimations of the time and costs involved will be provided.

8. To ensure more uniform enforcement of consumer protection legislation throughout the Union, the Commission will propose a Regulation (at around the same time as the Internal Market Strategy) which will establish a network of public enforcement authorities throughout the European Union. In contrast to "Internal Market Authorities", which would monitor the behaviour and decisions of national and local administrations, the focus in consumer protection would be on behaviour in the private sector.
10. PROVIDING MORE AND BETTER INFORMATION

a) Assessment

For the Internal Market to deliver its full potential, it is not enough to put a legal framework in place and to enforce the rules. Citizens and businesses also need to know about their Internal Market rights and opportunities and some will need practical information on how to exercise these rights in practice. This is in addition to the general need to explain Internal Market policies to the public and stakeholders as part of building the public and political support needed to take the Internal Market forward.

Information policy is thus not just an optional extra or an opportunity to generate publicity for the EU’s activities. It is an integral part of the efforts to create a fully functioning Internal Market.

There is still a great deal to do. General awareness of Internal Market rights remains low. Those who run into problems when trying to exercise their rights often do not know where to find a solution. Service providers face particular problems, since services are subject to a wider range of more complex rules and authorisation regimes than exporters of goods. And citizens need to be informed about their rights as consumers, particularly as consumers of services. The information deficit in the Accession Countries is even greater than in the existing Member States.

If we are to close this gap, we need a step change in the scale of the information effort. In the first place, the Member States and the Accession Countries must fully assume their responsibility for informing their citizens and invest the necessary resources.

<table>
<thead>
<tr>
<th>EU citizens and businesses still do not know about their Internal Market rights:</th>
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<tbody>
<tr>
<td>• A recent Commission survey revealed that less than half of EU citizens consider themselves to be well informed about the Internal Market. When asked, for example, 49% thought that they needed a work permit when working abroad and only 29% were aware that they were entitled to vote in local and EP elections when living in another Member State.(^{86})</td>
</tr>
<tr>
<td>• Less than half of the businesses questioned said that they felt well informed about their company’s rights in the Internal Market. The figure fell to 41% for small and medium-sized companies.</td>
</tr>
<tr>
<td>• Nearly 20% of businesses who are not currently exporting said that they might do so if more and better information were available.</td>
</tr>
<tr>
<td>• A 2002 survey showed that less than 10% of companies in Slovenia feel fully informed about the obligations and benefits of the Internal Market(^{87}.)</td>
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</tbody>
</table>

b) Actions

1. Member States should develop **national plans** to raise general awareness of Internal Market opportunities among their own citizens and businesses. Progress will be monitored in the Internal Market Scoreboard and by the Internal Market Advisory Committee (IMAC) meeting at Director General level.

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\(^{86}\) See footnote 14.

\(^{87}\) Electronic survey carried out by Eurochambres and the Slovenian Business and Research Association.
2. The needs of business and consumers in the new Member States for information on the EU and its Internal Market will require special attention and the development of an overall Communication Strategy in those Member States. The Commission will take account of these needs in the 2005 review of its Communication Strategy, following the conclusion of the current PHARE-funded strategy for the Accession Countries at the end of 2004. It should build on existing and planned initiatives and make effective use of the media and of appropriate relay organisations, particularly those which have already played a role in the lead up to accession.

3. Commission initiatives, such as the Dialogue with Citizens and Business and the Citizens Signpost Service, will be progressively extended to the new Member States. The Commission will improve the Dialogue web site so that citizens and businesses have better access to practical and useable information. In addition, Member States should take more responsibility for the quality of the information which is made available through the Dialogue.

4. The Commission will establish a top class information portal bringing together existing initiatives, including the Dialogue with Citizens and Business, the Citizens Signpost Service, SOLVIT, European Consumer Centres, Fin-net and EEJ-Net, and giving citizens and business access to a wide range of practical information and advice on Internal Market rights and opportunities. Citizens and businesses can also contact Europe Direct – a service with a single number across Europe (00800 67891011) which provides answers to questions on all aspects of the EU and can direct people to the site/information source most suited to their needs. Clearly, both the portal and the Europe Direct number must be widely promoted.

5. Within the ongoing initiative to make the EUROPA web site clearer and more accessible, the more specialised audience (journalists etc) will be catered for by a new Internal Market portal bringing together information about policy and legislative developments relating to the Internal Market, irrespective of the Commission department responsible.

6. The Euroguichet network needs to be extended so that there is at least one European Consumer Centre in each Member State. The main task of these centres is to provide information to consumers on their rights in the Internal Market and to assist and advise them on dispute resolution mechanisms and legal aid when a problem arises.

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88 http://citizens.eu.int/
89 http://europa.eu.int/citizensrights/signpost/front_end/signpost_en.htm
90 See footnote 75.
93 http://www.eejnet.org/
94 Advice on ways of solving the problems they have encountered will be made available via the special section on the home page of the EUROPA web site referred to in section B9.
Part C: Getting the Best out of the Enlarged Internal Market

a) Assessment

The Accession Countries have taken important strides forward in recent years. However, incorporating the Community *acquis* and progressively building up their institutions to apply and enforce Internal Market rules is no small task. Naturally, there is much work left to do and efforts to support these countries should continue up to accession and beyond.

Existing Member States will also have to adapt to the new situation after enlargement. Above all, they must ensure that all of their competent authorities are well informed and ready to accord full Internal Market rights to the new Member States.

There will inevitably be some teething problems in the initial post-accession period. In particular, more work is needed in those areas which are covered by Treaty provisions alone\(^{95}\) – i.e. those areas where there is no EU secondary legislation. More generally, there are bound to be problems with compliance and enforcement\(^{96}\). Market surveillance authorities, in particular, need to be further strengthened. It is important to solve these problems at an early stage so that the integrity of the Internal Market is maintained and the need to invoke the Internal Market safeguard clause\(^ {97}\) can be avoided.

In the end, success in an Internal Market of 25 countries will depend on mutual trust and confidence. The key is administrative co-operation and understanding between officials in competent authorities leading to ways of finding practical solutions to problems. This can only develop over time – there is no magic solution. But there are a number of actions, which taken together, can produce positive results.

b) Actions

1. Support for *institution-building activities* will continue over the period 2004-2006 through the Transition Facility\(^ {98}\). This will provide appropriate resources for further building up the capacity of the new Member States to enforce Internal Market legislation. The Commission will step up the monitoring process and produce a comprehensive monitoring report six months before accession.

2. The Commission will make it possible for Accession Countries formally to *notify their implementing measures before accession*. These will then of course not have to be re-notified after accession. This will make for a more orderly process of notification and checking of conformity with Community law. The Commission will also establish pre-notification agreements with regard to draft national technical regulations\(^ {99}\)

\(^{95}\) Treaty articles 28-30 (goods), 39 (workers), 43 (establishment), 49 (services) and 56 (capital and payments).

\(^{96}\) See also section B9.

\(^{97}\) The safeguard clause can be used by the Commission until 1 May 2007 if it establishes that a new Member State, by not meeting its negotiation commitments, has caused a serious breach of the functioning of the Internal Market. In that case, the Commission can take appropriate measures. The clause can also be invoked in cases where there is an imminent risk of such a breach.


\(^{99}\) These are notified in accordance with Directive 98/34/EC.
3. In order to eliminate barriers to free movement of goods and services, the Accession Countries are urged quickly to complete the screening of their legislation in the light of Articles 28, 43 and 49 of the Treaty and to repeal any national, regional or local rules and regulations which discriminate against citizens or companies from other Member States.

4. The process of negotiating, concluding and implementing Protocols to the Europe Agreements on Conformity Assessment and Acceptance of Industrial Products (PECAs) will continue insofar as they can operate for a reasonable period before the date of accession (2007 in the case of Bulgaria and Romania). PECAs are a particular form of agreement covering the reciprocal recognition of conformity assessment of industrial products based on the adoption by the Accession Countries of Community legislation on such products and the creation of the appropriate implementing infrastructure. They are useful instruments for integrating these countries into the Internal Market.

5. Accession Countries and Member States administrations will be requested to demonstrate that they have taken steps to inform competent authorities and enforcement officials of the implications of enlargement, so that full rights are conferred on citizens and business consistent with Membership, subject to any transitional arrangements.

6. Many of the existing Member States are prepared to offer short-term traineeships to Internal Market officials from the Accession Countries. The Commission will set up a database to facilitate this type of exchange. Multi-country co-operation (including joint training, resource sharing, common problem solving and benchmarking) could also be envisaged.
Part D: Building the Internal Market in an International Context

a) Assessment

Following enlargement, a major challenge for the EU is to start developing closer relationships with our “new neighbours” – Russia, Ukraine, Moldova, Belarus and the Southern Mediterranean countries. In exchange for better access to our markets, these countries will be asked first to align progressively their regulations as closely as possible with ours. This has a number of benefits: it will make trading between the EU and these countries significantly easier, thus benefiting both sides. It will also provide the "new neighbours" with a “ready to use” regulatory framework, suited to the needs of a market economy.

In today’s highly globalised economy, the impact of legislation/regulation adopted thousands of miles away is increasingly felt in the EU. We have already seen evidence of this in policy areas ranging from financial reporting to electronic commerce and the protection of personal data. The result is that our regulators have to be much more systematic about talking to their counterparts in our major trading partners so that problems can be avoided as far as possible.

In some cases, discussions between regulators can best take place in global fora, such as the World Trade Organisation (WTO), the OECD, the World Intellectual Property Organisation (WIPO), the Basle Committee for banking capital standards or the International Accounting Standards Board. In the automotive sector, the EU is a contracting party to two international agreements concluded under the auspices of the United Nations Economic Commission for Europe (UN/ECE). Global regulatory convergence is particularly important in this sector where commercial relations are becoming increasingly international.

In other cases, bilateral dialogues may be more appropriate. For example, last year the Commission services developed a set of overall Guidelines for Regulatory Co-operation and Transparency with services of the US Government for product regulations. There are also sector-specific bilateral dialogues, such as those with US financial regulators and supervisors in the context of the EU-US financial markets dialogue or the EU-Japan Regulatory Reform Dialogue. The aim of these dialogues is not just to defuse existing problems. They should also help to make future conflicts less likely. Exchanging information and both sides providing each other with an opportunity to comment on rules before they are adopted are essential to ensure that dialogues are productive.

The globalised economy also presents major challenges for customs services. They are being asked to maintain the impermeability of the EU’s external frontier while the volume of international trade is increasing all the time. Following enlargement, much of the burden will fall on the new Member States. Action is needed to ensure that measures to protect European citizens, the consumer and the environment from dangerous or unsafe products from third countries continue to be applied equally effectively at all points along the EU’s external frontier. A well-managed external frontier is essential for confidence within the Internal Market.

100 See section B6.
b) Actions

1. To implement the "new neighbours" concept, the aim is to conclude new agreements supplementing, where necessary, the Partnership and Co-operation Agreements and Association agreements which the EU already has with these countries. These new agreements can only be concluded once they have aligned their rules with ours and shown themselves to be capable of enforcing the rules effectively.

2. The Commission will continue to promote and defend the EU's regulatory approach within international bodies, such as the WTO and WIPO. In the automotive sector, convergence between EU legislation and UN/ECE Regulations will be encouraged as far as possible.

3. The Commission will strengthen ongoing regulatory dialogues, notably the EU-US financial markets dialogue. It will also assess whether it would be in the EU’s interest to initiate new dialogues in other policy areas or with other countries and report about this to Council and Parliament.

4. The Commission will seek to improve controls at the external frontier via a common risk management approach. It also proposes creating teams of customs experts in the Member States to provide rapid specialised support at the external frontier. These issues will be covered in a Commission Communication on “the role of customs at the external frontier” which will be launched soon. A second Communication on a "simple and paperless environment for customs and trade” will look at ways of laying down the basis for a computerised exchange of information needed for customs purposes.
Part E: Monitoring

Systematic monitoring and evaluation will be crucial to the success of the Internal Market Strategy. There is little point in setting out policy priorities and leaving the rest to chance. It is vital to check that the proposed actions are actually being implemented and that they are producing the desired effects.

The Strategy will therefore be monitored on three levels. The first task will be to make sure that the proposed measures have been adopted on time. This will allow pressure to be exerted on decision makers whenever delays occur. The second task will be to ensure that the measures are being properly enforced. Once again, remedial action can be taken if problems are detected. Finally, the impact of the measures on the ground must be measured, i.e. their effect on markets, businesses and other economic operators.

Monitoring the impacts on the ground is particularly challenging. It requires the development of a comprehensive set of indicators which in turn depends of the availability of the relevant statistics for all Member States. It is important to start developing these indicators as soon as possible, even though monitoring itself can only be carried out once a particular action has been fully implemented and has had time to produce its effects. Fortunately, we are not starting from zero. The Commission has already developed indicators to measure the effectiveness of its policies in specific sectors, such as telecommunications and energy. In procurement, two panels have been set up - one made up of business representatives, the other of public authorities - as a means of monitoring levels of cross-border tendering and its impact on prices. The Commission has also developed the Internal Market Index - a composite indicator tracking the ‘real world’ benefits of the Internal Market in general\textsuperscript{101}.

Thought must also be given to the form in which indicators are presented and the vehicles used to do it. The Commission currently produces a number of monitoring instruments, including the Implementation Report on the Internal Market Strategy, the report on the functioning of product and capital markets (Cardiff Report), the Competitiveness Report and the different Commission Scoreboards. The relationship between these different instruments now needs to be considered. There is undoubtedly scope for a degree of rationalisation.

\textsuperscript{101} The index score has been published in the November Internal Market Scoreboard since 2001.
Conclusion

This Internal Market Strategy represents a comprehensive package of actions designed to improve the performance of the Internal Market in an enlarged Union.

Some of these actions are already well advanced as proposals make their way through the legislative process. Others will need to be further examined and developed over the coming months before the Commission can make proposals. A number of actions are for the Member States themselves to implement.

In light of the stage of preparation of the different actions, Council (in the form of a Resolution prepared by the Competitiveness Council) and Parliament are requested to:

- Endorse the general orientation set out in the Internal Market Strategy;
- Commit themselves to adopting existing (or forthcoming) proposals within the suggested deadlines\(^\text{102}\),
- Support the Commission’s intention to explore the different options for tackling particular obstacles with a view to making proposals at a later stage\(^\text{103}\),
- Call on the Member States to play their full part in improving the operation of the Internal Market in areas under their own control\(^\text{104}\).

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\(^{102}\) These actions are classified as type 1 in the annex.
\(^{103}\) These actions are classified as type 2 in the annex.
\(^{104}\) These actions are classified as type 3 in the annex.
Type 1: early adoption or completion  
Type 2: for further examination and discussion  
Type 3: for Member States to implement

**ANNEX**

1. FACILITATING THE FREE MOVEMENT OF GOODS

<table>
<thead>
<tr>
<th>ACTION</th>
<th>TYPE</th>
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<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>The Commission to make a proposal for a Regulation on mutual recognition to facilitate its correct application. This will take account of the results of a wide consultation with Member States, industry and consumer organisations on possible options. Council Decision 3052/95, which requires Member States to inform the Commission of any cases where mutual recognition has been refused, and which is not achieving its objectives, will either need to be amended or incorporated into the Regulation.</td>
<td>12/2004</td>
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<tr>
<td>1</td>
<td>1</td>
<td>The Commission to adopt a Communication on the correct implementation of the mutual recognition principle. Its aim is to clarify, in anticipation of the Regulation, the current rights and obligations of economic operators and national administrations when products are to be marketed in a Member State where its legislation imposes different technical rules.</td>
<td>06/2003</td>
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<td>2</td>
<td>2</td>
<td>The Commission may propose a Common Base Directive, taking into account the discussions and possible Council conclusions on the Communication on the New Approach. Such a Directive could cover a number of horizontal issues common to all New Approach Directives, including measures needed to support administrative co-operation and ‘standard’ articles that would provide for a more homogeneous implementation of these Directives.</td>
<td>12/2004</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>The Commission to sign partnership and performance contracts with European standardisation organisations to speed up the production of standards, particularly in fields where standardisation has proceeded at a too slow pace, and improve their quality. One major standardisation body (CEN) has already committed itself to reducing the average time needed to prepare standards from eight to three years.</td>
<td>12/2003</td>
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<td></td>
<td>3</td>
<td>1</td>
<td>The Commission to undertake a comprehensive study on voluntary marking at national and European level. In the light of the results, the Commission to consider ways of enhancing their positive effects and reducing the risk of market fragmentation and confusion on the part of consumers.</td>
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<td>4</td>
<td>1</td>
<td>The Commission to issue a Communication setting out the next steps for the application of Integrated Product Policy (IPP). IPP focuses on the different phases of products’ life-cycles with a view to improving their overall environmental performance. Doing this at Community level should reduce the pressure to adopt national measures, which because of their divergence may lead to the erection of new barriers to the free movement of goods.</td>
<td>06/2003</td>
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<td>4</td>
<td>1</td>
<td>The Council and European Parliament to adopt the framework Directive on the integration of environmental aspects into product design. This initiative is based on New Approach principles, i.e. the basic elements and design parameters with respect to the environmental aspects are specified in the framework directive, while specific product eco-design requirements will be established through Commission implementing measures supported by voluntary standards. While this is good for the environment, it should also considerably facilitate trade in these products within the Internal Market.</td>
<td>06/2004</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>The Commission to issue a Communication on the integration of environmental aspects into the standardisation process, inviting the standardisation organisations, national authorities and stakeholders to take greater account of environmental considerations at all stages of the standardisation process at both national and European levels.</td>
<td>12/2003</td>
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<td>5</td>
<td>1</td>
<td>The Commission to give mandates to European standardisation bodies for the development of new standards or the revision of existing ones to ensure compliance with the requirements of the General Product Safety Directive. The references of the relevant standards will also be published in the Official Journal. The Commission to monitor implementation of the Directive over the period of the Strategy and prepare a report on its application, including an assessment of market surveillance and enforcement in the Member States, by 2006.</td>
<td>06/2004</td>
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<td></td>
<td></td>
<td>The Commission to propose a Directive on unfair business to consumer commercial practices. This will be a framework Directive harmonising national rules governing unfair business-to-consumer commercial practices. It will be based on mutual recognition in order to allow a fully functioning Internal Market, while delivering a high level of consumer protection in order to promote consumer confidence.</td>
<td>06/2003</td>
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<td>The Commission to propose a recasting of the framework Directive on motor vehicles and their trailers (Directive 70/156/EEC). One of the main aims will be to extend EC whole vehicle type approval to vans (optional for new types within 12 months of the entry into force of the new Directive, compulsory for new types from 1 January 2007 and compulsory for existing types from 1 January 2009) and trucks and lorries (optional for new types within 12 months of the entry into force of the new Directive, compulsory for new types from 1 January 2008 and compulsory for existing types from 1 January 2010).</td>
<td>09/2003</td>
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## 2. INTEGRATING SERVICES MARKETS

<table>
<thead>
<tr>
<th>ACTION</th>
<th>TYPE</th>
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<th>TIMING</th>
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<tr>
<td>1</td>
<td>1</td>
<td>The Council and European Parliament to adopt the draft Regulation on Sales Promotion in the Internal Market which will allow SMEs, in particular, to use sales promotions to draw attention to their products in new markets. Large firms will be able to offer a single EU-wide promotion instead of 15 (or 25) different campaigns. Consumers will benefit from increased competition and transparency of information about sales promotions offered.</td>
<td>12/2003</td>
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<tr>
<td>1</td>
<td>1</td>
<td>The Council and European Parliament to adopt the draft Directive on the recognition of professional qualifications. The proposed Directive seeks to clarify and simplify the rules in order to facilitate the free movement of qualified people between Member States, particularly in view of an enlarged Europe.</td>
<td>03/2004</td>
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<td>2</td>
<td>1</td>
<td>The Commission to make a proposal for a Directive on Services in the Internal Market. The proposal will seek to remove barriers and reduce costs for companies arising from red tape while maintaining high levels of consumer protection. This would benefit all services which, as soon as they cross a Member State border, are affected by multiple application of different legal regimes and a duplication of administrative requirements. The Commission will also issue a Communication on the competitiveness of business-related services setting out non-legislative measures designed to complement the Directive. These will include the development of European standards and measures to improve the statistical coverage of service sectors (this is very important since these statistics are currently almost entirely lacking and, without them, it very difficult to analyse what is actually going on in service industries).</td>
<td>12/2003</td>
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<td>3</td>
<td>1</td>
<td>The Commission, subject to the results of a feasibility study, to propose an extension of Directive 98/34/EC, which concerns notification by Member States of national technical rules and regulations, to services (besides information society services). The results of the feasibility study will be published by the end of the year.</td>
<td>12/2004</td>
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<td>In light of the Council and European Parliament’s response to the Commission’s report on the safety of services for consumers, the Commission to decide whether to make a proposal for a legislative framework aimed at monitoring and supporting national policies and measures in this area. This could, for example, cover the systematic collection of data on accidents, injuries and risks (currently available data is inadequate), procedures for the exchange of information on national policy and regulatory developments and procedures for the establishment of European standards where necessary.</td>
<td>12/2004</td>
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<tr>
<td>5</td>
<td>1</td>
<td>The Council and European Parliament to adopt the Prospectuses Directive which should make it easier for companies to raise money on an EU-wide basis while at the same time providing adequate provision for investors.</td>
<td>09/2003</td>
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<td>5</td>
<td>1</td>
<td>The Council and European Parliament to adopt the Investment Service Directive. The proposed Directive will replace the existing one which has been in place since 1993 and is being proposed against the background of major structural changes in EU financial markets over the past five years. The proposal will offer investment firms an effective &quot;single passport&quot; which would allow them to operate across the EU while at the same time providing investors with a high level of protection when using the services of investment firms.</td>
<td>06/2004</td>
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<td>5</td>
<td>1</td>
<td>The Council and European Parliament to conclude 1st reading on the Transparency Directive. This Directive has been proposed in order to increase the quantity of information (e.g. on shareholding and changes of shareholding) investors have about publicly quoted companies. Apart from safeguarding investors' interests, the proposal should help to further integrate Europe's securities markets and increase the availability of funds for investment.</td>
<td>06/2004</td>
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<td>The Commission to propose a new Capital Adequacy Directive. This Directive will provide a more modern and flexible capital requirements framework for banks and investment firms. The overall aims are to maximise the effectiveness of capital requirement rules, ensure continuing financial stability, maintain confidence in financial investment and protect consumers. The new regime is also designed to ensure that capital requirements for lending to small and medium-sized enterprises are appropriate and proportionate.</td>
<td>03/2004</td>
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<td>The Commission to publish a Communication on clearing and settlement. This Communication will provide a firm indication of the Commission's views as regards the need for and content of legislative actions to facilitate inter-connected and efficient cross-border clearing and settlement as a basis for discussion with authorities and market participants.</td>
<td>09/2003</td>
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<td>The Commission to consult widely on completing and further developing the FSAP, with a particular focus on creating a single market in retail financial services.</td>
<td>12/2003</td>
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<td>The Council and Parliament should adopt the Consumer Credit Directive to enable progress towards an effective single credit market.</td>
<td>03/2004</td>
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## 3. ENSURING HIGH QUALITY NETWORK INDUSTRIES

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<th>ACTION</th>
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<tr>
<td>1</td>
<td>1</td>
<td>The Council and European Parliament to adopt proposals on: the Single European Sky for air traffic control management (this should help to reduce airport delays which currently cost around €3 billion p.a.); and access to port services.</td>
<td>06/2003</td>
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<tr>
<td>1</td>
<td>1</td>
<td>The Council and European Parliament to adopt the second package of measures to revitalise European railways. This includes a number of proposals, particularly on safety, interoperability, the European Railway Agency and freight market opening. It should result in more competition and better quality services for business. The Council and the European Parliament to adopt the proposal on controlled competition for public transport. The Commission will also come forward with proposals for passenger transport market opening to complete the Internal Market in the railway sector.</td>
<td>12/2003</td>
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<tr>
<td>1</td>
<td>1</td>
<td>The Council to give a mandate to the Commission to negotiate an open skies agreement with the United States. The current system, based on bilateral agreements between individual Member States and the US, which the Court of Justice has ruled are incompatible with Community law, places a significant brake on restructuring in the EU air transport industry and hinders the functioning of the Internal Market.</td>
<td>06/2003</td>
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<td>2</td>
<td>1</td>
<td>The Council and European Parliament to adopt the “energy package” which will completely open up gas and electricity markets for non-household customers by 2004 and for household customers by 2007. Business, particularly SMEs, and consumers will benefit from lower prices, as their counterparts already do in those Member States which have liberalised autonomously.</td>
<td>06/2003</td>
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<td>A study on the water sector has already been carried out for the Commission by external contractors. The Commission intends to build on this by gathering further information from Member States, industry and consumers. At a later stage and depending on the results of the information gathering exercise, the Commission services could produce a working paper reviewing the legal and administrative situation in the sector, including the competition aspects, in full respect of Treaty guarantees for services of general economic interest and environmental provisions. Interested parties would be invited to comment on this paper. Based on their reactions, the Commission would decide on appropriate follow-up measures. All options will be considered, including possible legislative initiatives. This work will take full account of the Green Paper on Services of General Economic Interest and the Green Paper on Public-Private Partnerships.</td>
<td>12/2004</td>
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<td>The Commission will complete a study assessing, for each Member State, the impact on universal service of full accomplishment of the Internal Market for postal services. Depending on the results of this study, the Commission may make proposals to achieve full market opening. The target date for full market opening is 2009.</td>
<td>12/2006</td>
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<td>The Commission to continue its efforts to clarify the application of the state aid rules to compensation for the costs of providing services of general economic interest, in the light of forthcoming Court decisions. These will decide whether compensation paid providers of services of general economic interest should be treated as state aid.</td>
<td>12/2003</td>
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<td>The Commission to issue a Green Paper on public-private partnerships, which should trigger a wide-ranging debate on the best ways of ensuring that partnerships for major projects can be undertaken in conditions of effective competition and full clarity under procurement rules. Subject to the results of the consultation, the Commission will propose (legislative or non-legislative) initiatives to enhance legal certainty and remove unjustified obstacles to public-private partnerships.</td>
<td>12/2003</td>
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4. REDUCING THE IMPACT OF TAX OBSTACLES

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<th>ACTION</th>
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<tr>
<td>1 1</td>
<td>The Commission to propose revisions of the Parent/Subsidy Directive. The main aim of the Directive is to eliminate double taxation within the EU by permitting dividends to be paid between certain groups of companies (subject to certain conditions) without deduction of withholding tax. Revision will focus on extending the scope of the Directive so that more companies can avail of its provisions thus paving the way towards reducing double taxation risks and compliance costs.</td>
<td>06/2003</td>
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<tr>
<td>1 1</td>
<td>The Commission to propose a revision of the Merger Directive. Currently, this Directive helps companies to organise their operations on a cross-border basis by deferring payment of certain tax charges subject to certain conditions. As more and more companies re-organise their activities (on a cross-border basis) to increase efficiency and to take advantage of Internal Market trading opportunities, the scope of the provisions of the Directive need to be extended.</td>
<td>06/2003</td>
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<tr>
<td>1 1</td>
<td>The Commission to issue a Communication setting out the results of its technical discussions with Member States and stakeholders concerning different options for providing companies with a consolidated tax base for their EU-wide activities. A consolidated tax base would inter alia reduce compliance costs and simplify existing complexities. The Communication will report on progress on two issues in particular: the “Home State Taxation” pilot scheme for SMEs; and the possible use of International Accounting Standards as a starting point for a common EU tax base.</td>
<td>12/2003</td>
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<td>2 1</td>
<td>The Commission to issue a Communication setting out further steps to modernise and simplify the VAT system. A crucial point to be developed in the Communication will relate to a modification of the rules governing the place of supply of services, whereby the reverse charge mechanism would become the general rule for trade between taxable persons established in different Member States.</td>
<td>12/2003</td>
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<td>The Commission is actively considering making a proposal to introduce a single place of compliance for all businesses trading in Member States where they have no establishment. Such an initiative would decrease the administrative cost of VAT for companies. It would benefit SMEs in particular. This will be one of the initiatives announced in the Communication on VAT (see above). A consultation of European companies is on-going on this issue on the web-site “Your Voice in Europe.” Discussions with tax administrations are also being carried out.</td>
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<td>3</td>
<td>2</td>
<td>The Commission to present legislative proposals to remove the obstacles to the free movement of cars in the Internal Market.</td>
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<td>4</td>
<td>1</td>
<td>The Commission to publish a Communication on the effect of the case law of the ECJ on the various types of dividend taxation systems. An analysis of ECJ case law will help towards the design of non-discriminatory dividend taxation systems and allow the Commission to take action, possibly through infringement proceedings, to ensure non-discriminatory tax treatment of cross-border dividends.</td>
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## 5. EXPANDING PROCUREMENT OPPORTUNITIES

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<tr>
<th>ACTION</th>
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<tr>
<td>1</td>
<td>1</td>
<td>The Council and European Parliament should adopt the legislative procurement package in both the classic and utilities sectors. The legislative package has two broad objectives. The first is to simplify and clarify the existing Community Directives, and the second is to adapt them to modern administrative needs in a changing economic environment. The three existing Directives are being consolidated into one measure which also contains a number of provisions facilitating the use, by public authorities, of information technologies in public procurement.</td>
<td>12/2003</td>
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<tr>
<td>1</td>
<td>3</td>
<td>The Member States to implement the public procurement package by the agreed deadline and, while doing so, streamline/simplify their own legislation and standardise their procedures. They should report on progress to the Commission.</td>
<td>06/2005</td>
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<tr>
<td>2</td>
<td>2</td>
<td>The Commission to propose amendments to strengthen the Procurement Remedies Directive, possibly including the strengthening of the powers of national surveillance authorities on which it will conduct a prior consultation.</td>
<td>12/2004</td>
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<td>3</td>
<td>3</td>
<td>The Member States should strengthen administrative co-operation in order to resolve cross-border procurement problems, notably through the further development of the fledgling European Public Procurement Network (EPPN) established on the initiative of the Danish authorities. The network needs to be expanded to all existing and new Member States. Member States should ensure that the EPPN is sufficiently well funded so as to be able to meet its ambitions.</td>
<td>06/2004</td>
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<tr>
<td>3</td>
<td>3</td>
<td>The Member States should stimulate and develop procurement training (possibly using the Internet), particularly to raise the awareness of European rules amongst procurement officials at all levels of government. Best practices could be exchanged through the EPPN.</td>
<td>12/2004</td>
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<td></td>
<td></td>
<td>The Commission to develop an Action Plan on e-procurement with a view to allowing a substantial part of procurement to be carried out electronically by 2006. The first step will be to translate the legal provisions of the public procurement package into functional requirements. The Commission will also give mandates to European standards organisations, where necessary, to develop technical standards for e-procurement.</td>
<td>06/2004</td>
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<tr>
<td>5</td>
<td>1</td>
<td>The Commission to publish an interpretive Communication setting out the implications of recent Court judgements regarding the scope of Article 296 of the Treaty (which concerns exceptions for essential security interests of Member States).</td>
<td>12/2003</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>The Commission to publish a Green Paper looking at any further initiatives in European defence procurement.</td>
<td>12/2004</td>
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### 6. IMPROVING CONDITIONS FOR BUSINESS

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<thead>
<tr>
<th>ACTION</th>
<th>TYPE</th>
<th>DESCRIPTION</th>
<th>TIMING</th>
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<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>The Council to adopt the Regulation on the Community Patent (based on the political agreement reached in the Competitiveness Council of March 2003).</td>
<td>06/2003</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>The Council to adopt the proposal to create a Community Patent Court and to take the necessary steps to allow the European Union to accede to the European Patent Convention.</td>
<td>12/2006</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>The Council and European Parliament to adopt the Directive on the enforcement of intellectual property rights which will bolster the fight against counterfeiting and piracy.</td>
<td>12/2003</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>The Council and European Parliament to adopt the Directive on the patentability of computer-implemented inventions which will stimulate innovation and benefit both software developers and suppliers as well as the users of patentable technology.</td>
<td>12/2003</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>The Commission to adopt a Communication on the management of copyright and related rights in the Internal Market which will identify the measures necessary to create a more favourable environment for the cross-border marketing and licensing of these rights.</td>
<td>09/2004</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>The Council to adopt the proposed reform of the merger regime to ensure the continuing effectiveness of merger control in the context of globalisation and enlargement. The reform proposal focuses on a revision of the turnover thresholds and jurisdictional and procedural issues.</td>
<td>06/2004</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>The Commission to adopt a new block exemption Regulation to facilitate technology transfer agreements between companies.</td>
<td>06/2004</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>The Member States to continue their efforts to further reduce the total amount of state aid while redirecting aid towards horizontal objectives of Community interest, such as the environment, research and development and SMEs. The Commission will continue to monitor and publish results in the State Aid Scoreboard.</td>
<td>ongoing</td>
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<td>5</td>
<td>1</td>
<td>Legal endorsement of existing International Accounting Standards (IAS), provided that, for some of them, the appropriate modifications are made. A recently adopted Regulation requires all EU-listed companies to prepare their consolidated accounts in accordance with IAS from 2005. IAS are established by the International Accounting Standards Board (IASB), an independent international accounting standard-setting organisation. To ensure appropriate political oversight, the IAS Regulation establishes a new EU mechanism to endorse IAS for use within the EU. Decisions will be taken by the Commission on the basis of the opinion of the Accounting Regulatory Committee – which is composed of representatives of the Member States – and considering the advice of the European Financial Reporting Advisory Group - which is composed of accounting experts from the private sector in several Member States.</td>
<td>09/2003</td>
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<tr>
<td>5</td>
<td>1</td>
<td>Legal endorsement of new IAS</td>
<td>ongoing</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>The Commission to offer a platform (or forum) to Member States to allow them to discuss ways of facilitating the uptake of IAS by non-listed companies, including SMEs (e.g. by uncoupling tax reporting and financial reporting in respect of individual accounts).</td>
<td>06/2004</td>
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<tr>
<td>5</td>
<td>1</td>
<td>The Commission to issue a Communication setting out priorities for 2003 and beyond aimed at improving the quality of statutory audit in the EU.</td>
<td>06/2003</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>The Commission to make a proposal to modernise the 8th Company Law Directive (access to and regulation of the audit profession).</td>
<td>12/2003</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>The Commission to set up a European co-ordination mechanism for public oversight of the audit profession. This will aim to ensure proper oversight of the audit profession at national level and appropriate co-ordination at EU level.</td>
<td>03/2004</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>Adoption of International Standards on Auditing for all audits conducted in respect of EU companies. Auditing standards are crucial to providing high quality audits. At present there are no agreed auditing standards in the EU. There is general agreement that any initiative in the field of standards should be based on the International Standards on Auditing (ISA). Over the next two years, the Commission and Member States will work towards the creation of a supervisory framework based on the ISA.</td>
<td>03/2005</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>The Council and European Parliament to adopt the Take-over bids Directive which will help business development and restructuring while maintaining essential protection for shareholders.</td>
<td>12/2003</td>
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<td>7</td>
<td>2</td>
<td>The Commission is undertaking a feasibility study in order to assess the practical need for and possible obstacles associated with the creation of a European Private Company Statute. This legal form would serve the needs of SMES carrying out business in more than one Member State. If the results of the study are positive, the Commission will propose a Regulation.</td>
<td>12/2006</td>
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</table>
### 7. MEETING THE DEMOGRAPHIC CHALLENGE

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<tr>
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<tr>
<td>1</td>
<td>3</td>
<td>The Member States to implement and enforce the Pension Funds Directive which proposes a prudential framework to provide security of pensions and a high level of protection for future pensioners. It will also provide institutions with the flexibility to develop effective investment policies.</td>
<td>06/2005</td>
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<tr>
<td>2</td>
<td>2</td>
<td>The Commission to examine the desirability of proposing a Directive on portability of occupational pensions, subject to the outcome of the second stage of the consultation of the Social Partners which is about to be launched.</td>
<td>06/2004</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>The Commission to continue its action to tackle tax discrimination against pension funds established in other Member States. The Commission will vigorously pursue any cases which come to its attention and ensure that the relevant ECJ jurisprudence is complied with throughout the EU.</td>
<td>ongoing</td>
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<tr>
<td>3</td>
<td>3</td>
<td>Prior to the entry into force of the Pension Funds Directive, the Member States to adjust their national rules to ensure non-discriminatory treatment of pension funds established in other Member States.</td>
<td>06/2005</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>The Commission to ensure full compliance with the jurisprudence of the Court of Justice, in order to realise the potential of the Internal Market in helping to tackle the challenge faced by Member States' Health Systems. In this connection, discussions with Member States have been launched, including through the High Level Reflection Group on Patient Mobility. As a basis for these discussions, the Commission will present the results of its consultation process on patient mobility.</td>
<td>12/2003</td>
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# 8. SIMPLIFYING THE REGULATORY ENVIRONMENT

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<th>ACTION</th>
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<tr>
<td>1</td>
<td>2</td>
<td>The Commission to develop a coherent approach to the question of legislative technique and the choice of legal instrument in the Internal Market. This concerns issues such as when to rely on mutual recognition, the “New Approach”, co-regulation or voluntary agreements; the level of harmonisation and the possible insertion of Internal Market clauses; and when Regulations should be given priority. The Commission will consult Council, the European Parliament, industry and other stakeholders. The approach to be adopted could be set out in a short Commission Communication under the Commission’s Governance Initiative/Better Regulation Initiative.</td>
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<td>2</td>
<td>1</td>
<td>The Commission to draw up an “Internal Market compatibility test” following consultations with the European Parliament and Member States. The test would act as guidance for national legislators at all levels of government to ensure that their actions do not inadvertently impinge on the free movement principles of the Treaty. This test could be endorsed by means of a Council resolution. The Commission also recommends that Member States involve non-nationals more in the development of any measures and that, once measures have been adopted, they should be made easily available to non-nationals (e.g. by putting them online).</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>The Commission to set up a web-site where interested parties can report on particularly complex rules or rules which may fail the “Internal Market compatibility test”.</td>
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<tr>
<td>3</td>
<td>1</td>
<td>The (Competitiveness) Council is invited to to establish a working group on “better regulation.” This group could draw up national simplification plans, which would mirror activity at Community level.</td>
</tr>
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<td>4</td>
<td>2</td>
<td>Commission to develop with the Member States indicators to measure progress towards a higher quality regulatory framework for the Internal Market, particularly, but not exclusively, as a result of the Commission’s Better Regulation Action Plan of June 2002. These indicators should consist of both input indicators (e.g. have the announced measures been taken on time?) and impact indicators (e.g. have they resulted in lower administrative burdens?). The results of the Commission’s project on Indicators of Regulatory Quality, undertaken in the framework of the Multi-annual Programme for Enterprise and Entrepreneurship, will provide a basis for this work.</td>
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## 9. ENFORCING THE RULES

<table>
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<tr>
<th>ACTION</th>
<th>TYPE</th>
<th>DESCRIPTION</th>
<th>TIMING</th>
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| 1      | 3    | The Member States to commit themselves to setting and respecting more ambitious transposition targets at each Spring European Council.  
In response to a request from the European Parliament, the Commission will undertake a feasibility study to examine whether it is methodologically and practically possible to put a figure on the cost of late transposition. Existing instruments, such as the Inter-active Policy Making feedback mechanism, can also be used to gauge the costs to business of both late transposition and misapplication of EU Directives. | 03/2004 |
| 2      | 2    | The Commission to issue a Recommendation setting out “best practices” to speed up and improve the quality of transposition of Internal Market Directives. These could include: a) ensuring that the expertise of officials’ built up during negotiations can be fully used during the transposition phase; b) planning ahead by developing transposition “time tables” (i.e. with target dates for first draft implementing text, envisaged date for approval by the competent minister(s), starting date of the parliamentary process, etc.); c) limiting the transposition to what is absolutely necessary without adding other elements which only complicate the law or its implementation (this is usually referred to as "gold plating"); d) urgent intervention by the “state” in cases where deadlines risk being missed (i.e. because of delays at regional/provincial level in federal/decentralised Member States); e) regular submission of transposition progress reports to national and regional parliaments to keep up the pressure. | 03/2004 |
| 2      | 1    | The Commission will regularly identify those Directives which should be subject to “preventive dialogue” – i.e. ongoing dialogue between the Commission and the Member States, starting immediately after the Directive is adopted, with the aim of ensuring better and faster transposition. The Directives chosen will be measures of particular economic importance and/or those which by their nature may be more difficult to transpose.  
In addition, the Commission will: a) systematically write to all Member States one month after the adoption of a Directive to inquire *inter alia* about | 09/2003 |
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<th>their planning schedules; b) organise bilateral meetings with Member States to discuss any transposition problems; c) whenever appropriate, raise transposition at expert meetings with a view to detecting problems at an early stage; d) prepare guidance to assist the Member States in the transposition of particularly complex pieces of legislation.</th>
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<tr>
<td>2</td>
<td>1</td>
<td>The Commission to produce statistics on the average time taken to implement Directives, which it will report on regularly in the Internal Market Scoreboard.</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>The Commission to propose a legal instrument to make certain implementation aspects, such as electronic notification of implementing measures and the use of concordance tables, mandatory. This will help to improve the transparency and efficiency of the checking of conformity.</td>
</tr>
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<td>4</td>
<td>2</td>
<td>The Commission proposes that a standard or a transposition period should be set within the Inter-Institutional Agreement on Better Regulation, from which departures are only permitted if this can be justified by the complexity of the measure. The Commission will also seek the views of the Member States and the European Parliament on: a) the inclusion of standard sanctions clauses in Directives (i.e. a clause to provide for effective, proportionate and dissuasive sanctions in case of violations of the obligations flowing from the Directive); and b) a standard clause to provide a stronger legal base for the promotion of active administrative co-operation.</td>
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<td>5</td>
<td>3</td>
<td>Member States to maximise their efforts to reduce the number of their infringements by at least 50% by 2006. This can be achieved by a combination of early settlement of disputes, the use of alternatives to formal infringement proceedings (e.g. SOLVIT) and preventive action. This needs to be implemented progressively on a year by year basis. The Commission will report on progress made by existing Member States in the Internal Market Scoreboard. The Commission would welcome it if this &quot;infringements reduction&quot; target were confirmed by the Spring European Council alongside the transposition targets.</td>
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<tr>
<td>6</td>
<td>12/2004</td>
<td>The Commission to publish the results of a study on the different options for improving the enforcement of Internal Market law. This study will look, <em>inter alia</em>, at the desirability and feasibility of designating some kind of a mechanism in each of the Member States which would help to ensure the correct application of Internal Market legislation and the relevant Treaty articles.</td>
</tr>
<tr>
<td>7</td>
<td>12/2003</td>
<td>The Commission to set up a special section on the home page of the EUROPA web site setting out the various procedures available to citizens and businesses seeking to defend their rights under Community legislation (including the SOLVIT network and, as a last resort, infringement procedures). In all cases, estimations of the time and costs involved will be provided.</td>
</tr>
<tr>
<td>8</td>
<td>06/2003</td>
<td>The Commission to propose a Regulation on cooperation between national authorities responsible for the enforcement of consumer protection laws. These authorities should be given a minimum of common investigation and enforcement powers. The Regulation will provide for a framework of mutual assistance rights and obligations for enforcement authorities to use when dealing with rogue traders committing cross-border infringements.</td>
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## 10. PROVIDING MORE AND BETTER INFORMATION

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<tr>
<td>1</td>
<td>3</td>
<td>Member States to produce national plans to raise general awareness of Internal Market opportunities among their own citizens and businesses.</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>The Commission to organise discussions on the preparation and implementation of national plans in the Internal Market Advisory Committee (IMAC) meeting at Director General level to ensure that there is adequate commitment at the highest level.</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>The Commission to monitor the implementation of national plans and to report on it in the Internal Market Scoreboard.</td>
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<td>2</td>
<td>1</td>
<td>The Commission to review its overall Communication Strategy, taking account of needs in the new Member States.</td>
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<td>3</td>
<td>2</td>
<td>The Commission to improve the Dialogue web-sites to provide better access to practical information.</td>
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<td>3</td>
<td>2</td>
<td>The Commission to extend the Citizens Signpost Service to the new Member States.</td>
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<td>3</td>
<td>2</td>
<td>The Commission to extend progressively the Dialogue with Citizens and Business to new Member States.</td>
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<td>3</td>
<td>3</td>
<td>Member States to adopt a more pro-active approach and take full responsibility for the quality of the national-level information made available through the Dialogue.</td>
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<tr>
<td>4</td>
<td>2</td>
<td>The Commission to set up a top-class information portal bringing together the Dialogue and the Signpost Service with other related initiatives, such as SOLVIT, European Consumer Centres, Fin-Net and EEJ-Net.</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>The Commission to create a new Internal Market portal bringing together information about policy and legislative developments relating to the Internal Market, irrespective of the Commission department responsible.</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>The Commission and Member States to extend the Euroguichet network (the European Consumer Centres). The aim is to have at least one European Consumer Centre in all Member States.</td>
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## GETTING THE BEST OUT OF THE ENLARGED INTERNAL MARKET

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<tr>
<td>1</td>
<td>1</td>
<td>The Commission to produce a comprehensive monitoring report on each Accession Country six months before accession. These reports will focus, <em>inter alia</em>, on the capacity of the country concerned to implement all commitments and requirements arising from accession negotiations. The conclusions of the reports will identify any problem areas, delays and remedial action which needs to be taken.</td>
<td>12/2003</td>
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<tr>
<td>2</td>
<td>1</td>
<td>The Commission to make it possible for Accession Countries to notify their implementing measures before accession by establishing a system for prior notification.</td>
<td>06/2003</td>
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<tr>
<td>2</td>
<td>1</td>
<td>The Commission to negotiate a series of bilateral agreements with Accession Countries to facilitate the notification of their draft technical measures within the scope of Directive 98/34/EC. Proposed technical measures will be examined by the Commission and Accession Countries will be notified as to whether such measures conform to Community rules.</td>
<td>12/2003</td>
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<tr>
<td>3</td>
<td>3</td>
<td>The Accession Countries to produce screening reports of their legislation in the light of Articles 28, 43 and 49 of the Treaty - free movement of goods, right of establishment and the free provision of services. These reports will help to establish if there are any potential obstacles to the full implementation of these articles and, where necessary, will propose the removal of these obstacles.</td>
<td>06/2004</td>
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<tr>
<td>4</td>
<td>1</td>
<td>Extension, implementation and conclusion of PECAs (Protocols to the Europe Agreements on Conformity Assessment and Acceptance of Industrial Products) with Accession Countries. PECA agreements are a particular form of mutual recognition based on the adoption of Community legislation on industrial products and the creation of the appropriate administrative infrastructure in Accession Countries. This facilitates trade between these countries and the EU. PECA agreements are already in force with four Accession Countries. Two others have signed agreements and negotiations are underway with a further three.</td>
<td>12/2003</td>
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<tr>
<td></td>
<td></td>
<td>Conclusion of PECAs with Romania and Bulgaria. PECA negotiations with Romania and Bulgaria will continue with the aim of concluding and implementing agreements covering the maximum number of sectors well in advance of the expected accession date of 2007.</td>
<td>06/2006</td>
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<td>4</td>
<td>1</td>
<td>The Accession Countries and the Member States to report back to the Commission on the specific steps which they have taken to inform competent authorities and enforcement officials of the consequences arising from the full implementation of the Internal Market following enlargement.</td>
<td>06/2004</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>The Commission to set up a database to facilitate targeted exchanges for Candidate Countries’ Internal Market officials.</td>
<td>06/2004</td>
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### BUILDING THE INTERNAL MARKET IN AN INTERNATIONAL CONTEXT

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<tr>
<td>1</td>
<td>2</td>
<td>The Commission to work towards the conclusion of new agreements with the “new neighbours.” Negotiation of these agreements can only begin once these countries have made sufficient progress in terms of legislative approximation and the development of enforcement capacity. Annual action plans will therefore be developed for each country. These plans will contain benchmarks which will be used to determine whether or not the country concerned has implemented the plan satisfactorily.</td>
<td>ongoing</td>
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<tr>
<td>2</td>
<td>2</td>
<td>The Commission to work towards regulatory convergence between the EU and international bodies in the automotive sector. In parallel with the codification of the three EU framework Directives in the automotive sector, the Commission to continue to be involved in codification exercises of UN/ECE Regulations. EU Directives should increasingly make use of the technical prescriptions included in the UN/ECE Regulations.</td>
<td>ongoing</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>The Commission to assess the desirability of extending regulatory dialogues to other policy areas and countries and to report on the outcome of this review to the Council and European Parliament.</td>
<td>12/2004</td>
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<tr>
<td>4</td>
<td>1</td>
<td>The Commission to publish a Communication on “the role of customs at the external frontier.” This will focus on ways of ensuring protection against unsafe products and the merits of introducing a modern risk-based customs control system. The latter would involve agreeing, with Member States, the priorities to be pursued by customs services and the means of addressing the related risks and would be supported by the computerised exchange of information between customs services.</td>
<td>06/2003</td>
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<tr>
<td>4</td>
<td>1</td>
<td>The Commission to publish a Communication on “a simple and paperless environment for customs and trade.” The main thrust here is to make it possible for businesses to use the proposed computerised information exchange system thereby reducing their costs and accelerating customs procedures.</td>
<td>06/2003</td>
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</table>
Note: This document contains the list of EC/EU documents received by the European and External Relations Committee for this meeting, classified according to which committee(s) the particular document is most relevant too. The document is sent by the European and External Relations Committee to each of the Scottish Parliament’s committees for their attention.

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## Sift of EC/EU legislative proposals and other documents

### Committee Relevancy: Next Meeting 09-Sep-2003

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