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## Opinion

**Title**                      **Impact Assessment accompanying the Communication on delivering the Single Market for the 21st century**

**(draft version of 2 October 2007)**

**Lead DG**                      **Secretariat General**

### **1) Impact Assessment Board Opinion**

#### **(A) Context**

The IA report accompanies the Commission's final report on the single market review, which is a political document addressed to the EU institutions and the general public, taking stock of progress made with the single market and outlining broad decisions for future policy actions. The presentation of the final report in autumn 2007 should pave the way for a new series of single market priorities to be agreed at the 2008 Spring Summit.

#### **(B) Positive aspects**

The report gives a clear description of the way in which the process of public consultation on the future single market policy was conducted.

#### **(C) Main recommendations for improvements**

*The recommendations below are listed in order of descending importance. Some more technical comments will be transmitted directly to the author DG.*

**General recommendation: The IA report should be substantially improved in a number of key aspects. The problem definition, the objectives and options should be spelled out more specifically; in particular, the report should be clearer on the baseline, on the contents of the three proposed options, and on how the options relate to the specific policy initiatives. The IA report should refer broadly to the economic, environmental and social impacts of the planned initiatives/actions under the three scenarios. While bearing in mind the need for proportionality and the fact that some of the proposed initiatives will be subject to specific IAs at a later stage, the IAB would be prepared to review a revised draft of the report if the author DG**

wishes to resubmit.

(1) **The problem definition** describes very succinctly a twofold challenge: (i) the single market (SM) must adapt to a changed economic and political context and reality (including enlargement to 27 Member States); and (ii) the SM potential has not been fully exploited and gaps and limitations remain. The draft Report could develop better these two key aspects of the problem definition: describe whether/how the changes of the context (notably enlargement) have impacted on the SM, and discuss the reasons why objectives or expectations have not been met (useful hints for the problem definition could be found in the ECFIN study mentioned in footnote 9 of the report). Two issues in the problem analysis might deserve a more in-depth review: the internal market as a dynamic project, and the shift in focus from cross-border to making markets deliver. Do these two concepts relate to the objectives, or are they part of the problem definition? Could their potential consequences be explored, given that they are crucial for the three options identified?

(2) **The objectives of the initiatives** assessed in the IA report could be better described. Section 4 describes the policy and governance objectives of the future actions, which are in fact criteria against which to the opportunity of these future actions should be measured. A clear distinction between these two different concepts should be made; the focus should be on future actions, whereas their policy and governance objectives could be presented as part of the reference framework to be developed.

(3) **The baseline scenario** could be more clearly defined, and the impacts of the other options should be assessed against it. Such baseline scenario could include some of the actions which are described in the draft as being already underway. **The three options** should be explicitly linked to the problem definition (i.e. the change in context and the unexploited potential of the SM) and indicate which specific initiatives/actions they would include. The "Options for action" in chapter 5 could become part of options 2 and 3, modulated according to their content; for ex., legislative measures might be needed even if they are insufficient to fully capture the new challenges. If the difference between the three options rests in their relation to the four freedoms, it would be useful to explain how or why option three would not focus any longer on the four freedoms.

(4) The most important **economic, social and environmental impacts** of proportionality and the three options should be described, if only in general terms and taking into account the cross-cutting nature of the proposal. The present brief statements on "pros", "cons" and "overall assessment" in chapter 5.1. are very general, and seem to refer only to the feasibility of the proposals. Concerning employment and social impacts, the exclusive focus on consumers is too narrow; in particular, it does not discuss of free movement of workers and workers rights in an enlarged EU (cfr. First bullet of Pt. 3.3., and Action 15 of Annex I); the impact on enterprises and SMEs (e.g. the better regulation aspect of the governance actions in Annex I) should also be mentioned. The potential environmental impacts should also be illustrated, for example, in relation to the energy sector (environmental impact changes in fuel mix) and goods markets (increased transport demand). Finally it should be clear how this IA will be followed up through additional IAs.

(5) The IA report should indicate the **links between the Single Market Review and the other strategic Community policies**, particularly the Lisbon Agenda. Many policies discussed under the heading "social dimension" of Lisbon, for ex. , are directly linked to

the internal market: free movement of persons as well as their social security provisions when working or living in another Member States, major parts of EU labour law and health and safety provisions, etc.

**(6)** Chapter 2 on **consultation of interested parties** could be shortened significantly in its descriptive parts, but it should include at least some (qualitative) information on the results of the long and comprehensive consultation process carried out in the context of the SM review.

**(7)** The **table of Annex 1** suggests that there is no difference in impacts between the 16 envisaged actions, in spite of the different nature of these actions (e.g. actions 5 and 6). How would these actions address the shortcomings of the internal market, and are they all equally relevant? Could for ex. the overall impact of the combined measures be considered, or at least the synergies between the different actions? Can we draw some lesson from the actions that are already underway? A table comparing the impacts of the options could usefully be added to the draft.

#### **(D) Procedure and presentation**

It appears that all necessary procedural elements have been complied with. No inter-service group was established for the purpose of this IA. A separate chapter presenting the impacts of the options and their comparison could usefully be added to the structure of the report. Annex 1 and parts of Annex 2 could also be inserted in the main body of document. Annex 2 on the state of play of the SM should refer explicitly to (COM(2007)60, 21.02.2007) as concerns sections 1.1. and 1.2.

## **2) IAB scrutiny process**

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External expertise used	No
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