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COM(2018) 441 final

2018/0231 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing the Programme for single market, competitiveness of enterprises, including small and medium-sized enterprises, and European statistics and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) 2017/826**

(Text with EEA relevance)

{SEC(2018) 294 final} - {SWD(2018) 320 final}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

- **Reasons and objectives**

On 2 May 2018, the European Commission proposed the Union's multiannual financial framework (MFF) for 2021-2027<sup>1</sup>. Among other things, the Commission proposed a new Single Market Programme. This Programme will help achieve the objectives set out in the political Communication accompanying the MFF proposal<sup>2</sup>. It will do so by strengthening the governance of the internal market, supporting the competitiveness of industry and in particular of micro, small and medium-sized enterprises (SMEs), by promoting human, animal and plant health and animal welfare and by establishing the framework for financing European statistics. The proposal<sup>3</sup> provides for a budget allocation of EUR 4 089 million. In addition, EUR 2 000 million allocated under the InvestEU Fund, in particular through its Small and Medium-sized Enterprises Window, will significantly contribute to the objectives of this Regulation.

The internal market is a cornerstone of the Union. Since its inception, it is a major contributor to growth, competitiveness and employment. The internal market has helped create jobs and brought consumers greater choice at lower prices. It continues to be an engine for building a stronger, more balanced and fairer economy. It is one of the Union's major achievements and its strongest asset in an increasingly global world. Nevertheless, the internal market has to continuously adapt to a rapidly changing environment characterised by digital revolution and globalisation. This poses a significant challenge for regulation and enforcement.

The substantial body of Union legislation underpins the functioning of the internal market. This concerns, in particular, competitiveness, standardisation, consumer protection, market surveillance and food chain regulation. It also affects rules concerning business, trade, financial services and institutions and the promotion of fair competition, which helps create the level playing field essential for the functioning of the internal market. Still, barriers to a proper functioning of the internal market remain and new obstacles are emerging. Establishing rules is only a first step; making them work is equally important.

This makes it necessary to provide individuals and businesses with sufficient information about their rights, public authorities with knowledge of how to apply the rules, and courts with the required expertise to enforce them. This means information tools, training programmes and emergency mechanisms need to be put in place. It also requires cooperation to be stepped up among the competent authorities of Member States, and between them and the Commission and its decentralised Union agencies. In addition, effective enforcement and modernisation of the Union legal framework and its rapid adaptation to the ever-changing environment requires up-to-date analyses, studies or evaluations based on high-quality, comparable and reliable data.

The proposed Programme brings together activities financed under five predecessor programmes in the areas of competitiveness of enterprises, consumer protection, customers and end-users in financial services, policy making in financial services and as regards the food

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<sup>1</sup> COM(2018) 322 final .

<sup>2</sup> COM(2018) 321, page 7-9

<sup>3</sup> COM(2018) 321, page 29.

chain, or financed previously under several Commission budget lines<sup>4</sup>, all dealing with the internal market and the competitiveness of SMEs. The proposed Programme also includes new initiatives<sup>5</sup> which aim to improve the functioning of the internal market. All of these activities are united by their shared objectives to regulate, implement, facilitate, enforce and protect various activities and actors within the internal market; and to preserve an internal market that continues to function without interruption. All of those activities are thus, in their different ways, essential for a well-functioning internal market and the continuation of their financial support is necessary. The proposed Programme provides for continuity of the various previous actions while streamlining and exploiting synergies between them and the new activities.

Further streamlining is achieved by pooling all centrally managed financial instruments at the Union level in the InvestEU Fund<sup>6</sup>, including debt and equity financial instruments for the benefit of SMEs. The loan guarantees for SMEs previously provided under the COSME programme<sup>7</sup> will therefore be implemented under the ‘SME window’ of InvestEU<sup>8</sup>. With regard to the recipients of debt and equity financial instruments provided under the COSME programme, the continuity of financial assistance and smooth transition towards InvestEU will be reassured.

Consequently, the Programme aims to improve the functioning of the internal market. It provides a more flexible and agile financing framework with the aim of safeguarding a well-functioning internal market in the most cost-efficient way. In a context of budgetary constraints, the Union needs to seek synergies and prevent duplication and fragmentation in its support for the internal market. It also needs to give greater visibility and coherence to its action towards individuals, consumers, businesses and competent authorities, who may find the wide range of different tools and support programmes confusing. The Programme will therefore provide the budgetary means to support the establishment of a deeper and fairer internal market through a streamlined and flexible financing framework.

Given that a number of initiatives in the Programme are new and that the conditions in the area of competition are particularly affected by dynamic developments in the internal market, the pace and magnitude of which are difficult to estimate, it is anticipated that flexibility will be required to face the evolving needs under this part of the Programme.

In addition, the Programme establishes the financial framework for providing high-quality, comparable and reliable European statistics to underpin the design, monitoring and evaluation of all the Union policies. This replaces the predecessor European Statistical Programme<sup>9</sup>. It must be underlined that, while it undoubtedly contributes to the delivery of internal market

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<sup>4</sup> Implementation and development of internal market for financial services; company law; internal market governance tools; support to standardisation activities, operation and development of the internal market for goods and services, customs and tax policy development.

<sup>5</sup> An ambitious and innovative competition policy for a stronger Union in the digital age, Joint Cluster Initiative.

<sup>6</sup> COM(2018) 439 final

<sup>7</sup> Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC (OJ L 347 of 20.12.2013, p. 33).

<sup>8</sup> COM(2018) 321 final ‘A Modern Budget for a Union that Protects, Empowers and Defends, The Multiannual Financial Framework for 2021-2027’, p. 18 – 19.

<sup>9</sup> Regulation (EU) No 99/2013 of the European Parliament and of the Council of 15 January 2013 on the European statistical programme 2013-17 (OJ L 39, 9.2.2013, p 12).

policies, European statistics have a much wider scope than the internal market, as they serve all policies of the Union.

- **Consistency with existing policy provisions**

The Programme contributes to the establishment of a deeper and fairer internal market, supporting the implementation of the Single Market<sup>10</sup> and the Digital Market Strategies<sup>11</sup>, the Capital Markets Union Action Plan<sup>12</sup> and the New Deal for Consumers package<sup>13</sup>. A strong Single Market is also seen as a precondition for a stronger Union as set out by the President of the Commission in his 2017 State of the Union speech<sup>14</sup>.

Strengthening the governance of the internal market also responds to numerous Council Conclusions and European Parliament Resolution on the Single Market. The most notable of these are the Competitiveness Council Conclusions of 29 February 2016 on the Single Market Strategy (Ref 6622/16) and the European Parliament Resolution of 26 May 2016 on the Single Market Strategy (Ref. 2015/2534 (INI)).

- **Consistency with other Union policies**

The proposed Programme is consistent with other proposed Union action programmes and funds that pursue similar objectives in related fields of competence. In particular, the actions under this Programme will be complementary to those of the Customs<sup>15</sup> and Fiscalis<sup>16</sup> Programmes which also aim to support and improve the functioning of the internal market.

The proposed Programme promotes synergies and complementarities in support for SMEs and entrepreneurship under the InvestEU Fund<sup>17</sup>. For this purpose, in addition to the amount of EUR 1 000 million designated for non-financial instrument type of support for the competitiveness of SMEs under this Programme, an SME guarantee facility with a budget of EUR 2 000 million will be implemented under the SME window of InvestEU.

The Programme is complementary to the support for SMEs and entrepreneurship under the European Regional Development Fund<sup>18</sup>. The Programme seeks synergies with the Horizon Europe<sup>19</sup> and the Space Programme<sup>20</sup> in encouraging SMEs to benefit from breakthrough innovation and other solutions developed under those programmes. The Programme is also complementary to the Digital Europe Programme<sup>21</sup> which aims to promote the digitalisation of the Union economy and the public sector.

In addition, the proposed Programme, will seek synergies with the Justice, Rights and Values Fund<sup>22</sup> which aims to support the further development of a European area of justice for the

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<sup>10</sup> COM(2015) 192 final ‘A Digital Single Market Strategy for Europe’.

<sup>11</sup> COM(2015) 550 final, Upgrading the Single Market: more opportunities for people and business.

<sup>12</sup> COM(2015) 468 final, ‘Action Plan on Building a Capital Markets Union’.

<sup>13</sup> COM(2018) 0185 final

<sup>14</sup> [http://europa.eu/rapid/press-release\\_SPEECH-17-3165\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm).

<sup>15</sup> COM(2018) 442 final

<sup>16</sup> COM(2018) 443 final.

<sup>17</sup> COM(2018) 439 final

<sup>18</sup> COM(2018) 372 final

<sup>19</sup> COM(2018) 435 final

<sup>20</sup> COM(2018) 447 final.

<sup>21</sup> COM(2018) 434 final

<sup>22</sup> COM(2018) 375 final

effectiveness of national justice systems, a key enabler of a fair and cost effective European economy.

The proposed Programme is consistent with Erasmus<sup>23</sup> and the European Union Solidarity Fund<sup>24</sup> as well as the European Social Fund Plus<sup>25</sup>. It will act as a catalyst for mobility in the labour market and among young people, which is essential for the well-functioning internal market.

Finally, the food chain actions supported under the proposed Programme, such as veterinary and phytosanitary measures to address animal and plant health crises, could be complemented by market-based interventions from Union's Common Agriculture Policy budget<sup>26</sup>.

Where relevant the Programme's actions should be used to address market failures or sub-optimal investment situations, in a proportionate manner, without duplicating or crowding out private financing and have a clear European added value. This will ensure consistency between the actions of the programme and EU State aid rules, avoiding undue distortions of competition in the internal market.

This proposal provides for applying the Regulation from 1 January 2021. It is presented for a Union of 27 Member States. This is in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union. The notification was received by the European Council on 29 March 2017.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

According to settled case-law, the choice of the legal basis for a European Union measure must be based on objective factors amenable to judicial review. Where the Treaty contains a more specific provision that is capable of constituting the legal basis for the measure in question, the measure must be founded on that provision. If examination of a measure reveals that it pursues two aims or that it has two components, and if one of those aims or components is identifiable as the main one, whereas the other is merely incidental, the measure must be founded on a single legal basis, namely that required by the main or predominant aim or component. Regarding a measure that simultaneously pursues a number of objectives, or that has several components which are inseparably linked without one being incidental to the other, the Court has held that, where various provisions of the Treaty are therefore applicable, such a measure will have to be founded, exceptionally, on the various corresponding legal bases. Recourse to a dual legal basis is not possible where the procedures laid down for each legal basis are incompatible with each other<sup>27</sup>.

The basic acts establishing programmes currently in force which will be integrated into the Programme are based on different legal bases. These concern the following Articles of the Treaty on the Functioning of the European Union (TFEU):

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<sup>23</sup> COM(2018) 367[...].

<sup>24</sup> COM(2018) 393 final

<sup>25</sup> COM(2018) 382 final

<sup>26</sup> COM(2018) 322 final, Article 10

<sup>27</sup> ECLI:EU:C:2012:525, Case C-490/10 Parliament v. Council, paras 44 to 47.

- Article 114 for activities supporting financial reporting and auditing<sup>28</sup> (and a large number of internal market measures that contain ancillary financing provisions);
- Article 169 (2)(b) concerning consumer protection<sup>29</sup>;
- Articles 43 and 168 (4)(b) concerning veterinary and phytosanitary measures<sup>30</sup>;
- Article 197 on administrative cooperation;
- Article 173 encouraging a favourable environment for the development of undertakings, particularly SMEs;
- Article 195 concerning tourism; and
- Article 338 on statistics.

In light of the synergies obtained, merging the previous programmes has resulted in the proposal simultaneously pursuing four objectives that are inseparably linked without one being incidental to the other. The objectives are:

- the internal market (Article 114 TFEU);
- veterinary and phytosanitary measures (Articles 43 and 168 (4) (b) TFEU);
- encouraging a favourable environment for the development of undertakings, particularly SMEs (Article 173 TFEU); and
- statistics for the Union policies (Article 338 TFEU).

Consequently, the legal bases of this Programme are Article 114, Articles 43(2) and 168(4)(b); and Articles 173 and 338 of TFEU.

- **Subsidiarity**

Establishing a deeper and fairer internal market requires a well-functioning regulatory framework, informed and empowered individuals, consumers and businesses and a competitive industrial eco-system. This cannot be achieved by the Union or Member States acting alone. Even if Member States are primarily responsible for delivering the internal market on the ground, the Commission, as guardian of the Treaties, and the Union as a whole have an interest in ensuring that these goals are delivered in a coherent way so and that individuals, consumers and businesses enjoy the same rights and opportunities throughout Europe. Action is required at Union level to ensure the consistent development of the internal market; non-discrimination; consumer protection; effective competition; the development of Member States' capabilities and of cooperation between them; and the tackling of cross-border issues. Common rules and European cooperation are needed to enable the Commission and the competent authorities of the Member States to work in a coherent way at operational level.

Such a high degree of cooperation and coordination can be achieved only through a centralised approach, ideally at Union level. The activities of the proposed Programme are more cost-effective than if each participating Member State were to set up individual cooperation frameworks on a bilateral or multilateral basis. By pooling resources the

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<sup>28</sup> Regulation (EU) No 258/2014.

<sup>29</sup> Regulation (EU) No 254/2014, Regulation (EU) 2017/826.

<sup>30</sup> Regulation (EU) No 652/2014.

Programme builds on economies of scale. This makes it possible at the same time to deepen trust in the internal market among the public, consumers, businesses and the competent authorities of the Member States.

In addition, the need for Union intervention was already well established under the predecessor programmes. The proposed Programme will not alter that rationale.

Consequently, this Programme can only be established at Union level as the actions require active cooperation and coordination between Member States.

- **Proportionality**

The proposed Programme will help to effectively enforce and modernise the Union legal framework and to adapt it rapidly to the ever-changing environment. This will be done, among other things, through data-gathering and analyses, studies, evaluations and policy recommendations. More than half of the proposed budget will be spent on capacity-building activities and on the facilitation of joint actions between Member States and between their competent authorities and the Commission and the decentralised Union agencies. Furthermore, the Programme will finance mechanisms allowing individuals, consumers and business representatives to contribute to decision-making processes. It will also strengthen the exchange and dissemination of expertise and knowledge. The Programme will support very specific types of actions in the following areas: improving competitiveness, notably of SMEs, as well as standardisation and emergency measures in the context of the food chain.

In addition, the Programme provides a framework for financing the development, production and dissemination of European statistics within the meaning of Article 13 of Regulation (EC) No 223/2009<sup>31</sup>.

None of the actions goes beyond what is absolutely necessary to achieve the Programme's objectives in establishing a well-functioning internal market, promoting the competitiveness of SMEs and producing European statistics. The actions are based on analysis of actual needs on the ground but also take into account the legal requirements (e.g. emergency veterinary and phytosanitary measures, European statistics). The Commission will exercise coordinating, executive and management functions, as laid down in the Treaties.

Consequently, the objectives of the Programme will be achieved in a much more proportionate manner at Union level than at the level of Member States.

Paragraph 3.3 of the Impact Assessment makes reference to the Union value added.

- **Choice of the instrument**

As the Impact Assessment concludes, Union intervention through a funding programme is appropriate. Merging all the predecessor programmes, activities financed previously under budgetary lines dealing with the internal market, the competitiveness of SMEs and European

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<sup>31</sup> Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

statistics into one single Programme will improve the coherence and integration of actions. At the same time it will reduce the number of divergent and fragmented financing rules.

In accordance with the legislative policy the Commission has adopted under the MFF, the funding programme is proposed as a Regulation.

### **3. RESULTS OF RETROSPECTIVE EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

#### **• Retrospective evaluations/fitness checks of existing legislation**

The proposed Programme builds on lessons learned from the evaluations of the predecessor programmes. It also takes into account the results of evaluations and public consultations on activities financed previously under internal market budgetary lines or assessing the need for the implementation of the new ones.

In particular, it is worth noting that only 6 % of EU citizens feel well informed about their rights as a citizen of the Union and only 36 % feel fairly well informed<sup>32</sup>. In the public consultation on the Single Digital Gateway<sup>33</sup>, 80 % of businesses found complying with national requirements in other countries difficult. 60 % of individuals found it difficult or somewhat difficult to know which national requirements they had to comply with when moving to another Member State<sup>34</sup>.

The REFIT evaluation<sup>35</sup> of the functioning of market surveillance for products also revealed a lack of awareness of rules among businesses and little transparency on product compliance. The evaluation found that non-compliance is driven by, among other things, the fragmentation of the organisation of market surveillance in the Union. The financing of joint actions by market surveillance authorities needs a more coherent coordination framework in order to reduce non-compliant products in the internal market.

With regard to competition policy, ‘Eurobarometer’ surveys in 2010 and 2014 showed that public lacked awareness of where to turn when faced with higher prices, fewer products or supplier choices or lower quality. In addition, a 2016 Eurobarometer survey showed only limited knowledge and awareness of State aid rules.

The evaluation of the Consumer Programme<sup>36</sup> pointed to its slowness to respond to new market challenges driven by fast and often unpredictable societal and technological change. The evaluation also highlighted specific limitations in certain Member States, which prevent optimal uptake, typically due to limited resources.

The mid-term evaluation of the Food Chain Programme<sup>37</sup> showed that all activities receiving Union financial support in this area remained essential to human, animal and plant health

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<sup>32</sup> Eurobarometer 430: European Union citizenship — March 2016.

<sup>33</sup> [https://ec.europa.eu/growth/content/public-consultation-single-digital-gateway-0\\_en](https://ec.europa.eu/growth/content/public-consultation-single-digital-gateway-0_en).

<sup>34</sup> Commission staff working document synopsis report on the stakeholder consultation on the single digital gateway Accompanying the document Proposal for a regulation of the European Parliament and of the Council on establishing a single digital gateway to provide information, procedures, assistance and problem solving services and amending Regulation (EU) No 1024/2012 (SWD/2017/0212 final — 2017/086 (COD)).

<sup>35</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2017:0469:FIN>

<sup>36</sup> Regulation (EU) No 254/2014 of the European Parliament and of the Council of 26 February 2014 on a multiannual consumer programme of the years 2014-20 and repealing Decision No 1926/2006/EC (OJ L 84, 20.3.2014, p. 42).

<sup>37</sup> Mid-term evaluation of Regulation (EU) No 652/2014.

throughout the food chain. This Programme had also proven flexible in addressing emerging needs for co-financing, especially outbreaks of animal diseases and plant pests.

Finally, the ongoing evaluation of the European Statistical Programme<sup>38</sup> shows that it is necessary to develop a permanent capacity to respond faster to emerging new data needs. Globalisation, digitalisation and rapid technological change are challenging the foundations of measuring economic performance, i.e. Gross Domestic Product and key economic indicators. Therefore, substantial efforts also need to be invested in developing new methodologies. Data collection needs to be adapted to encompass all available data sources.

- **Stakeholder consultations**

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

Around 80 % of stakeholders considered that Union Programmes and funds added more value than could be achieved at national level. The internal market was considered the best example of the Union's added value as it was considered a public good delivering real and tangible value.

Among the most important challenges relevant to the Programme as identified by the wide majority of the respondents were: support for SMEs and for industrial development, fair competition and food safety. Generally speaking, between 20 % and 50 % of respondents considered that the Programme-related policies contribute fully or fairly well to addressing these challenges. Smooth circulation of goods in the Union received the highest score (50 % of all replies). Next came support for industrial development (42 %), provision of Union statistics (40 %) and support for capital flows and investments (39 %). Only 12 % of respondents considered that these policies were not successful at all.

- **Impact Assessment**

The design of the proposed Programme was the subject of the Impact Assessment. The following three overall scenarios were analysed:

- Option 1: a **business as usual scenario** where implementation of the current multiannual programmes and budget lines continues, with the addition of the new spending proposals through separate basic acts.
- Option 2: an **integrated scenario** where a new programme is adopted to deliver current and new programmes and budget lines falling within the programme's scope. This is done through a single basic act that is flexible enough to preserve specific legal and institutional requirements.
- Option 3: a **fully unified scenario**; here all programmes within the programme's scope are merged into a single common basic act with identical legal and institutional requirements for all activities within its scope.

Option 2 — a new, integrated Programme — was considered the preferred option. It was recognised that it would mean for a less ambition than option 3, but was a feasible and pragmatic way of achieving additional simplification, flexibility and synergies across the programmes and budget lines within its scope. At the same time, it would make it possible to accommodate the specific legal and institutional requirements for governance of those

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<sup>38</sup> The report is not yet published but available upon request to Eurostat.

individual programmes. Examples are the emergency veterinary and phytosanitary measures and the European Statistical Programme<sup>39</sup>, which have dedicated institutional and governance settings of no relevance to other parts of the Programme.

The Impact Assessment received a positive opinion by the Regulatory Scrutiny Board<sup>40</sup>. However, the Board issued several considerations and recommendations for improvements, which were addressed in the following way:

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

<sup>39</sup> As formulated in Regulation (EC) No 223/2009 on European statistics.

<sup>40</sup> SEC(2018)294

- **Simplification**

As explained above, the proposed Programme brings together activities previously financed under six predecessor programmes, including the European Statistical Programme, but also activities previously financed under several Commission budget lines<sup>41</sup> dealing with the internal market. The Programme also includes new initiatives<sup>42</sup> which aim to improve the functioning of the internal market.

Consequently, the proposed Programme streamlines and exploits synergies between the various actions. It also provides a more flexible and agile financing framework aimed at safeguarding and deepening a well-functioning internal market most cost-efficiently.

- **Fundamental rights**

The Programme ensures the full respect of the rights and principles set out in the Charter of Fundamental Rights of the European Union and contributes to the implementation of several of those rights. In particular, the objectives of the Programme are notably to ensure citizens' health in accordance with Article 35 of the Charter and consumer protection in accordance with Article 38 of the Charter. It also contributes to the right to effective remedy and fair trial as prescribed by Article 47 of the Charter. The Programme also aims to reinforce the freedom to conduct business in accordance with Union law and national laws and practices (Article 16).

#### **4. BUDGETARY IMPLICATIONS**

On 2 May 2018, the Commission adopted a proposal for the next Multi-Annual Financial Framework for the period starting in 2021. In accordance with this proposal, this Regulation contains a budgetary framework of EUR 4 088 580 000 (in current prices) for the period starting in 2021.

#### **5. OTHER ELEMENTS**

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The proposed Programme will be mainly implemented by direct management, using in particular grants, prizes and procurement.

Parts of the Programme are expected to be implemented by executive agencies. These concern in particular activities with regard to the competitiveness of businesses and SMEs and relating to training in the area of health of humans, animals and plants along the food chain, and to the support of the welfare of animals.

The impact of the Programme will be assessed through mid-term and final evaluations as well as by continuous monitoring of a set of high-level key performance indicators. These evaluations will be carried out in line with paragraphs 22 and 23 of the Interinstitutional Agreement of 13 April 2016<sup>43</sup>, where the three institutions confirmed that evaluations of

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<sup>41</sup> Implementation and development of internal market for financial services; company law; internal market governance tools; support to standardisation activities, operation and development of the internal market for goods and services, customs and tax policy development support budget line.

<sup>42</sup> An ambitious and innovative competition policy for a stronger Union in the digital age, Joint Cluster Initiative.

<sup>43</sup> Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1–14).

existing legislation and policy should provide the basis for impact assessments of options for further action. The evaluations will assess the Programme's effects on the ground based on indicators and targets and on a detailed analysis of the degree to which the instrument can be deemed relevant, effective, and efficient, provides enough Union added value and is coherent with other Union policies. They will include lessons learnt to identify potential gaps or problems, as well as the potential for further improvement of the actions or their results, and to help maximising their impact.

The Programme's results and outputs will be regularly assessed through a comprehensive monitoring system, based on defined indicators, with a view to ensuring value for money. Since the Programme mostly plays a supporting role, assisting Member State administrations in the sharing of information and boosting their capacity, the monitoring system focuses among other things on following the progress of the Programme's activities through output indicators.

- **Detailed explanation of the specific provisions of the proposal**

#### Chapter I General provisions

The scope of the Programme covers the area of the internal market, the competitiveness of SMEs and European statistics in a comprehensive manner.

The Programme-specific objectives concern:

- making the internal market work better;
- improving the competitiveness of businesses, especially SMEs;
- increasing standardisation;
- promoting the interests of consumers;
- contributing to a high level of health for humans, animals and plants throughout the food chain; and
- producing and communicating high-quality statistics on Europe.

The Programme will be open to participation by the Member States, European Free Trade Association (EFTA) members which are the members of the European Economic Area (EEA), acceding countries, candidate countries and potential candidates. In line with overall Union policy, countries covered by the European Neighbourhood Policy will also have the possibility to take part in the Programme under certain conditions. In addition, the Programme will be open to Switzerland in accordance with the conditions established in the Agreement between the European Community and the Swiss Confederation on cooperation in the field of statistics<sup>44</sup>.

The Programme will be implemented through the most commonly used spending mechanisms of the Union budget, namely public procurement and grants.

#### Chapter II Grants

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<sup>44</sup> OJ L 90, 28.3.2006, p. 2.

This Chapter indicates generic types of actions which will apply to all specific objectives. These include:

- support for the effective enforcement and modernisation of the Union legal framework through data-gathering and analyses;
- studies and evaluations;
- capacity-building activities and facilitation of joint actions between Member States and between their competent authorities and the Commission and the decentralised Union agencies;
- financing of mechanisms allowing individuals, consumers and business representatives to contribute to decision-making processes; and
- strengthening the exchange and dissemination of expertise and knowledge.

In addition, this Chapter lists very specific and targeted strictly limited types of actions in the following areas: improvement of competitiveness, notably of SMEs; standardisation and emergency measures along the food chain. Moreover, this Chapter lists the specific activities for implementing the framework for financing the development, production and dissemination of European statistics within the meaning of Article 13 of Regulation (EC) No 223/2009.

In order to achieve maximal simplification, this Chapter stipulates either additional conditions or derogations from the Financial Regulation concerning eligibility requirements for entities, exceptions from the requirement of call for proposals, co-financing rules, eligible costs, etc.

### Chapter III Programming, monitoring and evaluation

Implementation of the Programme should be based on annual or multi-annual work programme or programmes. In view of the mid- to long-term nature of the objectives pursued, and building on experience gained over time, work programmes may cover several years. While not impacting the implementation of the Programme, multiannual work programmes will reduce the administrative burden.

A list of core indicators has been added in Annex IV to improve the monitoring of the Programme and its performance from the outset. The Commission will be empowered to adopt delegated acts in order to amend the monitoring and evaluation framework and the list of indicators where necessary.

The Commission proposal for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all Union programmes, with an overall target of 25% of Union expenditure contributing to climate objectives. The contribution of this Programme to the achievement of this overall target will be tracked through Union climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available. The Commission will continue to present the information annually in terms of commitment appropriations in the context of the annual draft budget.

To support the full utilisation of the potential of the Programme to contribute to climate objectives, the Commission will seek to identify relevant actions throughout the Programme preparation, implementation, review and evaluation processes.

Interim and final evaluations will be carried out.

#### Chapter IV Transitional and final provisions

Coherent, effective and proportionate targeted information will be provided to multiple audiences, including the media and public.

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing the Programme for single market, competitiveness of enterprises, including small and medium-sized enterprises, and European statistics and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) 2017/826**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 43(2), Article 168(4)(b) and Articles 114, 173 and 338 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>45</sup>,

Having regard to the opinion of the Committee of the Regions<sup>46</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The internal market is a cornerstone of the Union. Since its inception, it has proved a major contributor to growth, competitiveness and employment. It has generated new opportunities and economies of scale for European businesses, notably micro, small and medium sized enterprises (SMEs), and strengthened their industrial competitiveness. The internal market contributed to the creation of jobs and offered greater choice at lower prices for consumers. It continues to be an engine for building a stronger, more balanced and fairer economy. It is one of the Union's major achievements and its best asset in an increasingly global world.
- (2) The internal market has to continuously adapt to a rapidly changing environment of digital revolution and globalisation. A new era of digital innovation continues to provide opportunities for businesses and individuals, creates new products and business models but equally constitutes a challenge to regulation and enforcement.
- (3) The substantial body of Union legislation underpins the functioning of the internal market. This concerns, in particular, competitiveness, standardisation, consumer protection, market surveillance and food chain regulation but also rules concerning business, trade and financial transactions and the promotion of fair competition providing for a level playing field essential for the functioning of the internal market.

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<sup>45</sup> OJ C , , p. .

<sup>46</sup> OJ C , , p. .

- (4) Still, barriers to the proper functioning of the internal market remain and the new obstacles emerge. Adopting rules is only a first step, but making them work is as important. This is ultimately a matter of citizens' trust in the Union, in its capacity to deliver, and ability to create jobs and growth while protecting the public interest.
- (5) Several programmes for Union action exist currently in the fields of competitiveness of enterprises including SMEs, consumer protection, customers and end-users in financial services, policy making in financial services and food chain. Some additional activities are financed directly under the internal market budget lines. It is necessary to streamline and exploit synergies between various actions and provide for a more flexible and agile framework to finance activities aiming to achieve a well-functioning internal market in the most cost-efficient manner. It is therefore necessary to establish a new programme bringing together activities financed previously under those other programmes and other relevant budget lines. The programme should also include new initiatives which aim to improve the functioning of the internal market.
- (6) The development, production and dissemination of European statistics are subject to a separate European Statistical Programme established by Regulation (EU) No 99/2013 of the European Parliament and of the Council<sup>47</sup>. In order to provide continuity of producing and disseminating European statistics, the new programme should also include activities covered by the European Statistical Programme by providing a framework for the development, production and dissemination of European statistics. The new programme should establish the financial framework for European statistics to provide high-quality, comparable and reliable statistics on Europe in order to underpin the design, implementation, monitoring and evaluation of all Union policies.
- (7) It is therefore appropriate to establish a Programme for the internal market, competitiveness of enterprises, including micro, small and medium-sized enterprises, and European statistics (the 'Programme'). The Programme should be established for the duration of seven years from 2021 to 2027.
- (8) The Programme should support the design, implementation and enforcement of Union legislation underpinning the proper functioning of the internal market. The Programme should support the creation of the right conditions to empower all actors of the internal market: businesses, citizens including consumers, civil society and public authorities. To that end, the Programme should aim to ensure the competitiveness of businesses, notably SMEs, but also supporting the enforcement of consumer protection and safety rules and by raising the awareness of businesses and individuals by providing them with the right tools, knowledge and competence to make informed decisions and strengthen their participation in Union's policy-making. Furthermore, the Programme should aim to enhance regulatory and administrative cooperation, notably through exchange of best practices, building of knowledge and competence bases, including the use of strategic public procurement. The Programme should also aim to support the development of high-quality international standards that underpin the implementation of Union legislation. This also includes standard setting in the field of financial reporting and audit, thereby contributing to the transparency and well-functioning of the Union's capital markets and to enhancing investor protection. The Programme should support rulemaking and standard setting also by ensuring the broadest possible stakeholder involvement. The objective of the Programme should also be to support the implementation and

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<sup>47</sup> Regulation (EU) No 99/2013 of the European Parliament and of the Council of 15 January 2013 on the European statistical programme 2013-17 (OJ L 39, 9.2.2013, p 12).

enforcement of Union legislation providing for a high level of health for humans, animals and plants along the food chain and the improvement of the welfare of animals.

- (9) A modern internal market promotes competition and benefits consumers, businesses and employees. Making better use of the ever evolving internal market in services should help European businesses create jobs and grow across borders, offer wider choice of services at better prices, and maintain high standards for consumers and workers. To achieve this, the Programme should contribute to the removal of remaining barriers, and to ensure a regulatory framework that can accommodate new innovative business models.
- (10) Regulatory obstacles in the internal market have been removed for many industrial products through prevention mechanisms, the adoption of common rules and, where no such Union rules exist, through the principle of mutual recognition. In areas where no Union legislation exists, the principle of mutual recognition means that goods that are lawfully marketed in one Member State enjoy the right to free movement and can be sold in another Member State. However, inadequate application of mutual recognition makes it harder for companies to access markets in other Member States. Despite the high degree of market integration in the area of goods, this leads to lost opportunities for the economy at large. The Programme should therefore aim to improve the application of mutual recognition in the area of goods and to reduce the number of illegal and non-compliant goods entering the market.
- (11) New regulatory and enforcement challenges relate to a rapidly changing environment of the digital revolution, concerning issues such as cybersecurity, internet of things or artificial intelligence. Should damage occur, stringent rules on product safety and liability are essential to ensure a policy response that allows European citizens, including consumers and businesses, to benefit from such rules. The Programme should therefore contribute to the rapid adaptation and enforcement of a Union product liability regime which fosters innovation.
- (12) Placing on the market of products that are not compliant with Union law puts those who comply at disadvantage and may endanger consumers. Many entrepreneurs disregard the rules either through lack of knowledge or intentionally to gain a competitive advantage. Market surveillance authorities are often underfunded and constrained by national boundaries, while entrepreneurs trade at Union or even global level. In particular, in the case of e-commerce, market surveillance authorities have great difficulties in tracing non-compliant products imported from third countries and identifying the responsible entity within their jurisdiction. The Programme should therefore seek to strengthen product compliance by providing the right incentives to entrepreneurs, intensifying compliance checks and promoting closer cross-border cooperation among enforcement authorities. The Programme should also contribute to the consolidation of the existing framework for market surveillance activities, encourage joint actions of market surveillance authorities from different Member States, improve the exchange of information and promote convergence and closer integration of market surveillance activities.
- (13) Product safety is a common concern. The conformity assessment bodies verify whether products meet the safety requirements before they are placed on the market. It is therefore of paramount importance that the conformity assessment bodies are reliable and competent. The Union has put in place a system of accreditation of the conformity assessment bodies, verifying their competence, impartiality and independence. The main challenge is now to keep the accreditation system in line with the latest state of the art and to ensure that it is applied with the same stringency across the Union. The Programme should therefore support measures to ensure that conformity assessment bodies continue fulfilling the regulatory requirements and to enhance the European accreditation system, in particular in new policy areas, by supporting the

European co-operation for Accreditation (EA) referred to in Article 14 of Regulation (EC) No 765/2008 of the European Parliament and of the Council<sup>48</sup>.

- (14) As consumer markets know no borders with the development of online trade and travel services, it is important to ensure that consumers residing in the Union can benefit from adequate protection when importing goods and services from economic operators based in third countries. The Programme should therefore allow supporting cooperation with relevant bodies located in key trading third country partners of the Union where necessary.
- (15) Public procurement is used by public authorities to ensure value for public money spent and to contribute to a more innovative, sustainable, inclusive and competitive internal market. Directive 2014/23/EU of the European Parliament and of the Council<sup>49</sup>, Directive 2014/24/EU of the European Parliament and of the Council<sup>50</sup> and Directive 2014/25/EU of the European Parliament and of the Council<sup>51</sup> provide the legal framework for the integration and effective functioning of the public procurement markets representing 14% of Union's gross domestic product, to the benefit of public authorities, businesses as well as citizens, including consumers. The Programme should therefore support measures to ensure a wider uptake of strategic public procurement, the professionalisation of public buyers, improved access to procurement markets for SMEs, increase of transparency, integrity and better data, boosting the digital transformation of procurement and promotion of joint procurement, through strengthening a partnership approach with the Member States, improving data gathering and data analysis including through development of dedicated IT tools, supporting exchange of experiences and good practices, providing guidance, pursuing beneficial trade agreements, strengthening cooperation among national authorities and launching pilot projects.
- (16) In order to meet the objectives of the Programme and to facilitate the lives of citizens and businesses, high-quality user-centric public services need to be put in place. This implies that public administrations will need to start working in new ways, bring down silos between the different parts of their administrations, and to engage in the co-creation of these public services with citizens and businesses. Moreover, the continuous and steady increase of cross-border activities in the internal market requires provision of up-to-date information on the rights of businesses and citizens, but also information explaining the administrative formalities. In addition, provision of legal advice and helping to solve problems which occur at cross national level becomes essential. Furthermore, connecting national administrations in a simple and efficient manner as well as evaluating how the internal market works on the ground is necessary. The Programme should therefore support the following existing internal market governance tools: the Your Europe Portal which should be a backbone of the upcoming Single Digital Gateway, Your Europe Advice, SOLVIT, the Internal Market Information system and the Single Market Scoreboard in order to improve citizens' daily lives and businesses' ability to trade across borders.

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<sup>48</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).

<sup>49</sup> Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, p. 1).

<sup>50</sup> Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).

<sup>51</sup> Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

- (17) The Programme should support the development of the Union regulatory framework in the area of company law and corporate governance, as well as contract law, with a view to make business more efficient and competitive while providing protection for stakeholders affected by company operations, and to react to emerging policy challenges. It should also ensure appropriate evaluation, implementation and enforcement of the relevant *acquis*, inform and assist stakeholders and promote information exchange in the area. The Programme should further support the Commission's initiatives in favour of a clear and adapted legal framework for the data economy and innovation. Those initiatives are necessary to enhance legal certainty with regard to contractual and extra contractual law, in particular with regard to liability and ethics in the context of emerging technologies, such as internet of things, artificial intelligence, robotics, 3D Printing. The Programme should aim at stimulating the development of data-driven business, as it will be decisive for the position of the Union economy in a global competition.
- (18) The Programme should also promote the correct and full implementation and application of the Union legal framework for anti-money laundering and countering terrorism financing by the Member States and the development of future policies to address new challenges in the field. It should also support the relevant activities of the international organisations of European interest, such as the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe.
- (19) The implementation and development of the internal market in the area of financial services, financial stability and the Capital Markets Union including sustainable finance, highly depends on the evidence based policy measures taken by the Union. In order to achieve this objective, the Commission should have an active role in constantly monitoring financial markets and financial stability, assessing the implementation of Union legislation by Member States, evaluating whether the existing legislation is fit for purpose and identifying potential areas of action where new risks emerge, with a continuous involvement of stakeholders throughout the policy cycle. Such activities rely on the production of analyses, studies, training materials, surveys, conformity assessments, evaluations and statistics and are supported by IT systems and communication tools.
- (20) Considering that the internal market as set out in Article 3 of the Treaty on European Union includes a system ensuring that competition is not distorted, the Programme should support the Union's competition policy, networks and cooperation with national authorities and courts, as well as outreach to a wider group of stakeholders in communicating and explaining the rights, benefits and obligations of Union competition policy.
- (21) The Programme in particular needs to tackle the radical implications for competition and the functioning of the internal market resulting from the ongoing transformation of the economy and business environment, in particular through the exponential growth and use of data, taking account of the increasing recourse to artificial intelligence and other IT tools and expertise by companies and their advisors. It is also essential that the Programme supports networks and cooperation with Member State authorities and courts, considering that undistorted competition and the functioning of the internal market depend critically on action by those entities. In view of the particular role of competition policy in preventing harm to the internal market resulting from anticompetitive conduct beyond the Union's border, the Programme should also support cooperation with third country authorities, as appropriate. Finally, widening outreach activities is necessary in order to allow more citizens and businesses to reap the full benefits of fair competition in the internal market. Given that a number of initiatives in the Programme are new and that the competition part of the Programme is particularly affected by dynamic developments in the conditions of competition in the internal market, notably relating to Artificial Intelligence, algorithms, big data, cybersecurity and forensic technology, the pace and

magnitude of which are difficult to estimate, it is anticipated that flexibility will be required to face the evolving needs under this part of the Programme.

- (22) Strengthening the competitiveness of European enterprises while reassuring an effective level playing field and an open and competitive internal market is of outmost importance. SMEs are the engine of the European economy making up 99% of all businesses in Europe, providing two thirds of jobs, and contributing substantially to the creation of new jobs with a regional and local dimension.
- (23) SMEs share common challenges that do not affect larger firms to the same extent to obtain finance, to find skilled work force, to alleviate administrative burden, to take-up creativity and innovation, to access markets and foster internationalisation activities. The Programme should address such market failures proportionally, while not unduly distorting competition in the internal market.
- (24) Many of the Union's competitiveness problems involve SMEs' difficulties in obtaining access to finance because they struggle to demonstrate their credit-worthiness and have insufficient collateral. Additional financing challenges arise from SMEs' need to stay competitive by engaging e.g. in digitization, internationalization and innovation activities and skilling up their workforce. Limited access to finance has a negative effect on businesses creation, growth and survival rates, as well as on the readiness of new entrepreneurs to take over viable companies in the context of a business succession.
- (25) To overcome these market failures and to ensure that SMEs continue to play their role as the foundation for the Union economy's competitiveness, small and medium sized enterprises need extra support through debt and equity instruments to be established under the SME window of the InvestEU Fund established by Regulation [...] of the European Parliament and of the Council<sup>52</sup>. The loan guarantee facility put in place under Regulation (EU) No 1287/2013 of the European Parliament and of the Council<sup>53</sup> has a proven added value and is expected to bring a positive contribution to at least 500 000 SMEs; a successor will be established under the SME window of the InvestEU Fund.
- (26) The policy objectives of this Programme will be also addressed through financial instruments and budgetary guarantee under the SME window of the InvestEU Fund. Financial support should be used to address market failures or sub-optimal investment situations, in a proportionate manner and actions should not duplicate or crowd out private financing or distort competition in the internal market. Actions should have a clear European added value.
- (27) The Programme should provide effective support for SMEs throughout their life-cycle. It should build on the unique knowledge and expertise developed with regard to SMEs and industrial sectors and on a long experience in working with European, national and regional stakeholders. This support should build on the successful experience of the Enterprise Europe Network as a one-stop-shop to improve SMEs competitiveness and develop their business in the Single Market and beyond. The Network plans to continue delivering services on behalf of other Union programmes, notably for the Horizon2020 programme, using the financial resources of these programmes. Also the mentoring scheme for new entrepreneurs should remain the tool to enable new or aspiring entrepreneurs to gain business experience by matching with an experienced entrepreneur from another country and thus allow strengthening entrepreneurial talents. The Programme should further strive to grow and extend its

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<sup>52</sup> COM(2018) 439 final

<sup>53</sup> Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC (OJ L 347 of 20.12.2013, p. 33).

geographical coverage and thus offer wider range of matching possibilities to entrepreneurs in complementarity with other Union initiatives where relevant.

- (28) Clusters are a strategic tool for supporting the competitiveness and scaling-up of SMEs as they offer favourable business environments. Joint Cluster Initiatives should achieve critical mass to accelerate the growth of SMEs. By connecting specialised eco-systems, clusters create new business opportunities for SMEs and integrate them better in European and global strategic value chains. Support should be provided for the development of transnational partnership strategies and the implementation of joint activities, supported by the European Cluster Collaboration Platform. Sustainable partnering should be encouraged with continuation funding if performance and participation milestones are reached. Direct support to SMEs should be channelled through cluster organisations for the following: uptake of advanced technologies, new business models, low-carbon and resource-efficient solutions, creativity and design, skills upgrading, talent attraction, entrepreneurship acceleration, and internationalisation. Other specialised SME support actors should be associated to facilitate industrial transformation and implementations of smart specialisation strategies. The Programme should thus contribute to growth and build linkages with the Union's (digital) innovation hubs and investments made under Cohesion Policy and Horizon Europe. Synergies with the Erasmus programme can also be explored.
- (29) Creativity and innovation are crucial for the competitiveness of the Union's industrial value chains. They represent catalysts for industrial modernisation and contribute to smart, inclusive sustainable growth. However, uptake by SMEs is still lagging behind. The Programme should therefore support targeted actions, networks and partnerships for creativity-driven innovation throughout the industrial value chain.
- (30) European standards play an important role in the internal market. They are of vital interest for the competitiveness of undertakings, and especially SMEs. They are also a crucial tool to support Union legislation and policies in a number of key areas such as energy, climate change, information and communication technology, sustainable use of resources, innovation, product safety, consumer protection, worker's safety and working conditions and ageing population, thus positively contributing to the society as a whole.
- (31) European standardisation activities are governed by Regulation (EU) No 1025/2012 of the European Parliament and of the Council<sup>54</sup> and implemented through a long standing Public-Private-Partnership which is fundamental to achieve the objectives set in that Regulation as well as in general and sectorial Union standardisation policies.
- (32) A well-functioning common financial reporting framework is essential for the internal market, for the effective functioning of the capital markets and for the realisation of the integrated market for financial services in the context of the Capital Markets Union.
- (33) In accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council<sup>55</sup>, International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board and related interpretations from the IFRS Interpretations Committee are to be incorporated into Union law in order to be applied by companies with

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<sup>54</sup> Regulation (EU) No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation, amending Council Directives 89/686/EEC and 93/15/EEC and Directives 94/9/EC, 94/25/EC, 95/16/EC, 97/23/EC, 98/34/EC, 2004/22/EC, 2007/23/EC, 2009/23/EC and 2009/105/EC of the European Parliament and of the Council and repealing Council Decision 87/95/EEC and Decision No 1673/2006/EC of the European Parliament and of the Council (OJ L 316, 14.11.2012, p. 12).

<sup>55</sup> Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).

securities listed on a regulated market in the Union, only if IFRS meet the criteria set out in that Regulation, including the requirement that accounts give a ‘true and fair view’ as laid down in Article 4(3) of Directive 2013/34/EU of the European Parliament and of the Council<sup>56</sup> and that they are conducive to the European public good. Such international accounting standards need to be developed under a transparent and democratically accountable process. IFRS therefore plays a major role in the functioning of the internal market and thus the Union has a direct interest in ensuring that the process through which IFRS are developed and approved delivers standards that are consistent with the requirements of the legal framework of the internal market. It is therefore important to establish appropriate funding arrangements for the IFRS Foundation.

- (34) Taking into account the European Financial Reporting Advisory Group's (EFRAG) role in assessing whether IFRS comply with the requirement of Union law and policy, as laid down in Regulation (EC) No 1606/2002, it also is necessary for the Union to ensure EFRAG's stable financing and thus contribute to its funding. The technical work of EFRAG should be focused on technical advice to the Commission on the endorsement of IFRS as well as on the appropriate participation in the process of development of such IFRS and should ensure that Union interests are adequately taken into account in the international standard-setting process. Those interests should include the notion of ‘prudence’, the maintenance of the requirement of a ‘true and fair view,’ as laid down in Directive 2013/34/EU, and of the European public good as laid down in Regulation (EC) No 1606/2002, taking into account the impact of IFRS on financial stability and the economy. A European Corporate Reporting Lab should also be established as part of the European Financial Reporting Advisory Group (EFRAG), to promote innovation and the development of best practices in corporate reporting. In this forum, companies and investors can share best practices notably in the field of non-financial and sustainability reporting.
- (35) In the field of statutory audit, the Public Interest Oversight Board (PIOB) was created in 2005 by the Monitoring Group, an international organisation responsible for monitoring the governance reform of the International Federation of Accountants (IFAC). The role of the PIOB is to oversee the process leading to the adoption of International Standards on Auditing (ISAs) and other public interest activities of the IFAC. It is possible for ISAs to be adopted for their application in the Union provided, in particular, that they have been developed with due process, public oversight and transparency as required under Article 26 of Directive 2006/43/EC of the European Parliament and of the Council<sup>57</sup>. Considering the introduction of ISAs in the Union and the key role of the PIOB in ensuring that they fulfil the requirements laid down in Directive 2006/43/EC, it is therefore important to ensure appropriate funding arrangements for the PIOB.
- (36) The Union contributes to ensuring a high level of consumer protection, empowering consumers and putting them at the heart of the internal market by supporting and complementing Member States' policies in seeking to ensure that citizens when acting as consumers can fully reap the benefits of the internal market and that, in so doing, their safety and legal and economic interests are properly protected by means of concrete actions. The Union has also to ensure that consumer and product safety laws are properly and equally enforced on the ground and that

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<sup>56</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

<sup>57</sup> Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).

businesses enjoy a level playing field with fair competition in the internal market. Moreover, it is necessary to empower, encourage and assist consumers in making sustainable choices, thus contributing to a sustainable, energy and resource efficient and circular economy.

- (37) The Programme should aim to raise the awareness of consumers, businesses, civil society and authorities on Union consumer and safety laws and to empower consumers and their representative organisations at national level and at the Union level notably by supporting the *Bureau Européen des Unions de Consommateurs* (BEUC) which is the long established and recognised NGO representing consumer interests in relation to all relevant Union policies, and the European Association for the Co-ordination of Consumer Representation in Standardisation (ANEC) which represents consumers interest in relation to standardisation issues. In doing so, particular attention should be given to new market needs regarding the promotion of sustainable consumption and the prevention of vulnerabilities as well as challenges created by the digitisation of the economy or the development of new consumption patterns and business models. The Programme should support the development of relevant information on markets, policy challenges, emerging issues and behaviours, and the publication of the Union consumer scoreboards.
- (38) The Programme should support national competent authorities, including those responsible for monitoring product safety, who cooperate notably via the Union's rapid alert system for dangerous products. It should also support the enforcement of Directive 2001/95/EC of the European Parliament and of the Council<sup>58</sup> and Regulation (EC) No 765/2008 regarding consumer protection and product safety, and the Consumer Protection Cooperation network and international cooperation between the relevant authorities in third countries and in the Union. The Programme should also aim to ensure access for all consumers and traders to quality out of court dispute resolution and online dispute resolution and information on redress possibilities.
- (39) The European Consumer Centres Network is assisting consumers to obtain the benefit of their Union consumer rights when they purchase goods and services cross border in the Internal Market and EEA, either on-line or when travelling. The 30 centres strong network, jointly funded by the Union consumer programmes since more than 10 years has proven its added value to strengthen consumers and traders trust in the Internal Market. It deals with more than 100 000 consumers' requests per year and reaches millions of citizens via its press and online information activities. It is one of the most valued citizens' assistance network of the Union and most of its centres host contact points for internal market law, such as the Directive 2006/123/EC of the European Parliament and of the Council<sup>59</sup> and its evaluation stresses the importance to continue its operation. The network also intends to develop reciprocity arrangements with similar bodies in third countries.
- (40) The fitness check of Union consumer and marketing law carried out by the Commission in May 2017 exposed the need to better enforce rules and facilitate redress when consumers have been harmed by breaches to consumer laws. As a result the Commission adopted a "New Deal for Consumers" in April 2018 to ensure, inter alia, the equal treatment of consumers across the internal market in relation to dual quality standards, stronger enforcement capacities of Member States, enhanced product safety, increased international cooperation and new possibilities for redress notably through representative actions by qualified entities. The Programme should aim to support consumer policy with awareness raising and knowledge building, capacity building and exchange of best practices of the consumer organisations and

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<sup>58</sup> Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (OJ L 11, 15.1.2002, p. 4).

<sup>59</sup> Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market (OJ L 376, 27.12.2006, p. 36).

consumer protection authorities, networking and development of market intelligence, strengthening the evidence base on the functioning of the internal market for consumers, IT systems and communication tools, inter alia.

- (41) Citizens are particularly affected by the functioning of financial services markets. These are a key component of the internal market and require a solid framework for regulation and supervision which ensures not only financial stability and a sustainable economy, but also provides a high level of protection to consumers and other financial services end users, including retail investors, savers, insurance policyholders, pension fund members and beneficiaries, individual shareholders, borrowers and SMEs. It is important to enhance their capacity to participate in policy making for the financial sector.
- (42) The Programme should therefore continue to support the specific activities covered by the 2017-2020 Capacity-Building Programme enhancing the involvement of consumers and other financial services end-users in Union policy-making, as set out in Regulation (EU) 2017/826 of the European Parliament and of the Council<sup>60</sup> which continued the pilot programme and preparatory action of the years 2012-2017. This is necessary in order to provide policy makers with views from stakeholders other than financial sector professionals and ensure a better representation of the interests of consumers and other financial services end-users. This should result in better financial services policies, notably thanks to a better public understanding of the issues at stake in financial regulation and enhanced financial literacy.
- (43) In the context of a pilot project, between 2012 and 2013, and of a preparatory action, between 2014 and 2016, the Commission awarded grants to two organisations following an annual open call for proposals. The two organisations are Finance Watch, set up with Union grants in 2011 as an international non-profit association under Belgian law, and Better Finance, which is the product of successive re-organisations and rebranding of pre-existing European federations and shareholders since 2009. The Capacity-Building Programme established under Regulation (EU) 2017/826, identifies these same two organisations as sole beneficiaries. It is therefore necessary to continue to co-finance these organisations in the context of the Programme. However, this financing should be subject to review.
- (44) A high level of health protection through the food supply chain is necessary to allow the internal market to operate efficiently. A safe and sustainable food supply chain is a prerequisite for society and for the internal market. Cross border health crises and food scares disrupt the functioning of the internal market by limiting the movements of persons and goods and disrupting production.
- (45) The general objective of Union law in the food chain area is to contribute to a high level of health for humans, animals and plants along the food chain, to support the improvement of the welfare of animals, to contribute to a high level of protection and information for consumers and a high level of protection of the environment, including the preservation of biodiversity, while improving the sustainability of European food and feed productions, increasing quality standards across the Union, enhancing the competitiveness of the Union food and feed industry and favouring the creation of jobs.
- (46) Considering the specific nature of the actions concerning a high level of health for humans, animals and plants along the food chain special eligibility criteria concerning provision of grants and use of public procurement need to be provided in this Regulation. In particular, by

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<sup>60</sup> Regulation (EU) 2017/826 of the European Parliament and of the Council of 17 May 2017 on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy-making in the area of financial services for the period 2017-2020 (OJ L 129, 19.5.2017, p.17).

way of derogation from Regulation (EU, Euratom) of the European Parliament and of the Council<sup>61</sup> (the 'Financial Regulation'), as an exception to the principle of non-retroactivity, the costs for the emergency measures, due to their urgent and unforeseeable nature, should be eligible and include also costs incurred as a result of a suspected occurrence of a disease or pest provided that that occurrence is subsequently confirmed and notified to the Commission. The corresponding budgetary commitments and the payment of eligible expenditure should be made by the Commission, after signature of the legal commitments and after assessment of the payment applications submitted by the Member States. Costs should also be eligible for protection measures taken in the case of a direct threat to the status of health in the Union as a result of the occurrence or development, in the territory of a third country, a Member State or overseas countries and territories, of certain animal diseases and zoonoses as well as in respect of protection measures, or other relevant activities, taken in support of the health status of plants in the Union.

- (47) Official controls carried out by the Member States are an essential tool for verifying and monitoring that relevant Union requirements are being implemented, complied with and enforced. The effectiveness and efficiency of official control systems is vital for maintaining a high level of safety for humans, animals and plants along the food chain whilst ensuring a high level of protection of the environment and of animal welfare. Union financial support should be made available for such control measures. In particular, a financial contribution should be available to Union reference laboratories in order to help them bear the costs arising from the implementation of work programmes approved by the Commission. Moreover, since the effectiveness of official controls also depends on the availability to the control authorities of well trained staff with an appropriate knowledge of Union law, the Union should be able to contribute to their training and relevant exchange programmes organised by competent authorities.
- (48) High-quality European statistics developed, produced and disseminated under the European Statistical Programme are essential for evidence-based decision making European statistics should be available in a timely manner and should contribute to the implementation of Union policies as reflected in the Treaty on the Functioning of the European Union, notably strengthened and integrated economic governance, social, economic and territorial cohesion, sustainable development, agricultural policy, the social dimension of Europe and globalisation.
- (49) European statistics are indispensable for Union decision-making and for the measurement of the performance and impact of Union initiatives. Therefore, the continued provision and development of European statistics, taking a Union-wide approach and going beyond an internal market perspective should be ensured in order to cover all Union activities and policy areas, including empowering businesses and citizens to take informed decisions.
- (50) In view of its horizontal character, the European Statistical Programme is subject to specific requirements and notably those laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council<sup>62</sup>, in particular with regard to the respect of statistical principles, the functioning of the European statistical system and its governance, including the role and

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<sup>61</sup> [to add]

<sup>62</sup> Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

tasks assigned to the European statistical system committee and to the Commission, the establishment and implementation of the programming of the statistical activities.

- (51) The Programme has been submitted for prior examination to the European Statistical System Committee in accordance with Regulation (EC) No 223/2009.
- (52) The Union and Member States are committed to the implementation of the United Nations 2030 Agenda for Sustainable Development. By contributing to the achievement of the 2030 Agenda, the Union and Member States will foster a stronger, more sustainable, inclusive, secure and prosperous Europe. The Programme should contribute to the implementation of the 2030 Agenda, including by balancing the economic, social and environmental dimensions of sustainable development.
- (53) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, this Programme should contribute to mainstream climate actions and to the achievement of an overall target of 25 % of the Union budget expenditures supporting climate objectives. Relevant actions will be identified during the Programme's preparation and implementation, and reassessed in the context of the relevant evaluations and review processes.
- (54) This Regulation lays down a financial envelope for the Programme which is to constitute the prime reference amount, within the meaning of [*reference to be updated as appropriate according to the new inter-institutional agreement: point 17 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management*<sup>63</sup>], for the European Parliament and the Council during the annual budgetary procedure.
- (55) The Agreement on the European Economic Area provides for cooperation in the fields subject to the Programme between the Union and its Member States, on the one hand, and the countries of the European Free Trade Association participating in the European Economic Area, on the other. Provision should also be made to open the Programme to participation by other countries, including the neighbouring countries of the Union and countries which are applying for, are candidates for or are acceding to, membership of the Union. In addition, in the field of European statistics, the Programme should be open to Switzerland in accordance with the Agreement between the European Community and the Swiss Confederation on cooperation in the field of statistics<sup>64</sup>.
- (56) Third countries which are members of the European Economic Area (EEA) may participate in Union programmes in the framework of the cooperation established under the EEA agreement, which provides for the implementation of the programmes by a decision under that agreement. Third countries may also participate on the basis of other legal instruments. A specific provision should be introduced in this Regulation to grant the necessary rights for and access to the authorising officer responsible, the European Anti-Fraud Office (OLAF) as well as the European Court of Auditors to comprehensively exert their respective competences.
- (57) The Financial Regulation applies to this Programme. It lays down rules on the implementation of the Union budget, including rules on grants, prizes, procurement.

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<sup>63</sup> OJ C 373, 20.12.2013, p. 1.

[http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\\_.2013.373.01.0001.01.ENG&toc=OJ:C:2013:373:TOC](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2013.373.01.0001.01.ENG&toc=OJ:C:2013:373:TOC)

<sup>64</sup> OJ L 90, 28.3.2006, p. 2.

- (58) The actions implemented under the predecessor programmes and budget lines have proven to be adequate and should be retained. The new actions introduced under the Programme aim to reinforce in particular the well-functioning internal market. In order to provide more simplicity and flexibility in the execution of the Programme and thereby to better deliver on its objectives, the actions should be defined only in terms of overall, generic categories. Lists of indicative activities concerning specific objectives in the area of competitiveness, or specific activities stemming from regulatory requirements, like in the area of standardisation, food chain regulation and European statistics should also be included in the Programme.
- (59) It is necessary to specify certain categories of entities eligible for funding as well as those entities which should be eligible for funding without a call for proposals.
- (60) Considering the increasing interconnectivity of the world economy, the Programme should continue to provide the possibility of involving external experts, such as officials of third countries, representatives of international organisations or economic operators in certain activities.
- (61) It is necessary to indicate special criteria concerning co-financing rules and eligible costs.
- (62) In line with the Commission's commitment, set out in its Communication of 19 October 2010 entitled "The EU Budget Review"<sup>65</sup>, and in order to provide for coherence and simplification of funding programmes, resources should be shared with other Union funding instruments if the envisaged actions under the Programme pursue objectives which are common to various funding instruments, excluding however double financing.
- (63) This Programme should contribute to the overall support addressing specific needs of outermost regions and their integration in the internal market, as recently reconfirmed in the Commission's Communication "A stronger and renewed strategic partnership with the EU's outermost regions"<sup>66</sup>.
- (64) The Programme should promote synergies, while avoiding duplication with related Union programmes and actions. The actions under this Programme should be complementary to those of the Customs and Fiscalis Programmes established by Regulation (EU) [...] of the European Parliament and of the Council<sup>67</sup> and Regulation (EU) [...] of the European Parliament and of the Council<sup>68</sup> which also aim at supporting and improving the functioning of the internal market.
- (65) The Programme should promote synergies and complementarities with respect to the SMEs and entrepreneurship support under the European Regional Development Fund established by Regulation (EU) [...] of the European Parliament and of the Council<sup>69</sup>. Moreover, the SME window of InvestEU Fund established by Regulation (EU) [...] of the European Parliament and of the Council<sup>70</sup> will guarantee debt and equity support to enhance access and availability of finance for SMEs. The Programme should also seek synergies with the Space Programme established by Regulation (EU) [...] of the European Parliament and of the Council<sup>71</sup> in respect of encouragement of SMEs to benefit from breakthrough innovation and other solutions developed under those programmes.

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<sup>65</sup> COM(2010) 700 final of 19 October 2010.

<sup>66</sup> COM(2017) 623 final

<sup>67</sup> COM(2018) 442 final

<sup>68</sup> COM(2018) 443 final

<sup>69</sup> COM(2018) 372 final

<sup>70</sup> COM(2018) 439 final

<sup>71</sup> COM(2018) 447 final

- (66) This Programme should promote synergies with Horizon Europe established by Regulation (EU) No [...] of the European Parliament and of the Council<sup>72</sup> which aims to promote research and innovation. This should concern in particular complementarity with the actions of the future European Innovation Council for innovative companies, as well as the support of services for SMEs.
- (67) The Programme should promote synergies and complementarities with respect to the Digital Europe Programme established by Regulation (EU) [...] of the European Parliament and of the Council<sup>73</sup> which aims to promote the digitalisation of the Union economy and the public sector.
- (68) In addition, the Programme, should also seek synergies with the Justice, Rights and Values Fund established by Regulation (EU) [...] of the European Parliament and of the Council<sup>74</sup> which aims to support the further development of a European area of justice for the effectiveness of national justice systems, a key enabler of a fair and cost effective European economy.
- (69) This Programme should promote synergies with Erasmus programme established by Regulation (EU) [...] of the European Parliament and of the Council<sup>75</sup>, the European Union Solidarity Fund established by Regulation (EU) [...] of the European Parliament and of the Council<sup>76</sup> and the European Social Fund Plus established by Regulation (EU) [...] of the European Parliament and of the Council<sup>77</sup> in the area of labour and youth mobility which is essential for the well-functioning internal market.
- (70) Finally, food chain actions such as veterinary and phytosanitary measures in case of animal and plant health crises could be complemented by market based interventions from the Union's Common Agriculture Policy programming established by Regulation (EU) [...] of the European Parliament and of the Council<sup>78</sup>.
- (71) Where relevant the Programme's actions should be used to address market failures or sub-optimal investment situations, in a proportionate manner, without duplicating or crowding out private financing and have a clear European added value.
- (72) The implementing powers should be conferred on the Commission in respect of the adoption of work programmes implementing the actions contributing to a high level of health for humans, animals and plants along the food chain. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>79</sup>.
- (73) The types of financing and the methods of implementation under this Regulation should be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden, and the expected risk of non-compliance. This should include consideration of the use of lump sums, flat rates and unit costs, as well as financing not linked to costs as referred to in Article 125(1) of the Financial Regulation.

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<sup>72</sup> COM(2018) 435 final

<sup>73</sup> COM(2018) 434 final

<sup>74</sup> COM(2018) 375 final

<sup>75</sup> COM(2018) 367 final

<sup>76</sup> COM(2018) 322 final, Article 10

<sup>77</sup> COM(2018) 382 final

<sup>78</sup> COM(2018) 393 final

<sup>79</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

- (74) To ensure regular monitoring and reporting, a proper framework for monitoring the actions and results of the Programme should be put in place from the very beginning. Such monitoring and reporting should be based on indicators, measuring the effects of the actions under the Programme against pre-defined baselines.
- (75) Pursuant to paragraph 22 and 23 of the Inter-institutional Agreement of 13 April 2016 on Better Law-Making<sup>80</sup>, there is a need to evaluate this Programme on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, should include measurable indicators, as a basis for evaluating the effects of the Programme on the ground.
- (76) The list of animal diseases and zoonosis which qualify for funding under emergency measures and for funding under the eradication, control and surveillance programmes should be established on the basis of animal diseases referred to in Chapter 2 of Part I of Regulation (EU) 2016/429 of the European Parliament and of the Council<sup>81</sup>, Regulation (EC) No 2160/2003 of the European Parliament and of the Council<sup>82</sup> and Regulation (EC) No 999/2001 of the European Parliament and of the Council<sup>83</sup>.
- (77) In order to take account of situations that are provoked by animal diseases that have a significant impact on livestock production or trade, the development of zoonoses which pose a threat to humans, or new scientific or epidemiological developments, as well as animal diseases, which are likely to constitute a new threat for the Union, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission, in respect of amending the list of animal diseases and zoonoses. In order to ensure effective assessment of progress of the Programme towards the achievement of its objectives the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of reviewing or complementing the indicators to measure the achievement of the specific objectives where considered necessary and to supplement this Regulation with provisions on the establishment of a monitoring and evaluation framework. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (78) Pursuant to [*reference to be updated as appropriate according to a new decision on OCTs: Article 94 of Council Decision 2013/755/EU*<sup>84</sup>], persons and entities established in overseas countries and territories are eligible for funding subject to the rules and objectives of the

<sup>80</sup> OJ L 123, 12.5.2016, p. 1.

<sup>81</sup> Regulation (EU) 2016/429 of the European Parliament and of the Council of 9 March 2016 on transmissible animal diseases and amending and repealing certain acts in the area of animal health ('Animal Health Law') (OJ L 84, 31.03.2016, p. 1).

<sup>82</sup> Regulation (EC) No 2160/2003 of the European Parliament and of the Council of 17 November 2003 on the control of Salmonella and other specified food-borne zoonotic agents (OJ L 325, 12.12.2003, p. 1).

<sup>83</sup> Regulation (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies (OJ L 147, 31.05.2001, p. 1).

<sup>84</sup> Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union (Overseas Association Decision) (OJ L 344, 19.12.2013, p. 1).

Programme and possible arrangements applicable to the Member State to which the relevant overseas country or territory is linked.

- (79) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>85</sup>, Council Regulation (Euratom, EC) No 2988/95<sup>86</sup>, Council Regulation (Euratom, EC) No 2185/96<sup>87</sup> and Council Regulation (EU) 2017/1939<sup>88</sup>, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96 the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council<sup>89</sup>. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors (ECA) and to ensure that any third parties involved in the implementation of Union funds grant equivalent rights.
- (80) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective Union funding.
- (81) Regulation (EU) 2016/679 of the European Parliament and of the Council<sup>90</sup> governs the processing of personal data carried out in the Member States in the context of this Regulation and under the supervision of the Member States competent authorities. Regulation (EC)

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<sup>85</sup> Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999, (OJ L248, 18.9.2013, p. 1).

<sup>86</sup> Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.95, p.1).

<sup>87</sup> Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L292, 15.11.96, p.2).

<sup>88</sup> Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L283, 31.10.2017, p.1).

<sup>89</sup> Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

<sup>90</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

45/2001 of the European Parliament and of the Council<sup>91</sup> governs the processing of personal data carried out by the Commission within the framework of this Regulation and under the supervision of the European Data Protection Supervisor. Any exchange or transmission of information by competent authorities is to comply with the rules on the transfer of personal data as laid down in Regulation (EU) 2016/679 and any exchange or transmission of information by the Commission is to comply with the rules on the transfer of personal data as laid down in Regulation (EC) No 45/2001.

- (82) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States due to the cross-border nature of the issues involved, but can rather, by reason of the greater potential of Union action, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (83) The Programme should also be to ensure greater visibility and coherence of the Union's internal market, competitiveness of enterprises including SMEs and European statistics actions towards European citizens, businesses and administrations.
- (84) Regulation (EU) No 99/2013, Regulation (EU) No 1287/2013, Regulation (EU) No 254/2014 of the European Parliament and of the Council<sup>92</sup>, Regulation (EU) No 258/2014 of the European Parliament and of the Council<sup>93</sup>, Regulation (EU) No 652/2014 of the European Parliament and of the Council<sup>94</sup>, Regulation (EU) 2017/826, should be repealed with effect from 1 January 2021.
- (85) It is appropriate to ensure a smooth transition without interruption between the programmes in the fields of competitiveness of enterprises and SMEs, consumer protection, customers and end-users in financial services, policy making in financial services, food chain and European statistics, established by Regulation (EU) No 1287/2013, Regulation (EU) No 254/2014, Regulation (EU) 2017/826, Regulation (EU) No 258/2014, Regulation (EU) No 652/2014, Regulation (EU) No 99/2013 and this Programme, in particular regarding the continuation of multiannual measures and the evaluation of the previous programmes successes,

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<sup>91</sup> Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

<sup>92</sup> Regulation (EU) No 254/2014 of the European Parliament and of the Council of 26 February 2014 on a multiannual consumer programme of the years 2014-20 and repealing Decision No 1926/2006/EC (OJ L 84, 20.3.2014, p. 42).

<sup>93</sup> Regulation (EU) No 258/2014 of the European Parliament and of the Council of 3 April 2014 establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-20 and repealing Decision No 716/2009/EC (OJ L 105, 8.4.2014, p. 1).

<sup>94</sup> Regulation (EU) No 652/2014 of the European Parliament and of the Council of 15 May 2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, amending Council Directives 98/56/EC, 2000/29/EC and 2008/90/EC, Regulations (EC) No 178/2002, (EC) No 882/2004 and (EC) No 396/2005 of the European Parliament and of the Council, Directive 2009/128/EC of the European Parliament and of the Council and Regulation (EC) No 1107/2009 of the European Parliament and of the Council and repealing Council Decisions 66/399/EEC, 76/894/EEC and 2009/470/EC (OJ L 189, 27.6.2014, p. 1).

HAVE ADOPTED THIS REGULATION:

## CHAPTER I

### GENERAL PROVISIONS

#### *Article 1*

##### **Subject matter**

This Regulation establishes the programme for improving the functioning of the internal market and the competitiveness of enterprises, including micro, small and medium-sized enterprises and the framework for financing of development, production and dissemination of European statistics within the meaning of Article 13 of Regulation (EC) No 223/2009 (the 'Programme').

It lays down the objectives of the Programme, the budget for the period 2021 to 2027, the forms of Union funding and the rules for providing such funding.

#### *Article 2*

##### **Definitions**

For the purposes of this Regulation, the following definitions apply:

- (1) 'Blending operation' means actions supported by the Union budget, including within blending facilities pursuant to Article 2(6) of the Financial Regulation, combining non-repayable forms of support and/or financial instruments from the Union budget with repayable forms of support from development or other public finance institutions, as well as from commercial finance institutions and investors;
- (2) 'European statistics' means statistics developed, produced and disseminated in accordance with Regulation (EC) No 223/2009;
- (3) 'legal entity' means any natural or legal person created and recognised as such under national law, Union law or international law, which has legal personality and which may, acting in its own name, exercise rights and be subject to obligations, or an entity without a legal personality in accordance with Article 197(2)(c) of Regulation (EU, Euratom) of the European Parliament and of the Council (the 'Financial Regulation');
- (4) 'micro, small and medium-sized enterprises' means micro, small and medium-sized enterprises as defined in Commission Recommendation 2003/361/EC<sup>95</sup> in the version of 6 May 2003;
- (5) 'third country' means a country that is not a member of the Union.

#### *Article 3*

##### **Programme objectives**

1. The Programme has the following general objectives:
  - (a) to improve the functioning of the internal market, and especially to protect and empower citizens, consumers and businesses, in particular micro, small and medium-

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<sup>95</sup> Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

sized enterprises (SMEs), by enforcement of Union law, facilitation of market access, standard setting, and by promoting human, animal and plant health and animal welfare; as well as to enhance cooperation between the competent authorities of Member States and between the competent authorities of Member States and the Commission and the decentralised Union agencies;

- (b) to provide high-quality, comparable and reliable statistics on Europe which underpin the design, monitoring and evaluation of all the Union policies and help policy makers, businesses, academia, citizens and media to make informed decisions and actively participate in the democratic process.

2. The Programme has the following specific objectives:

- (a) making the internal market more effective, facilitating the prevention and removal of obstacles, supporting the development, implementation and enforcement of the Union law in the areas of the internal market for goods and services, public procurement, market surveillance as well as in the areas of company law and contract and extra-contractual law, anti-money laundering, free movement of capital, financial services and competition, including the development of governance tools;
- (b) improving the competitiveness of enterprises with special emphasis on SMEs and achieving additionality through the provision of measures that provide various forms of support to SMEs, access to markets including the internationalisation of SMEs, favourable business environment for SMEs, the competitiveness of sectors, the modernisation of industry and the promotion of entrepreneurship;
- (c) ensuring the effective functioning of the internal market through standardisation processes that:
  - (i) enable the financing of European standardisation and stakeholder participation in setting up European standards;
  - (ii) support the development of high-quality international financial reporting and auditing standards, facilitate their integration into the Union law and promote the innovation and development of best practices in corporate reporting;
- (d) promoting the interests of consumers and ensuring a high level of consumer protection and product safety by:
  - (i) empowering, assisting and educating consumers, businesses and civil society; ensuring a high level of consumer protection, sustainable consumption and product safety notably by supporting competent enforcement authorities and consumer representative organisations and cooperation actions; ensuring that all consumers have access to redress and; provision of adequate information on markets and consumers;
  - (ii) enhancing the participation of consumers, other financial services end-users and civil society in financial services policy-making; promoting a better understanding of the financial sector;
- (e) contributing to a high level of health for humans, animals and plants along the food chain and in related areas, including by preventing and eradicating diseases and pests, and to support the improvement of the welfare of animals as well as a sustainable food production and consumption;
- (f) producing and communicating high quality statistics on Europe in a timely, impartial and cost-efficient manner, through enhanced partnerships within the European

Statistical System referred to in Article 4 of Regulation (EC) No 223/2009 and with all relevant external parties, using multiple data sources, advanced data analytics methods, smart systems and digital technologies.

#### *Article 4*

#### **Budget**

1. The financial envelope for the implementation of the Programme for the period 2021 to 2027 shall be EUR 4 088 580 000 in current prices.
2. Within the amount referred to in paragraph 1 the following indicative amounts shall be allocated to the following objectives:
  - (a) EUR 1 000 000 000 to the objective referred to in Article 3(2)(b);
  - (b) EUR 188 000 000 to the objective referred to in Article 3(2)(d)(i);
  - (c) EUR 1 680 000 000 to the objective referred to in Article 3(2)(e);
  - (d) EUR 552 000 000 to the objective referred to in Article 3(2)(f).
3. The amount referred to in paragraph 1 may be used for technical and administrative assistance for the implementation of the Programme, concerning in particular preparatory, monitoring, control, audit and evaluation activities as well as use of information technology networks focusing on information processing and exchange, and use and development of corporate information technology tools.
4. For the objective referred to in Article 3(2)(e), budgetary commitments extending over more than one financial year, may be broken down over several years into annual instalments.
5. By derogation from Article 111(2) of the Financial Regulation, the Commission shall make the budgetary commitment for the grant awarded for veterinary and phytosanitary emergency measures under the specific objective referred to in Article 3(2)(e) of this Regulation after assessment of the payment applications submitted by Member States.
6. Resources allocated to Member States under shared management may, at their request, be transferred to the Programme. The Commission shall implement those resources directly in accordance with point (a) of Article 62(1) of the Financial Regulation or indirectly in accordance with point (c) of that Article. Where possible those resources shall be used for the benefit of the Member State concerned.

#### *Article 5*

#### **Third countries associated to the Programme**

The Programme shall be open to the following third countries:

- (a) European Free Trade Association (EFTA) members which are members of the European Economic Area (EEA), in accordance with the conditions laid down in the EEA agreement;
- (b) acceding countries, candidate countries and potential candidates, in accordance with the general principles and general terms and conditions for their participation in Union programmes established in the respective framework agreements and Association Council decisions, or similar agreements, and in accordance with the specific conditions laid down in agreements between the Union and them;
- (c) countries covered by the European Neighbourhood Policy, in accordance with the general principles and general terms and conditions for the participation of those countries in Union programmes established in the respective framework agreements and association council

decisions, or similar agreements, and in accordance with the specific conditions laid down in agreements between the Union and those countries;

- (d) third countries, in accordance with the conditions laid down in a specific agreement covering the participation of the third country to any Union programme, provided that the agreement:
- (i) ensures a fair balance as regards the contributions and benefits of the third country participating in the Union programmes;
  - (ii) lays down the conditions of participation in the programmes, including the calculation of financial contributions to individual programmes and their administrative costs;
  - (iii) does not confer to the third country a decisional power on the programme;
  - (iv) guarantees the rights of the Union to ensure sound financial management and to protect its financial interests.

The contributions referred to in point (ii) shall constitute assigned revenues in accordance with Article [21(5)] of the Financial Regulation.

#### *Article 6*

### ***Implementation and forms of EU funding***

1. The Programme shall be implemented in direct management in accordance with the Financial Regulation or in indirect management with bodies referred to in Article 62(1)(c) of the Financial Regulation.
2. The Programme may provide funding in any of the forms laid down in the Financial Regulation, in particular grants, prizes and procurement. It may also provide financing in the form of financial instruments within blending operations.
3. Contributions to a mutual insurance mechanism may cover the risk associated with the recovery of funds due by recipients and shall be considered as sufficient guarantee under the Financial Regulation. The provisions laid down in [Article X of] Regulation XXX [successor of the Regulation on the Guarantee Fund] shall apply<sup>96</sup>.

## **CHAPTER II**

### **GRANTS**

#### *Article 7*

#### **Grants**

Grants under the Programme shall be awarded and managed in accordance with Title VIII of the Financial Regulation.

#### *Article 8*

#### **Eligible actions**

1. Only actions implementing the objectives referred in Article 3 shall be eligible for funding.

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<sup>96</sup> [to add]

2. In particular the following actions implementing the objectives referred in Article 3 shall be eligible:
  - (a) creation of the right conditions to empower all actors of the internal market, including businesses, citizens and consumers, civil society and public authorities through transparent information and awareness raising campaigns, best practice exchange, promotion of good practices, exchange and dissemination of expertise and knowledge and organization of trainings;
  - (b) provision of mechanisms for citizens, consumers, end-users, civil society and businesses representatives from the Union to contribute to political discussions, policies and decision making process, notably by supporting the functioning of representative organisations at national and the Union level;
  - (c) capacity building, facilitation and coordination of joint actions between Member States and between the competent authorities of Member States and between the competent authorities of Member States and the Commission, the decentralised Union agencies and third country authorities;
  - (d) support for the effective enforcement and modernisation of the Union legal framework and its rapid adaptation to the ever-changing environment, including through data gathering and analyses; studies, evaluations and policy recommendations; organization of demonstration activities and pilot projects; communication activities; development of dedicated IT tools ensuring transparent and efficient functioning of the internal market.
3. The following actions implementing the specific objective referred to in Article 3(2)(b) shall be eligible for funding:
  - (a) to provide various forms of support to SMEs;
  - (b) facilitating SMEs' access to markets, supporting them in addressing global and societal challenges and business internationalisation, and strengthening Union industrial leadership in global value chains, including the Enterprise Europe Network;
  - (c) addressing market barriers, administrative burden and creating a favourable business environment to empower SMEs to benefit from the internal market;
  - (d) facilitating the growth of businesses, including skills development, and industrial transformation across manufacturing and service sectors;
  - (e) supporting the competitiveness of enterprises and whole sectors of economy, and supporting SMEs' uptake of innovation and value chain collaboration through strategically connecting ecosystems and clusters, including the joint cluster initiative;
  - (f) fostering an entrepreneurial business environment and entrepreneurial culture, including the mentoring scheme for new entrepreneurs and supporting start-ups, business sustainability and scale-ups.
4. The actions set out in Articles 15 and 16 of Regulation (EU) No 1025/2012 and implementing the specific objective referred to in Article 3(2)(c)(i) of this Regulation shall be eligible for funding.
5. The actions providing support for activities aimed at developing, applying, assessing and monitoring international standards in the fields of financial reporting and auditing and overseeing their standard-setting processes and implementing the specific objective referred to in Article 3(2)(c)(ii) shall be eligible for funding.
6. The actions set out in Annex I implementing the specific objective referred to in Article 3(2)(e) shall be eligible for funding.

7. The actions set out in Annex II implementing the specific objective referred to in Article 3(2)(f) shall be eligible for funding.

#### *Article 9*

#### **Eligible entities**

1. The eligibility criteria set out in paragraphs 2 to 7 of this Article shall apply in addition to the criteria set out in Article 197 of the Financial Regulation.
2. In addition to eligibility conditions laid down in paragraphs 3 to 7, the following entities shall be eligible under the Programme:
  - (a) legal entities established in any of the following countries:
    - (i) a Member State or an overseas country or territory linked to it;
    - (ii) a third country associated to the Programme in accordance with Article 5;
  - (b) any legal entity created under Union law or any international organisation;
  - (c) legal entities established in a third country which is not associated to the Programme are exceptionally eligible to participate, provided that the action pursues Union objectives and the activities outside the Union contribute to the effectiveness of interventions carried out in Member State territories to which the Treaties apply.
3. Legal entities established in a third country which is not associated to the Programme may participate in the following actions:
  - (a) actions implementing the specific objective referred to in Article 3(2)(b);
  - (b) actions supporting consumer protection implementing the specific objective in referred to Article 3(2)(d)(i).

The entities participating in the actions referred to in points a) and b) shall not be entitled to receive Union financial contributions, except where it is essential for the Programme, in particular in terms of competitiveness and access to markets for Union enterprises or in terms of protection of the consumers residing in the Union. That exception shall not apply to profit-making entities.

4. For actions implementing the specific objective referred to in Article 3(2)(c)(i) of this Regulation, the entities specified in Articles 15 and 16 of Regulation (EU) No 1025/2012 shall be eligible.
5. For actions supporting consumer protection implementing the specific objective referred to in Article 3(2)(d)(i) and related to the European Consumer Centres Network, the following bodies shall be eligible:
  - (a) a body designated by a Member State or a third country referred to in Article 5 which is a non-profit-making body selected through a transparent procedure;
  - (b) a public body.
6. Third countries, associated or not associated to the Programme shall be eligible for the following actions implementing the specific objective referred to in Article 3(2)(e):
  - (a) protection measures taken in the case of a direct threat to the status of health in the Union as a result of the occurrence or development, in the territory of a third country or a Member State, of one of the animal diseases and zoonoses listed in Annex III or plant pests listed in the work programme referred to in Article 16;

- (b) protection measures, or other relevant activities, taken in support of the health status of plants in the Union.

The Commission is empowered to adopt delegated acts in accordance with Article 20 to amend Annex III where it is necessary to take account of the situations that are provoked by those animal diseases that have a significant impact on livestock production or trade, the development of zoonoses which pose a threat to humans, or new scientific or epidemiological developments, as well as of the animal diseases which are likely to constitute a new threat for the Union.

Except in case of animal diseases and plant pests having a substantial impact on the Union, in principle, non-associated countries should finance themselves their participation in the actions referred to in points (a) and (b).

- 7. For actions implementing the specific objective referred to in Article 3(2)(f) of this Regulation, the following legal entities shall be eligible:
  - (a) national statistical institutes and other national authorities as referred to in Article 5(2) of Regulation (EC) No 223/2009;
  - (b) for actions supporting collaborative networks, other bodies operating in the field of statistics that are not the authorities referred to in point (a) of this paragraph;
  - (c) non-profit making entities, which are independent of industry, commercial and business or other conflicting interests, and have as their primary objectives and activities the promotion and support of the implementation of the European statistics Code of Practice referred to in Article 11 of Regulation (EC) No 223/2009 and the implementation of new methods of production of European statistics aiming at efficiency gains and quality improvements at Union level.

#### *Article 10*

#### **Designated beneficiaries**

The following entities may be awarded a grant under the Programme without a call for proposals:

- (a) for actions in the area of market surveillance implementing the specific objective referred to in Article 3(2)(a) of this Regulation, the market surveillance authorities of the Member States as referred to in Article 17 of Regulation (EC) No 765/2008 and Article 11 of [Proposal for a Regulation of the European Parliament and of the Council laying down rules and procedures for compliance with and enforcement of Union harmonisation legislation on products]<sup>97</sup>;
- (b) for actions in the area accreditation and market surveillance implementing the specific objective referred to in Article 3(2)(a) of this Regulation, the body recognised under Article 14 of Regulation (EC) No 765/2008 to carry out the activities referred to in Article 32 of Regulation (EC) No 765/2008;
- (c) for actions implementing the specific objective referred to in Article 3(2)(c)(i) of this Regulation, the entities referred to in Article 17 of Regulation (EU) No 1025/2012;

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<sup>97</sup> COM(2017) 795 final

- (d) for actions implementing the specific objective referred to in Article 3(2)(c)(ii), the European Financial Reporting Advisory Group (EFRAG), the International Financial Reporting Standards Foundation and the Public Interest Oversight Board (PIOB);
- (e) for actions implementing the specific objective referred to in Article 3(2)(d)(i) in relation to the representation of consumers interest at the Union level, Bureau *Européen des Unions de Consommateurs* (BEUC) and *European Association for the Coordination of Consumer Representation in Standardisation* (ANEC) provided they have no conflicting interests and represent through its members the interests of Union consumers in at least two thirds of the Member States;
- (f) for actions implementing the specific objective referred to in Article 3(2)(d)(ii), Finance Watch and Better Finance subject to the following conditions, to be assessed annually:
  - (i) the entities remain non-governmental, non-profit and independent of industry, commerce or business;
  - (ii) they have no conflicting interests and represent through its members the interests of Union consumers and other end-users in the area of financial services;
- (g) for actions implementing the specific objective referred to in Article 3(2)(e) of this Regulation:
  - (i) the competent authorities of the Member States and their affiliated entities, the European Union Reference Laboratories and the European Union Reference Centres referred to in Articles 92, 95 and 97 of Regulation (EU) 2017/625 of the European Parliament and of the Council<sup>98</sup> and international organisations;
  - (ii) only in the case of actions described under Article 9(6)(a) and (b) of this Regulation, third countries, associated or not associated to the Programme;
- (h) for actions implementing the specific objective referred to in Article 3(2)(f) of this Regulation, the national statistical institutes and other national authorities referred to in Article 5(2) of Regulation (EC) No 223/2009.

#### *Article 11*

#### **Evaluation and award criteria**

The evaluation committee(s) for actions implementing the specific objective(s) referred to in Article 3(2) may be composed fully or partially of external experts.

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<sup>98</sup> Regulation (EU) 2017/625 of the European Parliament and of the Council of 15 March 2017 on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products, amending Regulations (EC) No 999/2001, (EC) No 396/2005, (EC) No 1069/2009, (EC) No 1107/2009, (EU) No 1151/2012, (EU) No 652/2014, (EU) 2016/429 and (EU) 2016/2031 of the European Parliament and of the Council, Council Regulations (EC) No 1/2005 and (EC) No 1099/2009 and Council Directives 98/58/EC, 1999/74/EC, 2007/43/EC, 2008/119/EC and 2008/120/EC, and repealing Regulations (EC) No 854/2004 and (EC) No 882/2004 of the European Parliament and of the Council, Council Directives 89/608/EEC, 89/662/EEC, 90/425/EEC, 91/496/EEC, 96/23/EC, 96/93/EC and 97/78/EC and Council Decision 92/438/EEC (Official Controls Regulation) (OJ L 95, 7.4.2017, p. 1).

## *Article 12*

### **Co-financing rules**

1. For actions implementing the specific objective referred to in Article 3(2)(a) of this Regulation with reference to market surveillance authorities of the Member States and of the third countries associated to the Programme and with reference to Union testing facilities as referred to in Article 20 of [Proposal for a Regulation of the European Parliament and of the Council laying down rules and procedures for compliance with and enforcement of Union harmonisation legislation on products], the Programme may finance up to 100% of eligible costs of an action, provided that the co-financing principle as defined in the Financial Regulation is not infringed.
2. For grants awarded to the Public Interest Oversight Board (PIOB) implementing the specific objective referred to in Article 3(2)(c)(ii), if funding by the International Federation of Accountants (IFAC) in a given year reaches more than two-thirds of the total annual funding, the annual contribution for that year shall be limited to a maximum amount specified in the work programme referred to in Article 16.
3. For actions implementing the specific objective referred to in Article 3(2)(e) of this Regulation, the Programme may finance up to 100 % of the eligible costs, provided that the co-financing principle as defined in Article 190 of the Financial Regulation is not infringed.
4. For actions implementing the specific objective referred to in Article 3(2)(f) of this Regulation, the Programme may finance up to 95 % of the eligible costs of actions supporting collaborative networks as referred to in Article 15 of Regulation (EC) No 223/2009.

## *Article 13*

### **Eligible costs**

In addition to the criteria set out in Article 186 of the Financial Regulation, the following cost-eligibility criteria shall apply for actions implementing the specific objective referred to in Article 3(2)(e) of this Regulation:

- (a) as referred to in Article 193(2)(b) of the Financial Regulation costs shall be eligible prior to the start date of the action;
- (b) such costs may also be eligible as a result of taking measures in relation to suspected occurrence of a disease or presence of a pest, provided that that occurrence or presence is subsequently confirmed.

Costs referred to in point (a) of the first paragraph shall be eligible from the date of notification of the occurrence of the disease or presence of the pest to the Commission.

## *Article 14*

### **Cumulative, complementary and combined funding**

1. An action that has received a contribution from another Union programme may also receive a contribution under the Programme, provided that the contributions do not cover the same costs. The rules of each contributing Union programme shall apply to its respective contribution to the action. The cumulative funding shall not exceed the total eligible costs of the action and the support from the different Union programmes may be calculated on a pro-rata basis in accordance with the documents setting out the conditions for support.

2. Actions awarded a Seal of Excellence certification, or which comply with the following cumulative, comparative, conditions:
  - (a) they have been assessed in a call for proposals under the Programme;
  - (b) they comply with the minimum quality requirements of that call for proposals;
  - (c) they may not be financed under that call for proposals due to budgetary constraints.

may receive support from the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus or the European Agricultural Fund for Rural Development, in accordance with paragraph 5 of Article [67] of Regulation (EU) XX [Common Provisions Regulation] and Article [8] or Regulation (EU) XX [Financing, management and monitoring of the Common Agricultural Policy], provided that such actions are consistent with the objectives of the programme concerned. The rules of the Fund providing support shall apply.

3. An operation may receive support from one or more Union programmes. In such cases expenditure declared in a payment application shall not be declared in a payment application for another programme.
4. The amount of expenditure to be entered into a payment application may be calculated for each programme concerned on a pro rata basis, in accordance with the document setting out the conditions for support.

## **CHAPTER III**

### **BLENDING OPERATIONS**

#### *Article 15*

#### **Blending operations**

Blending operations decided under this Programme shall be implemented in accordance with the [InvestEU regulation] and Title X of the Financial Regulation.

## **CHAPTER IV**

### **PROGRAMMING, MONITORING, IMPLEMENTATION AND CONTROL**

#### *Article 16*

#### **Implementation of the Programme**

1. The Programme shall be implemented by work programme(s) referred to in Article 110 of the Financial Regulation. Work programmes shall set out, where applicable, the overall amount reserved for blending operations.
2. Work programmes implementing the specific objective referred to in Article 3(2)(e) as set out in Annex I shall be adopted by the Commission by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 21(2).

3. By derogation from paragraph 1 of this Article, actions set out in Annex II to this Regulation implementing the specific objective referred to in Article 3(2)(f) of this Regulation shall be implemented in accordance with Articles 14 and 17 of Regulation (EC) No 223/2009.

#### *Article 17*

### **Monitoring and reporting**

1. Indicators to report on progress of the Programme towards the achievement of the specific objectives set out in Article 3(2) are set in Annex IV.
2. To ensure effective assessment of progress of the Programme towards the achievement of its objectives the Commission is empowered to adopt delegated acts in accordance with Article 20 to review or complement the indicators in Annex IV where considered necessary and to supplement this Regulation with provisions on the establishment of a monitoring and evaluation framework.
3. The performance reporting system shall ensure that data for monitoring programme implementation and results are collected efficiently, effectively, and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funds and, where relevant, Member States.

#### *Article 18*

### **Evaluation**

1. Evaluations shall be carried out in a timely manner to feed into the decision-making process.
2. The interim evaluation of the Programme shall be performed once there is sufficient information available about the implementation of the Programme, but no later than four years after the start of the Programme implementation.
3. In relation to actions implementing the specific objective referred to in Article 3(2)(c)(ii), the Commission shall prepare an annual report on the activity of the International Financial Reporting Standards Foundation as regards the development of International Financial Reporting Standards, of the IOB and of the EFRAG. The Commission shall transmit the report to the European Parliament and to the Council.
4. In accordance with Article 13 of Regulation (EC) No 223/2009, the Commission shall consult the European Statistical System Committee for the part of the evaluations that pertain to actions implementing the specific objective referred to in Article 3(2)(f) of this Regulation, prior to their adoption and submission to the European Parliament and the Council.
5. At the end of the implementation of the Programme, but no later than four years after the end of the period specified in Article 1, a final evaluation of the Programme shall be carried out by the Commission.
6. The Commission shall communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

## Article 19

### Protection of the financial interests of the Union

Where a third country participates in the Programme by a decision under an international agreement or by virtue of any other legal instrument, the third country shall grant the necessary rights and access required for the authorizing officer responsible, the European Anti-Fraud Office (OLAF), the European Court of Auditors to comprehensively exert their respective competences. In the case of OLAF, such rights shall include the right to carry out investigations, including on-the-spot checks and inspections, provided for in Regulation (EU, Euratom) No 883/2013 concerning investigations conducted by (OLAF).

## Article 20

### Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 9 and 17 shall be conferred on the Commission until 31 December 2028.
3. The delegation of power referred to in Articles 9 and 17 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal* of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Articles 9 and 17 shall enter into force if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

## Article 21

### Committee procedure

1. The Commission shall be assisted by the Standing Committee on the Food Chain and Animal Health established by Article 58 of Regulation (EC) No 178/2002 of the European Parliament and of the Council<sup>99</sup>. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

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<sup>99</sup> Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (OJ L 031, 01.02.2002, p. 1).

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Where the opinion of the committee is to be obtained by written procedure, that procedure shall be terminated without result when, within the time-limit for delivery of the opinion, the chair of the committee so decides or a simple majority of committee members so requests.

## **CHAPTER V**

### **TRANSITIONAL AND FINAL PROVISIONS**

#### *Article 22*

##### **Information, communication and publicity**

1. The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding (in particular when promoting the actions and their results), by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
2. The Commission shall implement information and communication actions relating to the Programme, and its actions and results. Financial resources allocated to the Programme shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Article 3.
3. The Commission (EUROSTAT) shall implement information and communication activities relating to implementation of the specific objective referred to in Article 3(2)(f), its actions and results when they pertain to the development, production and dissemination of European statistics, in compliance with the statistical principles laid down in Regulation (EC) No 223/2009.

#### *Article 23*

##### **Repeal**

Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) 2017/826 are repealed with effect from 1 January 2021.

#### *Article 24*

##### **Transitional provisions**

1. This Regulation shall not affect the continuation or modification of the actions concerned, until their closure, under Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) 2017/826 which shall continue to apply to the actions concerned until their closure.

2. The financial envelope for the Programme may also cover technical and administrative assistance expenses necessary to ensure the transition between the Programme and the measures adopted under predecessor programmes established by acts listed in paragraph 1.
3. If necessary, appropriations may be entered in the budget beyond 2027 to cover the expenses provided for in Article 4(3), to enable the management of actions not completed by 31 December 2027.

*Article 25*

**Entry into force**

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2021. This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## LEGISLATIVE FINANCIAL STATEMENT

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned (*programme cluster*)
- 1.3. Nature of the proposal/initiative
- 1.4. Grounds for the proposal/initiative
- 1.5. Duration and financial impact
- 1.6. Management mode(s) planned

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
  - 3.2.2. *Estimated impact on appropriations of an administrative nature*
  - 3.2.3. *Third-party contributions*
- 3.3. Estimated impact on revenue

## LEGISLATIVE FINANCIAL STATEMENT

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Single Market, competitiveness of SMEs and European Statistics Programme for the period 2021 to 2027 and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) 2017/826**

#### 1.2. Policy area(s) concerned (*Programme cluster*)

Single market, Innovation and Digital

#### 1.3. The proposal/initiative relates to:

a new action

a new action following a pilot project/preparatory action<sup>100</sup>

the extension of an existing action

a merger or redirection of one or more actions towards another/a new action

#### 1.4. Grounds for the proposal/initiative

##### 1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Set up of an internal governance structure for the coordination between Services, common approach at the establishment of work programmes, monitoring and reporting on programme implementation and achievement of results.

Delegation of powers to executive agencies, preparation of programme documentation and standard documents for implementation. Adaptation of programme management systems.

For competitiveness, SME and internal market:

- Set up of partnerships for the European Enterprise Network, the business exchange scheme for entrepreneurs, the Joint Cluster Initiative and partnerships for standardisation.

##### 1.4.2. Added value of Union involvement

Reason for action at European level (ex-ante):

Action at Union level is required to ensure the consistent development of the Single Market, non-discrimination, consumer protection, effective competition, developing capabilities in as well as cooperation and trust between Member States, tackle cross-border issues and ensuring the security of the Single Market. Developing the programme can only be achieved at Union level, as actions require active cooperation and coordination of national capacities.

<sup>100</sup> As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

Expected generated Union added value (ex-post):

The Programme's main EU added value lays in supporting a well-functioning internal market in particular:

- Empowering citizens/consumers (directly or indirectly), businesses (in particular SMEs) and public administrations to get full access to the opportunities offered by the internal market.
- Fostering administrative cooperation between Member States and between the Member States and the Commission via information, best practice exchange and capacity building
- Supporting rule making, standard setting including at international level, and enforcement at Union level through financing data gathering and analysis

1.4.3. *Lessons learned from similar experiences in the past*

The evaluations and lessons learned of the included programmes and budget lines show that they have all brought added value and should continue.

The interim evaluation for **COSME**<sup>101</sup> concluded that the programme is highly relevant in fostering economic growth and creating employment opportunities and is strongly aligned to the evolving needs of SMEs. Its strength lies in the use of intermediaries who have a direct and longstanding contact with SMEs for the implementation of the programme. This allows customised SME support tailored to specific sectors, such as tourism, textiles, creative industries etc. and to reach a high multiplier effect of actions. The COSME loan guarantee facility has delivered significant impact on the ground and has been positively evaluated by the European Court of Auditors.

Continuous investment in boosting the quality, the visibility and the transparency of the **Internal Market Governance Tools** (Your Europe, Your Europe Advice (YEA), SOLVIT, the Internal Market Information system) is also needed to keep helping citizens and businesses to efficiently use their internal market rights, but also to cope with increasing cross-border mobility and activity and further digitalisation of the single market, i.e., a comprehensive upgrade of the Your Europe portal will be required, as the single digital gateway will be based on the Your Europe portal with a new common user interface (search engine) managed by the Commission.

For actions in the field of **competition**, studies have shown the macroeconomic impacts of Union competition enforcement to be significant. Major lessons in terms of identifying new and growing challenges have also been learnt in the day-to-day enforcement of Union competition policy. These include a more complex and demanding IT and data driven world (increasingly sophisticated IT tools used by firms, continuous increase in the volume of electronic communications and the use of artificial intelligence, big data and algorithms) as well as the need for a wider and deeper engagement with national authorities and courts.

The evaluation also confirmed that the existing regulatory framework for **standardisation** fits the objectives but showed areas for improvement at policy and operational level. At policy level the main lessons learnt concern: a) speed and timeliness elaboration of standards; b) inclusiveness of weaker stakeholders

<sup>101</sup> <http://ec.europa.eu/DocsRoom/documents/28084>

representing consumers, environmental, workers interests and especially of SMEs which link innovation with standardisation in the standardisation process c) support to competitiveness of European businesses at global level; d) enhance communication channels between the Commission and the European standardisation system.

The evaluation on the functioning of **Internal Market for Goods** confirmed the added-value of joint actions of market surveillance authorities. However a more coherent framework for coordination of joint actions, reduced administrative burden for authorities and increased resources in particular for product testing costs would be needed to curb the tide of non-compliant products that can be found on the single market. Moreover to realise the full benefits of the Single Market, the functioning of the mutual recognition should be optimised by targeted awareness raising and training, including specific actions for sectors in which mutual recognition could achieve the greatest increase in EU competitiveness and support cooperation among national authorities to enhance their mutual recognition culture and built trust in different legal systems and product related requirements. The pivotal role of the EU system of accreditation of the conformity assessment bodies was confirmed, justifying the continued support at EU level for the accreditation infrastructure provided for by Regulation (EC) 765/2008.

The **Consumer Programme** evaluation shows a general satisfaction of the stakeholders in terms of relevance and effectiveness of the activities. The European Consumer Centres, E-enforcement academy, and the RAPEX system, scored highly, as well as the support to BEUC and for all the networking and stakeholders events. Overall, the objectives and priorities of the Consumer Programme are assessed as being still fully relevant and should be continued. Additional priorities could be given to sustainable consumption, a uniform and high level of consumer protection throughout the Union, support to consumer organisations at the Member State level (e.g. jointly with the Member States in their role as consumer watchdogs). Finally, experience shows that the Programme should enjoy a higher degree of flexibility in order to better address new market challenges driven by fast and often unpredictable societal and technological changes.

In case of **financial services**, the financing of Better Finance and Finance Watch through the capacity-building programme enhancing the involvement of consumers and other end-users in Union policy-making in financial services, was also a success that enabled both organisations to grow as expert non-industry organisations with complementary profiles bringing high EU added value in pursuing planned objectives. In the context of the programme on standards in the field of financial reporting and auditing, the results of evaluations clearly show that the objectives of the programme were achieved and that therefore the funding delivery mechanisms function effectively.

The mid-term evaluation of the **Food Chain Programme** confirmed that the added value pursued through the programme (the first drawing together of all such actions) was delivering the desired objectives, and that the objectives and areas of action remain valid. In the open public consultation, concerns were raised about the impacts of measures that had to be taken after the outbreaks of "Xylella" (a plant pest) in southern Europe, thus confirming the need to focus more on monitoring and prevention in the phytosanitary area.

The **European Statistical Programme** evaluation demonstrates that the current delivery mechanism works effectively and that the programme is run efficiently and is reaching its objectives. The ESP provides a clear EU added value, thanks to the harmonised provision of comparable and high-quality data for the Union. However, the evaluations also show the need to ensure adequate resources in the future for the modernisation of the statistical production processes, to be able to respond to the growing needs of the users, especially concerning timeliness and coverage of new data for emerging policy needs, while becoming more agile and taking advantage of new technologies.

The diversity of the actions undertaken under this programme (studies, surveys, subscriptions to databases, development and maintenance of information systems in support of the business, etc.) in all areas of the Union policies enabled the Commission to adapt its policies to a wide-ranging and constantly changing environment and to adopt evidence-based proposals following a broad consultation with stakeholders.

#### 1.4.4. *Compatibility and possible synergy with other appropriate instruments*

The cooperation activities supported under the **Fiscalis** and **Customs** programmes represent key elements to strengthen the Single Market. The customs union is a foundation of the Union and an enabler of the internal market and other Union political priorities. It has a key function not only on its traditional role in duty collection for the Union budget but also because customs authorities hold a central role in ensuring external border and supply chain security, contributing to the security of the European Union. Custom authorities play an important role when controlling the safety or conformity of imports of food and non-food products. (30% of goods come into single market from third countries). Import controls require close cooperation between customs and market surveillance, joint actions, linking up of IT systems at Union level as well as capacity building in Member states to align national systems.

In the same vein, cross-border and transnational activities for economic cooperation under the **European Structural and Investment Funds** also support the Single Market. The Programme will encourage SMEs to benefit from breakthrough innovation and other solutions developed under other Union programmes like the **Ninth Framework Programme for Research and Development** (“Horizon Europe”) and the Space programme. Horizon Europe will support innovation driven by enterprises in all its forms, but is set to devote specific attention to market-creating, breakthrough innovation that will be supported under the European Innovation Council initiative; the European Enterprise Network may add value by providing its networking and other support services to beneficiaries of Horizon Europe actions. Finally, streamlining is achieved by pooling all centrally managed financial instruments at the EU level in the **InvestEU Fund**<sup>102</sup>, including debt and equity financial instruments for the benefit of SMEs.

The effectiveness of the Programme, notably its public authorities' cooperation is also dependant on the effectiveness of the **Digital Europe** programme, as it will provide the digital interoperability and infrastructures needed by a number of EU

<sup>102</sup> [insert reference to InvestEU Fund Regulation]

programmes. Generic solutions developed under the Digital Europe Programme will be streamlined, made fit-for-purpose and can be integrated into the IT solutions supporting the internal market under the Programme. Common governance for the IT Interoperable solutions inside and outside Programme could further increase the coherence across programmes. Artificial intelligence, big data analysis, access to data sources and other IT related issues form a core part of the Competition programme. As those activities also feature in the Digital Europe programme, the effectiveness of the Programme, including the Competition programme, will be boosted by the Digital Europe programme.

The Food Chain Programme actions such as veterinary measures in case of animal health crises implying culling of animals and decontamination of farms could be complemented by market based interventions from Union's **Common Agriculture Policy** (CAP) programming.

The **European Social Fund** will act as catalyst to foster labour and youth mobility. Programme should contribute to growth and build linkages with the Union's (digital) innovation hubs and investments made under Cohesion Policy and Horizon Europe. Synergies with the Erasmus programme can also be explored.

## 1.5. Duration and financial impact

### limited duration

- in effect from **1 January 2021** to **31 December 2027**
- Financial impact from **1 January 2021** to **31 December 2027** for commitment appropriations and from **1 January 2021** to **31 December 2032** for payment appropriations.

### unlimited duration

- Implementation with a start-up period from YYYY to YYYY, followed by full-scale operation.

## 1.6. Management mode(s) planned<sup>103</sup>

### Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

### Shared management with the Member States

### Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund\*;
- bodies referred to in Articles 70 and 71 of the Financial Regulation;

<sup>103</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:  
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

#### Comments

Indirect management may be used on occasion in the course of the programme, if a specific need arises and indirect management represents the most adequate way of funding, e.g. international organisations, public law bodies.

## **2. MANAGEMENT MEASURES**

### **2.1. Monitoring and reporting rules**

A governance structure will be set up for the coordinated implementation of the Programme, throughout the period of application, allowing continuous exchange on its implementation, the achievement of results.

Parts of the programme are expected to be implemented by executive agencies, in particular concerning the objective on competitiveness and SME, the food chain objective and consumer policy.

The Programme will be subject to an interim and to an ex-post evaluation to assess progress towards the objectives and the results. The interim evaluation shall be performed no later than four years after the start of the programme. A final evaluation shall be undertaken four years after this.

Activities in the field of competition will be implemented in line with the reporting and monitoring requirement of the Commission, rules of the Directorate-General will apply. In particular, the Annual Activity Reports (AARs) will give an account of the effectiveness of their internal control systems.

With respect to financial services the reporting rules will foresee a set of periodic and final reports to be submitted by contractors and beneficiaries allowing an efficient monitoring of the activities. The reporting rules will be proportionate to the actual monitoring needs and risks and adapted to the specific needs of each contract and grant. Such reports will also be used as a basis to carry out regular evaluations on performance for example in the context of operating grants awarded in the field of financial reporting and auditing.

Where the internal market for goods and services, public procurement, market surveillance, standardisation, competitiveness of enterprises and SME are concerned, monitoring of the implementation of the Programme will be ensured on a continuous basis, directly by Commission services and by executive agencies that may be entrusted with the implementation of parts of the Programme. The Commission will draw up an annual monitoring report examining the efficiency and effectiveness of supported activities in terms of financial implementation, results and, where possible, impacts and to allow for any necessary adjustments of the policy and funding priorities. Performance measurement will be subject to a consistent set of indicators.

The Food Safety strand of the Programme will be implemented through direct management, using the implementation modes offered by the Financial Regulation, mainly being grants and procurement. Direct management allows establishing direct contacts with beneficiaries/contractors directly engaged in activities that serve Union policies. The Commission ensures direct monitoring over the outcome of the actions financed. The payment modalities of the actions funded will be adapted to the risks pertaining to the financial transactions. In order to ensure the effectiveness, efficiency and economy of the Commission controls, the strategy will be oriented towards a balance of ex-ante and ex-post checks.

## 2.2. Management and control system(s)

### 2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The Programme will be mainly implemented under direct management, using in particular grants, procurement, and prizes.

The possibility to apply indirect management is left open to make full use of the flexibilities of the Financial Regulation 2018. Funding may take the form of contribution agreements, where this method is to be preferred above the award of a grant, e.g. in cooperation with international organisations or public entities.

All methods of funding can potentially be applied, including simplified forms of grants (lump sums, unit costs, flat rate financing) and financing not linked to costs. This ensures maximum flexibility for the duration of the Programme.

This programme brings together a wide range of activities in support of the internal market, competitiveness of enterprises, in particular SMEs, and European statistics. It combines policy implementation of a large number of Commission Services, offering synergy in budget implementation on policies related to the functioning of the internal market.

Specific rules for eligibility for funding are limited to a minimum in order to give full liberty to the development of crosscutting actions in the course of the Programme. Specific provisions are made only where the continuation of existing funding structures with proven added value and impact requires it.

This Programme is an initiative to bring together policy implementation on a wide range of issues in relation to the internal market, competitiveness, SME and statistics. The opportunities already identified in the Impact Assessment to establish synergies and develop crosscutting initiatives will be developed further during preparation and first steps in programme implementation. This applies a coherence on internal controls. An adequate governance structure ensuring cooperation between services involved in the implementation will be put in place. The intentions are reflected in the crosscutting formulation of eligible actions under article 8 of the Programme.

Where the Programme ensures continuity of ongoing actions, the envisaged implementation methods and internal controls are identified by the Services currently responsible for the activities concerned, as indicated below.

Activities related to competition will be implemented mainly through procurement under direct management, in particular for the financing of IT projects. This include effective IT-governance processes, which actively involve the systems' users. The internal control processes on the authorisation of expenditure are aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, and the nature of payments. Furthermore, the control system consists of different building blocks, such as reporting to senior management, ex-ante verification by central financial team, internal advisory committee for procurements and contracts, ex-post controls and audits from the Internal Audit Service and the European Court of Auditors.

In the field of contracts/grants awarded in the area of financial services, financial stability and capital markets union the Programme will be implemented under direct management. There will be a constant link with policy work on financial services which, in specific fields, depends on the outputs of the contracts/grants funded under the programme. Such management mode ensures the necessary flexibility for adapting the Programme to actual policy needs in an area subject to frequent changes.

The Food Safety strand focuses on the attribution of grants mainly to Member States while a number of public procurement contracts are foreseen.

Grants will mainly be awarded to support activities by Member States, to non-governmental organisations, national agencies, universities etc. The period of execution of the subsidised activities and projects varies from one to three years. The service contracts will be concluded in areas such as studies, data collection, evaluation contracts, training initiatives, information campaigns, IT and communication services, facilities management etc. In addition, the antigens and vaccines are purchased to contain animal disease outbreaks.

The management mode for the provision and dissemination of statistics is central direct management by the Commission. From a financial point of view, the Programme will be implemented by awarding contracts mainly in the domains of statistics and IT services, and via grants mainly donated to national statistical authorities. The standard payment modalities of the European Commission will be applied. A multi-annual control strategy covering the lifetime of the programme will be established in order to reduce the risks related to the financial transactions of the programme to an acceptable level taking into account its cost-efficiency. The control strategy will foresee a combination of mandatory ex ante controls with complementary ex post controls.

The part of the Programme that concerns consumer policies, company law, contract law and anti-money laundering will be executed through direct management. The direct management allows to monitor the programme objectives and programme implementation because it allows larger flexibility in terms of changes and adjustments, including those in financial decisions.

Procurement activities will be mainly, but not exclusively, managed directly by the Commission, as this allows to better adapt to the needs of the policy and will allow for instance to do legislative conformity checks, studies, and implement some prerogative activities of the Commission.

The bulk of the Consumer policy and its objective within the Single Market Programme will be executed by the executive Agency CHAFEA, mainly through grants although procurement activities will also be possible. This will be in continuation with the current experience which has proved to be effective.

#### 2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The internal control framework is built on the implementation of the Commission's Internal Control Principles, procedures for selecting the best projects and translating them into legal instruments, project and contract management throughout the project

lifecycle, ex-ante checks on claims, including receipt of audit certificates, ex-ante certification of cost methodologies, ex post audits and corrections, and evaluation.

The activities in the framework of competition will be implemented mainly through public procurement under direct management mode. Therefore the associated legality and regularity risks are considered to be (very) low. In line with the requirement of the Financial Regulation, an important objective of the Commission's "budget focused on results strategy" is to ensure cost-effectiveness when designing and implementing management and control systems which prevent or identify and correct errors. The control strategy therefore considers a higher level of scrutiny and frequency in riskier areas and ensures cost-effectiveness.

The main risks for actions in the area of competition would concern management of IT projects, in particular in terms of delays, of cost- risk overruns and overall governance. Many of these risks are linked to the inherent nature of these projects and will be mitigated by means of appropriate project management system and project management reporting, including risks reports that will be submitted to senior management as required.

In this context, project risk reports (including risk register and the supporting risk treatment action plan, work performance data reviews, project schedule progress and status of project deliverables produced) will serve as a critical driving force enabling adequate risk management and achievement of project outcomes in line with specifications.

The overall funding process related to financial services will be subject to several layers of controls at operational and financial level in line with the rules established in the Financial Regulation. A second level of ex-ante operational and financial verification will be required for transactions with a higher risk. Additional on-the-spot controls on the beneficiaries of grants' programmes will be made on the basis of a risk analysis. The payment modalities will be adapted to each contract and action ensuring a correct balance between financing needs and protection of the EU financial interests. The reporting modalities (see point 2.1) will be carried out in a way to avoid unnecessary repetitive controls and will be focused on actual monitoring needs.

The current internal control framework applicable to the internal market for goods and services, public procurement, market surveillance, standardisation and competitiveness of enterprises and SMEs is built on the implementation of the Commission's Internal Control Principles, procedures for selecting the best projects and translating them into legal instruments, project and contract management throughout the project lifecycle, ex-ante checks on claims, including receipt of audit certificates, ex-ante certification of cost methodologies, ex post audits and corrections, and evaluation.

It is envisaged that the Programme budget on competitiveness and SME will be implemented by an executive agency.

The complex cost eligibility rules for grants and the relatively limited financial management expertise of certain beneficiaries (SME) entails a higher risk of incorrectly declared costs.

The major risk identified relates to errors in recording the eligible costs of grants, mostly in the heading of the costs. Until now, they are based on actual real costs. Once the new financial regulation will be adopted, authorising officers will have the opportunity to make use of lump sums and other means that should reduce errors and thus increase the efficiency of controls

The documentation provided with calls for proposal in the field of competitiveness and SMEs contains detailed guidance about eligibility rules and notably about the most frequent errors in relation to staff costs. Beneficiaries are invited to provide already when making a proposal sufficient details about the envisaged costs allowing ex-ante verification and detection of possible errors or misunderstandings and where necessary changes of the implementation or adaptation of the grant agreement. This will significantly increase the legal certainty of beneficiaries and decrease the risk of error.

A balance should be found between, on the one hand, increasing the attractiveness of a programme providing funding for competitiveness and SME by reducing the control burden for the beneficiaries (increased trust and risk taking using more flat rates, lump sums and scales of unit) and, on the other hand, ensuring that the rate of un-corrected errors stays as low as reasonably feasible.

The ex-post audit strategy for expenditure under the Programme will be based on the financial audit of transactions defined by Monetary Unit Sampling, complemented by a risk-based sample.

For the Food Safety strand, the contractors are mainly institutes, laboratories, consultancy firms and other private companies. The main risks are the following:

- Risk of inefficient or non-economic use of funds awarded, both for grants (complexity of reimbursing actual eligible costs coupled with limited possibilities to check eligible costs at the desk) and for procurement (limited number of economic providers with the required specialist knowledge entailing insufficient possibilities to compare price offers);
- Reputational risk for the Commission, if fraud or criminal activities are discovered; only partial assurance can be drawn from the third parties' internal control systems due to the rather large number of heterogeneous contractors and beneficiaries, each operating their own control system, often rather small in size.

The Commission put in place internal procedures in relation to food safety that aim at covering the risks identified above. The internal procedures are in full compliance with the financial regulation and include anti-fraud measures and cost-benefit considerations. Within this framework, the Commission continues to explore possibilities to enhance the management and to realise efficiency gains. Main features of the control framework are the following:

Food Safety - Controls before and during the implementation of the projects:

- Model grant agreements and public procurement contracts are being used, developed within the Commission. They provide for a number of control provisions such as audit certificates, financial guarantees, on-site audits as well as inspections by OLAF. The rules governing the eligibility of costs is being simplified, for example, by using unit costs, lump sums, contributions not linked to costs and other possibilities offered by the Financial Regulation. This will reduce the cost of controls and put the focus on checks and controls in high-risk areas.

- All staff sign up to the code of good administrative behaviour. Staff who are involved in the selection procedure or in the management of the grant agreements/contracts also sign a declaration of absence of a conflict of interest. Staff is regularly trained and uses networks to exchange best practices.

- Technical implementation of a project is checked at regular intervals at the desk based on technical progress reports of the contractors and beneficiaries; in addition,

contractors'/beneficiaries' meetings and on-site-visits are foreseen on a case-by-case basis.

#### Food Safety - Controls at the end of the project:

Ex-post audits are performed to verify on the spot the eligibility of cost claims. The aim of these controls is to prevent, detect and correct material errors related to the legality and regularity of financial transactions. With a view to achieving a high control impact, the selection of beneficiaries to be audited foresees to combine a risk-based selection with a random sampling, and to pay attention to operational aspects whenever possible during the on-site audit.

Grant agreements in the field of statistics will be mainly concluded with a relatively low number of national statistical authorities. Regulation (EC) No 223/2009 allows for direct awards of grants to those authorities. The level of risks relating to this population of beneficiaries is low. No substantial risks were identified in the controls performed on grant agreements concluded under the European Statistical Programme 2013-2020. As the major cost component of Eurostat grant agreements are staff costs, simplifying measures were implemented in 2015 with the introduction of the unit costs scheme (Commission Decision C(2014) 6332). Controls carried out confirmed the simplification effects envisaged and the reduced level of risks related to staff costs.

As regards procurement transactions in the area of statistics, annual ex post quality reviews have revealed no relevant issues. Audits performed by the European Court of Auditors on transactions managed by Eurostat did not reveal any major issues. An audit carried out in 2016 by the Commission's Internal Audit Service did not reveal any significant risks. It was confirmed that the Eurostat internal control system provides reasonable assurance about the objective of the procurement process and the financial management of the related financial transactions.

While implementing procurement activities in the area of consumers there could be a risk that the contractors inflate the prices, present multiple claims for the same resources or fictitious deliverables and plagiarism. A particular attention should also be given to the existence of possible conflicts of interests of staff and respect of professional secrecy.

These risks are mitigated through a reinforced antifraud strategy in order to minimise the risks of fraud in the context of the implementation of the budget involving Commission employees and external experts. In the case of procurement, this is also done through awareness raising on dealing with tenderers among all actors involved, including operational units.

#### Description of internal control system

The control system envisaged for the consumer related activities under the programme is a continuation of the current controls.

The control strategy is composed of different building blocks:

- programming, evaluation and selection of tenders/offers in order to ensure that only the best offers are funded;
- Conclusion and monitoring of the contract: All transactions and procedures are subject to an ex ante verification by the service responsible for policy implementation.

Ex post audits are assured via a cooperation with other services by way of a Service Level Agreement.

The cost of controls for activities related to financial services amount to approximately 4,49% of the payments done by the responsible Commission service. This is expected to stay stable or slightly decrease in the case where the use of simplified cost options (SCO) will be broadened in the next programming period.

Where budget related to consumer policy is implemented by an executive agency, payment and control strategy are put in place to prevent and correct errors and irregularities in order to lower errors rates and costs of controls. Direct management implies concentration of a larger number of actions at one centre allowing relatively low costs of controls, in particular ex-ante controls. The agency applies a risk based methodology of control resulting in an error rate below the threshold (2%). This situation is stable over years (see AAR) and there is no current trend of increase. Stable cost of controls (4%) with a ratio of 1:5,6

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

In terms of expected error rate(s), at the stage of the legislative proposals the aim is to maintain the error rate below the threshold of 2%. A different materiality threshold could only be discussed on a case-by-case basis in the light of the legislative debate, notably when the Legislative Authority would not (fully) endorse the proposed Programme simplifications and/or would cap the controls, which would have consequences on the expected error rate. This would then require a coordinated approach.

The activities related to competition policy will be implemented under the objective internal market. In light of the limited budget, the responsible services applies for efficiency reasons a centralised financial circuit, with a strong financial support role. The circuit complies with the baseline requirements of the Financial Regulation and allows detecting and rectifying mistakes immediately during the transaction process.

It is estimated that the cost of controls will be 3-5% of total expenditure.

The aim is to maintain the error rate below the threshold of 2%. An expected risk of error at closure is set a 0.5%.

The Programme elements concerning competitiveness of enterprises and SMEs will be implemented by an executive agency.

A cost-effective internal control system will be ensured by the responsible authorising officer, that can be expected to keep the risk of error, on a annual basis and over the duration of the programme, below 2%; with the ultimate aim to achieve a residual level of error below 2% at the closure of the multiannual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.

Ex-post audit aims at providing a fair and reliable representation of the risk of error and at effectively and efficiently examining indications of fraud. The ex-ante checks of proposals before signature of the grant agreement and clarification of eligibility rules should not significantly increase the time to contract. Controls will be carried out in order to determine the representative average error rate that will remain despite

of training, ex-ante checks and corrections. The authorising officers by delegation shall report annually about the costs and benefits of control and the Commission shall report to the legislative authority in the framework of the mid-term review about the level of non-compliance that could be achieved.

For programme elements concerning the internal market for goods and services, public procurement, market surveillance and standardisation, the cost of controls are estimated at 8-10% of total expenditure.

This high cost of control level can be explained by the fact that most of the budget is spent under procurement and small action grants and cannot benefit of economy of scales. The responsible services will continue to reflect on possible simplifications in the financial processes in order to reduce the level of control, while maintaining an adequate and legally required level.

Against the background of the experience gained with the implementation of the food chain objective under the preceding programme and the taking into account the main design features of the new Programme, the risks of the Programme implementation are assessed to remain relatively stable. It is estimated that the cost of controls will be about 4-6% of total expenditure. Thanks to the combination of grants and procurement, ex-ante and ex-post controls as well as desk checks and on-site audits, the quantifiable average residual error rate is expected to remain below 2%.

The control strategy for the activities under the specific programme objective for statistics aim to keep the risk of non-compliance under the materiality threshold of 2%, which is in line with the standard quantitative materiality threshold of the European Commission. The internal control system including its costs is deemed adequate to achieve this objective. Complementarity between mandatory ex ante controls and ex-post controls will be ensured, to avoid duplication of effort and allow for cost-efficient controls. Eurostat considers that the costs of all controls will represent around 14% of the programme budget. The cost-efficiency ratio is mainly influenced by the relatively limited average size of transactions for grants and procurements, requiring nonetheless a full set of controls to be put in place.

The benefits of control (apart from compliance with regulatory provisions) include better value for money, deterrent effects, efficiency gains and system improvements.

### **2.3. Measures to prevent fraud and irregularities**

The Programme will be implemented by several Commission DGs, each applying measures for the prevention of fraud and irregularities that are most adequate for the policy areas under their responsibility.

For direct management, the Commission shall take appropriate measures ensuring that the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportional and deterrent penalties.

The Commission or its representatives and the Court of Auditors shall have the power of audit, based on documents and on the spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds. OLAF shall be authorised to carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding.

The Commission also implements a series of measures such as:

- decisions, agreements and contracts resulting from the implementation of the programme will expressly entitle the Commission, including OLAF, and the Court of Auditors to conduct audits, on-the-spot checks and inspections;
- during the evaluation phase of a call for proposals/tender, the proposers and tenderers are checked against the published exclusion criteria based on declarations and the Early Detection and Exclusion System (EDES);
- the rules governing the eligibility of costs will be simplified in accordance with the provisions of the Financial Regulation.
- regular training on issues related to fraud and irregularities is given to all staff involved in contract management as well as to auditors and controllers who verify the beneficiaries' declarations on the spot.

The prevention and protection measures in the area of competition focus on increasing transparency in management meetings and contacts with stakeholders, following the best public procurement practices, including usage of e-procurement and e-submission tool. The actions also will prevent and detect possible conflict of interests.

Programme implementation related to financial services will follow the rules to prevent fraud and irregularities established in accordance with the provisions of the financial regulation and in light of the actions foreseen in the new Commission Anti-Fraud Strategy (CAFS) that will be in force. Each DG implementing the programme will ensure compliance with the CAFS requirements and its own anti-fraud strategy as well as related corporate guidance. It will also ensure contacts with OLAF for the actions under its remit.

More stringent ex-ante or ex-post controls related to financial services will be put in place for specific actions in the field of financial services, depending on the fraud risks they entail. In addition, where appropriate, staff involved in financial transactions will be invited to follow corporate trainings on anti-fraud and targeted trainings organised when necessary to tackle specific risks of certain actions. Attention will also be focused on raising awareness about staff ethical requirements (for example in relation to conflict of interests in procurement/grant processes).

In the framework of the Commission's Anti-Fraud Strategy (CAFS)<sup>104</sup> and with the assistance of OLAF through consultation and participation in the OLAF Fraud Prevention and Detection Network (FPDNet). The Commission service responsible for the internal market for goods and services, public procurement, market surveillance, standardisation, competitiveness of enterprises and SMEs has developed its own Anti-Fraud Strategy (AFS), covering measures for the prevention and detection of fraud and irregularities both internally and towards beneficiaries and contractors. The AFS is updated regularly.

<sup>104</sup>

COM(2011)376, 24.06.2011

In order to raise the fraud awareness, the AFS Action Plan foresees adequate trainings for staff and management, annual fraud risk assessment and keeping updated the list of red flags to be used for more targeted risk based ex-ante controls.

Audit procedures and guidance for risk-based ex-post audits are focussed on possible fraud cases and irregularities. This AFS is aligned to the internal control standards, in particular with the risk assessment exercise, and to the AFS of other DGs and sub-delegated entities.

The anti-fraud strategy of the responsible service for internal market activities related to fiscal and tax policy focuses on developing a strong anti-fraud culture through awareness raising activities on potential fraud risks and ethical behaviour among staff. The strategy furthermore addresses an active cooperation with OLAF and the integration of fraud aspects into the Strategic Planning and Programming (SPP) cycle of the DG.

Considering that the Programme will be implemented (mostly) through procurement, objective 3 of the AFS (i.e. "Raising awareness on possible conflict of interest in dealing with external stakeholders such as lobbyists, tenderers, contractors") with focus on 1) maintaining records of contacts with lobbyists, 2) centralised management of procurement procedures and contacts with tenderers, 3) dedicated training on contacts with lobbyists, will be particularly applicable to the implementation of the programme. The obligatory consultation of the Early Detection and Exclusion System prior to awarding contracts (and any financial transaction) will further contain any potential fraud and irregularity.

In the field of European Statistics, numerous prevention and protection measures already exist or are envisaged. All financial transactions are subject to mandatory ex ante controls. Complementary ex post controls will be carried out on a sample basis. Additional controls can be performed depending on necessity. A Market Committee was implemented to supervise selected Eurostat tender documentation.

IT fraud risks are tackled by Eurostat via further strengthened and integrated IT tools. Enhanced security controls will be implemented for assets; confidential data will be migrated into a segregated IT environment. In addition, IT functionalities related to the Eurostat dissemination chain will be further improved with the renovation of the dissemination chain project.

A further pillar of prevention and protection measures set up by Eurostat are information and training sessions. Anti-fraud related elements are part of every training offered by Eurostat regarding the management of financial transactions. In addition, Eurostat senior management is regularly informed on all activities on fraud prevention and detection and awareness-raising sessions are included in newcomer training; mandatory anti-fraud training is provided for selected staff.

The Commission service responsible for consumer policy has approved an Anti-Fraud Strategy in April 2018. It will continue to apply its Anti-Fraud Strategy in line with the Commission's Anti-Fraud Strategy (CAFS) in order to ensure inter alia that its internal anti-fraud related controls are fully aligned with the CAFS and that its fraud risk management approach is geared to identify fraud risk areas and adequate responses.

Where implementation is entrusted to an executive agency, risk assessment focuses on the residual risk exposure taking into account all measures already taken to

mitigate the risk. Risks assessed in correspondence with the specificity of the managed programmes through grants and procurement

Fraud detection and prevention actions planned within direct management under strategic objectives, such as:

- Maintain the conditions for an effective identification and prevention of fraud risks. Ensure the appropriate level of awareness amongst staff, and the existence and implementation of the necessary controls and systems essential for preventive and detective controls.

- Enhance the fraud focus within existing practices and procedures (cases identified by the fraud risk assessment). Ensure that potential fraud is taken into consideration when designing and implementing financial and non-financial procedures. Ensure that fraud risks are explicitly covered by the control strategy in the context of the internal control framework, and by risk management exercises.

- Cooperate with various DGs and institutions. Maintain an efficient collaboration with OLAF and the Commission fraud networks.

- Set-up and observe the internal policy defining how the cases that are notified to OLAF are treated.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
		Diff./Non-diff. <sup>105</sup>	from EFTA countries <sup>106</sup>	from candidate countries <sup>107</sup>	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
	03.02 Single Market Programme					
1	03.0101-Administrative support	Non-diff.	YES	YES	NO	NO
1	03.0201 – Making the Internal Market more effective	Diff.	YES	NO	NO	NO
1	03.0202 - Improving the competitiveness of enterprises, particularly SMEs, and supporting their access to markets	Diff.	YES	YES	NO	NO
1	03.0203 – European Standardisation and international financial reporting and auditing standards	Diff.	NO	NO	NO	NO
1	03.0204 - Empowering consumer and civil society and ensuring high level of consumer protection and product safety including the participation of end users in financial services policy making	Diff.	YES	YES	NO	NO
1	03.0205 - Producing and disseminating high quality statistics on Europe	Diff.	YES	NO	NO	NO
1	03.0206 - contributing to a high level of health and welfare for humans, animals and plants	Diff.	NO	NO	NO	NO

<sup>105</sup> Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

<sup>106</sup> EFTA: European Free Trade Association.

<sup>107</sup> Candidate countries and, where applicable, potential candidates from the Western Balkans.

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

<b>Heading of multiannual financial framework</b>	1	03.02 Single Market Programme
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			2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
Operational appropriations (split according to the budget lines listed under 3.1)	Commitments	(1)	531.452	539.655	548.003	556.537	565.309	574.383	581.042		3 896.382
	Payments	(2)	83.351	306.163	374.529	417.531	447.076	462.281	468.746	1 336.703	3 896.382
Appropriations of an administrative nature financed from the envelope of the programme <sup>108</sup>	Commitments = Payments	(3)	27.457	27.457	27.457	27.457	27.457	27.457	27.457		192.198
<b>TOTAL appropriations for the envelope of the programme</b>	Commitments	=1+3	558.909	567.112	575.460	583.994	592.766	601.840	608.499		4 088.580
	Payments	=2+3	110.808	333.620	401.986	444.988	474.533	489.738	496.203	1 336.703	4 088.580

<b>Heading of multiannual financial framework</b>	7	‘Administrative expenditure’
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<sup>108</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
Human resources		213.909	215.773	215.630	215.630	215.630	215.630	215.630		1507.832
Other administrative expenditure		6.311	6.311	6.311	6.311	6.311	6.311	6.311		44.177
<b>TOTAL appropriations under HEADING 7 of the multiannual financial framework</b>	(Total commitments = Total payments)	220.220	222.084	221.941	221.941	221.941	221.941	221.941		1552.009

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
<b>TOTAL appropriations across HEADINGS of the multiannual financial framework</b>	Commitments	779.13	789.196	797.401	805.935	814.707	823.781	830.440		5 640.589
	Payments	331.028	555.704	623.927	666.929	696.474	711.679	718.144	1 336.703	5 640.589

### 3.2.2. Summary of estimated impact on appropriations of an administrative nature

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
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<b>HEADING 7 of the multiannual financial framework</b>								
Human resources	213.909	215.773	215.630	215.630	215.630	215.630	215.630	1507.832
Other administrative expenditure	6.311	6.311	6.311	6.311	6.311	6.311	6.311	44.177
<b>Subtotal HEADING 7 of the multiannual financial framework</b>	<b>220.220</b>	<b>222.084</b>	<b>221.941</b>	<b>221.941</b>	<b>221.941</b>	<b>221.941</b>	<b>221.941</b>	<b>1552.009</b>

<b>Outside HEADING 7<sup>109</sup> of the multiannual financial framework</b>								
Human resources	2.738	2.738	2.738	2.738	2.738	2.738	2.738	19.166
Other expenditure of an administrative nature	24.719	24.719	24.719	24.719	24.719	24.719	24.719	173.032
<b>Subtotal outside HEADING 7 of the multiannual financial framework</b>	<b>27.457</b>	<b>192.198</b>						

<b>TOTAL</b>	<b>247.677</b>	<b>249.541</b>	<b>249.398</b>	<b>249.398</b>	<b>249.398</b>	<b>249.398</b>	<b>249.398</b>	<b>1744.207</b>
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

#### 3.2.2.1. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.

<sup>109</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full time equivalent units*

Years	2021	2022	2023	2024	2025	2026	2027
<b>• Establishment plan posts (officials and temporary staff)</b>							
Headquarters and Commission's Representation Offices	1 383	1 395	1 394	1 394	1 394	1 394	1 394
Delegations							
Research							
<b>• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED<sup>110</sup></b>							
Heading 7							
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	210	212	212	212	212	212
	- in Delegations						
Financed from the envelope of the programme <sup>111</sup>	- at Headquarters	37	37	37	37	37	37
	- in Delegations						
Research							
Other (specify)							
<b>TOTAL</b>	<b>1 630</b>	<b>1 644</b>	<b>1 643</b>				

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation that may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

<sup>110</sup> AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

<sup>111</sup> Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

### 3.2.3. Third-party contributions

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
Contribution from the Swiss Confederation (ESTAT)	5.690	5.690	5.690	5.690	5.690	5.690	5.690	39.83
TOTAL appropriations co-financed	5.690	5.690	5.690	5.690	5.690	5.690	5.690	39.83

### 3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
  - (1)  on own resources
  - (2)  on other revenue

please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative <sup>112</sup>						
	2021	2022	2023	2024	2025	2026	2027
Article .....							

For assigned revenue, specify the budget expenditure line(s) affected.

[...]

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[...]

<sup>112</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.

## ANNEX to the Legislative Financial Statement

### SINGLE MARKET PROGRAMME INDICATIVE BUDGET POST-2020

Specific Objective	New BL	DG	Current MFF Description	INDICATIVE BUDGET*
Internal Market	03.020101	GROW	Operation and development of the internal market of goods and services	213 812 399
	03.020102	GROW	Internal market governance tools	29 100 000
	03.020103	TAXUD	Taxud regulatory work support - Implementation and development of the internal market	23 800 000
	03.020104	JUST	Company law	7 000 000
	03.020105	COMP	Competition policy for a stronger union in the digital age (new activity)	140 000 000
	03.020106	FISMA	Implementation and development of Single Market for financial services	23 857 243
			<b>TOTAL Internal Market for Goods and Services</b>	<b>437 569 642</b>
Competitiveness & SMEs	03.0202	GROW	COSME without InvestEU Fund	1 000 000 000
Standardisation	03.020301	GROW	European standardisation	159 600 000
	03.020302	FISMA	Standards in the field of financial reporting and auditing	60 910 500
			<b>TOTAL Standardisation</b>	<b>220 510 500</b>
Consumers	03.020401	JUST	Consumer	188 000 000
	03.020402	FISMA	Enhancing the involvement of consumers and other end-users in Union policy-making in financial services	10 500 000
			<b>TOTAL Consumer</b>	<b>198 500 000</b>
Statistics	03.0205	EUROSTAT	ESTAT	552 000 000
Health for Humans, Animals & Plants	03.0206	SANTE	Food Chain	1 680 000 000
<b>TOTAL SMP</b>				<b>4 088 580 142</b>

\* Including administrative support line and subsidies of the agencies

