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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: AOB for the meeting of the Competitiveness Council of 12 March 2025:
A blueprint for new Horizontal Single Market Strategy
- Information from Croatia, Czechia, Estonia, Finland, Germany, Ireland, Latvia, Lithuania, Malta, the Netherlands, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden

Delegations will find attached a note from the delegation of Finland, supported by Croatia, Czechia, Estonia, Germany, Ireland, Latvia, Lithuania, Malta, the Netherlands, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden distributed for the meeting of the Competitiveness Council on 12 March 2025, in the context of the AOB on “A blueprint for new Horizontal Single Market Strategy”.

Non-paper of CZ, DE, EE, ES, FI, HR, IE, LT, LV, MT, NL, PT, RO, SE, SI, SK on a blueprint for the new horizontal Single Market Strategy

There is a pressing need for strengthening the fundamental EU competitive advantage: the European Single Market. Urgent action is needed to remove barriers, correctly implement Single Market rules, apply them in a uniform way and enforce them effectively. It is necessary to take the Single Market perspective into account across all policy areas and in all Annual Progress Reports of all Commissioners.

In this paper, we provide concrete input for the new horizontal Single Market Strategy to be presented by the European Commission in June 2025 at the latest. The Strategy should build on three basic principles: concreteness (tackling specific problems and proposing specific measures for removing barriers), holism (comprise all relevant adjacent policy areas across all DGs) and political ownership (striving for commitment of all relevant political levels and subject areas). The actions in the Strategy should fit in the division of competences based on the EU Treaties.

Facts and needs from practice should guide our actions which should provide tangible results for businesses and citizens. Actions in the COMPET remit should be measurable and linked to KPIs in the Annual Single Market and Competitiveness Report. The report should also be improved in order to reflect different perspectives and with recommendations on concrete actions on which the COMPET Council can decide. Other Council configurations should be involved, where appropriate, to ensure broad support. A fully functioning Single Market and competitiveness annual policy cycle is crucial to attain results. Regular Eurobarometer surveys on Single Market barriers amongst businesses would provide valuable insights for the report.

Aiming for the concrete results-oriented Strategy, we therefore present:

1. **horizontal and concrete barriers** and provide possible ways how to address those obstacles,
2. an in-depth look in the **services sector** with available actions for improvement, and
3. suggestions on how to better **coordinate the implementation and harmonise application** of Single Market rules and **strengthen enforcement**.

1. The most pressing barriers on the Single Market

While we acknowledge that there are also many other barriers to the free movement, the barriers presented below should be tackled as a priority. Besides, we should ensure that the Single Market facilitates fair competition and benefits all EU citizens.

Horizontal barriers

Improving the policy process, reducing the complexity of rules and administrative burden

Businesses often highlight the complexity and administrative burden of the rules they have to comply with as one of the most significant barriers they face in the Single Market. Clearly defined rules are necessary to meet public interest objectives, yet they must not unnecessarily hamper innovation and competitiveness. At the same time, regulation is necessary to reach our political goals, including the green transition, ensuring a level playing field in the Single Market. The complexity and the cumulative effects of the rules are also challenging for national administrations which experience higher implementation costs.

We should aim for continual application of better regulation principles in all stages of the policy cycle and process, including the preparation of legislation. Due attention should be continually given to future implementation, application and enforcement. Moreover, to reduce barriers and administrative burden without compromising necessary protection standards, we should take concrete steps towards realizing a coherent and digital data sharing and reporting landscape across the Single Market.

Proposed actions:

An ambitious Better Regulation policy

- Tackling **regulatory, administrative and compliance burden** in a dedicated section of the Strategy.
- Exploring Draghi's suggestion to introduce a **six-month period at the beginning of each legislative cycle** to assess and consolidate the existing legislation.
- Upholding the **Better Regulation policy** including the **one-in-one-out principle**. New legislation must be easy to understand and implement and needs to be proportionate.
- Cutting the **reporting obligations** for businesses and administrations of at least 25% by 2025. Our targets should be higher for SMEs. Ensuring that the reporting obligations stemming from different EU-legislation are coherent, which should be preceded by a comprehensive mapping of current reporting requirements.
- Ensuring that there is a **clear methodology but simple baseline for burden reduction targets** so that progress can be monitored and measured.
- Giving the **Regulatory Scrutiny Board** the mandate to raise issues in case of the lack of any impact assessment. Ensuring that the opinions of the Regulatory Scrutiny Board are taken into account.
- Utilising the **once-only principle in reporting** so that there is no need to report the same information to different authorities in different ways and the information is standardised and exchanged between the authorities. This could be achieved through centralised reporting of data at the EU level or data hubs.

Improving the policy process and legislative quality

- Ensuring **non-ambiguous legislation** by extensive public consultations, thorough impact assessments, notably competitiveness checks and SMEs checks before the draft legislation is published as well as during negotiations, assessing the cumulative impacts, and maintaining interoperability with existing rules. Applying such approach also to all significant delegated and implementing acts.
- Safeguarding that **application and enforcement and their consequences** for the Commission and Member States as well as businesses, national authorities and citizens are a full part of impact assessments by the Commission, also in case of substantial amendments. Single Market aspects should be part of this check as well, especially possible negative consequences for the level playing field and risks of fragmentation. The potential successor of the Fit for Future Platform could also play a role to look into implementation, application and enforcement from a regulatory fitness perspective.
- Ensuring that all new legislation that requires data sharing and **reporting can be data driven and automated**. Impact assessments must have digitalization as one of the core elements of scrutiny and should include a description of how new reporting requirements can be digitalized.

Better implementation and application of Single Market rules

- Consistently using **implementation groups**, preferably via existing expert groups or committees, consistently and timely, with open dialogues in the form of an informal exchange of views on politically sensitive issues where implementation tends to differ most and without the immediate threat of infringement procedures, to coordinate and streamline implementation and ensure a level playing field. It would be useful to invite the responsible competent authorities as well, in addition to representatives of Ministries.
- Strengthening **cooperation among authorities** of different Member States, streamline exchange of information and overcome language barriers. The Commission could facilitate this process by:
 - offering but especially **using existing platforms and support to discuss** challenges and questions on interpretation of Single Market rules,
 - initiating **mapping gaps** in the current cooperation in order to identify best practices and share them as well as identify possible solutions for improving cross-border cooperation,
 - giving **guidance** in different policy areas where desirable, and
 - offering **trainings** in relevant policy areas.

- Developing the **Single notification window** to encompass all the Single Market notification procedures for national authorities while improving the supervision and enforcement of all notification requirements for national legislation. The Single notification window should also be an information tool where businesses and citizens can inform themselves on specific national legislation affecting the Single Market (could be linked to Your Europe).
- Reviewing the **Inter-institutional Agreement on Better Law-making** to ensure that authorities in Member States receive sufficient time to prepare for the application and enforcement of new Single Market rules.
- Strengthening the focus on **application and enforcement in evaluations**. A proper follow-up in the Council, at a political level, on evaluations is needed. Improving the functioning of the policy cycle should create a proper feedback loop.
- Introducing a rigorous, holistic process analysis through so called **"Reality checks"** with a systematic inclusion of experts from business practice and enforcement authorities to identify obstacles and potential solutions for individual scenarios and investment projects.

Gold-plating

Member States also have a responsibility to maintain the Single Market and to ensure that the rules are properly implemented on their territory. However, additional national obligations, known as gold-plating, occur and often negatively affect the Single Market by creating significant fragmentation, hindering the competition and increasing compliance costs. Therefore, the Commission and the Member States need to make efforts to avoid unnecessary gold-plating or additional national measures, particularly in the area of free movement of goods and services.

Proposed actions:

- Encouraging Member States to establish **national schemes and safeguards** to prevent unnecessary gold-plating, where such schemes do not already exist.
- **Precise and timely guidelines** from the Commission to encourage correct implementation of EU legislation.

Lack of information

Despite the already existing information and assistance tools, information on conducting cross-border business is often hard to reach, outdated or is not available in English. Better and more accessible information is desirable in a wide range of areas, especially sector-specific legislation, VAT and environmental and zero-emission zones.

Proposed actions:

- Strengthening the implementation of the **Single Digital Gateway** and the **EU Digital Identity Wallet** properly, with enhanced work on communicating its existence and use. Additionally, the Commission should publish a list of national contact points that can provide general advice on Single Market matters.
- Setting **further standards** for the functioning of Points of Single Contact (PSCs), Product Contact Points (PCPs), Construction Product Contact Points (CPCPs) and other sectoral contact points. Monitoring these standards through the Single Market Scoreboard once they are adopted.
- Improving the **quality of information**, using assistance tools and AI, providing guidance, and raising awareness.

Sectoral barriers

Administrative requirements for posting of workers

Posting of workers is an essential part of the free movement of services, which is one of the basic principles of the Single Market. To ensure a required level of protection for posted workers, there is a need to have clear rules. Yet, in recent years, businesses have drawn attention to the high

administrative burden and fragmentation of posting procedures. It is necessary to look for ways of simplifying the notification of posted workers in the EU through the digitalisation of procedures. Such digitalised and voluntary procedures should not weaken the powers of the Member States to determine and enforce the working conditions applicable to workers posted on their territory and their ability to protect posted workers from abuse and labour exploitation. A simpler reporting regime for workers should also voluntarily be considered by Member States.

Proposed actions:

- **Screening of national procedures** and evaluating them in terms of proportionality, complexity, and costs.
- *Taking note of the Commission's proposal on the **e-declaration for posting of workers** which aims to reduce unjustified administrative barriers while at the same safeguard the protection of posted workers.*
- *Promoting further **best practices** identified in the Single Market Enforcement Taskforce (SMET) project.*

Free movement of goods

In the area of free movement of goods, the major challenges are related to the transition to sustainable and environmentally friendly production, ensuring the principles of the circular economy and tackling the challenges related to e-commerce from third countries. There is not only scope for further harmonisation of requirements, but also for the more effective application of the notification procedure for technical regulations, the principle of mutual recognition and the better use of European standards. In addition, it is crucial to consistently enforce compliance with the applicable EU regulations among manufacturers and online trading platforms, including from third countries.

Proposed actions:

- *Adapting the **NLF framework** to make it future-proof, and especially to make it fit for the digital and green transition and suitable for products enduring life cycle changes.*
- *Ensure a common digital format for sharing product information through the **Digital Product Passport** as part of the NLF framework. Setting the **digital-product-passports** as the default tool for information and reporting requirements on products to facilitate efficient sharing of product data.*
- *Strengthening the operational conditions of the **European standardisation** and better implementing the NLF to not endanger the success of European standards worldwide.*
- *Strengthening the **principle of mutual recognition** based on the ongoing evaluation of the Mutual Recognition Regulation. Ensuring adequate measures to strengthen its effectiveness, such as via substantive checks of national requirements by the Commission, providing guidelines, awareness-raising.*
- *Proposing **additional harmonisation** of product requirements in areas with many issues regarding mutual recognition. where necessary and appropriate.*
- *Ensuring the effective implementation of and compliance with the various **notification obligations**, not least the Single Market Transparency Directive.*
- *Ensuring that EU's **current and future legislation** related to free movement of goods is **thoroughly assessed** to detect opportunities for simplification and reduce regulatory burden.*
- *Evaluating the possibilities for eliminating **territorial supply constraints**.*
- *Tackling barriers with regard to different unnecessary requirements on **labelling**.*
- *Rigorously enforcing the Digital Services Act by the Commission, ensuring effective and uniform implementation of existing legislation, including the new General Product Safety Regulation, as well as including appropriate measures into Customs reform in order to tackle the **challenges of e-commerce**. Cooperation and coordination between market surveillance, customs and extended producer responsibility authorities in the EU needs to be improved.*
- *Exploring proposals on a **Single Market for waste and secondary raw materials** including by leveraging and effective enforcement of existing regulation.*

2. Rebooting the free movement of services and professionals

Well-functioning services markets are key to ensure EU competitiveness. They form a vast part of the EU economy and ensure employment for two-thirds of the labour population in many Member States. They are closely connected to industry and goods production and are part of many value chains. This provides opportunities for increasing added value and productivity. The Single Market perspective regarding services should be taken into account across all policy areas, not least in the Clean Industrial Deal.

As stated in the Political Guidelines by Commission President Von der Leyen, services need a new momentum to strengthen the Single Market. We agree. To speed up the mitigation of the significant number of unjustified barriers that remain in services markets, the Commission and Member States must commit to a higher ambition in the coming years. This should be fully reflected in concrete actions in the Strategy.

The Services Directive offers many possibilities and its potential needs to be harnessed. Existing tools could effectively address barriers and improve compliance. We therefore propose that the Strategy should contain an ambitious action plan for the services sector, including a clear timetable. This should be done without reopening the Directive itself for negotiations.

Proposed actions:

- *Continuing the exercise of **identifying barriers** in important and promising economic sectors as initiated by the Commission in the Services Directive Expert Group, as part of a structural and continuous mapping exercise. Prioritising the **removal of those identified barriers**.*
- ***Strengthening the proportionality testing** in accordance with the Services Directive. It is crucial that proportionality assessments are done correctly. This can be promoted by making sure that the new guideline in IMI is working as intended.*
- *Increasing the **visibility of IMI**. IMI is the heart of the Single Market cross-border administrative cooperation. To remedy the underuse of IMI by national authorities, we propose additional training and networking sessions organized by the Commission for all users.*
- *Focus primarily on the proper application of the **EU rulebook for Digital Services**, rather than adopting another non-complementary set of rules. This is a means to avoid fragmentation between the Member States. Guidance is necessary for companies and competent authorities alike. We therefore call on the Commission to publish a Handbook for Digital Service Providers which could help to examine potential overlapping and conflicting digital regulations.*
- *Within the scope of the Services Directive, identify opportunities to **simplify burdensome national authorizations and licensing schemes**, and remove disproportionate requirements in priority sectors, while safeguarding public interests.*

Facilitating professional mobility to boost the services

European companies recurrently report challenges in finding employees with the right skills in a wide range of sectors. This skills gap needs to be resolved. Enhancing professional mobility in the Single Market does not only facilitates the free movement of services but also strengthens European competitiveness. To achieve the removal of unjustified barriers to professional mobility, we propose the following:

Proposed actions:

- *Pushing for the **proper implementation of the Directive on a proportionality test** before the adoption of new regulation of professions, to prevent unjustified professional regulations that would hinder the free movement of workers.*
- *Developing **common training frameworks**, without changing the division of competences between EU and Member States and speed up the process to address skills shortages in the EU.*
- *Carrying out a more detailed analysis of the functioning of the existing **European professional cards (EPC)** and how to improve it. The Commission should also extend the EPC to more professions with a high cross-border mobility.*
- *Monitoring and supporting work on the **recognition of professional qualifications for third-country nationals**. It is also important to contribute to fair competition and a level*

playing field among companies, combat social dumping and protect third-country nationals against abuse and exploitation.

- **Modernising the coordination rules on social security**, including ensuring an efficient administration to facilitate greater mobility within the EU.
- **Assessing impacts and interrelations of the current legal instruments** affecting the free movement of workers in the context of the changing labour market.

3. Better application and enforcement of Single Market rules

Correct implementation, application and enforcement of Single Market rules require continuous efforts from both the Commission and Member States. Ensuring enough and efficient use of resources is key at all levels and across all policy areas. On the political level, there must be regular discussions and continuous attention to this issue. Correct application means, first of all, uniform application as much as possible in order to ensure a level playing field for businesses (especially SME's), consumers, workers and citizens and prevention of new barriers. Currently, businesses and citizens experience problems with diverging interpretation and application of Single Market rules. We should focus our resources, especially on Single Market rules which have real impact on free movement.

The Commission seems to shy away from taking enforcement action, which may undermine the credibility of the Single Market and the effectiveness of fundamental freedoms in practice. Unfortunately, the most powerful action, the infringement procedure, has not been used fully in recent years as shown in data, creating a culture in which common rules can be easily circumvented without risk of punishment.

More transparency on the enforcement priorities of the European Commission could enable a dialogue with the Council, Member States and the European Parliament to ensure targeted and effective enforcement. One clear exception to transparency should remain: all exchanges of information between the Commission and Member States on specific, pending cases and issues should remain confidential as this contributes to a constructive dialogue.

Proposed actions:

- *Providing more transparency on the enforcement priorities by the Commission and the state of enforcement: an **aggregated overview of pending infringement proceedings** and preliminary questions (Member States / general topics / conclusion) would be desirable. Support for the foreseen new presentation of enforcement data.*
- *Increasing transparency on the **follow-up of complaints** from businesses and citizens: it is not clear which follow-up is given. Follow-up of complaints not submitted via SOLVIT, such as through the Single Market Barriers Tracker (former Single Market Obstacles Tool) and via CHAP, should be strengthened.*
- ***Enhancing existing tools:** the Annual Single Market and Competitiveness Report should include concrete actionable recommendations and guidelines, and set clear enforcement priorities, leveraging periodic updates. Similarly, Annual Progress Reports on Enforcement and Implementation should define concrete forward-looking priorities.*
- *Assessing **Member States' performance:** the Commission should openly highlight both best practices and poor performances among Member States, including in the Commission's Annual SMET report. Ensuring follow-up on reported barriers by Member States and stakeholders is critical to fostering constructive dialogue, sharing best practices, and increasing peer accountability.*
- *Integrating a **Single Market perspective across all policy areas:** all Annual Progress Reports should incorporate a Single Market perspective. Notably, including this dimension in the Annual Rule of Law Report is a valuable step toward embedding the Single Market into broader EU policy considerations.*

Specific enforcement instruments

The toolbox to ensure proper application and enforcement is diverse. Many instruments seem to work reasonably well, but there is scope for improvement.

Proposed actions:

Infringement proceedings

- Securing **adequate and efficient use of resources** to the Commission for effective enforcement, including through the infringement proceedings.
- Ensuring **sharing of information and proper follow-up and coordination between preventive or problem-solving tools** and enforcement tools.
- In case of a significant breach of Single Market rules, the Commission should not hesitate to **initiate infringement proceedings**. Significant breaches concern especially substantive rules which have a real and practical impact on free movement as experienced by businesses and citizens. Enforcement should focus primarily on substantive rules, except when procedural steps are essential for their effectiveness. Consideration should also be given to the scope, nature, and economic impact of infringements, particularly in significant sectors.

EU Pilots

- EU Pilots are a good instrument to start a timely dialogue between the Commission and a Member State on a specific issue and should be used as a first option to discuss the matter and resolve compliance issues.
- **Closing EU Pilots clearly** would provide more certainty to the Member State concerned and Member States are informed accordingly. A better use of EU Pilots, as announced in the Single Market Enforcement Action Plan of March 2020 (Action 21), is appreciated and supported.

Package meetings

- We should use focused dialogues between the Commission and Member States to allow for an exchange that provides important insights for both sides and potentially gives a solution even before it gets challenged in a more formal manner.

SMET

- The role of SMET should be **strengthened** by ensuring political ownership across all policy areas. Since SMET is responsible for horizontal enforcement issues. Regular discussion on the functioning of specific instruments, such as SOLVIT, IMI and TRIS, seems desirable. SMET could also address unnecessary gold-plating or additional national measures, as part of the tasks foreseen for SMET in the Single Market Action Plan of March 2020 and as suggested in the Draghi report.
- The Commission could give **recommendations** on improving the application and enforcement of the Single Market rules, which could be endorsed by SMET.
- **Involving stakeholders**, such as business representatives, employee organisations and administrations, and regularly consult them on the most pressing barriers they experience, as input for the SMET agenda.
- The choice and prioritization by the Commission of new projects for SMET should be **data-backed and transparent**.

SOLVIT

- Member States should ensure the **proper functioning** of their SOLVIT centers, including staffing.
- The good work on **reporting of systemic issues** should be continued and could feed into SMET discussions, but where needed there should be Council discussions and appropriate actions from the Commission and Member States in order to solve the systematic issues.
- **Promoting SOLVIT** is needed as it is not well enough known among businesses, while managing expectations. At the same time, promoting SOLVIT amongst national authorities, both horizontally and vertically, is highly recommended because it ensures a proper follow-up of structural and recurrent issues at national level and can generally result in better application of EU rules by Member States.