

**Identification of the Missing Links in the
Functioning of the Single Market from the
Perspectives of the Local and Regional
Authorities**

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the Centre for Strategy and Evaluation Services (CSES).
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Executive Summary

This briefing addresses the question of "How to identify the Missing Links in the Functioning of the Single Market from the Perspectives of the Local and Regional Authorities".

The classic conception of the Internal Market in the Treaty is of a market operating across Europe underpinned by four freedoms - the 'free movement' of people, goods, services and capital. For a long time the process of establishing the Internal Market was seen as one of putting the right legislative framework in place and enforcing it. Likewise, the regional perspective on the Single Market was mainly one where the regional distribution of the impacts arising from the creation of an integrated market was the main consideration.

However, in recent years, in European policy discussions at least, **this rather passive perspective on the significance of regions and localities in the Single Market has given way to an approach that sees a more active role.**

- From 2006, various Communications from the Commission¹ and subsequent debates have changed the emphasis and launched a set of initiatives to re-position the Single Market, so as to empower consumers and SMEs and make globalisation deliver for European citizens.
- The idea was that, to an important extent, **the future development of the Single Market would be led by consumers and SMEs.**

The study's review of the literature pointed to the centrality of the recent Monti Report as a high profile document and point of focus for future policy development. It is based on a comprehensive review of current issues in the various different areas covered by the Single Market. The study uses the analysis of the Monti Report to provide the basis for examining the potential role of LRAs.

- The Monti Report does not in fact outline a role for LRAs, but it does give good indications of where such a role could be developed:
 - Interconnecting Europe's energy markets;
 - Flexible and efficient logistics and transport systems;
 - Implementation of the Services Directive;
 - Digital Europe;

¹ In particular, the Communications on 'A Citizens' Agenda: Delivering Results for Europe' in 2006 and 'A single market for 21st century Europe' in 2007.

- Public Procurement;
 - Financial Services;
 - Freedom of movement of workers (inc. better matching of skills with vacancies across the Single Market).
- In addition, and cutting across these areas, LRAs are particularly well placed to support SMEs.

In effect, in a number of areas, it can be seen that LRAs are important for the practical construction of cross border trading. The potential gains from possible developments possibly outstrip those that resulted from the 1992 programme.

The study identifies the following types of intervention:

- Infrastructure planning and development – of particular importance in relation to transport, logistics and energy infrastructure and systems.
- Economic development- A Single Market dimension needs increasingly to be built into economic development strategies, including the development of appropriate capacities through training and the encouragement of SMEs.
- Services for the community - education, health and social services can help maximise the benefits of greater mobility of labour, while minimising the problems that sometimes arise.
- Procurement - As major purchasers of goods and services, LRAs can promote the development of cross-border supply and the development of new areas of public procurement.
- Business support – the practical assistance required by businesses, especially SMEs.
- Consumer support – similarly, information and advice for consumers.
- Financial operations – LRAs may have a role in helping to overcome fragmentation in the capital markets.
- Advocacy – as the legitimate representatives of their areas, LRAs can be an effective voice for local businesses and the broader community, especially in identifying, and proposing solutions for, practical problems encountered in the operation of the Single Market.

Introduction

Following the Monti Report and the work done by the European Commission to determine the shortcomings in the functioning of the Single Market, there is an ongoing revision exercise to tackle the bottlenecks. Failures in the way that the Single Market functions affect the European economy as a whole, and this is apparent at the regional and local level as well. In order to tackle the problem, the Committee of the Regions needs to identify the areas where local and regional authorities could help their national counterparts and the European Commission to remove the obstacles to the smooth functioning of the Single Market.

The purpose of this briefing report is to serve as a background document to an outlook opinion that is to be drafted by the Rapporteur for the Committee of the Regions. It aims to

- Identify the most serious bottlenecks restricting achievement of the full potential of the Internal Market that may require intervention or adjustment at the local or regional level, particularly in cross-border regions.
- Propose actions for LRAs to maximise the benefits from the single market and improve its functioning.
- Determine obstacles for SMEs in accessing the Internal Market and propose remedies that could be applied at local and regional level within the existing legal framework to solve these problems.

1. Contextual background

The establishment of the Single European Market has been a process extending over many years, primarily consisting of the elimination of barriers to trade and the simplification of rules and regulations to enable businesses, consumers and individuals to make the most of the opportunities afforded by having direct access to a market of 27 countries and 480 million people. A central aim of the Internal Market has been to make economic operators (companies, workers, public entities) in the different Member States subject to a common regulatory regime throughout the European Union, albeit with certain allowances which permit a flexible implementation.

The Internal Market is underpinned by four fundamental pillars - the 'free movement' of people, goods, services and capital. These freedoms are enshrined in the EC Treaty, which form the basis of the Single Market framework.

1992, of course, represented a major landmark in the process of developing the Single Market. Led by the European Commission and a determined exercise of political will on the part of the European Council, which included important treaty changes in the 1986 Single European Act, a programme of legislative and administrative reform led to the removal of a wide range of physical, technical and fiscal barriers to the effective implementation of the Single Market.

The Cecchini Report famously considered "the cost of non-Europe" in 1988 and estimated the anticipated benefits from the completion of the Single Market. In this and in other academic analysis at the time² and since, consideration of the regional perspective on the Single Market has mainly been in terms of the regional distribution of the impacts arising from the creation of an integrated market. Initially, there was a concern that the Single Market would concentrate economic activity and wealth in a central 'golden triangle' and pose increasing problems for peripheral areas. Although this debate has receded into the background, as it has become evident that the initial fears have not been realised in an obvious way, the emphasis in much recent academic research has continued to be on the relative regional impacts of the Single Market³.

In policy discussions, however, particularly at a European level, **this rather passive perspective on the significance of regions and localities in the Single Market has given way to an approach that sees a more active role.**

² For instance: R.A. Gibb & A Treadgold 'Completing the internal market : implications for the regions' 1989
P. Hoeller & M O Louppe 'The EC's Internal Market: Implementation and Economic Effects' OECD Economic Studies No. 23, Winter 1994.

³ For instance : J. H. Dunning 'Regions, globalization, and the knowledge-based economy' 2002.

In the initial period, after 1992, the emphasis was on absorbing and adapting to the changes which had been introduced and ensuring that they had been implemented properly. Parallel issues, notably the preparations for the single currency, which was expected to have an important effect in creating transparency and facilitating cross-border transactions, tended to overshadow considerations of the detailed operation of the Internal Market.

In 2006, however, as part of the Commission's efforts to demonstrate more clearly the benefits of the EU for European citizens, it announced an extensive review of the Single Market, in its May 2006 Communication "A Citizens' Agenda: Delivering a Europe of Results"⁴. This in turn resulted in the Communication on 'A single market for 21st century Europe'⁵ which proposed a set of initiatives to re-position the Single Market. This document marked a major shift from a pre-occupation with the technical, almost mechanical, processes of resolving the issues faced by producers in trading across the Single Market to one where the opportunities for citizens would be harnessed, so as to empower consumers and SMEs and make globalisation deliver for European citizens. The idea was that **the future development of the Single Market would be led to an important extent by consumers and SMEs.**

At the same time, the Single Market continued to be extended into new areas that had been left largely untouched by the 1992 initiative. These primarily concerned the provision of services, which had become more significant in the economy across Europe, since 1992 and also more international. Among these, one area of particular interest has been the provision of financial services.

The Services Directive⁶ applied to a wide range of commercial services that are not otherwise covered by legislation. It makes it easier for service businesses to set up in another Member State or to trade in another Member State without setting up there. It also enhances the rights of service recipients by abolishing discriminatory requirements and providing for better information and assistance to consumers. To make the Services Directive work, it is recognised that the Member States need to cooperate with each other and give mutual assistance in the supervision of service providers.

In the financial area, building on the Financial Services Action Plan (FSAP) launched in 1999, the more recent White Paper on Financial Services Policy (2005-2010)⁷ aimed to create an integrated, inclusive and competitive financial

⁴ Communication from the Commission 'A Citizens' Agenda: Delivering Results for Europe' COM(2006) 0211 final of 10.5.2006.

⁵ Communication from the Commission 'A single market for 21st century Europe' COM(2007) 724 final of 20.11.2007.

⁶ Directive 2006/123/EC of 12 December 2006 on services in the internal market.

⁷ White Paper on Financial Services Policy 2005-2010.

framework delivering tangible benefits for the citizens and businesses of Europe through lower capital costs, better pensions, and cheaper, safer retail financial products.

In the last four or five years then, following ‘A single market for 21st century Europe’ and parallel developments, a change has occurred that has considerable significance for local and regional authorities. The Recommendation on "Measures to improve the functioning of the Single Market" (the "Partnerships Recommendation"), for instance, called for more good practice exchanges and closer partnerships between Member States and with the Commission, with a view to **making the Single Market work better on the ground** - at national, regional and local levels.

Measures proposed include making practical information on opportunities in other EU countries and other matters easily available; improving cooperation between authorities; and strengthening the transposition, application and enforcement of Single Market rules on the ground.

Many of these ideas have been brought together and presented in a clear and coherent statement by the **Monti Report⁸ on the re-launch of the Single Market**, which was published in May 2010.

⁸ M. Monti ‘A New Strategy for the Single Market’ 2010.

2. LRA Promotion of the Single Market

Professor Monti was asked by the Commission President to provide important input into *'an initiative to relaunch the Single Market as a key strategic objective of the new Commission'*.

The Report faces the fact that the Single Market today is less popular than ever, while also stating that Europe needs the Single Market more than ever. A wide range of areas across the operation of the Single Market are analysed and this will provide the basis for more detailed analysis later. However, in line with developments over recent years referred in the last section the Monti Report starts the analysis with the point that:

'The first challenge is ... to empower citizens, whether consumers or entrepreneurs, to become full actors within the single market'.

This orientation is seen as a critical element in renewing the momentum behind the Single Market. The subsequent discussion of its relationship to Cohesion policy recognises that the regional dimension involves more than a policy to compensate for some of the unfortunate effects of the Single Market on lagging regions. There has to be a more 'forward looking dimension of supporting the delivery of the Union's policy objectives and promoting development'. The changes resulting from the transition to a green and digital economy, the reorientation of manufacturing into high-tech sectors and greater intra-EU labour mobility will pose new challenges to Europe's regions. An in-depth analysis is called for of the requirements that an expanded and dynamic single market places on regional policy. The Report does not follow through the logic of some of the earlier discussion to outline a positive role for LRAs in contributing to a renewal of the momentum behind the Single Market. It does, however, give sufficient indications of areas where such a role could be played that a strong case for such a development can be made.

The following sections consider areas highlighted by the Monti Report, where reflection can show that LRAs could make a major contribution.

- Interconnecting Europe's energy markets;
- Flexible and efficient logistics and transport systems;
- Implementation of the Services Directive;
- Digital Europe;
- Public Procurement;
- Financial Services;

- Freedom of movement of workers (inc better matching skills with vacancies across the single market).

2.1 Interconnecting Europe's energy markets

Although energy is a relative late-comer to the Single Market, the Monti Report points out that it is an area of some urgency. The Single Market sits at the nexus of all Europe's energy policy objectives – competitiveness, security of supply, and sustainability – and, in direct practical terms, Europe needs a functioning Single Market for energy to ensure secure and affordable supplies for its consumers and businesses, while also addressing the major issue of climate change.

Although there are still regulatory and framework issues to be resolved, notably under the third Internal Energy Market Package, there are other areas where LRAs play an extremely important facilitating or complementary role, working with the energy suppliers.

There is still a major need for **new physical infrastructure and better interconnections**, particularly across borders, to facilitate the operation of the Single Energy Market and to make Europe better equipped to withstand supply crises. LRAs have a major responsibility for these developments, at both a strategic and a detailed planning level. They can be enormously influential in physically delivering the Single Market in Energy, especially in border regions, while at the same time acting creatively to address environmental concerns, including the promotion of reductions in energy use, for example, through better insulation and more intelligent usage.

However, in addition, with their proximity to consumers and their persuasive information and communication channels, LRAs can help consumers, especially vulnerable ones to be aware of, and benefit from, competition and fair prices. In some cases they will be able to promote smart metering - enabling energy consumers to be better informed of their consumption patterns and the associated costs, while also promoting new technologies and associated local employment opportunities. Exchanges of best practice in this area can greatly facilitate these processes:

Heat energy solutions

Subject	Heat energy solutions
Case	RegEnergy
Internal Market Area	Interconnecting Europe's energy markets
Local/Regional Authorities	Local and regional authorities in Denmark, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Spain, UK.

Main Features of Intervention

RegEnergy was a 30-month project that aimed to create a Europe-wide network of 18 partners from 11 countries⁹, which exchanged information and knowledge on the heat energy sector in order to best exploit innovative uses of renewable energy sources. Local and Regional Authorities, as well as energy suppliers, research facilities and regional development agencies, were part of the project, which was co-funded by the EU.

The RegEnergy project focused on five main phases. The first one was about management and coordination activities, while the other three were more “technical”, aiming to promote local district heating utility reforms, innovative policy measures for sustainable local and regional heat energy supply and innovative financial measures and public-private investments. The fifth area put into practice local energy pilot projects both in Italy and Latvia.

Besides the positive and expected environmental effect, the project succeeded in providing policy guidance for Local and Regional Authorities on how to better integrate the renewable energy concept with social and economic development, boosting public-private investment, innovation and growth around Europe.

Role of Local and Regional Authorities

In this case, best practices were transformed by Local and Regional Authorities both into innovative policy measures for regions and municipalities and into state-of-the-art technologies, prompting both green energy production and the Single Market for energy. The exchange of best practice between different LRAs helped to develop a common approach to tackling the issues of green energy and thus contributed to building the conditions for single energy market.

Further Details

<http://www.reg-energy.org>

⁹ The government of the Kaliningrad Region (Russia) was included in the network.

2.2 Flexible and efficient logistics and transport systems

The channels through which trade in goods flows are essentially the logistics and transport systems that operate across Europe's regions. Many of the elements of such systems are under the control or influence of LRAs.

In this respect logistics and transport systems are in an analogous position to energy networks and the LRAs are able to facilitate the movement of goods, both in their influence over physical infrastructure and in the accompanying facilities that can ease the flow.

With regard to the infrastructure, there are still considerable obstacles to the free flow of goods as a result of both technical and administrative barriers. These often form "bottlenecks" which impede the movement of goods over a much wider area. Failure to implement EU legislation properly causes problems and there is still considerable fragmentation in the transport market, particularly affecting the use of different modes of transport in an integrated way. Many of these issues need addressing simply in terms of the need from localities and regions for efficient transport systems within their own areas. Seeing these issues in a Single Market context could in many instances help to solve local problems as well as contributing to a more efficient Single Market.

Improving Central Europe's Interconnectivity

Subject	Improving Central Europe's Interconnectivity
Case	South-NORTH Axis
Internal Market Area	Flexible and efficient logistics and transport systems
Local/Regional Authorities	Local and Regional authorities in Italy, Austria, Czech Republic, Germany, Poland, Slovenia

Main Features of Intervention

SONORA is a 40-month project to provide better connections between the Baltic and the Adriatic sea. It brings together 25 partners from six European countries and 34 associated institutions in order to support the development of multimodal transport infrastructure and services in Central Europe, aiming to link regions and markets and boost economic growth.

Led by the Veneto Region (IT), the project is implemented through the Central Europe Programme and is co-financed by ERDF. It involves several public authorities at both local and regional level, together with universities, associations and national public authorities.

The project is structured around six work packages. The first two are focused on managing, coordinating and communication activities, while three of the others are more "technical", aimed at transport network flow optimisation, removal of obstacles for infrastructure realisation, and activation of services along South-North itineraries. The last work package is about the creation of a dialogue platform for partners and associated institutions.

The project will both provide practical support for the completion of transport infrastructure and develop multimodal freight logistics services. For example, improving access to European seaports for landlocked countries is one of the main results expected from the project. From a strategic point of view, transnational action plans for future infrastructure and policy recommendations on upgrading intermodality in central Europe and promoting logistics services will be developed in order to support new regional growth opportunities and strengthen the Single Market.

Role of Local and Regional Authorities

By co-operating in this project, local and regional authorities are directly helping to improve transport and logistics systems in Central Europe. They are increasing accessibility, improving territorial cohesion, promoting integration and competitiveness and developing infrastructure in six European countries.

Further Details

<http://www.central2013.eu>

<http://www.sonoraproject.eu/>

In addition, and increasingly, with the development of market surveillance systems, the less tangible contributions that LRAs can make to the efficient flow of goods will become more important. By channelling information about blockages at a local level through national and eventually European surveillance systems, LRAs will be able to make a big contribution to this developing aspect of the Single Market.

2.3 Implementation of the Services Directive

Services now account for 70% of European GDP, yet only 20% of the services provided in the EU have a cross-border dimension. One result is that the productivity gap in services between the US and the Euro area is around 30%.

The Services Directive has brought important improvements in the functioning of the Single Market for services. Administration and supervision by national authorities has been simplified and the rights of users and consumers strengthened. However, a big effort is required by the Member States to implement the Directive and, especially at a practical level this can be greatly assisted by LRAs. A particular role relates to the provision of information and assistance to both consumers and businesses. Member States are required to set up single contact points to help deal with problems, yet even where access is provided on-line, national organisations of this type can continue to be rather remote from local consumers and businesses, unless local agencies actively promote their use. LRAs often either operate such services or support them to varying degrees.

Support to Consumers

Subject	Consumer rights
Case	Trading Standards offices
Internal Market Area	Free movement of goods and services
Local/Regional Authorities	Local authorities in the UK

Main Features of Intervention

In the UK, local authorities provide ‘Trading Standards’ services. Trading Standards exist to promote a fair and safe trading environment for the public and the business community.

Usually Trading Standards provide an accessible front line public service that can give advice to the public and to businesses about their obligations and rights when purchasing or providing goods and services. They also take measures to ensure a fair and safe trading environment in their localities, by ensuring that weighing and measuring equipment is accurate, that prices are correctly displayed and that goods are correctly marked and goods and services accurately described. Goods and services are tested for quality, quantity and safety.

As part of their front line services, which are usually provided through an office open to the public, and through telephone and on-line facilities, Trading Standards increasingly offer assistance on cross-border trading. They can assist with reimbursement of plane tickets when a flight is cancelled or getting money back when a hotel in another country has charged more than it should to a credit card. They can also assist with on-line purchases from organisations in another Member State.

The local services offered by Trading Standards are supported by services at a national and European level. At a national level an on-line service, ‘Consumer Direct’, is provided by the national government in conjunction with local authorities. Trading Standards also have access to the European Consumer Centres network, which co-ordinates consumer protection cases across Member State borders and helps find solutions to cross-border shopping problems. The ECCs can offer legal and practical advice, they can contact a company in another European country, direct consumers to a dispute resolution scheme or propose other solutions.

This service is especially critical in supporting the development of on-line trading. Consumers need to be confident that goods offered on web sites will in fact be delivered and will be of the quality that is expected.

Role of Local and Regional Authorities

In this case, local authorities are building on existing services to support consumers purchasing from other Member States and are thus helping to build consumer confidence in the Internal Market. Their direct contact with local consumers adds an important extra dimension to this process.

Further Details

<http://www.tradingstandards.gov.uk/Aberdeen/europe.htm>

<http://www.consumerdirect.gov.uk/>

<http://www.ukecc.net/>

The example of ‘Trading Standards’ services provided by local authorities in the UK illustrates how well-established local services can be adapted to supporting aspects of the Single Market within a national and European framework.

2.4 Digital Europe

The development of digital technology is clearly a major factor in the economy of modern Europe, but certain aspects of the development of the corresponding markets for information and communication services have frustratingly assumed structures that have created new barriers to the operation of a Single Market. Some of these issues can be tackled through Competition Policy or require the development of viable standards and appropriate regulatory provisions, but others are of a more structural kind, where the gradual building of links at a local and regional level can make an important contribution.

Recent work by the European Policy Centre, such as the study on the economics of a Digital Single Market commissioned from Copenhagen Economics¹⁰ shows that the economic impact of a Digital Single Market could be equal at least to that of the 1992 programme. A fast development of the Digital Single Market could add at least 4.1% to EU GDP by 2020. Consumers would benefit from lower prices, better quality and more choice, and a level playing field in Europe would stimulate businesses in the sector and make it possible to compete on an equal footing in an enlarged arena.

The study shows that differences in regulation between Member States lead to a fragmented business environment for European innovators and entrepreneurs. As a result, few technology starts-ups expand their businesses to neighbouring EU countries. Instead they prefer to expand in the US market. Lacking the benefits of large scale home market, this slows down the rate of innovation, and

¹⁰ Copenhagen Economics ‘The Economic Impact of a European Digital Single Market, Final Report’, March 2010.

European firms do not benefit fully from investments in high-speed internet infrastructure.

The response at European level has been given greater focus by the publication of a Communication from the Commission on ‘A Digital Agenda for Europe’¹¹ in May 2010. The Digital Agenda is in effect an action plan directed to seven priority areas, addressing the barriers identified in the Copenhagen Economics study:

‘The first type of barrier stems from the fragmentation of the EU legal system. The second type stems from differences in culture between the EU countries, which lead consumers in different EU countries to demand different characteristics from their goods and services. A third set of barriers (other barriers) encompass the lack of consumer protection and more generally, trust in the internet’.

LRAs can contribute to the debate on the regulatory framework. Through their own purchasing of digital equipment and services they can influence patterns of consumption, help overcome market fragmentation and promote the application of Europe-wide standards and the interoperability of ICT products and services. But because of their closeness to consumers, perhaps the greatest contribution that they can make is in promoting trust in the Internet and the take up of internet-based services, including e-commerce.

The importance of e-commerce is increasing, but there is still some way to go, particularly with the reluctance of both businesses and consumers to trade across national boundaries. There is scope for a lot of confusion in these areas, but frequently these problems can be sorted out in a practical way. Advice to both enterprises and consumers, such as that provided through the Trading Standards organisations referred to earlier, is clearly a way that LRAs can act. This can be supplemented by more broadly based actions that enhance digital literacy and ensure that there is a sufficient skills base locally to operate and take advantage of a growing digital market. At the same time specific measures to promote digital inclusion are often best taken locally, where there are the best opportunities to engage with groups that are being left behind by changes in the technology.

Finally in this area LRAs are often the owners or guardians of a large amount of potential digital content. This might take the form of images and film and cultural output, recordings and archives that is the raw material of significant parts of the creative sector. But it may also be data that in anonymous form can

¹¹ Communication from the Commission ‘A Digital Agenda for Europe’ COM(2010) 245 of 19.05.2010.

be a major resource for innovative enterprises in a range of sectors from health care and business services to education and entertainment. Intelligent programmes of digitisation and release can find applications not only in on-line content, but a range of other industries including conventional printing.

2.5 Public Procurement

LRAs have a major role in the area of public procurement, the transformation of which so that it operated with common rules across Europe was one of the major achievements of the 1992 initiative. In this respect local authorities have been operating with a procurement Single Market for 20 years or more.

Overall, in Mr Monti's view, there is no doubt that EU public procurement law has largely been a success, turning into one of the most developed and technically sophisticated areas of the Single Market. The number of procurement notices published at EU level is constantly growing and procedures are certainly more transparent than in the past. The expectations of better value for money have also been satisfied: estimates set the savings realised by public authorities between 5 and 8% of the price paid.

Nonetheless new issues are arising and the public procurement framework is under review. Reforming public procurement should be an opportunity to address problems of complexity, administrative burden and SME-unfriendliness. It may also present an opportunity to clarify the situation with regard to the use of public purchasing to support broader policy goals, such as climate change, innovation, gender equality, employment or social inclusion goals.

The Monti Report acknowledges that this is a complex area involving an interplay of many issues. These include the question of how services of general interest are managed. Recent case law is seen to have sharpened the divide between advocates of greater market integration and those who feel that the call for economic freedoms and for breaking up regulatory barriers is code for dismantling social rights that are protected at national level. Some sensitivity is called for in building consensus.

However, with their wealth of experience, LRAs are in a good position to contribute to this process, while at the same time helping to modernise procurement systems and make them more efficient.

The extent of direct cross-border procurement is still relatively low, accounting for only around 2% of contracts. Since they are responsible for a substantial proportion of overall public procurement, LRAs are in a position to affect this by actively encouraging wider participation in procurement competition. Such

an approach is likely to lead to better value for money for the local community and is not necessarily to the detriment of local businesses. Suppliers from other Member States, especially if they are SMEs, are often in need of local partners and such relationships may lead to broader business benefits, including longer-term partnerships and transfers of technology and business know-how.

A more fundamental issue in this area is that although public procurement regimes operate according to a common framework across Europe currently defined by the consolidated Classic¹² and Utilities¹³ Directives of 2004 and many of the prescribed features of procurement procedures are familiar to all those operating in the procurement area, there are still many divergences in practice, especially in relation to areas where there are no specific provisions in the Directives. Especially in the context of a modernisation of procurement procedures, this is an area that is ripe for a programme of good practice exchange.

One specific example here is the use of the Concession form in procurement contracts. The Concession form offers certain advantages over conventional public contracts in some circumstances, especially in encouraging innovation in works and services. It is particularly of interest in the search for new solutions to address environmental concerns. The coverage of concessions in the legislation is relatively thin and there is a substantial variation in their use and in the procedures adopted for them across Member States. These issues are being actively considered by the Commission, with a possible view to new legislation, but there is scope for LRAs to participate in this debate and perhaps learn from the experience of other LRAs.

More immediately, there are many ways that LRAs, as major procuring entities, can learn from others in simplifying and facilitating procurement. This includes the development of on-line processes, conforming to good practice, standardisation of certain aspects of the procedures, such as the proof required for economic and financial standing and the implementation of good practice in relation to SME participation, such as that promoted in the Code of Best Practices, adopted as part of the Small Business Act.

¹² Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

¹³ Directive 2004/17/EC of the European Parliament And Of The Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors.

2.6 Financial Services

The single market for capital and the closely interrelated single market for financial services are critical for the efficient allocation of resources and for the stability of the economy. Much has been achieved through the pass porting rules for securities and other financial instruments. But there is a clear need to put in place an adequate supervisory system, particularly bearing in mind the financial crisis of the past few years. The Commission's response has been centred on the De Larosière Report¹⁴.

The De Larosière report proposed a revised system of financial supervision, with tasks clearly allocated between those to be carried out at EU level and those to be carried out by national regulators. A new institutional framework was proposed, which would include an EU wide risk management framework. The recommendations of the De Larosière Report, and subsequent initiatives, are designed to increase supervision and bring confidence to the markets. Without confidence, markets cannot operate.

A further aspect of supervision is to reinforce the 'no bail out rules'. Mr Monti sees a need to *"increase the sensitivity of markets to national budgetary developments, and [make] the possibility of a default of national debt more manageable by other EU countries, hence more likely and easier to price by markets"*.

But there is still fragmentation in the capital markets, meaning that they may work less efficiently than they should, and that borrowers have less easy access to funds. The Monti Report suggests that in particular the government bond market is still fragmented, as debt issuance remains at the national level and no large step has been taken to date to achieve the economies of scale allowed by the euro. Accordingly, governmental issuers – including of course regional and local authorities – may pay higher interest rates than would be the case in an integrated market.

In developing the Single Market in financial services, therefore, the Monti report suggests making sure that the structure of financial supervision is such as *not* to lead to fragmentation of the Single Market; and exploring the possibility of reinforcing financial integration through the issuance of E-bonds. Such bonds would be the European equivalent of German Bunds, seen as the most efficient part of the Government debt market in Europe. As in other areas local and regional authorities will be able to add weight to developments in financial markets as they begin to gather momentum.

¹⁴ High Level Group on Financial Supervision in the EU, Report, 25 February 2009.

2.7 Freedom of movement of workers

The Monti Report reminds us that freedom of movement of persons is one of the four freedoms of the internal market and that effective mobility of labour is an important mechanism in the efficient operation of a market economy. The freedom of movement of workers is therefore a major element of the Single Market. It is also one that raises particular issues for LRAs.

Freedom of movement is an area with a lower number of legal obstacles than the other three economic freedoms, but the remaining obstacles are relatively difficult to deal with. The coordination of social security rights, the portability of pensions and the recognition of professional qualifications are all areas that continue to need resolution by agreement between the Member States. But beyond this there is a considerable task for authorities at all levels in the management of labour mobility.

Although generally mobility of workers in Europe is considerably less than in other large single markets, such as the United States, there have been some large scale movements of people in recent years and this has presented issues both for the host communities and for the communities providing those that leave to work elsewhere.

Initially, there are the needs of individuals who are moving to another Member State to find work. Assistance with finding vacancies and with sorting out social rights and obligations is provided by the EURES network, but access to this network and extensions of its activities, including its integration into services that are provided locally is clearly an area where LRAs can be active.

Cross-border partnership

Subject	Cross-border employment partnerships
Case	EuresChannel
Internal Market Area	Freedom of movement of workers
Local/Regional Authorities	The public employment services of the regions Nord/Pas-de-Calais, West Flanders, Hainaut and Kent

Main Features of Intervention

Eures Channel is the first European Employment Services (EURES) cross-border region to be established. EURES is a co-operation network designed to facilitate the free movement of workers within the European Economic Area. Specifically, Eures Channel is focused on the regions of: Nord/Pas-de-Calais (France), West Flanders (Belgium), Hainaut (Belgium) and Kent (UK). The network is coordinated by the European Commission and partners include regional public employment services, trade unions and employers' organisations.

The partnership has three target beneficiaries. First of all, it assists job seekers who wish to work or receive training in another country, secondly, it supports employers who are interested in cross-border recruitment and thirdly, it directly help cross-border workers who are already active abroad but have specific problems with tax, social security, contract of employment etc. The partnership has established a network of trained Eures advisers, who provide information and advice for job seekers and employers.

Among its activities, the partnership facilitates access to "national services", organises workshops and information sessions for job seekers and frontier workers, facilitates the exchange of job offers and applications, provides information on living and working conditions in the four regions. It also supports a training policy which aims to facilitate cross-border mobility, exchanges best practice and provides key information for employers, such as data on labour costs and important legislation.

Role of Local and Regional Authorities

The Regional Authorities' involvement in Eures Channel (particularly regional public employment services) is a fundamental means of monitoring cross-border employment areas, strengthening synergies between different countries and promoting citizens' mobility. They give effective and practical support to the development of a genuine European labour market and a Common European Single Market.

Further Details

<http://ec.europa.eu/eures/home.jsp?lang=en>

<http://www.eureschannel.org/>

There is also a very important role for LRAs, where there is an impact on local communities from relatively large numbers of mobile workers moving into a specific area. There can be significant impacts on health and social services and on education systems¹⁵ that are usually the responsibility of LRAs. Learning from the experience of other local communities that have faced these issues and implementing good practice in planning and making provision for these practical aspects of labour mobility is a clear task for LRAs.

At the same time, those areas that are losing significant groups of young people from their communities also need to react, both to meet the problems that arise from significant outward migration and to take advantage of the skills and experience that have been acquired by those who return. Opportunities may well arise, for instance, for the creation of new businesses.

2.8 Promoting the SME sector

It has been seen that the new, more active approach to the development of the Single Market that has been evident in recent years has emphasised that consumers and SMEs should be the drivers in the future on-going construction of the Single Market. LRAs can facilitate this process by acting as the voice of SMEs in their community and raising the issues that small firms face in cross-border trading at national and European levels. However, there are also many more direct ways that LRAs can help. The differing areas mentioned above, where LRAs can make a positive contribution to the further development of the Single Market, have in a number of instances required better information and business support to be provided, often by facilitating better access to the networks that exist at a European level to address Single Market issues. Plugging in more effectively to networks like EURES and SOLVIT, the Enterprise Europe Network and the developing support services that aim to provide better intellectual property management and enforcement are practical and cumulatively important steps in providing more effective support. In addition in critical areas, like the development of a Digital Single Market and the follow-up to the Services Directive, LRAs can assist their local business communities to see the new opportunities that exist in cross-border trading and where necessary build preparation for these developments into local and

¹⁵ L. Chappell et al, Institute for Public Policy Research, 'Development on the Move: Measuring and Optimising Migration's Economic and Social Impacts'.

regional development strategies. Frequently this will also require making the necessary training provision in order to develop the appropriate capacities.

3. Recommendations for improvement

It has been seen that the future development of the Single Market is moving from a concentration on the development of the right regulatory framework to a situation where there is more active participation, led by consumers and SMEs, in the practical construction of cross-border trading. The potential gains from possible developments possibly outstrip those that resulted from the 1992 programme. To help their communities share in these gains, there is an important part that LRAs can play at a series of levels. Their closeness to Europe's citizens means that they are in exactly the right position to help address the practical issues arising with the operation of the Single Market. In addition, they can contribute in a number of other areas. These are summarised below:

- *Infrastructure planning and development* – LRAs that have responsibility for local and regional strategy and the detail of planning are in an important position to influence transport, logistics and energy infrastructure and systems.
- *Economic development* – A Single Market dimension needs increasingly to be built into economic development strategies, with appropriate responses to the opportunities presented by a renewed drive towards a true Single Market, including the development of appropriate capacities through training and the encouragement of SMEs.
- *Services for the community* – through improved planning and appropriate responses to bottleneck problems, LRAs that are involved in the provision of education, health and social services can help maximise the benefits of a greater mobility of labour, while minimising the problems that sometimes arise.
- *Procurement* – As major purchasers of goods and services, LRAs can assist the development of cross-border supply, by actively encouraging wider participation in procurement competition, insisting on the use of Europe-wide standards and encouraging SME participation, not least by simplifying procedures. By extending their procurement practices into new areas and learning from existing practice, such as the imaginative use of concession arrangements, LRAs may also help the development of new areas of public procurement.
- *Business support* – in a number of the developments considered from cross-border provision of services and the development of the Digital Single

Market to assisting the free movement of workers, information and practical assistance is required by businesses, especially SMEs. LRAs are in a good position to assist with making the links at this level, particularly by effectively ‘plugging’ locally provided business support services into existing European networks, such as EURES, SOLVIT, and the Enterprise Europe Network.

- *Consumer support* – similarly, information and advice for consumers is an essential part of building confidence in cross-border service provision, especially on-line services. LRAs can adapt existing services or develop new provision in this area, again linking into existing European networks, and mechanisms such as the European Consumer Centres Network (ECC-Net) and the Rapid Alert System for dangerous non-food consumer products (RAPEX).
- *Financial operations* – LRAs may have a role in helping to overcome fragmentation in the capital markets, while also benefitting from lower interest rates in their borrowing, as a bond market develops across the euro area.
- *Advocacy* – as the legitimate representatives of their areas, LRAs can be an effective voice for local businesses and the broader community, especially in identifying, and proposing solutions for, practical problems encountered in the operation of the Single Market on the ground. They can make active and constructive contributions to resolving those issues that need to be addressed, including those that require legislation at a European level.

4. Literature

Methodology for the identifying the literature

The review of policy and academic literature on the role of LRAs in the Single Market, undertaken for this briefing, attempted to identify relevant material by keyword-based searches across a series of relevant web sites and in a number of academic databases (ISI Web of Knowledge, Science Direct, Google Scholar).

The search of the literature was based on the use of a range of keywords that focused on the issue of the Single Market as such, in conjunction with reference to local and/or regional authorities/regions etc and also on important components of the Single Market – public procurement, freedom of movement, financial services etc.

As anticipated, these searches were generally disappointing in their results and did not correspond well to the definition of key issues as determined in current policy documents.

A review of policy documents available from Commission web sites (DG MARKT, but also DG ENTR and DG SANCO) was supplemented by searches of web sites of European Think Tanks, local and regional representative associations and business organisations.

This review pointed to the centrality of the recent Monti Report as a high profile document and call for action that also provides a comprehensive review of the main issues in the various different areas covered by the Single Market and a clear summary of developments in approach since the ‘re-positioning’ of the Single Market with the Commission’s Communication on ‘A single market for 21st century Europe’. It was therefore decided to base the analysis that is at the core of this briefing on the agenda as established in the Monti Report.

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