

ROMANO PRODI  
PRESIDENT OF THE EUROPEAN COMMISSION

Brussels 08 MAR 2004  
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Dear Minister,

The Commission has noted with great interest the Joint Initiative on Regulatory Reform launched by the Finance Ministers of the four Member States presiding the Council of Ministers during 2004 and 2005 and aimed at reinforcing the initiatives already taken by the EU and Member States to improve the regulatory environment and enhance its contribution to economic growth.

The Commission fully shares your conviction that better regulation can contribute to the achievement of the Lisbon objectives on growth and employment in the EU.

We equally share your belief that we should build upon the momentum created by the recent conclusion of the Inter-Institutional Agreement on Better Lawmaking to fully implement the Action Plan on Simplifying and Improving the Regulatory Environment.

I am convinced that we have a shared interest in early and full implementation of the actions that we have already developed and launched in order to achieve real and concrete progress towards our common objectives.

The Commission is fully disposed to contribute to the achievement of the objectives of the Joint Initiative, in respect of the Commission's prerogatives and its right of initiative and on the basis of the programmes already elaborated. The Commission also recalls the need for a constructive collaboration between the European Parliament, the Council and the Commission in the spirit of the Inter-Institutional Agreement on Better Lawmaking.

Please find enclosed more detailed comments and suggestions on the different elements of the Joint Initiative.



Romano PRODI

His Excellency,  
Mr. Charlie McCreevy  
Minister for Finance  
Department of Finance  
Government Buildings,  
Upper Merrion Street,  
Dublin 2, Ireland

**“Joint Initiative on Regulatory Reform” of 26 January 2004**  
**Comments and suggestions by the European Commission**

***Objectives of better regulation***

- The Commission’s better regulation policy is based on three strategic objectives: the Lisbon competitiveness targets, sustainable development and, last but not least, European Governance. On this triangle of fundamental objectives which circumscribe the general interest of the EU, the Commission launched in 2002 its Action Plan on Simplifying and Improving the Regulatory Environment and concluded in 2003 the Inter-Institutional Agreement on Better Lawmaking with the European Parliament and the Council. On this basis, concrete action has been launched and implemented progressively over the past 18 months.
- The Joint Initiative proposes a selective focus on competitiveness and, specifically, on the administrative burdens of EU legislation for operators. This selective focus is most pronounced in the proposals related to impact assessments and simplification of existing legislation. The Commission fully acknowledges the importance of the competitiveness objective and considers that it should and can be pursued within the context of the broad approach to better regulation already in place, while retaining balance and coherence between the different strategic objectives.

***Monitoring and institutional support of better regulation***

- The Commission agrees that monitoring of implementation of better regulation should be reinforced and that indicators can play a useful role, including quantitative indicators. The Commission is already actively engaged in evaluating methodology, feasibility and value-added of different monitoring instruments.
- The Commission welcomes the determination of the Joint Initiative to ensure that better regulation objectives have a real impact on decision-making. It welcomes that both the Competitiveness and the ECOFIN Council formations will review progress on regulatory reform in view of the annual Spring meetings of the European Council. The Commission invites other Council formations, e.g. in the fields of environment and social affairs, to also reinforce attention to better regulation aspects on the basis of integrated impact assessment developed by the Commission.
- The proposed creation of a horizontal Council working group on better regulation is welcome, provided that its mandate and reporting channels offer added-value and reflect the comprehensive and cross-cutting nature of better regulation and the Inter-Institutional Agreement on Better Lawmaking.

***Impact assessment***

- At the end of 2003 the Commission completed the first year of implementation for its new procedure on impact assessment. While the first trial year is considered successful, impact assessment is still a relatively new procedure which will be

implemented gradually and improved over time. In this spirit, the next challenge will be to enhance the quality of impact assessments and to broaden the coverage of proposals subject to impact assessment. In terms of coverage, major policy initiatives and all legislative proposals listed in the Commission's Legislative and Work Programme will, in future, be subject to impact assessment.

- The Commission fully agrees that impact assessment should provide an important input to the decision making process. The Commission therefore hopes that, after the Competitiveness Council, other formations of the Council and the European Parliament will show an explicit interest in using the impact assessments in the analysis of proposals. The Commission's impact assessment procedure has a comprehensive cross-sectoral scope intended to cover a broader set of issues than those relating to competitiveness.
- The Commission confirms its commitment to a comprehensive and integrated approach to Impact Assessment. The new procedure replaces sectoral impact assessments. As called for by the Laeken and Göteborg European Councils, this approach is cross-sectoral and pivots around a three dimensional analysis of economic, social as well as environmental impacts. In addition the impact assessment contains an analysis of regulatory issues related to subsidiarity and proportionality.
- Building on the first year of experience, the Commission will continue to develop and reinforce its methodology and the analytical tools employed in the analysis of the economic, social and environmental dimensions. It should be noted that within the economic dimension, competitiveness is a key component of the analysis and plays an important role as demonstrated by several recent impact assessments. The Commission will examine whether these aspects, in particular those relating to the administrative burden for companies, need to be further improved.
- Within the Commission, the Secretariat General ensures central coordination of implementing the Better Regulation Action Plan. In particular, the Secretariat General oversees the implementation of impact assessment in co-operation with an inter-service network of Commission departments: it provides quality control, assistance on methodology, and supervision of the elaboration of impact assessments.
- The Commission is actively taking steps to further develop and refine impact assessment methodology including the possible use of external expert advice. The Commission is also ready to start discussions with the other institutions at the appropriate time on developing a common approach to impact assessment, as envisaged in the Inter-Institutional Agreement on Better Lawmaking.

### ***Simplification***

- The Commission presented in February 2003 a rolling, multi-annual programme for "Up-dating and Simplifying the Acquis", covering a range of actions aimed at reducing the volume of Community legislation, up-dating and simplifying regulatory approaches and improving the accessibility of Community law. This programme pursues broad objectives such as better accessibility as well as better implementation and application of EU legislation.
- Nevertheless, the Commission agrees that the programme can be adapted by focusing more on the administrative burdens of EU legislation on operators, although feasibility

and methodological issues require closer examination. The Commission would not agree, however, that administrative burdens should become the exclusive purpose of EU simplification.

- The Joint Initiative proposes that the Council and the Commission should agree a timetable for simplification work. Coordinated programming requires the full involvement of the European Parliament and would, in any case, have to be implemented gradually given the significant lead times for preparing legislative proposals. As little response was given from the other institutions and Member States to the consultation on the February 2003 programme, the Commission hereby reiterates its invitation for the Council to give comments and input on priorities for the rolling, multi-annual programme already presented by the Commission. On this basis, and taking into account input from other institutions and stakeholders, the Commission would be in a position to gradually adapt and focus the rolling programme.
- To facilitate and speed up concrete simplification of EU legislation, the Commission invites the Council and the European Parliament to adapt their working methods for adoption of simplification proposals, in line with the commitment made in the Inter-Institutional Agreement on Better Lawmaking. The Commission also invites the institutions to ensure early adoption of some 30 simplification proposals already proposed by the Commission.

#### ***Other measures***

- The Commission welcomes the confirmation by the Joint Initiative of the potential use and benefits of alternatives to traditional regulatory instruments and hopes that the framework set out in the Inter-Institutional Agreement on Better Lawmaking will prove to be conducive for concrete application of such instruments.
- The call for greater use of review clauses in Community legislation fully reflects the Commission's intentions as stated in the Action Plan on Simplifying and Improving the Regulatory Environment.
- The Commission is also of the view that a pro-active competition policy is a key element of a coherent and integrated policy to foster the competitiveness of Europe's industry and to attain the Lisbon targets. It is the Commission's intention to report to the Council how a pro-active competition policy will contribute to more competitiveness and how it can best be taken forward.

#### ***Work at the level of Member States***

- The Commission welcomes the acknowledgement of the crucial importance of improving better regulation at the national level and the intention to focus the work of the informal network of Directors and Experts on Better Regulation on promoting and monitoring progress in Member States. No real progress would be reached if the improvement of better regulation at the European level is not matched by a parallel effort by the Member States at the national level.

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