



UNLEASHING CROSS-BORDER SERVICES

REPORT ON IMPLEMENTATION OF THE SERVICES DIRECTIVE

JANUARY 2011

WHO ARE WE?

BUSINESSEUROPE's members are 40 central industrial and employers' federations from 34 countries, working together to achieve growth and competitiveness in Europe.

BUSINESSEUROPE, the Confederation of European Business, represents more than 20 million small, medium and large companies.

METHODOLOGY

This report has been developed on the basis of the responses to a questionnaire submitted by BUSINESSEUROPE's member federations by November 2010. The information provided may be subject to change as national implementation continues.

It covers all EU Member States, excluding Malta, Romania and Slovakia, plus the other European Economic Area (EEA) countries Iceland and Norway.



THE SERVICES
DIRECTIVE



SCREENING AND
SIMPLIFICATION OF
LEGISLATION



POINTS OF
SINGLE CONTACT



PROMOTION AND
STAKEHOLDER
INVOLVEMENT



PRIORITIES
FOR ACTION

FOREWORD



A Single Market that is fit for service is essential to promote sustainable economic growth and to create more jobs!

High quality implementation of the Services Directive is a key prerequisite to achieve a genuine Single Market for services and to make the vision of an integrated European economy a reality.

One year after its transposition deadline, it is time to assess what results the directive has brought on the ground and whether it has successfully removed existing barriers to trade in services and facilitated establishment abroad.

This report evaluates the concrete opportunities that the directive has created for businesses. It provides a practical assessment of how the points of single contact are perceived by companies and gives recommendations for improvement.

We observe disparate results among Member States, in particular with regard to the functioning of the points of single contact. It is time to recall that the objectives of the Services Directive will only be achieved if national governments implement it fully and effectively.

Jürgen R. Thumann
President
BUSINESSEUROPE



Michel Barnier
EU Commissioner
Internal Market and Services

As emphasised by the Single Market Act, services are the driving force of our economy. A truly integrated market for services is key to fostering growth, jobs and innovation. This is why Member States must fully implement the Services Directive. We also need to keep on looking at the way ahead for a better functioning Single Market for services.



Malcolm Harbour
Chairman of the IMCO Committee in
the European Parliament

Cross-border trade in services is underdeveloped compared to goods. Governments must fully implement the Services Directive to remove remaining barriers and encourage more enterprises to expand their horizons. A well-functioning Single Market for services will greatly benefit citizens and companies by offering more and better services, and stimulate jobs and growth.



STATE OF PLAY

STEADY PROGRESS...

High quality implementation of the Services Directive required an unprecedented effort from Member States and the EEA EFTA countries. A lot has been achieved since its adoption in 2006.

Sound progress is reported in the area of simplification of procedures and authorisation schemes, and dismantling of burdensome and unjustified requirements on domestic and foreign services providers.

Nearly all Member States have put in place a “first generation” point of single contact that carries out most of the tasks outlined by the directive.

Most points of single contact offer basic services in English in addition to their national language(s).

The Services Directive has triggered an overall modernisation of public administrations and stimulated the use of e-governance.

In most Member States the opportunities created by the Services Directive have been promoted via information campaigns, publications or the organisation of events and expert meetings.

... YET ...

There is much room for improvement, in particular as regards the functioning and user-friendliness of the points of single contact. Some countries are lagging far behind and need to catch up.

There are still many barriers in place that hamper cross-border trade in services. Most challenges relate to the mutual recognition of professional qualifications and disparate national interpretations of EU law.

The use of the points of single contact is still relatively low. Many points do not offer all the necessary information or allow for the completion of procedures online.

The offer of foreign languages besides English is very limited. Also in terms of detail there is much to be done.

Interoperability should be improved and the use of electronic signatures between national authorities and Member States promoted.

Most companies are still unaware of the new opportunities created by the directive such as the possibility to obtain information on relevant procedures and practical guidance via the points of single contact.

THE SINGLE MARKET FOR SERVICES

Services are fundamental for Europe's economy. They account for 75% of EU GDP and around 70% of total employment. Nine out of ten new jobs are created in services sectors. Yet, cross-border services account for only 5% of EU GDP, compared with 17% for goods traded within the Single Market. Services still face numerous regulatory and administrative barriers.

The Services Directive was adopted in 2006 to address many of the obstacles facing service providers. This directive has been decisive for the services sectors that fall within its scope but also for the European economy as a whole. The directive concerns activities accounting for 40% of European GDP and jobs.

The Services Directive aims to:

- Simplify procedures and formalities
- Remove unjustified and disproportionate burdens
- Facilitate establishment abroad
- Foster cross-border provision

In addition, Member States and the EEA EFTA countries were required to set up points of single contact to assist foreign and domestic service providers with the provision of services anywhere in the EU. The points of single contact are intended to be the focal point for companies that wish to operate abroad. Member States had to transpose the Services Directive into their national law by 28 December 2009.

The Single Market Act points out that the economic gains of full implementation of the Services Directive range between 60 and 140 billion Euro, representing a growth potential of 0.6-1.5% of EU GDP.

NATIONAL TRANSPOSITION: QUICK FACTS

- 23 Member States have adopted a horizontal law to transpose the directive.
- In Austria and Luxembourg adoption of the horizontal law has accumulated serious delays.
- France and Germany transposed it by adopting several acts rather than one horizontal law.
- 19 Member States have modified sector-specific legislation to comply with the directive.
- In Austria, Greece, Ireland, Luxembourg and Slovenia drafting of the required changes to sector-specific legislation is significantly behind schedule.



SCREENING AND SIMPLIFICATION

Under the Services Directive, Member States had to conduct a comprehensive screening exercise to examine national rules and procedures for services covered by the directive.

Existing requirements had to be simplified and could only be kept if they are non-discriminatory, proportionate and justified by an overriding reason of public interest.

In 2010, Member States participated in the Mutual Evaluation Process on the basis of national screening reports. The process aimed to share best practices and foster mutual learning between the different national administrations.

KEY FINDINGS

- ➔ 17 member federations, representing almost 86% of the services market, are satisfied or very satisfied with the overall screening by their government (Figure 1).
- ➔ 13 member federations expect a large or medium reduction in administrative burden for companies when the Services Directive is fully implemented (Figure 2). Some countries that do not expect a substantial change indicated that the administrative burden on service providers is already relatively low.
- ➔ National administrations have often maintained existing authorisation schemes by using justifications relating to public interest. In some cases, respondents doubt the validity of the arguments provided.
- ➔ Member federations have indicated that their governments consider the screening process complex and cumbersome as it involves all levels of government (national, regional and local). It is further complicated in countries with a more decentralised or federal political structure.
- ➔ Most member federations reported that their government found the Mutual Evaluation Process that followed the national screening to be useful.
- ➔ Simplification of rules and procedures initiated by the Services Directive is a trigger for further modernisation of public administration.

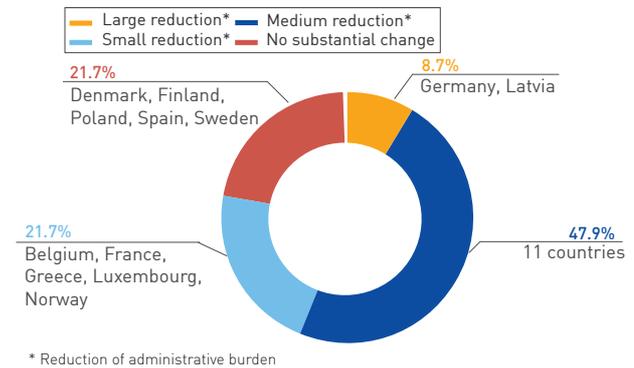
Figure 1

Assessment of national screening
Source: BUSINESSEUROPE

Very satisfactory or satisfactory	17 countries Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, Netherlands, Spain, Sweden, United Kingdom
Neither satisfactory nor disappointing	5 countries Greece, Iceland, Luxembourg, Norway, Slovenia
Disappointing	1 country Poland

Figure 2

Expected influence of full implementation
Source: BUSINESSEUROPE



For figure 1 and 2, no assessment was provided by: Austria, Ireland, Portugal

RECOMMENDATIONS

- 1 Ensure that all national governments **fully and correctly implement the Services Directive** and go beyond the minimum provisions to grasp its full economic potential.
- 2 Make sure that the Member States and EEA EFTA countries **modify their sector-specific legislation** to comply with the directive.
- 3 **Inform companies better** about the national rules and procedures that have been simplified or abolished.
- 4 Further **modernise public administrations** based on the results of the **Mutual Evaluation Process** to benefit fully from best practice sharing and mutual learning.



POINTS OF SINGLE CONTACT

One important novelty of the Services Directive is that Member States had to set up a point of single contact (PSC) to supply relevant information and to allow for completion of formalities.

Member States were free to decide how the point of single contact should be set up and whether an electronic point would be supported by one or more physical contact points. PSC services should be made available for use by domestic and foreign service providers.

For companies, it should mean that they do not need to contact several different national authorities to obtain information and complete procedures. In addition, they should be able to do this online via the PSC portal. This brings down bureaucracy and reduces time and costs for businesses.

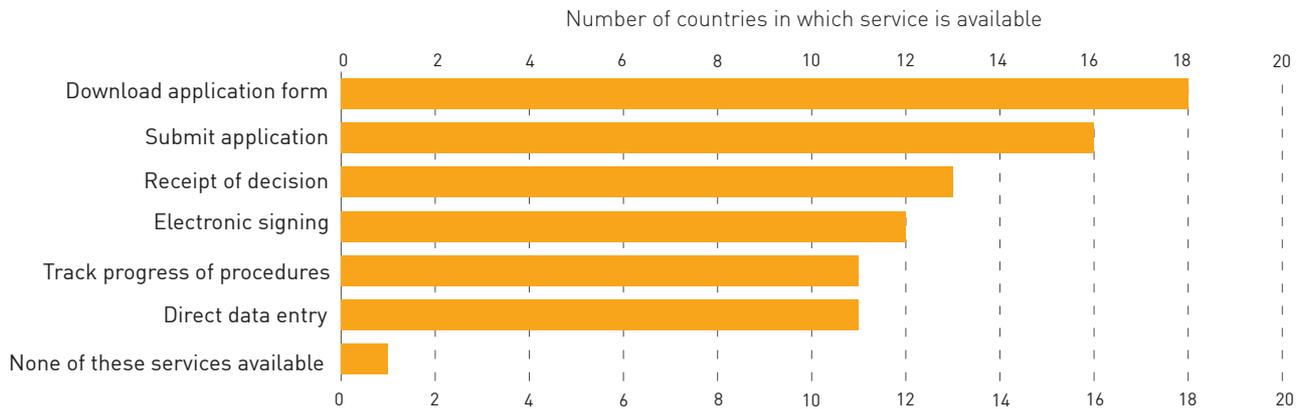
KEY FINDINGS

- 22 countries have an acceptable, functioning “first generation” point of single contact in place.
- Various models of point of single contact have been set up. Some countries have built on existing (online) structures, such as chambers of commerce or business assistance platforms.
- Two member federations have indicated that their country still does not have a functioning point of single contact in place.
- Information provided by the points of single contact is adequate, but often does not cover all services sectors.
- In most cases, practical information related to tax issues, workers’ rights and health and safety rules is not available.
- It is often not possible to complete all the steps to finalise procedures online, which is supposed to be the most important advantage for companies (Figure 3).
- Some points of single contact charge users for their services.
- In some cases, budget constraints hold back PSC performance.
- Some points of single contact do not respond to requests from service providers rapidly enough.

Figure 3

The availability of online point of single contact services

Source: BUSINESSEUROPE



RECOMMENDATIONS

- 1 Ensure that the points of single contact are **adequately staffed and financed**.
- 2 **Improve information provision** by covering **more procedures** and **more services sectors**, and offer useful practical information, for instance on VAT rules and tax issues.
- 3 Increase the availability of forms and procedures for **electronic completion**, in particular for foreign service providers.
- 4 Ensure that points of single contact answer any request as **rapidly** as possible.
- 5 Provide PSC services preferably **free of charge**.
- 6 Promote **pilot projects** to develop **e-governance** and move to “second generation” points of single contact.
- 7 Launch a Commission study to **benchmark progress** of all national points of single contact.



USER-FRIENDLINESS

The directive states that Member States and the Commission shall take measures to encourage the provision of information in other EU languages. The use of multiple languages is fundamental and the first condition to attract foreign service providers. Opportunities must not be lost due to language barriers.

It is also important that the points of single contact respond to the needs of its users, companies and in particular SMEs. Member States must ensure smooth operation and compatibility of electronic procedures, not only at national level, but also in a cross-border context.

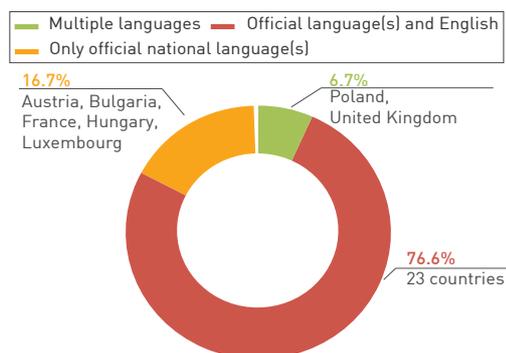
To enhance administrative cooperation between authorities in the area of services, the Commission established the Internal Market Information System (IMI). It is a network of registered authorities that facilitates the exchange of information and should encourage mutual learning. There are now around 5,200 authorities registered in the system across the Member States to deal with information exchanges on service providers.

KEY FINDINGS

- 23 countries offer basic online PSC services in English, in addition to the national language(s). Five Member States only provide PSC services in their national language(s) (Figure 4). The point of single contact in the United Kingdom and Poland offers multiple languages, the latter makes use of a direct online translator.
- In general, the main PSC portal is available in English, but linked websites to relevant authorities are often not translated. In most cases, the points of single contact do not have links to other national PSC portals.
- Required forms for completing necessary procedures are often available only in the national language(s).
- When a specific request is submitted in English, the response is often in the national language(s), which results in incomprehension and additional translation costs for companies.
- More than half of the respondents have indicated that the PSC portals should be made more user-friendly. The use of e-signatures, easy login and interoperability across borders is not common practice. Only about half of the tested points of single contact offer the possibility to track procedures online (Figure 5).
- In 14 countries the points of single contact are supported by physical offices where providers can obtain personal assistance.
- In 2010, around 170 information requests were exchanged between Member States' authorities. This figure is relatively modest compared with the number of registered authorities.

Figure 4

The availability of languages in the points of single contact
Source: BUSINESSEUROPE

**Figure 5**

Possibility to track procedures through the points of single contact
Source: BUSINESSEUROPE

Yes	11 countries Cyprus, France, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, United Kingdom
No/not yet	10 countries Bulgaria, Belgium, Czech Republic, Denmark, Estonia, Finland, Greece, Iceland, Poland, Sweden

No assessment provided by: Austria, Ireland, Portugal, Slovenia, Spain

RECOMMENDATIONS

- 1 Offer PSC services in **more foreign languages**, in addition to English.
- 2 Ensure satisfactory use of foreign languages **beyond the main PSC portal**.
- 3 Enhance coordination between all relevant authorities at all levels to allow companies to **complete a procedure** entirely online.
- 4 Offer businesses **regular feedback** on ongoing procedures.
- 5 Enhance **cross-border accessibility** by further developing the use of interoperable **e-identification** and **online signatures**.
- 6 Improve the lay-out of the main PSC portal and make them **more user-friendly**. It includes placing links to foreign points of single contact.
- 7 Intensify efforts to raise awareness of the IMI system and train competent authorities to use it to create a real culture of **administrative cooperation**.



PROMOTION AND AWARENESS

The directive highlights its importance for enterprises and for start-ups and SMEs in particular. However, it does not include specific provisions on informing and raising awareness regarding its effects and the newly created opportunities. A well-targeted information and communication campaign is essential.

Yet, national governments have not made sufficient progress to provide guidance and information to raise awareness amongst the relevant stakeholders. In some countries, foreseen information campaigns were cancelled due to a lack of resources.

The European Commission has created the EUGO portal (Illustration 1), which provides links to the virtual points of single contact of all the Member States and EEA EFTA countries. The Commission also placed a promotional clip on the points of single contact on several websites.

KEY FINDINGS

- ➔ Despite promotional efforts, 16 member federations representing more than 75% of the services market consider the general awareness of the Services Directive's benefits and in particular the points of single contact to be poor or non-existent.
- ➔ Respondents indicate that especially start-ups and SMEs are unaware or insufficiently informed about the Services Directive and the advantages and opportunities created for them.
- ➔ 14 member federations consider the promotion of the Services Directive by their government to be insufficient or non-existent.
- ➔ Only 14 member federations reported that they were actively involved in the dialogue on the screening process.
- ➔ The EUGO portal is more or less unknown. Only two member federations indicated that companies in their Member State are familiar with the EUGO portal.
- ➔ It is essential that the European Commission, national governments, business federations and all other stakeholders collectively step up their efforts to further promote the directive.

Illustration 1

The EUGO portal: the gateway to all national points of single contact



**Your guide to offering
services in Europe**

www.eu-go.eu

RECOMMENDATIONS

- 1** Use a **wide range of media** such as TV, radio and newspapers, but also new media like mobile phone applications or **social networks** to target citizens and companies.
- 2** Provide easy-to-understand **guidance** and information in the form of (online) handbooks and brochures.
- 3** Organise **expert meetings, conferences** and **seminars** on the implications of the Services Directive.
- 4** Inform the informers: provide **targeted information** on the points of single contact to entities that companies deal with on a regular basis such as banks, law firms and taxation authorities.
- 5** Consider future initiatives in the field of services on the basis of accurate information, better data and proper **consultation of representative stakeholders**.



CALL FOR ACTION

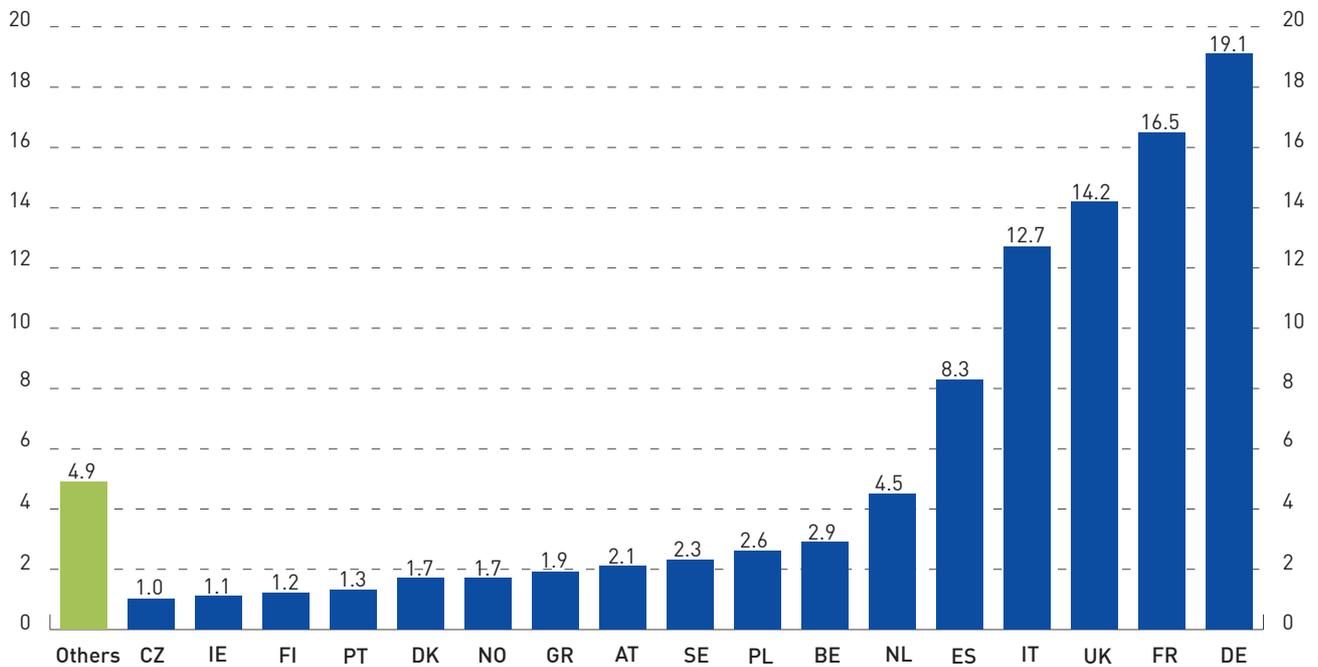
- 1** National governments must fully implement the Services Directive and are encouraged to go beyond its minimum requirements to create a genuine Single Market for services.
- 2** Member States that are lagging behind in simplifying procedures and/or putting in place a functioning point of single contact, need to increase their efforts.
- 3** The points of single contact must be adequately equipped and staffed to meet the needs of its users.
- 4** The points of single contact should offer their services in other EU languages in addition to English and the national language(s).
- 5** Further develop electronic procedures and make the points of single contact more user-friendly, in particular for foreign service providers.
- 6** National governments should organise information campaigns that target national parliaments, information providers, citizens and companies. It is key to explain the advantages and opportunities created by the directive.
- 7** The Commission, the Member States and relevant stakeholders should consider future action in areas that further hinder the creation of a Single Market for services, such as the lack of mutual recognition of professional qualifications.

Figure 6

Share of European services sector in EU-27, Iceland and Norway (as % of gross value-added)

Figures are based on the aggregate of the 1st, 2nd and 3rd quarter of 2010

Source: Eurostat, BUSINESSEUROPE



Services include: wholesale and retail trade, hotels and restaurants, transport services, financial intermediation and real estate services

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