

EUROPEAN ECONOMIC AREA
JOINT PARLIAMENTARY COMMITTEE

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REPORT

**on
the Annual Report on the Functioning
of the EEA Agreement in 2008**

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*The deadline for tabling amendments to the draft
resolution has been set for:*

Tuesday 24 March 2009, at 12.00

***Amendments shall be tabled in English only and sent
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LIST OF CONTENTS

I.	EEA Annual Report	
A.	Introduction	p. 3
B.	The EEA Annual Report	p. 3
C.	Conclusive remarks on the EEA joint committee annual report 2008	p. 7
II.	Implementation of EEA legislation	
A.	Introduction	p. 8
B.	Transposition deficits	p. 8
C.	Infringement proceedings	p. 9
D.	Consumer Markets Scoreboard	p. 13
III.	EEA Financial Mechanism	
A.	Background	p. 13
B.	Highlights of 2008	p. 13
IV.	Draft Resolution	p. 15
V.	Annex I	
	EEA Joint Committee Annual Report	p. [xx]

I. EEA ANNUAL REPORT

A. INTRODUCTION

1. The EEA Agreement (Article 95, paragraph 4) specifies that the EEA Joint Parliamentary Committee (EEA JPC) has a particular responsibility to examine the annual report of the EEA Joint Committee. This report sets out to do so. In line with the EEA JPC decision at its 27th session in Brussels on 10 October 2006, the co-rapporteurs have included in this report a separate chapter on the implementation of EEA legislation which aims to analyse the relevant Scoreboards from both the EFTA Surveillance Authority (n.23) and the European Commission (n.18). Included in this chapter is also a section on the Consumer Scoreboard. Lastly, the report also contains a separate section on the EEA Financial Mechanisms, a trend that was started in the previous report and will be continued.

2. The EEA JPC endows a special role as it consists of democratically elected representatives from both the EU side with its members of the European Parliament, and members of national parliaments of the EEA EFTA States. This renders the EEA JPC well equipped to assess the developments within the EEA Agreement in a balanced manner. The co-rapporteurs are confident that this report is an important tool for the Committee to continue performing its role as an advisory body to the EEA Joint Committee.

3. The Joint Committee Annual Report for 2008, which is the focus of the first part of this report, follows the same structure as previous EEA Joint Committee Annual Reports. The first part of the report provides a general overview and insight into the EEA Joint Committee decisions, areas where progress has been made, and outstanding issues for the year. Part two and three of the Joint Committee Annual Report provides an overview of the different policy areas and the most important developments of 2008.

B THE EEA ANNUAL REPORT

General Overview

4. Overall, most EEA relevant acts seem to be processed in an efficient manner with the procedures for the integration of acts in EFTA capitals, the substructures, and the EEA Joint Committee functioning adequately.

5. The rate of decision-making experienced a drop compared to 2007. The Annual Report notes that the Joint Committee adopted 130 decisions (compared to 170 in 2007, 159 in 2006, 156 in 2005, 181 in 2004, 179 in 2003). The average the last 10 years is 173.6 decisions p.a. The 130 decisions incorporated 218 acts, of which 38 were veterinary acts. In 2007, 416 acts were incorporated, of which 150 were veterinary acts.

6. During 2008, the EEA Joint Committee highlights five decisions of particular importance: Decision 25/2008 on REACH and the establishment of a European Chemicals Agency; Decision 93/2008 on the European Institute of Innovation and Technology; Decision 101/2008 incorporating the Regulation on access to gas

transmission networks; Decision 120/2008 on state aid; Decision revising Protocol 32; The EEA JPC would like to highlight The Programme on public health as an important decision (No 77/2008).

7. Outstanding issues from 2008 include the Food Law Package that has yet to be approved in Iceland by the parliamentary procedures called for in Article 103 in the Agreement. The Package has been introduced as a draft legislative bill in the Icelandic Parliament, but due to the political situation in Iceland it is hard to predict when the Icelandic Parliament is ready to make its decision. At the same time as the co-rapporteurs regret that this long outstanding issue has still not been resolved, the EEA JPC understands the exceptional circumstances in Iceland and asks the EEA Joint Committee to respect the democratic rules invested in Article 103 and the principles that go with it.

8. Other outstanding issues include the access for EEA EFTA Nationals on the management board of the European Institute for Gender Equality and in certain European Commission's Executive Agencies.

9. The EEA Joint Committee received briefings from the Commission on the EU's Climate Change and Energy Package and on the accession of Croatia to the EU.

10. The EEA EFTA States transposition deficit remained at 1.3% as six months earlier and remains above the 1.0% average among the EU Member States. Norway's transposition deficit went up to 1.1% from 0.8%. Iceland's transposition deficit remains at 2.2%, and has by that the highest transposition deficit in the EEA along with Luxembourg. Liechtenstein's transposition deficit lowered from 1.6% to 0.6%, and is the only EEA EFTA State below the 1.0% interim target starting in 2009. Section II of this report elaborates further on implementation rates within the EEA.

EEA EFTA participation in EU agencies and programmes

11. The EEA EFTA contributions to EU agencies and programmes amounted to €199.14 million in 2008. The EEA EFTA States committed further €194 million to the operational expenditure within the relevant fields of the EU budget. The proportionality factor was 2.39% compared to 2.28% in 2007. The annual report states that the EEA EFTA States are taking part in most of the EEA-relevant programmes and agencies.

12. The postponed incorporation of the Daphne III and Drugs Prevention and Information programmes from 2007 was successfully concluded in 2008. Participation in new programmes as the Statistical Programme 2008-2012; and the Public Health Programme (2008-2013), was also successfully concluded. The EEA JPC also welcomes EEA EFTA participation in the European Institute of Innovation and Technology.

13. However, the report notes that EEA EFTA States were excluded from participation on the management board of the European Institute for Gender Equality in 2008. This was also an occurring issue in the EEA Joint Committee Annual Report of 2007. In addition, the 2008 report also deals with the blocked access of EEA EFTA Nationals to the European Research Council Executive Agency and the Research Executive Agency. The EEA JPC sees both of these cases as regrettable and calls yet again for a clarification on the modalities of EU programme participation under the EEA Agreement, as EEA

EFTA participation in EU programmes constitutes an important and vital part of the EEA agreement.

Decision shaping

14. According to Articles 81b, 99, 100 and 101 of the EEA Agreement, the EEA EFTA States have the legal right to participate in various EC committees, and continue to utilise this right. As the EEA EFTA States are not included in the decision-making process, the EEA EFTA States should utilise all decision-shaping opportunities available to them. Due to the importance of the decision-shaping process, a regular evaluation of the EEA EFTA States' participation in committees, working and expert groups is needed. The co-rapporteurs await the forthcoming EFTA Bulletin on decision shaping with great expectations.

15. The EEA Joint Committee Annual Report lists the issues on which EFTA comments were transmitted to the EU side in 2008. 9 comments were submitted (compared to 7 in 2007, 11 in 2006, 8 in 2005, 13 in 2004, 12 in 2003), and is thus comparable with the preceding year. On average, 15 comments have been submitted on an annual basis during the last 10 year period. The topics covered in 2008 include: the EU Freight Transport Agenda; the Proposal for a Regulation of the European Parliament and of the Council Establishing the European Electronic Communications Market Authority; the Commission's Communication on a Proposal for a Strategic Energy Technology Plan (SET Plan) "Towards a low carbon future"; and the Proposal for the third energy market package. The co-rapporteurs want to highlight the last two as especially important not least since the challenges of climate change have been a key priority for the EEA JPC and will continue to be so for the foreseeable future.

16. The Joint Committee Report does not analyse or evaluate the effect of EFTA participation in decision shaping. It is difficult to decipher the actual effects of EEA EFTA comments on the overall decision making process. Along with more information of this, the co-rapporteurs seek information on reasons for the overall decline in number of EEA EFTA comments submitted over the last years. Nonetheless, the co-rapporteurs emphasise that the EEA EFTA States should continue to make use of this decision-shaping avenue to protect the interests of the EEA EFTA States.

17. EEA EFTA Comments also represent an important line of communication between the EU and EEA EFTA States, and in an EEA of 30 Member States, it is even more important for the EEA EFTA voice to be heard. As such, an active decision shaping role is important at all levels, from the expert level to exchanges of views in the Joint Committee. The EEA JPC encourages the EEA EFTA States to submit comments at an early stage, as this is regarded to have the greatest chance of shaping the legislative proposal.

The Financial Mechanisms

18. The EEA Grants and the Norway Grants will in the period 2004-2009 make close to €1.3 billion euros available to 13 beneficiary states. All of the project funding has now been made available to the beneficiary states. In addition, the report reveals that based on reports from the beneficiary states, the 770 project portfolio amounting to €810 million in

grants at the end of 2008, is expected to increase to around 1300 individual projects, programmes and funds by the end of the commitment period on 30 April 2009.

19. The EEA JPC calls for the effects of the contribution to the 10 new EU Member States to be analysed and evaluated to ensure proper and effective implementation. Furthermore, the continued high interest in the EEA Financial Mechanism and the Norwegian Financial Mechanism is encouraging. More details on the EEA Financial Mechanism are provided in chapter III of this report.

20. The EEA JPC would like to call to mind the situation from 2007, during which no decisions were taken by the Joint Committee during the first nearly 4 months of 2007 due to the EEA enlargement negotiations. This led to a delay in the establishment of a legal basis for the EEA EFTA States' participation in the various EU programmes. This was a very regrettable situation and all efforts should be taken in the future to avoid such a situation again. The EEA JPC therefore strongly urges the EEA Joint Committee to make strong efforts to finalise the negotiations on new financial mechanisms before 1 April 2009. Nevertheless, the co-rapporteurs are aware of the additional challenges created by the financial crisis.

EEA JPC resolutions

21. The report notes that EEA JPC held its 30th and 31st meetings during the course of 2008. Referral is also made to the resolutions adopted by the EEA JPC on the Annual Report on the Functioning of the EEA Agreement in 2007; on Health Services in the EEA; on Research and Education Programmes: the EEA and the EFTA States; and on Future Perspectives for the European Economic Area.

22. The report does not succeed however, in describing the content of the meetings or to comment on the resolutions adopted and how they contributed to the work of the EEA Joint Committee. The EEA JPC calls for a more elaborate descriptions of the EEA Joint Committee and its relationship with the Parliamentarians of the EEA JPC to be included in the annual report of 2009.

Free Movement of Goods

23. Good progress and many initiatives were followed up in the course of 2008. Important issues in 2009 include the regulations on GM food and feed, and the traceability and labelling of GMOs, the integration of the revised European Community framework legislation on pharmaceuticals, state aid to broadcasting, green procurement, and industrial property rights. The co-rapporteurs will follow these closely.

Free movement of Services, Capital & Persons

24. A high number of initiatives are being dealt with across these policy areas. The co-rapporteurs would like to highlight policy initiatives relating to financial sector and company law, and will follow all initiatives closely.

C. CONCLUSIVE REMARKS ON THE EEA JOINT COMMITTEE ANNUAL REPORT 2008

25. The co-rapporteurs agree with the EEA Joint Committee Annual Report, that overall the EEA Agreement functions well as it ensures the internal market is extended to the EEA. With the negotiations on the renewed financial mechanisms now ongoing, the co-rapporteurs wish to repeat their forewarning that delays in negotiations can put the good functioning of the EEA in jeopardy. This was the case in 2007, and such circumstances cannot be allowed to occur again.

26. While the Annual Report of the EEA Joint Committee succeeds in giving a general overview on the functioning of the Agreement, decisions taken and areas where further work is needed. The Report does not however, go into detail, draw conclusions, provide background information or give goals for the coming year. The co-rapporteurs would also welcome a closer link between the biannual EEA Joint Committee Chair reports and the EEA Joint Committee Annual report, as this would foster additional consistency.

27. Furthermore, the report does not sufficiently discuss the extraordinary circumstances created by the financial crisis. The crisis has potentially large effects on the functioning of the EEA Agreement. Government “rescue packages” are issued across the EEA. And as these are important tools in times of crisis, they need to be carefully monitored and assessed in order to assure that competition distortion is not threatening the good functioning of the internal market. In addition, the EEA JPC calls for a comprehensive discussion on the remedies of the economic setback caused by the crisis. Currently, the economies of the EEA States are highly prone to state intervention which in turn calls for actions to be taken in close collaboration with partners across the EEA. The EEA Joint Committee Report for 2008 fails to examine these pivotal questions.

28. The Annual Report largely deals with the EEA Agreement as it was designed in 1992 and possible shortcomings of the Agreement as a result of the developments in the EU have not been addressed. The EEA JPC will, and must, continue to examine the EEA Agreement and its functioning, in the context of a new, larger and more comprehensive EU. In this context the co-rapporteurs recall the report and resolution on Future perspectives for the EEA, which was adopted at the 31st meeting. As before, the EEA Agreement and the Internal Market will continue to be the key topic and as such, the rapporteurs recommend, as they have done in previous years, that a more analytical report should be developed for the EEA JPC. This would open the functioning of the EEA Agreement to a wider audience and providing greater understanding among the general public.

29. The EEA JPC’s institutional relationship with the EEA Joint Committee and the EEA Council has generally been good. The oral responses provided by the President-in-Office of the EEA Joint Committee and by the representatives of the EEA Council have been comprehensive, normally allowing ample time for discussion and an exchange of views. The co-rapporteurs however once again stress that the distribution of written EEA Joint Committee statements on EEA JPC resolutions before EEA JPC meetings would make it possible for members to prepare themselves for a fruitful dialogue with EEA Council and EEA Joint Committee representatives.

30. The EEA JPC welcomes progress made in policy areas in which it adopted resolutions during 2007, in particular on the issues of energy and climate change. However, no information was given on the how these resolutions were incorporated in the work of the EEA Joint Committee. The co-rapporteurs call for the EEA Joint Committee to include this in next year's report. The co-rapporteurs also wish to emphasise that the EEA Agreement does constantly needs to be nurtured. The EEA JPC report on the EEA Joint Committee Annual Report forms an important part of this work. As already mentioned, a more analytical and elaborated report would help approach such a goal.

31. The EEA JPC is mindful of its role as a contributor to a better understanding between the Community and the EEA EFTA States in the fields covered by the EEA Agreement and reminds that the importance of this role should not be overlooked. The EEA JPC invests a democratic control function through its role as a partner in applying and implementing EC legislation throughout the EEA. The EEA Joint Parliamentary Committee adopted in Brussels on 4 November 2008 a resolution on Future Perspectives for the EEA. Paragraph 15 of the resolution calls for the European Commission to provide the national parliaments of the EEA EFTA States with legislative proposals which are sent to the national parliaments of the EU Member States for consultation, in cases where these regard matters of the Internal Market.

II. IMPLEMENTATION OF EEA LEGISLATION

A. INTRODUCTION

32. The EEA Agreement extends the four fundamental freedoms of the Internal Market of the European Community, as well as a wide range of accompanying European Community rules and policies, to Iceland, Liechtenstein and Norway. On one side, the EEA Agreement applies to relations between both the EFTA and the European Community sides and between EEA EFTA States themselves. On the other side, European Community law applies to relations between the EU Member States. For the EEA to achieve its aim of homogeneity, the two legal systems must develop parallel and be applied and enforced in a uniform manner. It is the task of the EFTA Surveillance Authority to ensure that transposition in the three EEA EFTA States takes place in a timely manner, and that the transposition measures provide for full and correct implementation of the directives in question. In carrying out its tasks, the Authority co-operates with the European Commission, which is entrusted with the parallel task towards the EU Member States. Detailed rules on co-operation between the EFTA Surveillance Authority and the Commission exist and entail extensive exchanges of information and rights to comment¹. The co-rapporteurs would like to emphasise that ESA and the Commission are expected to cooperate closely, and would like the EEA JPC to be kept informed in cases where disparities in interpretations of legislation arise.

33. The Internal Market is regularly analysed to ensure that citizens are receiving the potential benefits and rewards associated with the Internal Market. As such, both the

¹ Protocols 23 and 24 to the EEA Agreement.

European Commission and the EFTA Surveillance Authority publish Internal Market Scoreboards, designed to assess transposition within the Internal Market. This report utilises the data provided in the Internal Market Scoreboard to assess the current situation in Member States in terms of implementation of EEA legislation and to compare EU Member States and the EEA EFTA States. The EEA JPC welcomes more cooperation and streamlining of the Internal Market Scoreboard produced by the EFTA Surveillance Authority and that of the European Commission. This would give a better picture of how the EEA Member States are performing across the board.

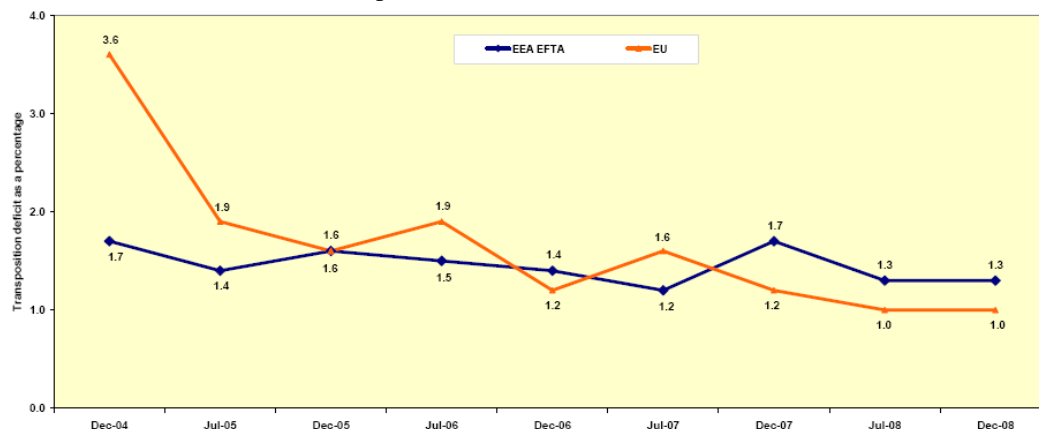
34. The EEA JPC encourages the Commission and ESA to monitor transposition closely in order to secure proper implementation and avoid mere “bureaucratic exercises”. This entails frequent control activity and close contact with national and regional authorities across the EEA. Further, the EEA JPC calls for an increased focus on improving transposition deficits and infringement proceedings, as these are growing threats against the good functioning of the internal market.

35. The EEA JPC calls for a more detailed report on which includes changes to transposition rates and infringements in the EEA, and explanations and comments from the EEA Joint Committee on how it sees developments. This section sets to outline some of the developments and trends reported in the latest EU and ESA Scoreboards, that the EEA JPC wish to see commented on by the EEA Joint Committee. Also included in this chapter is a section on the Commission’s Consumer Scoreboard.

B. Transposition Deficits

36. This is the 3rd scoreboard for the EU of 27 Members States. The EU Member States’ average transposition deficit for the first half of 2008 remained at 1.0%, as shown in Figure 1, and has thereby already fulfilled the 1.0% target from 2009 onwards, set by the Heads of State and Government in March 2007. Moreover, 17 Members States are below the 1.0% target for 2009. Denmark and Malta occupy the top spot, being only 5 directives away from a 0% deficit. Luxembourg finds herself at the lower end of the scale with a 2.2% transposition deficit.

Figure 1: EEA member States Transposition Deficits

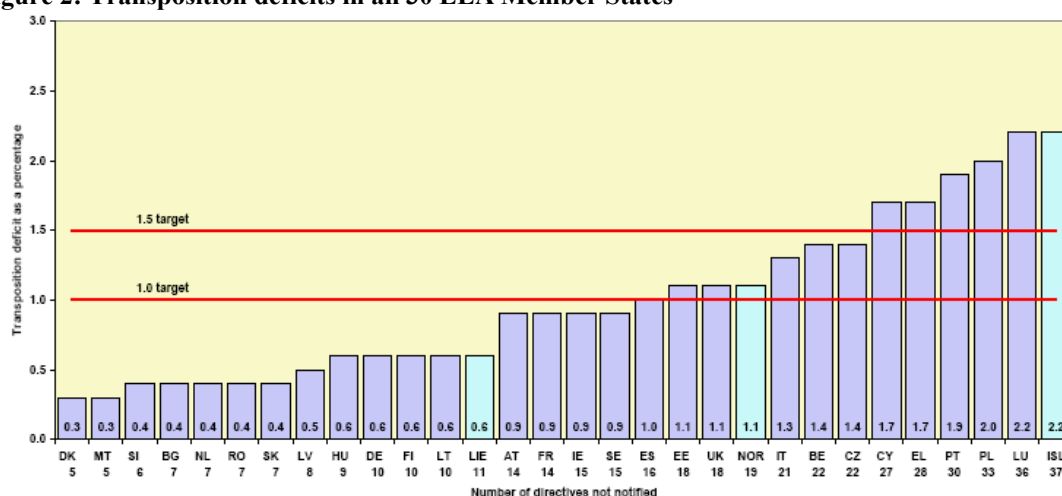


Note: Transposition deficit for the EEA EFTA States and the EU 27 for directives which should have been transposed on or before 31 October 2008, as of 10 November 2008.

Source for EU figures: The European Commission’s Internal Market Scoreboard N° 18.

37. Taking a closer look at the developments since the last scoreboard (Figure 3), Norway and Bulgaria have the highest increase in outstanding directives, with an increase of 6 and 7 directives respectively. Czech Republic and Malta drastically with an improvement of 20 and 10 directives respectively. The Czech improvement is especially positive as the Czech Republic showed the worst development off all EEA States at the same time last year. Among the EEA EFTA States only Liechtenstein shows notable improvement during the last six months. Relatively speaking however, this is an improvement compared to the same time last year, when all 3 EEA EFTA States were among the 4 EEA States with the most negative transposition tendency.

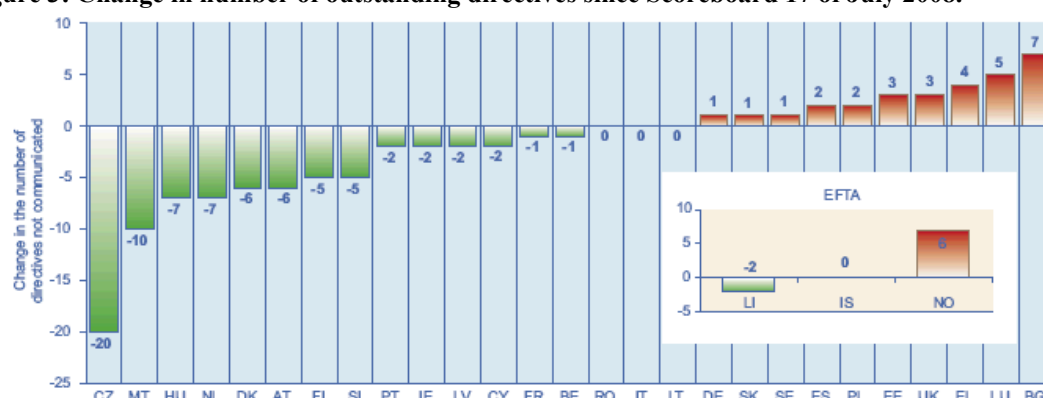
Figure 2: Transposition deficits in all 30 EEA Member States



Note: EEA comparison of transposition deficits.

Source for EU figures: The European Commission's Internal Market Scoreboard N° 18.

Figure 3: Change in number of outstanding directives since Scoreboard 17 of July 2008.



Change in the number of outstanding directives since Scoreboard 17 of July 2008.

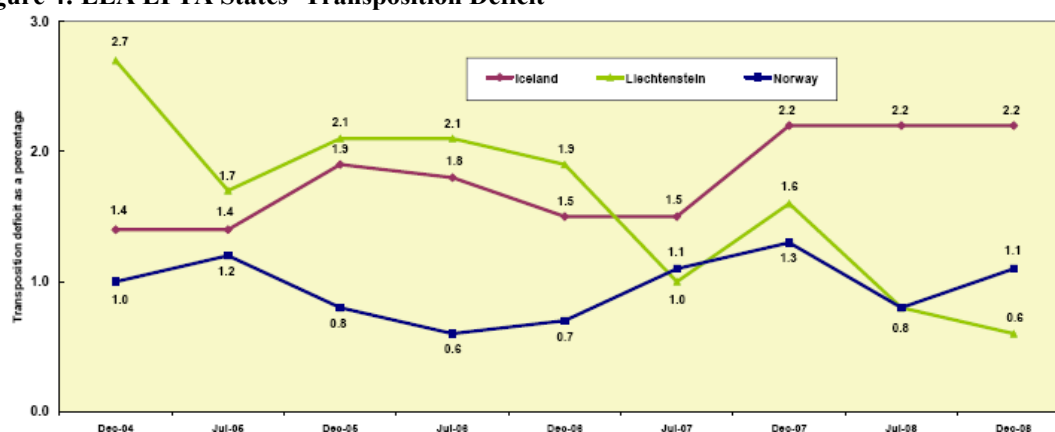
38. Broken into sectors, financial services, transport, and energy represent areas with most outstanding directives². This is to be taken seriously and drastic improvements are

² Statistics for this is unfortunately not available for the EEA EFTA States.

needed. As stated in the European Commission's scoreboard: *"In the sectors most concerned, the Internal Market is not yet a reality: Member States need to take action to reduce that gap rapidly"*³.

39. In the past few years, the EEA EFTA States' transposition deficit has fluctuated above and below the 1.5% interim target (See figure 4). As such, the EEA EFTA States transposition deficit remained at 1.3%, the same as six months ago, and a decrease from 1.7% last year. The interim target as of 2009 is 1.0%, meaning that improvement is expected by the EEA EFTA States in the forthcoming period. Liechtenstein's deficit dropped an impressive 1.0% from 1.6% to 0.6%, corresponding already with the future interim target. Iceland has been unable to lower its transposition deficit since December 2006, and remains for the third consecutive Scoreboard at 2.2%. This is along with Luxembourg highest among all 30 EEA States. The figure is higher than Liechtenstein and Norway combined and is a serious cause for concern.

Figure 4: EEA EFTA States' Transposition Deficit



Note: Development of rates of failure to implement EEA Internal Market directives (transposition deficit) between Scoreboard 15 and Scoreboard 23.

40. In March 2002, the European Council set a "zero tolerance" target for Directives whose transposition is two or more years overdue. In this area 15 EU Member States perform better than six months ago, whereof 8 have reduced their number to zero. In all, 14 EU Member States do not have any seriously overdue directives. This can be said to be an improvement compared to last year when only 7 EU Member States saw improved figures, while an equal number of EU Member States witnessed an increase.

41. For the EEA EFTA States the figures have worsened, being 2, 1, and 1 for Iceland, Norway and Liechtenstein respectively, compared to 0, 0, and 2 directives one year earlier. Average transposition delay is for Norway 7.0 months, Iceland 9.4 and Liechtenstein 13.6 months. This is an increase for all the three States since the previous Scoreboard (July 2008).

42. The co-rapporteurs remind that timeliness does not necessarily imply conformity. Looking at the number of non-correctly transposed directives Italy, Poland and Greece

³ Commission's Internal Market Scoreboard 18, 2009:13.

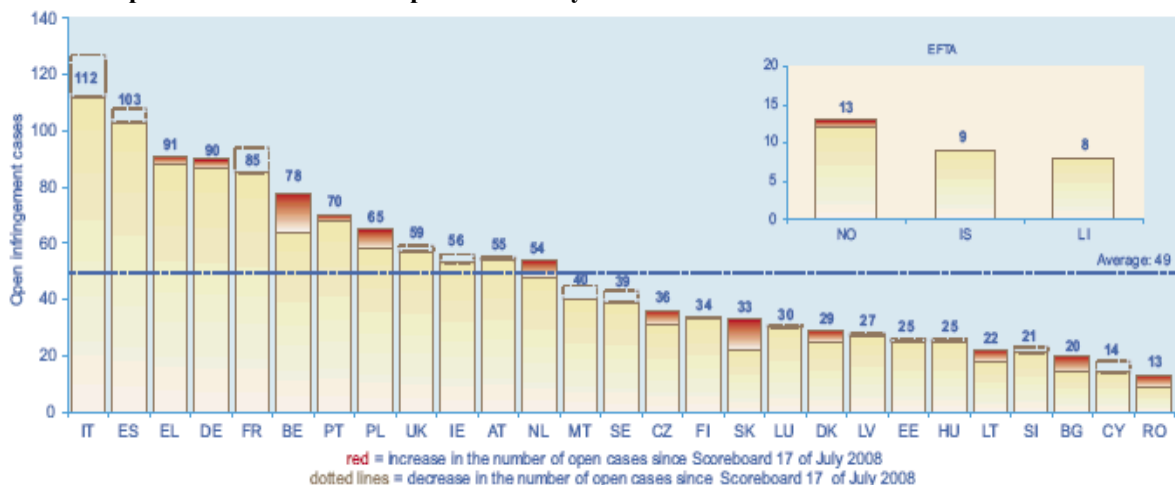
perform worst with 34, 29 and 21 non-correctly transposed directives⁴. On the correct transposition of directives the EEA EFTA States are front-runners with Iceland having 3 directives, Liechtenstein 2, and Norway none directives which are regarded not to be correctly transposed.

C. Infringement proceedings

43. Whereas the transposition figures have gradually improved among the EEA Member States over the last few years, this seems not to be the case for infringement proceedings. Only 8 of the EU15 Member States have been able to reduce their number of infringements proceedings since the record year 2003⁵. The EEA EFTA States experienced their record amount of infringement proceedings as late as July 2008⁶. These figures are reason for serious concern. The average number of open infringement proceedings due to lack of conformity with or incorrect application of directives is in the EU is 49, thereby equalling the figures from last year, and increasing since the last scoreboard in July 2008. The average on the EEA EFTA State side is 10 proceedings.

44. While the overall situation remained stable, the situation in individual EU Member States fluctuated with 14 Members States reducing the number of infringement proceedings against them, 13 Members States experienced an increase. Although Italy continue to account for most infringement cases (alongside Spain), its reduction of 15 infringement cases represents the Unions highest drop, and is regarded very positive. Romania and Bulgaria, due to their recent accession have few infringement cases and thus have the effect of reducing the overall average.

Figure 5: Infringement proceedings due to lack of conformity with or incorrect application of directives per Member State – compared to 1 May 2008



Open infringement cases as of 1 November 2008 compared to the situation as of 1 May 2008.

⁴ Figures on non-correctly transposed directives refer to the number of directives for which the European Commission or the EFTA Surveillance Authority has opened an infringement proceeding for non-conformity.

⁵ France, Italy, Austria, Luxembourg, Belgium, Spain, Germany and United Kingdom.

⁶ This record refers to all open infringement cases (including cases of late transposition and non conformity of regulations) and is not directly comparable with the figure for the EU Member States.

45. More than 40% off all infringement cases in the EU takes more than two years to resolve. Cyprus performs best in this respect, with 69% of its cases seeing a solution within two years, compared to an average of 37%. Poland and Romania unfortunately sees only 21% and 20% of their cases resolved within two years. Among the EEA EFTA States 45% of all cases take more than two years to resolve.

46. For the EEA EFTA States, according to Article 109(3) of the EEA Agreement, citizens and businesses may complain to the EFTA Surveillance Authority if they believe their rights are being infringed upon. Of the 30 pending infringement cases in 2008 related to non-conformity or incorrect application, 11 were the result of complaints. 7 of the 11 cases concerned Norway while two each were against Liechtenstein and Iceland⁷. This is comparable to last year's figures.

D. Consumer Markets Scoreboard

47. The 2nd Commission Consumer Scoreboard was published on 2 February this year. The Consumer Markets Scoreboard is a tool to identify areas in which the internal market is not delivering to consumers. The co-rapporteurs warmly welcome the improved inclusion of EEA EFTA State statistics in this 2nd edition of the Scoreboard. Since the near-absence of EEA EFTA State figures in the 1st edition published in 2008, good dialogue and cooperation between the EU and EEA EFTA States have significantly improved the inclusion of EEA EFTA State figures in the Scoreboard.

48. The good work during 2008 is reported to continue in order to achieve the full inclusion of EEA EFTA States into the Scoreboard. The co-rapporteurs welcome this and encourage the national statistical bodies to increase their efforts to provide the information needed to be included alongside the EU Member States in the next edition of the Consumer Markets Scoreboard.

III. The EEA Financial Mechanism

A. BACKGROUND

49. Since the establishment of the European Economic Area in 1994, the EEA EFTA States have contributed substantial funding in order to reduce economic and social disparities in Europe. The EEA Grants and the Norway Grants represent the current €1.3 billion contribution from Iceland, Liechtenstein and Norway towards European cohesion efforts. In the five-year period 2004-2009, project funding is awarded to organisations, NGOs, municipalities and businesses in the twelve new EU member states since 2004, as well as in Greece, Spain and Portugal.

⁷ Ibid. p.13.

B. HIGHLIGHTS OF 2008

50. The Financial Mechanism identifies nine priority sectors, in which projects must fall into and which vary among beneficiary states as not all sectors are represented in all beneficiary states. In 2008 the EEA and Norway Grants approached the end of their five-year commitment period, making for the most productive year to date for all parties involved in the grant schemes' implementation. The final open calls for individual projects were launched and closed, bringing the EEA cohesion support into effect in all beneficiary states. By year-end, Iceland, Liechtenstein and Norway had approved 793 projects, programmes and funds amounting to €808 million in grants across 766 funds, projects and programmes. The support covers areas such as energy efficiency and use of renewable energy sources, conservation and rehabilitation of cultural heritage sites, strengthening civil society, the fight against organised crime and improvement of the quality of regional and local government. One in five approved projects has a partner from the donor states.

51. The Financial Mechanism Office (FMO), which administers the EEA and Norway Grants, received a total of 486 projects for appraisal in 2008, an increase of 37 percent from the previous year. On average, the FMO submitted 37 grant recommendations to the donors per month. Procedural adjustments during the year laid the ground for handling the peak of applications received in the final months of operation. Around 500 projects were expected to be appraised by the FMO between new year and the commitment deadline on 30 April 2009.

52. A Mid-term review of the EEA and Norway Grants, conducted by PricewaterhouseCoopers, confirmed the high popularity of the EEA and Norway Grants in the beneficiary states. The programmes have been highly visible, the implementation capacity is good, and bilateral cooperation has increased. However, the report also pointed at inefficiencies and replication of tasks, especially at appraisal, monitoring and control stages. The report claims that these deficiencies amount to as much as 30 per cent of the total program cost. Although the EEA JPC considers thorough quality control and evaluation of all projects to be of utmost importance, it calls on the EEA Joint Committee to, along with the EEA JPC, jointly request a report on how these procedures can become increasingly efficient and how the results of the cited report will be used to improve the work of the Financial Mechanisms Office.

53. FMO is preparing for a larger volume of project proposals and accordingly, the FMO increased its staff members to 43, who are responsible for appraising projects, preparing the projects for the grant decision, project follow-up, monitoring and verifying disbursements. This is an increase of 7 employees since last year's report.

IV. DRAFT RESOLUTION

on

THE ANNUAL REPORT ON THE FUNCTIONING OF THE EEA AGREEMENT IN 2008

The Joint Parliamentary Committee of the European Economic Area:

- A. in accordance with its task laid out by the EEA Agreement (Article 95, paragraph 4),
- B. emphasising that the EEA EFTA States are not third countries in matters concerning the Internal Market, but full participants,
- C. mindful of the importance of maintaining homogeneity within the EEA, and acknowledging the importance of implementation of EEA legislation in order to establish a dynamic and homogenous European Economic Area,
- D. noting that the information and consultation process provided for in the EEA Agreement is an essential tool for the EFTA States to participate in the shaping of common rules,
- E. recalling its resolutions on the functioning of the EEA in 1994 (adopted 29 May 1995), in 1995 (adopted 3 June 1996), in 1996 (adopted 14 April 1997) in 1997 (adopted 25 May 1998), in 1999 (adopted 16 March 2000), in 2000 (adopted 24 May 2001), in 2001 (adopted 20 June 2002), in 2002 (adopted 20 May 2003), in 2003 (adopted 27 April 2004), in 2004 (adopted 25 April 2005), in 2005 (adopted 22 May 2006), in 2006 (adopted 27 June 2007); and in 2007 (adopted 29 April 2008),
- F. recalling its resolution on Health Services in the EEA (adopted 29 April 2008); on Research and Education Programmes: the EEA and the EFTA States (adopted 4 November 2008); and on Future Perspectives for the European Economic Area (adopted 4 November 2008).
 - 1. emphasises that the EEA Agreement needs to be taken seriously by all stakeholders in the EEA and needs to be the focus of constant efforts so that outstanding differences are solved promptly and that the good functioning of the EEA is not put at risk;
 - 2. takes note of the Annual Report of the EEA Joint Committee for 2008 and agrees with the general assessment that the EEA functioned well in the reporting period;
 - 3. regrets to note the outstanding issues on agency and programme participation, and calls for these to be solved promptly as EEA EFTA participation in EU programmes constitutes an important and vital part of the EEA agreement;

4. welcomes the contributions from the EEA EFTA States towards the reduction of social and economic disparities in the enlarged Internal Market with the Financial Mechanisms 2004-2009; and underlines the importance of efficiency and transparency in the application and approval procedure, and would like to see a report laying out areas of improvement and plans for action following the report issued by PriceWaterhouseCoopers;
5. expresses its concerns on the potential effects of time delays to the negotiations on renewed financial mechanisms between the EEA EFTA States and the European Commission, requesting the actors involved to use all means necessary to avoid jeopardizing the good functioning of the EEA;
6. calls on the EEA Joint Committee to pay specific attention to the extraordinary circumstances created by the financial crisis and to have a continuous focus on the challenges this may pose to the good functioning of the EEA Agreement;
7. highlights the democratic role invested by the EEA JPC, calling for the fullest information possible to be made in order for it to perform its tasks and calls for the EEA Joint Committee Annual Report to include information on how the EEA JPC resolutions were incorporated in the work of the EEA Joint Committee or what progress that was made within the policy areas in question;
8. recommends a closer link between the EEA Joint Committee Chair reports and the annual report of the EEA Joint Committee, thereby fostering consistency and increased scrutiny to its work;
9. reiterates its recommendation that, in addition to the EEA Joint Committee Annual Report, the EEA Joint Committee drafts a more analytical report for the purposes of the EEA JPC, taking major EU developments and horizontal policy issues into account when assessing the functioning of the Agreement, enabling the report to be understood by a wider audience, and asks why such a report has not been produced despite repeated recommendations from the EEA JPC;
10. refers to the EEA Joint Parliamentary Committee resolution adopted on 4 November 2008, calling for the European Commission to provide the national parliaments of the EEA EFTA States with legislative proposals which are sent to the national parliaments of the EU Member States for consultation, in cases where these regard matters of the Internal Market. The EEA JPC calls for this request to be dealt with in the EEA Joint Committee, and its outcome reported to the EEA JPC;
11. welcomes the EEA JPC's institutional relationship with the EEA Joint Committee and the EEA Council and appreciates the oral responses provided by the President-in-Office of the EEA Joint Committee and by the representatives of the EEA Council;
12. reiterates its calls for having the written EEA Joint Committee statements on EEA JPC resolutions distributed before EEA JPC meetings which would

facilitate a fruitful dialogue with EEA Council and EEA Joint Committee representatives;

13. encourages the EEA EFTA States to continue to participate in EU committees, comitology committees, programmes, expert and non-comitology committees with the aim of influencing EU decision-shaping to the widest extent possible;
14. seeks clarifications as to why the number of EEA EFTA Comments has declined over the last years, not least due to the fact that several important packages were discussed during 2008 to which the EEA EFTA States could make a contribution;
15. underlines that EEA EFTA Comments represent a very important line of communication between the EU and the EEA EFTA States as well as a decision shaping tool; and reiterates the importance of the EEA EFTA States submitting comments at an early stage when the EEA EFTA States have the greatest chance of shaping the outcome;
16. welcomes that the EU Member States' lowered average transposition deficit for 2008 at 1.0%, and welcomes especially the fact that 12 Member States have reached their best targets ever;
17. welcomes that the average and transposition deficit of the EEA EFTA States decreased to 1.3% from 1.7%, but regrets that it is above the 1.0% EU average; and urges the EEA EFTA States to increase their efforts considerably in order to reach the interim target of 1.0% in vigour as of 2009;
18. encourages the EFTA Surveillance Authority and the European Commission to cooperate closer in order to present more streamlined Internal Market Scoreboards;
19. welcomes the improved inclusion of EEA EFTA figures into the Consumer Markets Scoreboard, and encourages the work to fully include the EEA EFTA States to continue;
20. instructs its President to forward this resolution to the EEA institutions, to the European Parliament and the EEA EFTA Parliaments and to the European Ombudsman.

ANNEX I

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23 February 2009
Annex I, II and III

Annual Report of the Joint Committee 2008 Functioning of the EEA Agreement

(Article 94(4))

General overview

1. This report assesses the work of the EEA Joint Committee in 2008. The main part of the report provides an overview and Annex I a review of the activities of the Subcommittees under the EEA Joint Committee. Annex II contains an overview of the state of decision-making in 2008 and Annex III a list of Joint Committee Decisions adopted by the EEA Joint Committee in 2008.

2. The EEA Joint Committee met eight times in 2008 and adopted 130 decisions incorporating 218 acts: 38 in the veterinary field and 180 in the non-veterinary field. (See Annex II, State of decision-making 2008).

3. The EEA Joint Committee adopted several significant Decisions in 2008 concerning:

- Decision 25/2008 on REACH and the establishment of a European Chemicals Agency;
- Decision 93/2008 on the European Institute of Innovation and Technology;
- Decision 101/2008 incorporating the Regulation on access to gas transmission networks;
- Decision 120/2008 on state aid.
- Decision revising Protocol 32

4. The Food Law Package, adopted by the EEA Joint Committee in October 2007, did not enter into force in 2008 as the necessary parliamentary procedures were not completed in Iceland. The EEA Joint Committee will continue to closely monitor and assess this situation.

5. Directive 2001/81/EC on national emission ceilings for certain atmospheric pollutants was discussed by the EEA Joint Committee. Joint Subcommittee IV was requested to find a solution.

6. The EEA Joint Committee received briefings from the Commission on the EU's Climate Change and Energy Package and on the accession of Croatia to the EU.

7. The Internal Market Scoreboard, published by the EFTA Surveillance Authority in February 2009, shows that the EEA EFTA States' transposition deficit decreased from 1.7% at the same time in 2008 to 1.3%. The average for the EU Member States was 1.0%.

8. On 28 November 2008, the Icelandic Government sent a notification of protective measures in accordance with Article 43 of the EEA Agreement. The Notification was presented in the EEA Joint Committee on 5 December.

EEA EFTA participation in EU agencies and programmes

9. The EEA EFTA States participate in most of the EEA-relevant programmes and agencies for the period 2007-2013. The total EEA EFTA financial contribution amounted to €199,14 million in 2008.

10. The EEA EFTA States participated in 16 EU programmes in 2008. The EEA Joint Committee adopted decisions on several new or existing programmes and agencies in 2008: the European Institute of Innovation and Technology; the Drugs Prevention and Information Programme (2007-2013); the Statistical Programme 2008-2012; and the Public Health Programme (2008-2013).

11. The EEA EFTA States raised their concerns regarding the modalities of their participation in the European Institute for Gender Equality. The EEA EFTA States also sent a letter on 4 December 2008 to the Permanent Representatives of the EU Member States, addressing the matter.

12. Since the establishment of the European Research Council Executive Agency and the Research Executive Agency in 2005 supporting the FP7 programme, posts within those agencies have been open to i.a. EEA EFTA nationals. However, the Commission's advertisements in 2008 for vacant positions did not include openings for applications by EEA EFTA citizens. The EEA EFTA States raised the lack of access for their nationals with the Commission on several occasions, asking for posts to be opened for applications from their national experts.

Decision-shaping

13. The EEA EFTA States submitted nine comments to the EU on the following subjects:

- the EU Freight Transport Agenda;
- the Commission's Communication on a Proposal for a Strategic Energy Technology Plan (SET Plan) "Towards a low carbon future";
- the Proposal for the third energy market package;
- the Commission's Green Paper on "the European Research Area: New perspectives";
- the Proposal for a Regulation of the European Parliament and of the Council Establishing the European Electronic Communications Market Authority;

- the Commission's proposal to establish an action programme to enhance quality in higher education and to promote intercultural understanding through co-operation with third countries (Erasmus Mundus II);
- the Proposal for a Regulation of the European Parliament and of the Council on the placing on the market and use of feed;
- the Proposal for a Regulation on Novel Foods; and
- the Proposal for a Regulation on the Provision of Food information to consumers.

Advisory bodies under the EEA

14. The EEA Consultative Committee held its annual meeting in Svalbard, Norway on 15 May 2008. The Committee adopted two resolutions at the meeting: An ambitious transport policy for Europe; and Lifelong learning: a key component for growth and jobs. An in-depth discussion on challenges and priorities for the high north also took place.

15. The EEA Joint Parliamentary Committee held two meetings in 2008, on 29-30 April in Reykjavik and on 4 November in Brussels. The Committee discussed and adopted four resolutions which were forwarded to the EEA Council: on the Annual Report on the Functioning of the EEA Agreement in 2007; on Health Services in the EEA; on Research and Education Programmes: the EEA and the EFTA States; and on Future Perspectives for the European Economic Area.

Financial Mechanisms

16. The EEA Grants and the Norway Grants represent a €1.3 billion contribution from Norway, Iceland and Liechtenstein to reduce social and economic disparities in Europe. By year-end 2008, all of the project funding has been made available to the beneficiary states. Around 60 funds and programmes have been established, ensuring funding possibilities for groups such as students, NGOs and other civil society actors. Several of these will be granting support to small scale projects in 2009 and 2010 as well.

17. Based on reports from the beneficiary states, the 770 project portfolio amounting to €810 million in grants at the end of 2008, will increase to around 1300 individual projects, programmes and funds by the end of the commitment period on 30 April 2009. Following national selection, projects will be forwarded for approval by the EEA EFTA States. The sectors receiving most funding under the EEA and Norway Grants are: the conservation of European cultural heritage, the environment and sustainable development, and Schengen and the judiciary.

18. The current Financial Mechanisms will come to an end on 30 April 2009. The negotiations for the future financial contributions by the EEA EFTA States for the reduction of economic and social disparities were launched in September. The parties have underlined the importance of finalising these talks in a timely manner.

ACTIVITIES OF JOINT SUBCOMMITTEES IN 2008

FREE MOVEMENT OF GOODS

General

1. In 2008, 99 EC legal acts, in the area of Subcommittee I, were incorporated into the annexes and protocols of the EEA Agreement through 40 Joint Committee Decisions. The Subcommittee sent five EEA EFTA Comments to the Commission and registered positive results with the inclusion in the EEA Agreement of:

- Regulation on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information;
- Directive laying down rules on nominal quantities for pre-packed products;
- Regulation on nutrition and health claims made on foods;
- Regulation on the addition of vitamins and minerals and of certain other substances to foods;
- Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and establishing a European Chemicals Agency;
- Regulation on conditions for access to the gas transmission networks;
- Regulation on the general block exemption for state aid; and
- Regulation on application thresholds for the procedures for the award of contracts.

Veterinary, feedingstuffs and phytosanitary matters

2. In the veterinary field, 21 legal acts were incorporated into the Agreement. Among these were implementation rules regarding control and surveillance of the animal disease 'bluetongue' and several amendments of the Transmissible Spongiform Encephalopathies (TSE) Regulation, as well as a number of other acts concerning animal diseases and animal products.

3. The Food Law Package was incorporated into the EEA Agreement in 2007, but had still by the end of 2008 not entered into force, as Iceland had not been able to fulfil its constitutional requirements.

4. Each year, a number of acts are subject to simplified procedures. This implies that certain acts are applicable to the EEA EFTA States without first being incorporated into the Agreement. Instead, the EEA Joint Committee takes note of the acts for purposes of transparency. Approximately 60 acts falling under simplified procedures were identified.

5. In total, 13 acts regarding feeding stuffs were incorporated into the Agreement. All of these acts concerned the authorisation of feed additives.

6. In the phytosanitary field, four acts were incorporated into the Agreement.

Technical regulations, standards, testing and certification

7. The EEA Joint Committee incorporated a total of 61 acts into Annex II of the EEA Agreement. Most of the new acts relate to foodstuffs (20), dangerous substances (12), medicinal products (4) and cosmetics (2).

9. The key issues discussed which would require follow-up in 2009 are:

- Integration of the novel food Regulation from 1997, the Regulations on GM food and feed, and the traceability and labelling of GMOs.
- Integration of the revised European Community framework legislation on pharmaceuticals.

10. Fourteen new mandates were considered for presentation to the European Standards Organisations. The mandates approved mainly concerned consumer health and product safety, ICT and environmental issues. The mandates are followed by grant agreements relating to standardisation activities, financed on the EFTA side by all four States. In addition to the three Annual Operating Grant Agreements signed between EFTA and the ESOs in parallel to the EC, 23 grant agreements were signed in 2008. EFTA also signed Annual Operating Grants with ANEC and ECOS. EFTA's 5% financial commitment to standardisation activities in 2008 amounted to just over €800,000.

11. In April 2008, EFTA published a report from the study on marks and certification in Europe and organised a follow-up workshop in June 2008. The EFTA study and workshop proved useful to the European Commission with regard to their study on the feasibility of a new European consumer safety mark. The Commission finalised their study in December, concluding that a new mark is not recommended, and this conclusion is in line with EFTA policy.

Competition

12. The EFTA Working Group on Competition Policy discussed a White Paper on private actions for damages for breach of the EC antitrust rules, issued by the Commission in April 2008.

13. The EFTA Working Group continued the work on a draft Agreement amending Protocol 4 to the Surveillance and Court Agreement on the functions and powers of the EFTA Surveillance Authority in the field of competition. The work has been delayed due to the need to wait for an amendment to the Merger Implementation Regulation, which was adopted in October 2008. The work on the draft Agreement will be finalised in 2009.

Public procurement

14. The EEA EFTA States monitored progress on the Commission's proposal on defence and sensitive security procurement. Moreover, the EEA EFTA Member States discussed the incorporation of the revision of the Remedies Directive.

15. The EEA EFTA Member States participated in the Advisory Committee meetings during which some of the topics discussed were: green procurement, public procurement and antitrust, draft guide related to the insertion of the social meanings in the public procurement, and measures to make access to public works contracts easier for small- and medium-sized enterprises (SMEs).

State aid

16. The EEA EFTA Member States continued to closely follow the State Aid Action Plan which was launched by the Commission in 2005 and is effective until 2009. Within the framework of the State Aid Action Plan, the General Block Exemption 2008/800/EC was incorporated into the EEA Agreement on 7 November and entered into force on 8 November 2008.

17. The EEA EFTA Member States participated actively in multilateral state aid meetings concerning the Draft Communication from the Commission on the application of state aid rules to public service broadcasting, state aid concerning new temporary measures in the context of financial crises, and on the Enforcement Notice. The EEA EFTA Member States participated in the Commission State Aid seminar on 21 November 2008.

Energy

18. The EEA EFTA Member States closely followed the 3rd liberalisation package, launched by the Commission on 19 September 2007, the Climate and Energy Package presented on 23 January 2008, and the Second Strategic Energy Review, which the Commission published on 13 November 2008.

19. Renewables and energy efficiency were high on the agenda for the EFTA Working Group on Energy Matters. A separate meeting with the Commission was held on the proposal for a modification of the Directive on the promotion of the use of energy from renewable sources. The EEA EFTA Member States followed up on developments for the Eco Design Directive by participating in the Eco-design Consultative Forum. The Working Group also worked towards incorporating the Energy Star Regulation into the EEA Agreement and also in this regard to enter into an exchange of letters with the US Environmental Protection Agency (EPA).

20. Furthermore, the regulation on conditions for access to the gas transmission networks was incorporated into the EEA Agreement in 2008.

Intellectual property

21. The EFTA Working Group on Intellectual Property has closely followed the developments on the work for a levy reform and the review of the EC legal copyright acquis. The Commission proposed on 16 July 2008 a prolongation of the term of protection for performing artists from 50 to 95 years. The EFTA Working Group is likely to prepare and submit an EEA EFTA comment on the proposal. In parallel the Commission adopted a green paper on Copyright in the Knowledge Economy. The focus of the Green Paper is on how research, science and educational materials are disseminated

and whether knowledge is circulating freely in the internal market. The Green Paper also focuses on whether today's legislation gives sufficient protection for intellectual property and whether right holders are sufficiently encouraged to make their products electronically available for the public.

22. The EFTA Working Group followed with interest the Strategy on Industrial Property Rights published by the Commission on 16 July 2008. It involves establishing a European Patent Strategy and a sustainable and efficient litigation process. The Working Group has also closely monitored the progress of various EU initiatives against counterfeiting, particularly the EU's Action Plan against Counterfeiting and the Anti-Counterfeiting Agreement (ACTA) and Counterfeiting of Medicines.

Internal Market Advisory Committee (IMAC)

23. The EEA EFTA States participated in several meetings of IMAC, both at Director General level and working group level.

Protocol 3 – Trade in processed agricultural products

24. Iceland continued its negotiations with the Commission on processed agricultural products. Negotiations are expected to be finished soon and it is foreseen that the outcome will be implemented in Protocol 3 of the EEA Agreement as a bilateral regime. Norway and the Commission did not in 2008 open similar negotiations.

Article 19 - Trade in Agricultural Products

25. Norway met several times with the Commission to discuss extended concessions on trade in agricultural products, based on Article 19 of the EEA Agreement. Negotiations will continue in 2009.

Customs matters and rules of origin

26. Informal bilateral consultations took place between the European Commission and Norway in order to prepare for a draft EEA Joint Committee Decision amending protocol 10 on customs facilitation, with the objective to avoid that the new EU customs security measures would negatively impact upon the free movement of goods in the EEA. Among the security measures discussed was the new EU requirement for security data (pre-arrival/pre-departure declarations) to be submitted to the EU customs authorities before goods physically arrive in or leave the customs territory of the Union. It is expected that an integration into the EU security standards would entail a waiver of the obligation to present pre-arrival/pre-departure declarations.

Protocol 12 – Extension of the Internal Market to third countries – Mutual Recognition Agreements for industrial products

27. The EEA EFTA Member States and Canada completed the revision of two chapters of their MRA Agreement. This current revision closely follows the work done in the framework of the EU-Canada MRA. The formal adoption of the amendments made is still subject to a legal review by Canada.

FREE MOVEMENT OF CAPITAL AND SERVICES

28. In 2008, 52 EC legal acts, in the area of Subcommittee II, were incorporated into the annexes and protocols of the EEA Agreement. The acts relate to the fields of financial services, transport, information and telecommunications services, audio-visual services and company law.

Financial services and company law

29. Sixteen new legislative acts were integrated into Annex IX (financial services) and 2 into Annex XXII (company law). A number of Decisions, including some from 2006, have constitutional requirements which remain to be fulfilled.

30. Experts from the Finance Ministries, the Financial Surveillance Authorities and the Central Banks from the EEA EFTA States closely followed developments in the EU legal framework within the Banking, Insurance and Securities sectors.

31. The Banking Directives on Capital Requirement and Capital Adequacy, the Payment Services Directive and implementing measures of the Transparency Directive and the Banking Directives were incorporated into the EEA Agreement.

32. A number of new EU policy initiatives and proposals of importance to the EEA EFTA States were considered. Important proposals such as the Amendments to the Settlement Finality and Financial Collateral Directives, Codification and revision of the UCITS (Undertakings for Collective Investment in Transferable Securities) Directive, Amendments to the Banking Directives, Revision of the E-Money Directive, Amendments to the Cross-border Payment in Euros Regulation, Amendments to the Deposit Guarantee Scheme Directive and a New Regulation for Credit Rating Agencies were monitored.

33. In the area of Company Law, a number of new policy initiatives and proposals, emanating from the EU, were considered and particular attention was paid to the Commission's proposal for a European Private Company (SPE) and to several amendments concerning the accounting standards.

34. EEA EFTA experts attended meetings of, among others, the European Securities Committee, the European Banking Committee and the European Insurance and Occupational Pensions Committee and the European Company Law Experts Group as observers.

Information and telecommunications services and postal services

35. Eleven new legislative acts were integrated into Annex XI (telecommunications services).

36. The discussions on two Commission proposals to amend the existing regulatory framework for electronic communications networks and services and on a proposal to establish the European Electronic Communications Authority were at the core of activities in this field this year. Discussions in the European Parliament and the Council

on the Electronic Communications Authority were monitored and the participation of regulators from the EFTA States in this body was discussed.

37. The EEA EFTA experts continued their active participation in the discussion on the further harmonisation of spectrum on a European level, which is needed to boost the markets of electronic communications services.

38. EEA EFTA comments were submitted on the Proposal for a regulation of the European Parliament and of the Council Establishing the European Electronic Communications Market Authority.

Audio-visual services

39. The incorporation of the new Audiovisual and Media Services Directive into the EEA Agreement and the necessary changes at national level were prepared. The EEA EFTA States also participated in the discussion on a review of the Commission Communication on the application of state aid rules to Public Service Broadcasting (Broadcasting Communication).

40. The EEA EFTA States continued their participation in the Contact Committee of the Television without Frontiers Directive, the Cinema experts groups and audiovisual heritage. The EFTA Secretariat also drafted a report on the preservation of audiovisual heritage in the EFTA States to be adopted in 2009.

41. The EFTA States participated in the Media 2007-2013 Programme and closely monitored the preparatory work of the Commission for a MEDIA Mundus programme.

Postal Services

42. Work started on the incorporation into the EEA Agreement of the amended Postal Services Directive, which confirms the full opening of the market for postal services by 2009. The EEA EFTA States also contributed to the yearly data collection exercise on postal services, and co-financed the external study published in 2008 on the main developments in the postal sector (2006-2008).

Transport

43. In the field of transport, 23 legal acts were incorporated into Annex XIII (Transport). EEA EFTA experts participated actively in the various EU committees as well as experts meetings (chaired by the Commission) in this field. A significant number of proposals for new EU acts were considered and discussed in depth with the Commission.

44. One EEA EFTA Comment was handed over to the Commission regarding the EU Freight Transport Agenda.

45. The developments related to the proposals in the Land Transport field, especially concerning the Third Railway Package, were monitored and discussed. Several acts on

the technical specification of rail interoperability were incorporated into the EEA Agreement.

46. An important issue was the publication of the new "Greening Transport" package, which is an initiative to steer transport towards sustainability.

47. The Maritime Safety Legislation package, introducing seven proposals, was one of the main issues on the agenda and the many developments in relation to this package were monitored and discussed. The development of the Communication of an Integrated Maritime Policy for the EU, which includes an extensive action plan, was also monitored.

48. The second Single European Sky Package was one of the main issues in the field of Air Transport. Several Regulations concerning a Community list of air carriers subject to an operating ban (the so-called black list) were incorporated into the EEA Agreement as well as several regulations concerning aviation safety and security.

49. The new airport legislative package, as well as the initiative concerning a regulation on common rules for the operation of air transport services, were the issues with the highest profile in this field.

50. Other major developments in the Transport field were the publication of the Green Paper on Urban Mobility and the communication on the EU's Freight Transport Agenda, including communications concerning railway freight, port policy and an extensive action plan.

FREE MOVEMENT OF PERSONS

51. In the field of the free movement of persons (Annex V and VI), including the mutual recognition of professional qualifications (Annex VII) and social security (Annex VI), 6 acts were incorporated into the EEA Agreement in 2008.

Free movement of workers and employment

52. A main focus was the report on the Functioning of the Transitional Arrangements applied to the Free Movement of Workers in the European Economic Area, which analysed the Transitional Arrangements applied to Bulgarian and Romanian workers and those applied to the workers from 8 of the 10 States that joined the EU in 2004.

53. The EEA EFTA States continued to participate in the meetings of the Technical Committee on free movement of workers and of the Advisory Committee on free movement of workers and also attended two meetings of the newly set up expert group on the practical challenges of implementing Directive 2004/38/EC in the Member States.

54. With regard to Employment, the EEA EFTA States participated in EURES, a co-operation network between the European Commission and the Public Employment Services of the EEA Member States, which provides information and helps both workers and employers. They also took part in the Employment section of the PROGRESS Programme, which supports the implementation of the European Employment Strategy through promoting "flexicurity" strategies and the life-cycle approach to work.

Recognition of professional qualifications

55. Activities in this field focused on the implementation of Directive 2005/36/EC on the recognition of professional qualifications and on the incorporation of 2 Commission Regulations amending this Directive. However, the Joint Committee Decision incorporating the Directive has not entered into force as there are constitutional requirements which have not been fulfilled.

56. The EEA EFTA States attended the meetings of the Committee on the recognition of professional qualifications and the Group of Coordinators for the recognition of professional qualifications. They also participated in the meeting of the newly established Group of Contacts Points.

Social security

57. The main task, in the field of Social Security, was to continue to compare Regulation (EC) No 883/2004 simplifying the co-ordination of the social security systems with Regulation (EEC) No 1408/71, which it will replace and to closely monitor developments concerning the Commission's proposals to amend (EC) No Regulation 883/2004 and complete its Annexes, and the Commission proposal for a new Implementing Regulation.

58. The EEA EFTA States participated in the meetings of the Administrative Commission on Social Security for Migrant Workers and in its various working parties, as well as in the Technical Commission on Data Processing and the Audit Board.

59. The EEA EFTA States are also part of the MISSOC network, a mutual information system on social protection in the European Union, which is part of the PROGRESS Programme (2007-2013) in which the EEA EFTA States participate.

HORIZONTAL AND FLANKING POLICIES

60. In the field of horizontal and flanking policies, the Joint Committee integrated 61 acts into the EEA Agreement in the areas of research and development, environment, education, training and youth, gender equality and family policy, health and safety at work and labour law, consumer affairs, civil protection, cultural affairs, and public health.

Budgetary matters

61. Considerable effort was dedicated to the revision of Protocol 32 of the EEA Agreement which was adopted by the EEA Joint Committee at the end of the year. The main objective of the revision was to update the text to bring it in line with current EU budgetary procedures. Of main importance for the EEA EFTA side was the reduction from two yearly calls for funds to one single call.

62. The proportionality factor was 2.39% compared to 2.28% in 2007. The EEA EFTA States committed themselves to contributing €194 million to the operational costs of the EU budget in 2008, an increase of €29 million over the €165 million committed in 2007. The (deletion) EEA EFTA payment in 2008 was €199,14 million, which constitutes an increase of €62 million from €136,7 million in 2007.

63. Through the budgetary procedure, it was agreed to second 34 EEA EFTA national experts to the various Directorates within the European Commission dealing with the joint EU programmes and activities.

Social policy

64. The EEA EFTA States focused their attention on the EU's Renewed Social Agenda which was tabled on 2 July 2008, with particular emphasis on the proposal for a Directive on anti-discrimination outside the labour market. They also closely followed the preparations for the European Year for Combating Poverty and Social Exclusion 2010 and continued active participation in the PROGRESS Programme. The Group closely studied the EU's Renewed Social Agenda with particular emphasis on the proposals for directives to reconcile private and professional life as well as the proposal for an anti-discrimination directive outside the labour market.

65. In the field of health and safety at work and labour law, one directive was incorporated into the EEA Agreement. Experts continued to closely follow the discussions on the revision of the Working Time Directive, and the proposal for a Temporary Agency Directive and in particular the Temporary Agency Work Directive which was adopted in November 2008. Discussions with regard to its possible incorporation in the EEA Agreement have started.

66. Another key focus was the proposal for a revised European Works Councils Directive and the debate taking place at EU level with regard to the Posting of Workers Directive.

67. Discussions continued with the Commission on possible EEA EFTA participation in the Bilbao Agency on Health and Safety at Work as well as on the possible EEA EFTA participation in the European Institute for Gender Equality.

68. The EEA EFTA States continued their active participation in the gender equality strand of the PROGRESS Programme and in the Daphne III Programme on Community action to prevent violence against children, young people and women and to protect victims and groups at risk (2007-2013).

Public health

69. A significant development was the incorporation into the EEA Agreement of the EU Health Programme 2008-2013 and the new EU Programme on Drugs Prevention and Information 2007-2013.

70. Focus was also on the new proposal for a Directive on the application of Patients' Rights in Cross-border Healthcare and many discussions with the Commission were held on this issue.

71. Particular attention was also given to the planned reorganisation of the EU High Level Groups on Health and Health Services and Medical Care in order to ensure continued EEA EFTA participation in this regard.

Consumer protection

72. Two decisions concerning consumer affairs were incorporated into the EEA Agreement in 2008.

73. The actions under the Consumer Programme (2007-2013) was one main focus, and top priority was given to ensuring the inclusion of EEA EFTA data in the 2009 edition of the Consumer Market Scoreboard.

74. The EEA EFTA States closely followed the developments regarding the revision of the Consumer acquis and particularly the new proposal for a Directive on Consumer Rights.

Research and development

75. Emphasis in the field of Research and Development was on the preparation for the European Research Area (ERA), where an EEA EFTA Comment was submitted and the EEA EFTA States joined the discussions on a common vision and on the governance of the ERA.

76. Two seminars on issues relating to ERA were organised by the EFTA Working Group on Research and Development.

77. The proposal for a Council Regulation on the Community legal framework for a European Research Infrastructure (ERI) was monitored. All EFTA States have contributed to the process and foresee participation in ERI.

78. Four Joint Technology Initiatives (JTIs) were adopted by the Council, all with EEA EFTA participation. Among them are the JTI on Nanoelectronic technologies

"ENIAC" and the air transport JTI "Clean Sky" addressing the implementation of innovative environmentally friendly technologies in all segments of civil air transport.

79. The developments with regard to the establishment of a European Institute of Innovation and Technology (EIT) were also monitored.

Education, training and youth

80. The EFTA participation in the Lifelong Learning Programme (2007-2013) and the Youth in Action Programme (2007-2013) were the main priority areas in the field of Education, Training and Youth.

81. In May 2008, a conference on the Open Method of Coordination (OMC) and Lifelong Learning was held. The EEA EFTA States countries participated and reiterated the importance of OMC initiatives as arenas for learning and for gathering as well as sharing information.

82. The development of a European Qualification Framework (EQF), which is a translation tool for comparing and transferring qualifications across the EEA, was monitored by the EFTA Working Group.

83. Another key issue in this area was EFTA's participation in the "Rights of the Child" initiative and other initiatives in the area of education, training and youth.

84. The establishment of The European Institute of Innovation and Technology (EIT) was followed. The EEA EFTA States co-fund and participate in the activities of the EIT through the EEA Agreement. The EIT held the first meeting of its Governing Board in September at its new site in Budapest.

85. The Commission Communications in areas such as multilingualism, schools and migration were monitored and, in the area of youth, one main development was a new recommendation on volunteering.

Culture

86. The key priority in the field of Cultural Affairs was the EU Culture 2007-2013 Programme.

87. EEA EFTA participation in the European Year for Creativity and Innovation 2009 was prepared in 2008. EFTA activities in the European Year 2009 will include cross-cutting initiatives covering areas such as education, culture, enterprise, media, research, enterprise, and social policy.

88. The Commission's initiative to link the cultural sector more closely to the Lisbon Strategy through three major objectives that form a "common" cultural strategy for the European institutions, the EU Member States, and the cultural and creative sector, was closely followed.

89. The developments regarding the EU recommendation on the digitization and online accessibility of cultural material and digital preservation were also monitored.

The Environment

90. In the field of the environment, 17 legal acts were incorporated into the EEA Agreement. EEA EFTA experts participated actively in the various EU committees as well as experts meetings (chaired by the Commission) in this field. However, various Joint Committee Decisions incorporating acts in the field of environment have not entered into force as there are constitutional requirements which have not been fulfilled.

91. The main issues were the revision of the EU Emission Trading Scheme and the inclusion of aviation into the scheme. The EEA EFTA States have been participating in the original trading scheme since 1 January 2008. A proposal for an updated Waste Directive and a proposal for a new Directive on Industrial Emissions were also closely followed. Another important issue was a proposed Directive that will aim at protecting the environment through criminal law.

92. The EEA Joint Committee adopted a broad range of decisions in the field of the environment, including eco-labels, the shipment of waste, fluorinated greenhouse gases, the monitoring and reporting of greenhouse gas emissions and a standardised and secured system of registries pursuant to the EU Emission Trading Scheme, and on environmental liability and the management of mining waste.

93. Policy documents and progress in the field of environmental legislation with the Commission were discussed. Topics included the revision of the EU Emission Trading Scheme, the EU proposal on Carbon Capture & Storage, the Protection of the Environment through Criminal Law and the EEA relevance of the National Emission Ceilings Directive.

94. EEA EFTA experts in the areas of environment and transport discussed issues of relevance for both groups and to meet with the Commission to discuss the environmental challenges in the transport sector, the Renewables Directive and the inclusion of aviation in the EU Emission Trading Scheme.

Enterprises and entrepreneurship

95. The main issues followed were the Small and Medium Sized Enterprise Policy (SME) and the follow-up of the Competitiveness and Innovation Programme (CIP).

96. The development of SOLVIT, an on-line problem-solving network through which the authorities work together to solve problems caused by the misapplication of Internal Market law by public authorities without legal proceedings continued to be followed. The EU Better Regulation, the development of the Your Europe Portal, the EU Innovation Agenda and the development of the Internal Market Information system (IMI), were also monitored.

97. Topics discussed were Industrial Policy, Better Regulation, the Small and Medium Sized Enterprise Policy and the Small Business Act.

98. A conference on the EU Lead Markets Initiative was held in March 2008.

Civil protection

99. The EEA EFTA States continued to actively participate in two programmes in the field of civil protection: the Community Mechanism for Civil Protection and the Civil Protection Financial Instrument 2007-2013.

100. The horizontal “package” concerning European Critical Infrastructure, including the EU programme “Prevention, Preparedness and Consequence Management of Terrorism and Other Security Related Risks”, continued to be closely monitored. Particular attention was given to the proposed Directive on Critical Infrastructure Protection with a view to possible incorporation into the EEA Agreement.

101. The developments at EU level with regard to CBRN (chemicals, biological, radiological and nuclear) threats were also followed.

Statistics

102. Protocol 30 of the EEA Agreement was amended in order to cover the Community Statistical Programme 2008 to 2012 adopted by European Parliament and the Council on 11 December 2007. Furthermore, the Joint Committee incorporated 15 acts in the field of statistics into the EEA Agreement. A good level of EEA cooperation in the field of statistics was maintained. EEA EFTA participants attended 136 Eurostat meetings in 2008 and 4 national seconded experts from the EEA EFTA states worked in Eurostat. The EEA EFTA States participated in the operation of a number of joint projects with the EU.