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An Opinion of
the EFTA Consultative Committee

on

**EEA ENLARGEMENT &
THE NEW FINANCIAL MECHANISM**

Rapporteur: Ms Erna Gudmundsdottir
(Icelandic Federation of State and Municipal Employees - BSRB)

The Consultative Committee of the European Free Trade Association (EFTA) is a forum for Trade Unions and Employers' organisations in the four EFTA Member countries, Iceland, Liechtenstein, Norway and Switzerland. This opinion of EFTA's Consultative Committee addresses the enlargement of the European Economic Area (EEA) and the new EEA Financial Mechanism. Reference is made to previous opinions by the EFTA Consultative Committee and the EEA Consultative Committee on EEA enlargement.¹

I INTRODUCTION

1. In December 2002, the ten countries acceding to the EU applied to become Parties to the EEA Agreement, in accordance with Article 128 EEA. The negotiations on enlarging the EEA were launched on 9 January 2003 in Brussels and concluded in July the same year.

2. The EFTA Consultative Committee has supported strongly the reunification of Europe through the enlargement of EU and EEA. The enlargement contributes to peace, stability and improved welfare in Europe. An enlarged Internal Market will create an array of new opportunities, as the EEA will become the world's largest Internal Market with an open border-free area where goods, services, capital and persons can circulate freely.

3. When the current free trade agreements will be replaced by the EEA Agreement on 1 May 2004, the EEA EFTA States' relations with the accession countries will be considerably enhanced. This will benefit citizens, businesses and consumers.

II BACKGROUND FACTS ON EEA ENLARGEMENT

EEA Enlargement Agreement

4. The five EEA Enlargement Instruments were signed on 11 November 2003.² In addition to the EEA Enlargement Agreement itself, which lists the amendments to be made to the existing EEA Agreement, four bilateral instruments form part of the EEA enlargement package.³

¹ EFTA CC opinion on Enlargement of the EEA (C/00/R/012), 26 February 2002; EEA CC resolution on Enlargement and the Future of the EEA (C/20/R/012), 26 June 2002; Statement by the EFTA CC to the Ministerial Chairmen (C/00/R/013), 12 December 2002; EEA CC resolution on the Enlargement of the EEA – institutional and legal issues (C/20/R/014), 20 March 2003; EFTA CC opinion on EU Developments (C/00/R/014), 14 May 2003.

² All initialled legal texts can be found on the EFTA website www.efta.int under European Economic Area - EEA Enlargement Instrument.

³ Agreement between Norway and the EU on a Norwegian Financial Mechanism; Additional Protocol between Norway and the EU on trade in fish and fishery products; Additional Protocol between Iceland and the EU on trade in fish and fishery products; Agreement between Norway and the EU concerning certain agricultural products.

5. The European Parliament gave its assent to the EEA Enlargement Instruments on 10 February 2004. The national parliaments of the 28 Contracting Parties must also ratify the Instruments before they can enter into force. To guarantee the well functioning Internal Market and homogeneity within the EEA, the aim is to have the EEA Enlargement Instruments and the EU Accession Treaty enter into force simultaneously on 1 May 2004.

6. The main issues at stake in the EEA enlargement negotiations were financial contributions from the EEA EFTA States towards reducing the social and economic disparities within the EEA, on the one hand, and questions of market access for fish exports from the EEA EFTA countries to the enlarged EU, on the other hand.

7. To compensate for the loss of free trade in fish products under EFTA's current free trade agreements with the accession countries, a number of duty-free quotas were negotiated.

8. As regards transitional periods, the same arrangements have been incorporated into the EEA Enlargement Instruments for the Internal Market acquis as contained in the EU accession Treaty. Liechtenstein's special arrangement under the EEA Agreement with respect to the free movement of persons has been maintained.

Main elements of new Financial Mechanism (2004-2009)

9. The EEA EFTA States have agreed to establish a new *EEA Financial Mechanism* from the beginning of May 2004 to the end of April 2009 to contribute to the reduction of economic and social disparities in the enlarged EEA. The EEA EFTA States will provide an annual multilateral contribution of 120 million euro for a five-year period (total amount of 600 million) to the ten new Members States as well as Greece, Portugal and Spain⁴. This represents a five-fold increase of the current contributions. Almost 60% of the grants will be divided between the three Baltic States and Poland. The funds will be made available for projects in the following five priority sectors:

- Environment (including human environment, through, inter alia, reduction of pollution and promotion of renewable energy);
- Sustainable development (through improved resource use and management);
- European cultural heritage (including public transport, and urban renewal),
- Human resource development (through, inter alia, education and training, strengthening of administrative or public service capacities of local government as well as democratic processes);
- Health and childcare;
- Academic research targeted at one or more of the above priority sectors.

⁴ The distribution keys are as follows: For the current EU Member States Spain (7.64%), Greece (5.71%) and Portugal (5.22%). For the new EU Member States Poland (46.8%), Hungary (10.13%), Czech Republic (8.09%), Slovakia (5.39%) Lithuania (4.5%), Latvia (3.29%), Estonia (1.68%), Slovenia (1.02%), Malta (0.32%) and Cyprus (0.21%).

10. Compared with the current EEA Financial Instrument⁵, the priority sectors have been extended. The areas covered address the needs of the new Member States by contributing to the improvement of social and environmental conditions. Directing funds into these areas also corresponds with and benefits EEA EFTA interests in an enlarged EEA. Furthermore, the selection of priority areas reflects areas in which the EEA EFTA States have considerable expertise. The current requirement that two-thirds of the funds should be allocated to environmental issues has been dropped in the new Mechanism. A further new element is that reviews are foreseen to reallocate any non-committed funds.

11. In addition to the multilateral part, Norway will make a bilateral annual contribution of 113.4 million euro (total amount of 567 million) towards a *Norwegian Financial Mechanism*. The Norwegian contribution will fund projects from the ten new EU Member States only⁶. Taken together with the multilateral mechanism, the combined figure amounts to an almost ten-fold increase of today's contributions. The Norwegian contribution will fund projects in the same priority sectors as under the multilateral part (see above), but focuses in particular on the implementation of *acquis*, in areas such as the environment and Schengen.

12. Close coordination between the EEA Financial Mechanism and the Norwegian equivalent is foreseen. Identical application procedures will be used for both Mechanisms and a joint Office in the EFTA Secretariat has been established to manage both the Norwegian and the EEA Financial Mechanism. The Office will report to the Norwegian authorities and the EEA Financial Mechanism (Interim) Committee, respectively. The Committee is responsible for procedures for the organisation and implementation of the EEA Financial Mechanism.

III CONSULTATIVE COMMITTEE RECOMMENDATIONS

Strengthening bonds between the EEA EFTA States and the new Members

13. The EFTA Consultative Committee has established strong and fruitful links to Social Partners in most of the accession countries. The Committee sees the EEA and Norwegian Financial Mechanisms as a unique opportunity to strengthen further the integration and bonds between the EEA EFTA States and the new EEA Members, through support and co-operation within prioritised areas in each new member state.

14. By sharing the knowledge and experience gathered from ten years in the Internal Market the EEA EFTA States can contribute positively towards the main objective of the Mechanisms; reducing economic and social disparities across the new European Economic Area. The EEA EFTA States' expertise in areas, such as sustainable development and human resource development, can provide a platform for increased co-operation, both in and between public sector, private sector and civil society.

⁵ The current Instrument includes the following three priority sectors:

- Environment including urban renewal, reduction of pollution and securing the European cultural heritage
- Transport, including infrastructure
- Education and training, including academic research.

⁶ The distribution keys are as follows: Poland (49%), Czech Republic (11%), Hungary (13.1%), Lithuania (7.1%), Slovakia (6.7%), Latvia (6%), Estonia (4%), Slovenia (2.2%), Cyprus (0.6%), Malta (0.3%)

15. The Committee also sees the contribution on behalf of the EEA EFTA States as a clear expression of solidarity. The funds will help the new EEA Members to catch up with the rest of Europe, to improve their competitiveness, and to provide higher standards of living for their populations.

16. The EEA EFTA States have gained valuable experience from the management of the EEA Financial Mechanism and the EEA Financial Instrument, which will be useful in the management of the new Mechanisms. A thorough analysis of the positive and negative experiences would be valuable in order to manage the new Mechanisms in the best possible way. It is of considerable importance that the Mechanisms will be managed in a transparent, easy-access, and non-bureaucratic manner.

Financial Mechanism priorities

17. The Consultative Committee underlines that there is no contradiction between the overriding objective of the Financial Mechanism – to enhance social and economic cohesion – and at the same time for the funds to actively position the EEA EFTA countries in the new EU Member States and to strengthen the cooperation with our partners at all levels.

18. It is in the interest of the EEA EFTA States to channel funds into areas where our own countries have a competitive advantage and where a mutual benefit can be achieved.

19. To achieve this, it is necessary from the EEA EFTA States to formulate clear goals and a strategy for how to reach this secondary objective of the Financial Mechanism. The Consultative Committee highlights the following measures that it attaches great importance to:

The role of Social Partners

20. The Consultative Committee sees the new Financial Mechanism as a great opportunity for new and strengthened partnerships. The funds should, in the Committee's view, be actively used to network with the new EU countries at all levels, including networking between Social Partners, businesses, organisations and authorities on the national, regional as well as on the local level.

21. Cooperation and dialogue between the Social Partners at European level and their role in EU policy-shaping is clearly stipulated in the EC Treaty. The EEA EFTA States also have long and solid traditions in this field.

22. The roles of the Social Partners and of tripartite relations in several of the new member countries are far from optimal. The Consultative Committee therefore urges the EEA EFTA States to increase the focus on strengthening the Social Dialogue and tripartite relations in the beneficiary countries. This should be a priority area within the Mechanisms. Strengthening Social Partner organisations in the new EU Member States will not only benefit democracy through broad participation in decision-shaping, but is also necessary to implement the *acquis* fully.

Information activities

23. Active marketing of the Financial Mechanism by the EFTA Secretariat, the EFTA States, beneficiary countries and the Social Partners, is necessary in order to obtain high-quality applications for project funding. Information activities in the beneficiary countries should be directed towards actors at all levels, to create awareness of the opportunities within the Mechanisms. Similar marketing is necessary in the EEA EFTA countries, together with national support or information towards relevant public, private and non-governmental organisations. Sufficient resources must be allocated to information activities and marketing.

24. The EFTA Social Partners are willing to continue contributing to disseminating information about the opportunities that the enlarged EEA will provide businesses, workers and other actors, both at home and in the new member countries.

Facilitating cooperation

25. In order to achieve the goal of making use of the Financial Mechanism for the mutual benefit of the beneficiary countries and the EEA EFTA States, the latter must actively support national actors who wish to cooperate with partners in the beneficiary countries on project plans. To benefit from the competence of businesses, trade unions, local authorities, NGOs and other actors, the EEA EFTA States must facilitate both project development and the establishment of public-private networks, within EEA EFTA countries and towards the new member countries, by providing funding for preparatory work.

26. Co-financing by the beneficiary countries contributed “in kind” is necessary in order to lower the threshold for participation by actors in these countries
