

EUROPEAN ECONOMIC AREA
JOINT COMMITTEE

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3 Annexes

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**ANNUAL REPORT OF THE JOINT COMMITTEE FOR THE YEAR 2004
ON THE FUNCTIONING OF THE EEA AGREEMENT**

(ARTICLE 94(4))

General overview

1. The EEA Joint Committee met eight times in 2004 and adopted 181 decisions incorporating 309 legal acts, compared to 179 decisions incorporating 298 legal acts in 2003. 36 of the 309 legal acts were in the veterinary field and 273 in the non-veterinary field. The Committee held consultations on a number of issues.

2. This report makes a general assessment of the work in the EEA Joint Committee in 2004. It follows the same structure as in previous years by first looking at decision-making procedures and then at the decision-shaping process, followed by horizontal issues. A sector-by-sector review of activities under the EEA Joint Committee with particular reference to new legislation incorporated into the EEA Agreement is attached in Annex I.

Decision-making

Rate of integration of EU acts

3. The attached overview of decision-making in the EEA (Annexes II and III) shows the number of legal acts from their adoption on the EU side until they are fully integrated into the EEA Agreement. The figures establish that 181 Joint Committee Decisions were adopted in 2004. (The actual number was 183, but two of these were left blank since they were withdrawn too late before the Joint Committee meetings to be taken off the list). An average of 18 Decisions were adopted per working month, which is the same as in 2003. In 2002, the monthly average was 17, in 2001 it was 16 and in 2000 it was 11. The average number of legal acts (non-veterinary) incorporated per working month was 27, compared to 22 in 2003 and 26 in 2002.

4. The overview of decision-making for 2004 shows that 116 EU acts were under consideration by EFTA at the end of the year. This is a relatively low level but slightly higher than a year before when the number was 94. The increase can mostly be found in Subcommittee I, where the number went up from 73 to 106.

5. A list of Joint Committee Decisions adopted by the EEA Joint Committee in 2003 is attached at Annex III.

Homogeneity

6. There were few long outstanding issues in 2004, among which the integration of the Regulation of the .eu Top Level Domain into the EEA Agreement, and the incorporation of the novel foods Regulation from 1997.

7. On 5 February 2004, the Joint Committee adopted the decision incorporating the so called Telecom package into the EEA Agreement.

8. The Joint Committee adopted a decision on copyright and related rights in the information society on 9 July 2004.

9. On 6 June, the Joint Committee also adopted decisions integrating the EC Merger Regulation into the EEA Agreement. The decision on the reform of the competition rules was adopted on 24 September 2004.

10. Towards the end of the year, the European Commission raised the issue of Directive 2003/87/EC on the Greenhouse Gas Emission Allowance Trading Scheme in the Joint Committee.

11. The Joint Committee discussed the Open Skies issues in 2004. The European Commission sent a letter to the EEA EFTA States ahead of the September Joint Committee meeting, responding to a legal note sent from the EFTA side in December 2003. The EFTA side has emphasised the EEA relevance and expressed strong interest in maintaining the Internal Market in the field of civil aviation. The European Commission was not in a position to include the EEA EFTA States in negotiations with third countries, but accepted to continue close technical contacts with the EEA EFTA authorities during such negotiations and to encourage third country partners to enter into parallel agreements with the EEA EFTA States. The Commission had at the meetings informed the EFTA side of the ongoing talks with regard to a potential EU-US agreement.

Transposition of new EEA legislation

12. The EEA EFTA States kept their transposition deficits (i.e. the number of legislative measures that were not transposed into the national legal order on time) at a very low level in 2004 and were among the best performers in the whole EEA area. In January 2005, the EFTA Surveillance Authority Scoreboard showed that Norway had a transposition deficit of only 1%, which gave the country the lead among the 28 EEA States. Iceland was number 4, while Liechtenstein slipped from the fourth to the 14th place during 2004.

EEA EFTA participation in EU programmes

13. The EEA EFTA States participate in a wide range of EU programmes and contribute approximately 110 million euro to the EU budget as a consequence. The biggest programme is the Sixth Framework Programme on Research, which entered into force in January 2003. The first project selection rounds indicate good participation from the EEA EFTA States. The Joint Committee furthermore adopted decisions on EEA EFTA participation in such programmes as Daphne II, Intelligent Energy for Europe, Modinis (network and information security), Safer use of the Internet, Marco Polo, Erasmus Mundus and e-learning.

Decision-shaping

EEA EFTA Comments

14. As part of the EEA EFTA States' possibility to participate in shaping EC legislation, i.e. when the Commission draws up legislative proposals, EFTA hands over a number of comments on important policy issues. The comments are elaborated by working groups, cleared by relevant subcommittees, endorsed by the Standing Committee and officially noted by the Joint Committee after they have been sent to relevant services in the Commission and in the European Parliament.

15. In 2004, 13 EEA EFTA Comments were submitted, while 12 were submitted the year before. The comments from the EEA EFTA States were on:

- the proposal on further integration of the European rail system
- the proposal for an integrated action programme in the field of lifelong learning
- the proposed EU Directive on measures to safeguard electricity supply
- the proposal for a Directive on the charging of heavy goods vehicles for the use of certain infrastructures
- the Green Paper on public-private partnerships and Community law on public contracts and concessions
- pre-arrival declarations
- the proposal for a Directive on intermodal loading units
- the EU origin marking scheme: "Made in EU"
- the proposal for a Regulation on the implementation of the international safety management code within the Community
- the proposal for a Directive of the European Parliament and of the Council on unfair business-to-consumer commercial practices in the Internal Market
- the European Commission working document "The role of European standardisation in the framework of European legislation and policies"
- the proposal for an EP/Council Regulation on co-operation between national authorities responsible for the enforcement of consumer protection laws
- the proposal for a Directive on the establishment of a framework for the setting of eco-design requirements for energy-using products

Participation in EU Committees

16. An important channel for taking part in the shaping of EC decisions is through contributing to the work of a large number of the European Commission's committees and working groups. Experts from the EEA EFTA States participate in the work of around 300 of these under the EEA Agreement. In 2004, the EEA EFTA States started to work on a survey to establish an exact overview of actual participation. The results were expected towards the end of 2005.

Institutional co-operation under the EEA

The EEA Consultative Committee (EEA CC)

17. The EEA Consultative Committee (EEA CC) held its annual meeting on 23 June 2004 in Montreux. Two resolutions were adopted at the meeting; one on *the Second Northern Dimension Action Plan*, and one on *the European Neighbourhood Policy and the EEA*. The Committee also debated EEA developments and in particular the enlargement, the new Financial Mechanisms as well as the Lisbon Process with representatives of the EEA Joint Committee. Outside the framework of the EEA-CC, members from the EFTA side took an active part in a number of EESC meetings with civil society in the EU/EEA accession countries, through the *Osmosis procedure*.

18. In 2004 the EEA CC was co-chaired by Mr Halldór Grönvold (Workers, Iceland) from the EFTA side and Mr Clive Wilkinson (Employers, UK) from the EESC side.

The EEA Joint Parliamentary Committee (EEA JPC)

19. The EEA Joint Parliamentary Committee (EEA JPC) held two meetings in 2004, in Vaduz on 27 April and in Brussels on 23 November. As at previous meetings, the EEA JPC engaged in a dialogue with the EEA Council, the EEA Joint Committee and the EFTA Surveillance Authority on the functioning of the EEA and on progress regarding previous resolutions of the JPC. The EEA JPC discussed and adopted resolutions on the following topics:

- Towards participatory democracy: the role of local and regional authorities in the EU and the EEA
- Functioning of the EEA Agreement during 2003
- The Internal Market Strategy 2003-2006 and the EEA
- The decision shaping within the EEA and the role of the parliamentarians

The resolutions were forwarded to the EEA Council.

20. The President of the EEA JPC for the first part of 2004 was Ms Erika Mann, MEP (PES, Germany) and for the second part Ms Diana Wallis, MEP (Liberal Democrats, UK). Mr Gunnar Birgisson, MP (Independence Party, Iceland) was the Vice-President.

EEA EFTA participation in new EU Agencies

21. The Joint Committee adopted Decision No. 179/2004 on EEA EFTA participation in the European Aviation Safety Agency on 9 December.

22. The parties have actively worked on preparing the EEA Joint Committee draft decision on EEA EFTA participation in the European Food Safety Authority. Participation in this issue is also linked to the adoption of a general food law establishing an integrated approach to food safety issues, examining the whole food chain from farm to fork. Given the broad range of issues, involving food, feed and veterinary aspects, as well as the technical nature, the process has taken longer than originally expected. In return, the outcome this work should provide a solid basis for the future incorporation of new general food law acquis into the EEA Agreement.

Enlargement of the EU and the EEA

23. The EEA was enlarged on 1 May 2004. While most contracting parties ratified the Agreement on time, a few countries had still not met this requirement at the end of 2004. In order to ensure the parallel entering into force of the EU and EEA Enlargement Treaties on 1 May, the parties agreed that the EEA Enlargement Agreement should be applied provisionally until all contracting parties had ratified it. This agreement was signed on 1 April 2004 and the objective of simultaneous enlargement of the EU and the EEA was thus fulfilled.

24. The implementation of the bilateral fish protocols was delayed due to translation problems. The EU Council approved the necessary implementing Regulations on 25 October 2004, and decided that the implementation of the quotas would have retroactive effects from 1 May 2004.

The New Financial Mechanisms (2004-2009)

25. Through the EEA Enlargement Agreement, a new EEA Financial Mechanism and a Norwegian Financial Mechanism were established, where the EEA EFTA States will contribute substantially towards the reduction of social and economic disparities in the enlarged Internal Market. The main documents necessary to implement the new Mechanisms were ready in July. At the Joint Committee meeting that month, the EFTA side handed over to the Commission the Rules and Procedures as well as the main guidelines and the application forms. These were also sent to the Beneficiary States.

26. In July, the EFTA Standing Committee established a Financial Mechanism Committee and appointed Ms Stine Lundin Andresen to the position of Director of the Office for the EEA Financial Mechanism and the Norwegian Financial Mechanism. The Office has officially been in operation since June 2004 and has recruited a number of key personnel. Memoranda of Understanding were signed with a number of the Beneficiary States.

The EEA Financial Instrument (1999-2003)

27. The commitment period of the Financial Instrument ended on 31 December 2003. By the end of the commitment period, the Financial Instrument Committee had approved 25 applications for a total of EUR 113,556,605, corresponding to 94.9% of the total grant facility. The 25 approved projects consist of 17 projects in Spain, 5 projects in Greece and 1 project each in Ireland, Northern Ireland and Portugal. During 2004, 7 out of 25 grant agreements were signed (five Greek grant agreements in June, an Irish and a Portuguese grant agreement in August).

The Lisbon Strategy

28. As input to the 2004 European Council Spring Summit, Prime Minister Otmar Hasler sent a letter to the President of the European Council, Prime Minister Bertie Ahern, on behalf of the EEA EFTA States. As the European Commission was streamlining its Spring Report, the EEA EFTA States were not included in the Statistical Annex of the Spring Report, as they had been the year before.

29. The EEA EFTA States also made input to the High Level Group on the Lisbon Strategy. This came in the form of a letter that was signed by Prime Minister Halldór Ásgrímsson and was sent to the Chair of the High Level Group, Mr Wim Kok. In both inputs, the EEA EFTA States underlined their strong interest in the Lisbon strategy and their support in reinforcing the process.

Neighbourhood Policy

30. Although the issue was not discussed in the EEA Joint Committee, the EEA EFTA States followed closely the development of the New European Neighbourhood Policy. They received briefings from Commission officials in other fora and expressed their strong interest in developing the good neighbourhood relations further.

Salmon

31. The EEA EFTA side expressed concern in the Joint Committee over the European Commission's decision to open safeguard investigations on farmed salmon.

Concluding remarks

32. It can be concluded that the EEA Agreement functioned well in 2004. The enlargement of the EU and the EEA went relatively smoothly and has not caused substantial problems. Business and citizens are able to enjoy the benefits of an enlarged Internal Market and the EEA Agreement forms a viable framework for continued EEA EFTA participation in the Internal Market.

ACTIVITIES BY SUBSTANCE AREA DURING 2004

FREE MOVEMENT OF GOODS

General

1. During 2004, 179 EC legal acts were incorporated through 74 Joint Committee Decisions into the annexes and protocols of the EEA Agreement in the areas covered by Subcommittee I. Six EEA EFTA Comments were sent to the Commission during the year. Positive results were registered with the inclusion into the EEA Agreement of:

- the modernisation of competition rules and the merger review on the control of concentrations;
- an extension in the field of state aid for small and medium-sized enterprises to include aid for research and development and clarification of training aid;
- a copyright in the information society based on regional exhaustion of distribution rights;
- the prolongation of the derogation for Liechtenstein and Norway in the field of chemicals;
- participation by EEA EFTA States in the EU programme for energy (COOPENER) and in the US Energy Star Labelling Program for office equipment;
- a revised Protocol 3 on Processed Agricultural Products introducing a new system for Norway as from 1 November 2004 and a permanent derogation for Liechtenstein as from 1 January 2005;
- a 2002 directive on food supplements.

Veterinary, Feedingstuffs and Phytosanitary Matters

2. During 2004, 36 legal acts from 2003 and 2004 were incorporated into the Agreement in the *veterinary* field. Among these acts was the new regulatory framework for the control of foot and mouth disease. Several new legislative acts are being considered by experts such as Regulation (EC) No 178/2002 laying down general principles and requirements of food law and the establishment of the European Food Safety Authority, a new regulatory framework for the handling and disposal of animal by-products, and regulations concerning the movement of pet animals. Other issues were the EU hygiene package and the Regulation on food and feed control.

3. Furthermore, by the end of 2004, approximately 110 acts had been identified as falling under the *simplified procedures*. The procedure implies that certain acts are applicable to the EEA EFTA States without first being incorporated into the Agreement.

4. Concerning *feedingstuffs*, 12 acts from 2003 and 2004 were incorporated into the Agreement. In this field, focus was on the maximum level of undesirable substances in animal feed and the proposal for a Regulation on feed hygiene on the new regulatory framework on additives in animal nutrition.

5. Finally in the *phytosanitary* field, 14 acts from 2003 and 2004, mainly concerning marketing and comparative trials and tests on seeds, were incorporated in 2004.

Technical regulations, standards, testing and certification

6. In the course of the year, the EEA Joint Committee incorporated a total of 107 acts into Annex II of the EEA Agreement. Most of the new acts related to foodstuffs (42 acts), dangerous substances (26 acts) and medicinal products. In the field of dangerous substances most of the acts concern the classification and labelling of dangerous substances and plant protection products.

7. Key issues that were discussed during 2004, but which need further follow up in 2005 were:

- *Foodstuffs:* the integration of the Regulation on general principles and requirements of food law and the establishment of the European Food Safety Authority (EFSA). The EEA EFTA States also continued discussions on the incorporation of the novel foods Regulation from 1997, the Regulations on GM food and feed, and the traceability and labelling of GMOs adopted by the EU in 2004.
- *Medicinal Products:* the reform of the Community pharmaceuticals legislation,
- *Chemicals:* a Commission proposal on a new chemicals framework (REACH), and the establishment of a European Chemicals Agency (ECA).
- *Trade in Wine:* An update of the EEA Agreement incorporating 18 acts into the Agreement are under preparation.

8. Twenty-two new mandates were presented to the European Standards Organisations during 2004 to facilitate the good functioning of the European market. The mandates mainly concerned consumer product safety, telecommunications, e-Europe and environmental issues.

Competition

9. Two major revisions of the competition policy were introduced into the EEA Agreement during 2004:

- In June 2004 the Merger Regulation (EC) No 139/2004 on the control of concentrations. In the revision, more mergers and acquisitions benefit from the 'one-stop shop' principle when tackling the problem of multiple filings with national competition authorities;
- In September 2004, the Regulation (EC) No 1/2003 modernising the enforcement of the EC competition rules. This regulation extends the power to national competition authorities and national courts to apply Community law in full. The corresponding Implementing Regulation (EC) No 773/2004 on the conduct of proceedings by the Commission was adopted in December 2004. The two regulations called for a total revision of parts of Protocol 4 of the EFTA Surveillance and Court Agreement. In this regard, the Implementing Regulation (EC) No 773/2004 was adopted in December 2004.

Public procurement

10. The EEA EFTA States closely followed the work with a new legislative reform package of 31 March 2004. The aim is to update and simplify the basic rules governing public procurement by introducing more flexibility for the contracting authority and a wider use of electronic means. Furthermore, the contract award criteria were extended to include environmental considerations and are expected to be incorporated in 2005. The finalization will take place in 2005.

11. One act on common procurement vocabulary was incorporated into the EEA Agreement.

State aid

12. Two Commission Regulations were included in the EEA Agreement in 2004: one on training aid, and the other on extension of state aid to small and medium-sized enterprises to include aid for research and development.

13. The EEA EFTA States participated in advisory and experts meetings on state aid. The meetings discussed, among other things, compensation for services of general economic interest, proposed Community guidelines on state aid for rescuing and restructuring firms in difficulty, and the application of state aid rules to measures relating to direct business taxation.

Energy

14. As follow-up to the incorporation into the Agreement of the Energy Framework Programme “Intelligent Energy – Europe” in 2003, a Joint Committee Decision for EEA EFTA participation in COOPENER was adopted in September 2004. Furthermore, a Joint Committee Decision on the Regulation on the Community Energy Efficiency Labelling Programme for office equipment was adopted in December 2004.

15. The EEA EFTA side continued to consider the second Internal Energy Market package – opening up by 1 July 2004 for non-household customers and by July 2007 for all customers – and a Regulation on cross-border trade in electricity into the EEA Agreement. Two EEA EFTA Comments were prepared in 2004: on the proposal for a framework on eco-design for energy-using products, and on the proposal for measures to safeguard security of electricity and infrastructure investment

Intellectual property

16. A solution was found for the integration of the Directive 2001/29/EC on copyright in the information society into the EEA Agreement. The EEA EFTA States followed the developments of the proposal for a regulation on the Community patent and the proposal for a Directive on the patentability of software. Finally, the EEA EFTA States were still considering the Directive on the enforcement of Intellectual Property Rights, which aims to bolster the fight against counterfeiting and piracy.

Internal Market Advisory Committee (IMAC)

17. The EEA EFTA States continued to closely monitor the follow up of the individual actions identified in the 2003-2006 Internal Market Strategy. The EEA EFTA States participated actively in the work of IMAC, where the main issues were the participation in the new problem-solving system for the Internal Market (SOLVIT),

Simplification of Legislation (SLIM), business test panels, action on market surveillance and the scoreboard for the implementation of Community legislation.

Protocol 3 – Trade in Processed Agricultural Products

18. Bilateral negotiations started in 2002 between Norway and the Community on Protocol 3, notably regarding the elimination of the non-agricultural component of customs duties. These negotiations were concluded in 2004 and the new system entered into force on 1 November 2004. The system implies exemption/reduction of customs duties on processed agricultural products like jams, soups, vegetables, cake mixes/doughs, pasta, cornflakes, etc.

Protocol 4 – Customs Matters / Rules of Origin

19. The most important topics were the extension of the pan-European cumulation system to the Mediterranean partner countries and the new Commission proposal for pre-arrival declarations for trade (the 24-hours rule). It is important to find solutions which will not have any negative impact on trade.

20. Furthermore, the EEA EFTA States followed closely the extension of the system of pan-European cumulation to the Mediterranean partner countries. In this regard, the Euro-Med meeting in March 2004 decided to include the Faroe Islands as a prospective partner of the Euro-Med zone.

21. Finally, the EEA EFTA experts participated in two project groups under the Customs 2007 programme. One project group studies the possibility of revising the protocols on rules of origin. The other group looks into the feasibility of replacing the existing protocols by a regional convention on rules of origin. This work continues in 2005.

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

22. During 2004, good progress was made regarding a parallel framework MRA Agreement with the USA, covering the three product sectors (telecommunications equipment, electromagnetic compatibility and recreational crafts), and a separate MRA Agreement on Marine Equipment. The framework agreement was initialled on 15 November 2004 and the aim is to sign both Agreements during the first half of 2005.

FREE MOVEMENT OF CAPITAL AND SERVICES

23. In the field of free movement of capital and services, 51 acts were incorporated into the EEA Agreement. An Ad Hoc Working Group on Services, which reports to Subcommittees II, III and IV, was established to follow and assess the proposal for a Directive on services in the internal market.

Financial services and company law

24. 10 new legislative acts were integrated into Annex IX (Financial services) and the Collateral Directive was integrated into Annex XII (Free movement of capital). 5 acts were incorporated into Annex XXII (Company law) in 2004. In the area of company law,

EEA EFTA experts are closely following initiatives emanating from the Company Law and Corporate Government Action Plan.

25. EEA EFTA experts continued to participate in a number of expert groups assisting the Commission in preparing new legislative proposals, and attended as observers in meetings of the European Securities Committee, the Banking Advisory Committee and the Insurance Committee.

Information and Telecommunications services / Postal services

26. 11 new legislative acts were integrated into Annex XI (Telecommunications Services) in 2004.

27. The EEA EFTA States incorporated the Telecom Package, thus participating in the further opening of their respective markets regarding electronic communications. They adopted participation in the multi-annual programme (2003-2005) for the monitoring of the eEurope 2005 Action Plan (MODINIS) and in the multi-annual programme (2004-2006) for the effective integration of Information and Communication Technologies (ICT) in education and training systems in Europe (eLearning Programme). Furthermore, the EEA EFTA States prepared participation in the European Regulators Group the programme on Trans European Telecommunication Networks (e-TEN) and in the European Network and Information Security Agency. They also followed closely the discussions on the follow-up programmes on promoting safer use of the Internet (Safer Internet Plus) and the programme to make digital content in Europe more accessible, usable and exploitable (eContentplus).

Audiovisual services

28. No new legislative acts were integrated into Annex X (Audiovisual Services) in 2004. The EEA EFTA States prepared 2 acts under protocol 31 in order to continue the participation in the MEDIA Plus and MEDIA Training programme (2001-2005), which has been prolonged until 2006. They also continued their participation in the Contact Committee of the Television without Frontiers Directive and participated actively in the discussion on a possible revision of the directive in the near future.

Transport

29. 26 legal acts in the field of transport were incorporated into Annex XIII (Transport) in 2004. EEA EFTA experts participated actively in the various EU expert meetings as well as numerous committees (chaired by the Commission) in this field.

30. The Regulation on the establishment of a European Railway Agency (ERA) remained one of the most high profile issues in the field of rail transport in 2004. The negotiations on participation in ERA will continue in 2005. Acts incorporated in the field of inland transport included the Directive on working time in road transport, the Directive on speed limitation devices as well as further acts related to road and rail transport, transport of dangerous goods by road and inland waterway transport. The EEA EFTA States also incorporated the Second Railway Package, which aims at further market opening, safety and interoperability and prepared for participation in the European Railway Agency. They also actively participated in the discussions on a proposal for a Third Railway Package. They furthermore prepared integration of two directives of great importance for the EEA EFTA States concerning the interoperability of electronic road toll systems and minimum requirements for tunnels.

31. In the field of maritime transport, a number of policy initiatives and proposals related to maritime safety and security were considered. The proposals on maritime and port security along with initiatives concerning proposals on ship source pollution and implementation of the International Safety Management Code were the issues with the highest profile in this field.

32. A significant event in 2004 was the incorporation of the Regulation establishing the European Aviation Safety Agency and Regulations on Aviation Security in the EEA Agreement. The Open Skies issue and the Regulations establishing a Single European Sky remained the most high profile issues in the field of air transport in 2004.

FREE MOVEMENT OF PERSONS

33. In the field of free movement of persons, 11 acts were integrated into the Agreement in 2004.

Social security

34. In 2004, the EEA Joint Committee adopted four Decisions in the field of social security. These Joint Committee Decisions incorporated eight Decisions of the Administrative Commission on Social Security for Migrant Workers and a Regulation concerning on the alignment of social security rights upon the introduction of the European Health Insurance Card. This Card was introduced in June 2004 and it will gradually replace the existing E-forms in the field of social security. The European Health Insurance Card entitles EEA citizens to necessary medical treatment during temporary stays in other EEA countries other than their own or in Switzerland.

Recognition of Professional Qualifications

35. The Working Group on the Mutual Recognition of Diplomas became the Working Group on Recognition of Professional Qualifications in 2004. The Group's new name is in line with the name of the consolidated Directive on the recognition of professional qualifications, proposed by the Commission in 2002.

36. In 2004, the main focus in this area was the Commission's proposal for a consolidated directive, which would merge the present general system directives and sectoral directives as well as extend the free movement of services to regulated professions. The EEA EFTA side submitted a Comment on this proposal to the Commission in October 2003. The proposal is still being discussed in the EU institutions.

37. EEA EFTA experts continued to contribute to the work of the Co-ordinators Group (dealing with the general systems for recognition of diplomas) and the "Article 15" Committee (whose aim is to amend Annexes C and D of Council Directive 92/51/EEC).

Free Movement of Workers and Employment

38. One Act in this field, a Decision on the clearance of vacancies, was incorporated into the EEA Agreement in 2004.

39. The EEA EFTA States met with the EU Employment Committee for the third time, a high level Group whose task is to monitor the employment situation and employment policies in the Member States and the Community. The EFTA side

exchanged views with the EU Member States on unemployment benefit systems, problems arising from the systems and reforms to address the problems.

HORIZONTAL AND FLANKING POLICIES

40. In the field of horizontal and flanking policies, the Joint Committee integrated 68 acts into the EEA Agreement in 2004.

Budgetary matters

41. The EEA EFTA Budget 2004 was adjusted due to the enlargement of the EU on 1 May 2004. The EEA EFTA commitments in 2004 were 130.7 million euros, an increase from 104.6 million in 2003. The payments in 2004 were 108.7 million euros (budget estimate), an increase from 79.7 million in 2003 (actual expenses). This increase is due to higher costs for the research framework programme, the enlargement of the EU and EEA EFTA participation in new EU activities.

Social policy

42. Social Policy covers the fields of Health and Safety at Work and Labour Law, Gender Equality and Family Policy, the Disabled, Elderly and Social Exclusion. 4 new acts were integrated into annex XVIII (Health and Safety at Work, Labour Law, and Equal Treatment for Men and Women)

43. In the field of health and safety at work and labour law, two directives and one Recommendation were incorporated into the EEA Agreement: Directive 2003/72/EC concerning on employees' involvement in a European Cooperative Society and Directive 2003/88/EC on working time and a Council Recommendation on the application of legislation governing health and safety at work to self-employed persons.

44. In the field of gender equality, the EEA Joint Committee adopted a Decision on the incorporation into the EEA Agreement of Directive 2002/73/EC amending Directive 76/207/EEC on equal treatment for men and women in work life.

45. Furthermore, the EEA Joint Committee adopted a Decision concerning on the EEA participation in the Daphne II Programme on preventive measures to fight violence against children, young people and women. In 2004, the EEA EFTA States also started participation in the Anti-discrimination programme (2001-2006).

46. Discussions continued with the Commission at Subcommittee IV level on a revised draft Joint Committee Decision ensuring full participation of the EEA EFTA States in the European Agency for Safety and Health at Work.

Public Health

47. One of the main priorities in 2004 was to prepare for an EEA EFTA participation in the European Centre for Disease Prevention and Control, and a draft EEA Joint Committee Decision was handed over to the Commission in August 2004. This new agency will be set up in Stockholm in 2005, and the EEA EFTA States took part in preparations in the Management Board in 2004.

Consumer protection

48. The EEA Joint Committee adopted a Decision to incorporate the general framework for financing Community actions in support of consumer policy for the years 2004-2007. An EEA EFTA expert is seconded to the programme.

49. The EEA EFTA States submitted EEA EFTA comments on the proposal on unfair business-to-consumer commercial practices in the Internal Market and the proposal on cooperation between national authorities responsible for the enforcement of consumer protection laws.

Research and development

50. The Sixth Framework Programme (FP6) for Research, Technological Development and Demonstration Activities (2003-2006) is by far the largest EU programme with EEA EFTA participation. Preliminary results from the first project selection rounds indicate a relatively high success rate for the projects with partners in Iceland, Liechtenstein and Norway. Nonetheless, the rate is still low in certain programme areas.

51. In 2004, the EEA EFTA States requested participation in a preparatory action for the enhancement of European security research, starting in 2005. This activity started in 2004 as a pilot phase of a future larger security research programme. The activity is an important part of the Seventh Research Framework programme (FP7 due to start in 2007).

Education, training and youth

52. In this area, the EEA EFTA States participate in the Socrates, Leonardo da Vinci, and Youth (2000 to 2006) programmes. In 2004, the EEA Joint Committee agreed to extend the co-operation to also include two new programmes - the Erasmus Mundus programme and the e-Learning programme (2004-2006) - and a Pilot Action for Participation of Young People (2004). Erasmus Mundus supports international master's degrees established by a consortium of European universities and offers stipends to students and staff to and from third countries. The e-Learning programme endeavours to effectively integrate information and communication technologies (ICTs) in education and training systems in Europe.

53. As a consequence of the new Financial Regulation governing the EU budget and the Commission's expenditures, several activities that were for several years financed through annual budget allocations have since 2004 become part of one of several multi-annual Community programmes. At the end of the year, the EEA Joint Committee adopted two decisions allowing for EEA EFTA participation in two such programmes. One supports European bodies in education and training and the other European youth bodies. Among the activities financed by these programmes are the Jean Monnet actions, the experts groups that assist the Commission in implementing the Action Plan on the Future Objectives of the European Education System, training of national judges in EU competition law, and the European Youth Forum.

54. EEA EFTA Comments on the Commission's proposal for the Lifelong Learning programme (2007-2013) were submitted to the Commission in autumn 2004. The new programme aims to merge all the existing education and training programmes, except Erasmus Mundus. The Commission has proposed a budget for the programme nearly

three times larger than the total budgets of the current programmes, thus emphasising its importance for growth and employment as part of the Lisbon Strategy.

Culture

55. The Culture 2000 programme entered into its last year of operation in 2004. The programme takes a sectoral approach by focusing on one main sector of cultural activity every year. A decision by the EU to prolong the programme for the period 2005-2006 was integrated into the EEA Agreement by a decision of the EEA Joint Committee in December 2004. A legal basis for EEA EFTA participation in a Preparatory Action for Culture in 2004 was also established during the year. In July, the Commission presented its proposal for the next framework programme for culture, Culture 2007 (2007-2013).

Environment

56. During the year, the EEA Joint Committee integrated 12 legal acts in the area of environment. The Joint Committee Decisions include the integration of acts concerning areas of waste, eco-labelling, air quality and the voluntary participation by organisations in an eco-management and audit scheme (EMAS). As regards decision-shaping, the EEA EFTA States had a number of discussions with the Commission on policy documents and new legislative proposals. The main issues discussed concerned the Thematic Strategy on the sustainable use of natural resources, the Environmental Technologies Action Plan, Urban Waste Water Treatment and Packaging and packaging waste.

Enterprises and Entrepreneurship

57. In 2004, the EEA EFTA States started to participate in the implementation and development of the Internal Market project, which has several sub-projects such as: Dialogue with Citizens, Dialogue with Business and the SOLVIT database. Dialogue with Citizens and Dialogue with Business gather detailed practical information on rules and practices in the EU and the Internal Market and publishes it in a user-friendly format on a single website. SOLVIT is an on-line problem solving network in which the authorities work together to solve problems caused by the misapplication of Internal Market law by public authorities without legal proceedings.

58. The EEA EFTA States continued active participation in the Multi-annual programme for Enterprises and Entrepreneurship (MAP) and in other EU initiatives that aim to enhance the business environment for small and medium-sized enterprises (SMEs). The Commission has proposed to include MAP in the new Competition and Innovation Programme (CIP) from 2007. The European Business Test Panel (EBTP) is a system that allows the Commission to contact and obtain the views of businesses operating in the Internal Market whenever major Commission legislative proposals and/or policy initiatives are being considered.

Tourism

59. The EEA EFTA States contributed to the work of the EU Tourism Advisory Committee and participated in the European Tourism Forum.

Civil protection

60. The EEA EFTA States participate actively in two programmes in the field of Civil Protection: the Community Mechanism and the Civil Protection Community Action Programme and are preparing an installation of the Civil Protection Mechanism Databank (CECIS) in the respective EEA EFTA States.

Statistics

61. The good level of EEA co-operation in the field of statistics was maintained. EEA EFTA participants attended Eurostat meetings and several national seconded experts continued to work in Eurostat. The EEA EFTA States participated in the operation of a number of joint projects with the EU.
