



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

on **Single market for services**

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This document presents the replies of the European Commission to observations of a special report of the European Court of Auditors, in line with Article 265 of the [Financial Regulation](#). These replies are to be published by the European Court of Auditors together with the special report

I. THE COMMISSION REPLIES IN BRIEF

The European Commission welcomes the attention that the special report of the European Court of Auditors (ECA) brings to the single market for services. Services play a central role in the EU economy, accounting for the majority of value added and employment, and are essential for competitiveness, innovation, and the green and digital transitions. The effective functioning of the single market for services therefore remains an important policy priority for the Commission.

In the period audited by the ECA, the Commission's action on the single market for services was guided by successive horizontal strategies and communications aimed at improving the functioning and enforcement of the single market. These included, in particular, the 2015 single market strategy¹, the 2017 Communication 'EU law: Better results through better application'², the 2020 enforcement action plan³, the 2023 'Single Market at 30' Communication⁴ and the 2025 single market strategy⁵. Together, these initiatives set out priorities to reduce regulatory and administrative barriers, strengthen enforcement of existing rules, and support Member States in improving compliance, including in services sectors. These initiatives reflected the shared responsibility for the single market, whereby Member States exercise their competence to regulate services within the limits of Union law, while the Commission ensures the correct application and enforcement of EU law and supports reforms through coordination and guidance.

Nevertheless, as highlighted by the ECA (paragraph 3), the single market for services remains far from complete and many barriers continue to persist, an observation which the Commission shares.

In response to a call from the European Council, the Commission adopted the new single market strategy⁶ on 21 May 2025. The strategy is the Commission's comprehensive plan to make the single market simpler, seamless and strong by addressing, as a first priority, the 10 most harmful single market barriers – the 'Terrible Ten'. The strategy further proposes specific actions to boost European services markets, targeted actions in support of small and medium-sized enterprises (SMEs), and actions to further digitalise the single market and improve enforcement of existing rules. The Commission will provide an update on progress made with the strategy's implementation in its annual single market and competitiveness report.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – *Upgrading the Single Market: more opportunities for people and business* (COM/2015/550 final, 28 October 2015).

² Communication from the Commission – *EU law: Better results through better application* (2017/C 18/02).

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – *Long-term action plan for better implementation and enforcement of single market rules* (COM/2020/94 final, 10 March 2020).

⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – *The Single Market at 30* (COM/2023/162 final, 16 March 2023).

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – *The Single Market: our European home market in an uncertain world. A Strategy for making the Single Market simple, seamless and strong* (COM/2025/500 final, 21 May 2025).

⁶ Ibid.

As noted by the ECA (paragraph 35 of the ECA report), the strategy accurately identifies the main obstacles preventing the single market for services from fully realising its potential, such as fragmented, restrictive and diverging national services regulation and burdensome administrative procedures, including in the context of posting of workers. The ECA also acknowledges positively that the strategy focuses on the services sectors with the highest potential economic added value and relevance for the green and digital transitions.

The Commission considers that the timely and effective implementation of the single market strategy is now paramount and responds to stakeholders' calls to focus on delivery. Its success depends on shared commitment – joint ownership between Member States, EU institutions and stakeholders. The Commission's replies to the ECA's recommendations are therefore firmly grounded in the framework and objectives of the strategy.

II. REPLIES TO THE RECOMMENDATIONS

Recommendation 1 - A clearer and more ambitious strategy for the single market for services

The Commission should:

- (a) develop and implement a robust and evidence-based approach to assessing barriers to cross-border services, with a particular focus on the potential economic costs and benefits of their removal;**
- (b) initiate further targeted and more ambitious actions to address barriers to the single market for services, focusing on the sectors with the biggest impact on market integration; and**
- (c) report annually to the European Parliament and the Council on progress made in removing these barriers.**

Target implementation date: end of 2027

The Commission **accepts** recommendations 1(a), 1(b) and 1(c).

Recommendation 2- More active use of the European Semester process and funding conditionalities to tackle key barriers to cross-border services

The Commission should:

- (a) use the European Semester process and country-specific recommendations, where relevant and based on country-specific analysis and prioritisation, more consistently to address key barriers to cross-border services while aligning the recommendations with its other related initiatives; and**

- (b) use conditionalities under the post-2027 multiannual financial framework for incentivising Member States to carry out the necessary reforms to remove barriers to cross-border services.**

Target implementation: end of 2028

The Commission **accepts** recommendation 2(a).

The Commission **partially accepts** recommendation 2(b).

The Commission takes note of the recommendation and accepts it insofar as it calls for the use of financial incentives under the post-2027 multiannual financial framework to support the implementation of reforms. The Commission recalls that its proposal for the post-2027 multiannual financial framework aims to further strengthen the link between the European Semester and the EU budget, with a view to enhancing the policy steer of EU spending. In this context, the proposed framework provides for national plans to include reforms addressing a subset of the country-specific challenges identified through the European Semester and other relevant reference frameworks.

In this context, the Commission wishes to clarify that this does not imply the introduction of an automatic, comprehensive or uniform conditionality requiring all Member States to implement reforms in a specific policy area, including services, as a condition for accessing EU funding. The identification of reforms to be supported remains a case-by-case decision, reflecting Member States' specific challenges and the content of the agreed national plans. Moreover, the design and application of any conditionality mechanisms must respect the specific legal bases of the relevant instruments and the principle of proportionality. Lastly, the Commission cannot prejudge the final outcome of the negotiations on the post-2027 multiannual financial framework with the European Parliament and the Council of the European Union, including as regards the scope, form and content of any conditionality arrangements.

Recommendation 3 - Clarify notification criteria and focus enforcement on cases with considerable impact on the single market

The Commission should:

- (a) when reviewing the Services Directive with a view to a legislative proposal, without prejudice to the decisions of the co-legislators, introduce a de minimis clause and more clearly define the proportionality of new national requirements and notification of them to the Commission;**
- (b) focus on and prioritise enforcement of cases with a considerable impact on the integration of the single market for services; and**
- (c) support smaller companies more effectively when their right to provide cross-border services is violated, for example by supporting them in taking legal action in national courts against excessive regulatory or administrative barriers.**

Target implementation date: end of 2027

The Commission **partially accepts** recommendation 3(a).

The Commission supports the objective of further clarifying the application of the proportionality principle to new national requirements and strengthening the effectiveness of notification procedures under the Services Directive. However, the introduction of a de minimis clause may potentially leave certain barriers unaddressed and impact the proportionality framework.

The Commission is aware of both the practical challenges faced by Member States in applying the proportionality principle to new national requirements, and the gaps in the notification procedures. In response, it is reviewing the implementation of the notification system under both the Services Directive and the Single Market Transparency Directive. This review aims to identify improvements and, if necessary, determine whether additional measures, including a potential Single Market Barrier Prevention Act, may be appropriate. At this stage, the Commission does not intend to reopen or revise the existing Directives. Decisions on any legislative proposals remain the exclusive prerogative of the Commission under the Treaties and the Commission cannot make specific commitments on the content, scope or timing of any potential legislative action.

The Commission **accepts** recommendation 3(b).

The Commission **does not accept** recommendation 3(c).

The Commission cannot commit to this recommendation, as it would require significant additional human and financial resources and would go beyond its role under the Treaties. It should also be recalled that the Commission supports smaller companies through other available mechanisms such as SOLVIT, SMET etc. The Commission also systematically intervenes in preliminary references before the Court of Justice, including cases in which regulatory or administrative barriers are challenged before national courts.

Recommendation 4 - Reinforce existing tools for facilitation of cross-border services

The Commission should:

- (a) in cooperation with the Member States improve electronic access to information through the points of single contact (PSCs), and support businesses more effectively in providing cross-border services; and**
- (b) in cooperation with the Member States enhance the impact of the Single Market Enforcement Taskforce (SMET) by prioritising removing national barriers with high impact on the single market for services;**
- (c) where the SMET is unlikely to address the barriers effectively, make legislative proposals, if all other means have proven ineffective.**

Target implementation date: end of 2027

The Commission **accepts** recommendation 4(a).

The Commission **accepts** recommendation 4(b).

The Commission accepts to 'enhance the impact of the SMET by prioritising removing national barriers with high impact on the single market for services' but would note that Member States' participation in SMET projects is voluntary and they need to agree on the subject of any SMET project. Therefore, the Commission has limited influence on which topics become a SMET project

and cannot impose but only suggest the subjects for SMET projects and encourage their selection. In addition, until the deadline of end 2027, SMET work will be primarily focused on the coordination of removing the Terrible Ten, including Terrible Ten barrier No 8 – Restrictive and diverging national services regulation, under which three services-related priority issues have been identified.

The Commission **partially accepts** recommendation 4(c).

Under the Treaties, the Commission has the exclusive right of legislative initiative. Decisions on whether to propose legislation, and on its content and timing, are taken on the basis of a careful assessment of policy priorities and consultations with Member States and stakeholders. The Commission addresses barriers using a variety of tools, including but not limited to legislative action, depending on what is most appropriate in each case.

Recommendation 5 - Monitor and evaluate the progress in completing the single market for services

The Commission should:

- (a) further develop appropriate indicators informing about barriers for services and use them to monitor the progress made in market integration of services over time;**
- (b) assess the contribution of the EU regulatory framework for services to growth and employment so far, and the potential impact of removing barriers.**

Target implementation date: end of 2027

The Commission **accepts** recommendations 5(a) and 5(b).

The Commission considers that there is already a framework of indicators relevant to the single market for services. The annual single market and competitiveness report (ASMCR) is the main vehicle for reporting on progress in the single market for services and on implementation of the single market strategy. In this context, the Commission has set up monitoring for key performance indicators (KPIs) as well as a comprehensive set of indicators in the annual single market and competitiveness scoreboard and has systematically followed the developments in the single market over the years, including the single market for services. The set of KPIs in the 2026 ASMCR includes KPIs related to the Terrible Ten as identified in the 2025 single market strategy, including the barriers for services.