October 2013

Citizens Information Board
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EU Supplement

This supplement covers the significant EU developments from mid-June 2013 to mid-September 2013 in the broad areas of social policy, consumer policy and citizens' rights.

There is further information about almost all the issues mentioned on the Europa website: **europa.eu**. In some cases, we give the extended website address. The Official Journal of the EU may be accessed via **eur-lex.europa.eu**.

EU funding 2014–2020

Agreement has been reached between the European institutions on the overall funding of the EU for the period 2014–2020. This is known as the *Multiannual Financial Framework* (MFF). The framework sets the annual maximum amounts that the EU may spend in its different areas of activity.

The overall EU funding for the period will be €960 billion which is 1% of the EU's gross national income. The Common Agricultural Policy (CAP) is allocated just under €278 billion of that amount and there is an €85 billion allocation for rural development.

The framework proposes to have extra spending on research and innovation and on education and training in order to promote growth and jobs. Detailed information on the MFF is available at: **europa.eu/newsroom/highlights/multiannual-financial-framework-2014-2020/**.

2007–2013 programmes

While virtually all the funding programmes for the period 2007–2013 are scheduled to end in December 2013, in practice a number of these programmes will continue to receive funding in 2014. This is largely because they were late in starting.

For example, the LEADER elements of the Rural Development Programme 2007–2013 started in February 2009 – two years later than intended. During 2012 and 2013, funding was reallocated within the programme to those Local Development Companies which were likely to be able to use it. The final reallocation is expected to take place shortly. All the LEADER funding is expected to be allocated by the end of 2013 but some of it may be spent in 2014.

The 51 Local Development Companies deliver both the Local and Community Development Programme (LCDP) and the LEADER elements of the Rural Development Programme 2007–2013 (RDP) on behalf of the Department of the Environment, Community and Local Government.

2014–2020 programmes

The legal arrangements for the various funding programmes for the period 2014–2020 are expected to be in place before the end of 2013.

Programme for Employment and Social Innovation (EaSI)

Political agreement has been reached between the Council and the European Parliament on the proposed EU programme for Employment and Social Innovation (EaSI). (This programme was previously titled Programme for Social Change and Innovation.) It will have a budget of €815 million for the 2014–2020 period. About €100 million of this will be used for projects in the areas of youth employment and inclusion of disadvantaged groups.

This new programme integrates and extends these existing programmes:

- PROGRESS – Programme for Employment and Social Solidarity (this will get 61% of the budget)
- EURES – European Employment Services (18% of the budget) and

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- European Progress Microfinance Facility (21% of the budget). This was established in 2010 to help people, who face difficulties in getting a traditional bank loan, to get better access to microcredit and become self-employed or set up their own business. It finances loans of less than €25,000 for unemployed people, people at a risk of losing their jobs or people from disadvantaged groups. It does not provide direct financing to micro-entrepreneurs or individuals, but it works through microcredit providers at national, regional or local level.

The aim of the new programme is to support member states in the design and implementation of employment and social reforms by means of policy coordination and the identification, analysis and sharing of best practices. Successful projects and activities under the programme may then become eligible for European Social Fund (ESF) funding.

EaSI is one element of the EU Initiative for Employment and Social Inclusion 2014–2020. The other elements are the proposed new Fund for European Aid for the most Deprived (this will be aimed at addressing food deprivation, homelessness and material deprivation of children), the continuation of the existing European Globalisation Adjustment Fund and the mainstream European Social Fund.

Youth Guarantee

Funding for the Youth Guarantee has been increased from the original €6 billion to €8 billion and it is proposed to front-load the spending in the first two years.

State aid guidelines

The Commission has published guidelines on how member states can grant investment aid to companies in order to support the development of disadvantaged regions in Europe between 2014 and 2020. These guidelines will apply from 1 July 2014. The current guidelines (due to end at the end of 2013) have been extended until July 2014.

Consumer affairs

Package holidays

The Commission has published proposals for changes to the Package Holidays Directive. The existing directive was agreed in 1990 and provides protection for consumers who book *package holidays*, that is, holidays involving combinations of flights, hotels and/or other services such as car rental. The main consumer rights under the directive are:

- You must receive all necessary information about the holiday before signing the contract
- Either the retailer or the organiser is liable for the correct performance of all the services included in the contract and the contract must specify which one is liable
- You must be given an emergency number or a contact point for the organiser or the travel agent
- You may transfer the package to another person, if you cannot use it yourself
- The price cannot be changed later than 20 days before departure, and before that only in very limited situations
- You may cancel the contract and get your money back if any of the essential elements of the travel package have been changed
- You may get a refund or compensation if, before departure, the package is cancelled by the operator or agent
- Alternative arrangements must be made at no extra cost if, after departure, important parts of the package cannot be provided
- You are entitled to prompt assistance if you have a difficulty
- If the operator or agent goes bankrupt, pre-payments must be refunded and, if the trip has started, you must be repatriated

The proposed changes to the directive are aimed at improving the rights of traditional package holiday users and at dealing with the changed holiday market where consumers are likely to book customised packages. If you buy the various elements of the holiday separately, you are not covered by the existing or proposed directive.

Traditional package holidays

The following are the main proposed changes for traditional package holidays:

- Stricter control on price surcharges – it is proposed to have a 10% cap on price increases and a requirement to pass on price reductions
- Improved cancellation rights – in general, you would be able to cancel and pay the tour operator reasonable compensation; you would be able to cancel, free of charge, in the event of natural disasters, civil unrest or similar potentially serious disruption
- Clearer information on who is liable if anything goes wrong
- The possibility of redress for immaterial damage suffered; you can already claim redress for material damage

Customised packages

A *customised package* is a combination that includes all services in one contract or where all services are sold at an inclusive price, but where you are free to choose the different components. Such a package may be sold online or offline. A customised package also includes combinations of travel services where two or more services are bought from multiple suppliers under separate contracts but where your name or personal details are transferred directly between the traders or where an inclusive or total price is charged.

Such customised packages will be covered by the existing and new directive and you will have the same rights as under a traditional package holiday.

If you buy other types of customised travel arrangements, the proposal provides for:

- A right to get your money back and be repatriated, if needed, in case the seller, the carrier or any other relevant service provider goes bankrupt while you are on holiday
- Better information about who is liable for the performance of each service

These other types of customised travel arrangements include combinations of travel services where the travel agent acts as an intermediary but where the services are clearly sold separately in distinct transactions. You must be clearly told by the travel agent that you are not buying a package. Each individual service provider is responsible for its own element of the contract.

The proposal also removes the requirements on tour operators and travel agents to reprint brochures. Website: **ec.europa.eu/justice/consumer-marketing/travel/package**.

Justice and Home Affairs

Access to lawyers in criminal proceedings

The Council and the European Parliament have reached agreement on the proposed directive on the right of access to a lawyer in criminal proceedings. This is the third of a series of proposals aimed at guaranteeing minimum rights to a fair trial throughout the EU. The other proposals deal with the right to translation and interpretation and the right to information.

This proposed directive provides for:

- Access to a lawyer during questioning by police and throughout the criminal proceedings; this access must be confidential and adequate to ensure that your rights can be vindicated
- The right to have someone, such as a family member, informed of arrest and the right to communicate with that person
- The right to contact the consulate of your country, if arrested in another member state
- The possibility of legal advice in both the country where you are arrested and the country in which the arrest warrant was issued if you are subject to a European Arrest Warrant

So far, Ireland has not opted in to this proposed directive. Ireland may opt in at any time. Website: **ec.europa.eu/justice/criminal/criminal-rights/**.

Environment

The 7th Environment Action Programme

Agreement has been reached on the 7th Environment Action Programme (EAP) *Living well, within the limits of our planet*, which will operate until 2020. The 6th programme ended in July 2013. The programme sets out nine priority objectives for EU environment policy to 2020. The objectives are to:

- Protect, conserve and enhance the EU's natural capital
- Turn the EU into a resource-efficient, green and competitive low-carbon economy
- Safeguard EU citizens from environment-related pressures and risks to health and wellbeing
- Maximise the benefits of the EU's environment legislation
- Improve the evidence base for environment policy
- Secure investment for environment and climate policy
- Improve environmental integration and policy coherence
- Enhance the sustainability of the EU's cities
- Increase the EU's effectiveness in confronting regional and global environmental challenges

Specific actions are proposed to meet these objectives. These include:

- Limitation of landfilling to non-recyclable and non-recoverable waste by 2020
- A legally binding framework beyond 2020 to enable member states and industry to make investments in emissions reduction, energy efficiency and renewable energy
- An EU-wide reduction target for marine litter
- The integration of environmental considerations (including water protection and biodiversity conservation) into land use planning decisions

Economic Governance

Banking union – Single Supervisory Mechanism

The proposals for a Single Supervisory Mechanism (SSM) for banks in the euro area were described in the October 2012 issue of *EU Supplement*. The European Parliament has now agreed the proposed regulation to give specific tasks related to financial stability and banking supervision to the European Central Bank (ECB) and other related legislation. This means that the SSM, which is regarded as the first step towards a Banking Union, can be established. It is expected that the supervisory powers of the European Central Bank will be fully in operation within a year but the ECB may gradually take on its role in the interim.

The Single Supervisory Mechanism covers all (approximately 6,000) banks in the euro area. The ECB's direct supervisory

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Head Office
Ground Floor
George's Quay House
43 Townsend Street
Dublin 2

t 0761 07 9000
f 01 605 9099
e info@ciboard.ie
w citizensinformationboard.ie

role will vary depending on the size of the bank. The ECB will be responsible for appropriate monitoring of bank supervision by national authorities.

The ECB will have responsibility for direct supervision of banks that have assets of more than €30 billion or constitute at least 20% of their home country's GDP or that have requested or received direct public financial assistance from the European Financial Stability Facility (EFSF) or the European Stability Mechanism (ESM). It will monitor the supervision by national supervisors of less significant banks. It may at any time decide to directly supervise such banks to ensure consistent application of high supervisory standards.

The ECB will be exclusively responsible for the following, among other things:

- Authorising and withdrawing the authorisation of all credit institutions in the euro area
- Assessing acquisition and disposal of holdings in banks
- Ensuring compliance with all prudential requirements laid down in EU banking rules and setting higher prudential requirements for banks when required
- Carrying out supervisory stress tests to support the supervisory review
- Applying governance requirements
- Carrying out supervisory tasks in relation to early intervention when risks to the viability of a bank exist

The national supervisory authorities will remain responsible for matters such as consumer protection, supervision of payments services and preventing money laundering and terrorist financing.

Single Resolution Mechanism

It is expected that the proposals for a common framework for protecting deposits and for dealing with banks in difficulty will be finalised before the end of the year. The Single Supervisory Mechanism includes the power to intervene if banks breach the regulatory requirements.

The Commission has put forward proposals for a Single Resolution Mechanism (SRM) for banks covered by the SSM. This would involve a Single Resolution Board (SRB) which would prepare and carry out the resolution of any bank in the euro member states. In effect, it would deal with the winding down of a bank. The Single Resolution Board will consist of representatives from the ECB, the European Commission and the relevant national authorities.

The proposal provides that a bank would be put into resolution when:

- It was failing or likely to fail
- No private sector arrangement could avert failure
- Resolution was in the public interest because the bank's failure would damage financial stability

The ECB would indicate when a bank needed to be resolved. It is expected that the Single Resolution Mechanism will be agreed in 2014 and will be in place from the start of 2015. Website: **ec.europa.eu/internal_market/finances/banking-union**.

Regulation of credit rating agencies

New rules on the regulation of credit rating agencies came into force on 20 June 2013. They are Regulation 462/2013 and Directive 2013/14/EC.

These rules cover how these agencies rate the debt of countries (sovereign debt) as well how they rate the debts of banks and other financial institutions. The rules on the rating of individual countries' debts are designed to ensure that the announcement of such ratings do not cause disruption. Credit rating agencies may be held liable if their ratings are inadequately based. The rules also cover issues such as conflicts of interest if the agency is rating an institution in which it has a shareholding.

The Commission proposes to review the credit rating sector and consider whether a European system for creditworthiness assessments of sovereign debt should be established.

Credit rating agencies must be registered with the European Securities and Markets Authority (ESMA). The list of registered agencies is available at: **esma.europa.eu/page/List-registered-and-certified-CRAs**.