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**COMMUNICATION FROM THE COMMISSION**  
**GENERAL REPORT ON THE ACTIVITIES OF THE EUROPEAN UNION -**

## COMMUNICATION FROM THE COMMISSION

### GENERAL REPORT ON THE ACTIVITIES OF THE EUROPEAN UNION -

#### Chapter 1

#### **Towards political union**

In 2013, Europe started to overcome the financial and economic crisis. The European Union emerged from recession in the second quarter of the year as the reform push began to produce results. The nascent recovery is fragile and major work is still necessary to strengthen it, in particular to bring down high levels of unemployment, in particular among young people, and to restore bank lending to households and companies, but the firm support for the Union and the euro shown by political leaders and the EU institutions, including the European Central Bank (ECB), is starting to bear fruit.

#### **The way to a deep and genuine economic and monetary union**

While the immediate difficulties thrown up by the crisis have been tackled, the EU has also continued with the major project of rebuilding its economic and financial architecture. Several programmes have been set up to support Member States in financial distress, in exchange for reforms, culminating in the creation of the European Stability Mechanism, a permanent financial firewall. In order to promote economic growth and prevent crises in the future, economic and fiscal policies are being coordinated much more closely at European level. In parallel, a banking union is being built, with a common system for supervising and resolving banks in the euro area, based on rules created for all 28 Member States – and open to all of them. This is indispensable because, as the crisis has clearly demonstrated, Europe's economies are fundamentally interdependent.

These efforts are important not just for Europe but for the world at large. The EU, with its 507 million inhabitants, accounts for 7.3 % of the world's population but over 23 % of global gross domestic product (GDP). The EU's combined GDP is greater than that of the United States and twice that of China.

The EU is endowed with many assets, from excellent human capital to world-class companies, top-quality research and development and higher-education institutions that attract almost half of the world's internationally mobile students. Europe's model of governance reconciles national sovereignty with cooperation — including within European institutions, some of them supranational — and promotes political integration. The European model is an inspiration to many neighbouring countries. This model continues to serve the continent well, as in the past, but is being refined based on the experience gained from the crisis.

The fact that the EU was awarded the Nobel Peace Prize in 2012 highlights the great example that Europe is setting in terms of reconciliation, peace and democracy. But if Europe is to maintain its leading role, there is a need to improve governance and to ensure that institutions and decision-making become more democratic and transparent. This is indispensable, as more and more decisions which directly affect the daily lives of citizens are taken at European level.

On their own, Member States, even the biggest ones, are no longer capable of facing up to, or adequately responding to, some of the challenges of a globalised economy. By pooling sovereignty Member States are stronger and they can wield more influence in the world.

Economic integration in Europe is a unique process. The creation of economic and monetary union (EMU) was, undoubtedly, one of the major milestones of European integration. The euro is one of Europe's defining symbols at home and across the globe. However, while some of the great aspirations of the EMU have been realised, others have still to be achieved.

The fundamental response to the crisis aimed at restoring confidence in the achievements of the single market and the single currency, proving that they are irreversible. While focusing on individual economic and institutional reforms, we need to keep the bigger picture firmly in mind; we need to mobilise the political will to move forward on the road to completing the EMU, leading ultimately to a full political union.

## A continuing push for integration

Two events in 2013 showed clearly that, despite the challenges posed by the crisis, the EU and the euro area are determined to continue the push for closer integration.

First, Croatia became a Member State on 1 July 2013 — a strong signal of hope and trust less than 20 years after the end of the Balkan wars.

Croatia applied for EU membership in 2003, and was in active negotiations from 2005 until 2011. In December 2011, leaders from the EU and Croatia signed the accession treaty. The European Commission's final monitoring report on Croatia's preparations for accession <sup>(1)</sup> was published in March 2013, confirming Croatia's readiness to join the Union.

Throughout the interim period until its accession, Croatia had active observer status in the EU institutions, which allowed it to become familiar with the working methods of the institutions and to be involved in the decision-making process.

[PHOTO 001]

The occasion of accession was marked in Croatia's capital Zagreb by a ceremony attended by President Martin Schulz for the European Parliament, President Herman Van Rompuy for the European Council and President José Manuel Barroso for the European

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<sup>(1)</sup> Commission communication — Monitoring report on Croatia's accession preparations (COM(2013 171).

Commission, as well as Commission Vice-President Viviane Reding and Commissioner Štefan Füle, for the EU institutions, and President Ivo Josipovic and Prime Minister Zoran Milanovic, for Croatia, along with thousands of Croatian citizens.

To coincide with accession, a new representation of the European Commission and a European Parliament information office were inaugurated in the European Union House in the centre of Zagreb.

[PHOTO 002]

Second, the euro area prepared to welcome its 18th member, with Latvia adopting the euro as its currency on 1 January 2014. Preparations for the adoption of the euro were finalised over the course of 2013. In March, Latvia formally asked the Commission and the ECB to deliver convergence reports to assess whether the country met the economic and legal criteria for joining the euro, as defined in the Maastricht Treaty.

In June, the Commission's convergence report <sup>(2)</sup> concluded that Latvia was ready to adopt the euro. The ECB's convergence report <sup>(3)</sup> concluded that, while the longer-term sustainability of its economic convergence remained a concern, all in all Latvia was within the reference values of the convergence criteria.

The Eurogroup's recommendation of 21 June led to the European Council's endorsement on 28 June, with the Council's formal approval in July paving the way for Latvia to adopt the common currency from the beginning of 2014.

## A debate on the future of Europe

The European Commission presented its ideas for the future of the euro area in its blueprint for a deep and genuine economic and monetary union <sup>(4)</sup> in 2012, in order to launch a public debate. The blueprint sets out a political vision and the concrete proposals needed in the short, medium and long term to underpin the stability of the euro and the EU as a whole.

This comprehensive approach to deepening the euro area is based on key principles, as follows.

- First, moves towards further integration should be made within the institutional and legal framework of the treaties, according to the Community method.
- Second, full use should be made of the potential of EU-wide instruments rather than those in place for the euro area alone.
- Third, reforms should be enacted primarily through secondary legislation, with treaty change contemplated only if necessary.

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<sup>(2)</sup> Commission report — Convergence report 2013 on Latvia.

<sup>(3)</sup> European Central Bank report — Convergence report June 2013 (<https://www.ecb.europa.eu/pub/pdf/conrep/cr201306en.pdf>).

<sup>(4)</sup> Commission communication — A blueprint for a deep and genuine economic and monetary union — Launching a European debate (COM(2012) 777).

The Commission's vision balances increases in economic and budgetary responsibility with more solidarity and financial support. The blueprint also says that any transfer of power to the EU should be matched by more democratic legitimacy and accountability at the EU level. The blueprint has a strong social dimension and ensures that the EU progresses on all these fronts at the same time. The subtitle of the blueprint is 'launching a European debate', and 2013 saw the start of one. Members of the European Parliament, national parliamentarians, governments, journalists, academics and citizens came together in Brussels for a conference in May 2013 to discuss what the ideas in the blueprint mean for the citizens of Europe. The European Council also held several meetings to discuss common principles and proposals to build a genuine EMU.

A truly Europe-wide debate is necessary to prepare the ground for a deep political union, which is the end point of fiscal and economic integration. The EU's democratic legitimacy and accountability need to keep pace with its increasing role and power. That is why, in his 2013 State of the Union address <sup>(5)</sup>, President Barroso confirmed his intention to present further ideas on how best to consolidate and deepen the Community method before the European Parliament elections. The intention is to set out the principles and orientations that are necessary for a true political union so they can be subject to a real European debate.

## Engaging citizens in the debate

And 2013 was a year in which the EU took the debate on the future of Europe to the citizens. In fact, 2013 was designated the European Year of Citizens, to mark the 20th anniversary of the establishment of European citizenship under the Maastricht Treaty. The aim was to give Europeans the opportunity to learn more about their rights and the opportunities open to them thanks to EU citizenship.

[PHOTO 003]

A series of citizens' dialogues, launched in 2012, continued throughout 2013 and will run until March 2014. There will be a total of some 50 events in all Member States, with the active involvement of the Commission president and the majority of commissioners. To show that this is about a wider debate, many dialogues were held jointly with national, regional and local politicians, as well as MEPs.

The aim is to boost the creation of a true European public space in which European issues are discussed from a European point of view.

The debates are structured around three main themes:

- overcoming the economic crisis;
- citizens' rights and other immediate concerns;
- the future of Europe.

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<sup>(5)</sup> [http://europa.eu/rapid/press-release\\_SPEECH-13-684\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-684_en.htm)

The citizens' dialogues in 2013 were accompanied by thousands of events linked to the European Year of Citizens (see Chapter 4 for further details).

## **REACHING OUT ACROSS THE EU**

### *1. Map displaying the citizens' dialogues held in 2013*

[GRAPH 01]

## **A new narrative for Europe**

In recent years, new challenges have profoundly affected the European project, citizens' beliefs and societal values. There is an urgent need for citizens to regain trust in Europe and to commit to and engage with the project that was started over 60 years ago by six countries in a divided and devastated continent.

The post-war leitmotif 'peace through a common market' needs a new 'version 2.0' that can stand the test of time. A new, all-encompassing narrative should recall why the European integration process was a necessary response to the Second World War and how it continues to be relevant in the present time. It should take into account the evolving reality of the European continent and highlight the idea that the EU is not solely about the economy and growth, but also about cultural unity and common values in a globalised world.

The 'new narrative for Europe' is a project proposed by the Parliament and implemented by the Commission following President Barroso's call for 'more and better Europe', which he made in his State of the Union address in 2012. The goal of this initiative is to invite artists, writers, thinkers, scientists and men and women of culture to join the debate and come up with a vision of Europe that reconnects European citizens to the process of building the European Union in the present and in the future. In his 2013 State of the Union address, President Barroso made a rallying call to 'all those who care about Europe, whatever their political or ideological position, wherever they come from, to speak up for Europe'.

The 'new narrative' project was launched by President Barroso in April 2013. To implement it, the Commission has set up a cultural steering group to collect the different contributions into a final document. In July, Warsaw hosted the first general assembly on 'Forms of imagination and thinking for Europe', which was followed in December by a second assembly in Milan, each time associating the respective Head of State or Government of the country where it took place. A third and final general assembly should follow at the beginning of 2014.

## **Preparing for the 2014 European Parliament elections**

Inviting citizens to the centre of the debate also served to prepare the ground for the 2014 European Parliament elections. These elections will be special for two reasons.

Firstly, they will be the first under the provisions of the Lisbon Treaty, which enhances the role of EU citizens as political actors in the EU. It also strengthens the powers of the

Parliament, consolidating its role as co-legislator and giving it additional responsibilities, including the right to elect the president of the Commission on the basis of a proposal by the European Council, taking into account the results of the European elections.

Secondly, the upcoming elections are crucial in order to determine the future course of Europe. With the profound changes set in motion during the crisis, the EU is at a crossroads. The European Parliament elections provide the platform for citizens to decide which road they want the Union to take and what kind of Europe they want for the future.

As part of the preparations for the Parliament elections and the choice of a Commission president, the Commission published a communication <sup>(6)</sup> and a recommendation <sup>(7)</sup> calling for stronger links between citizens and the EU by way of the following measures:

- before and during elections, national political parties should make clear to which European political party they are affiliated;
- Member States should agree on a common day for the European elections;
- political parties should make known which candidate they support for the presidency of the Commission;
- political parties should inform voters during the campaign about their candidate for Commission president and his or her programme.

These proposals were endorsed by the Parliament in July 2013, with the date for the elections set for between 22 and 25 May 2014.

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<sup>(6)</sup> Commission communication — Preparing for the 2014 European elections: further enhancing their democratic and efficient conduct (COM(2013) 126).

<sup>(7)</sup> Commission recommendation on enhancing the democratic and efficient conduct of the elections to the European Parliament (C(2013) 1303).

## Chapter 2

### **Towards economic, fiscal and banking union**

The major transformation of economic and budgetary coordination in the EU continued in 2013, demonstrating that the EU is making lasting changes and tackling the serious budgetary and structural problems that built up over the last decade or more. The third European semester — the EU's integrated cycle for economic and budgetary coordination — allowed Member States' economic policies to be assessed in a comprehensive and timely manner, with due attention paid to interdependencies and spillovers across countries. Furthermore, the introduction of the 'two-pack' legislation strengthened budgetary surveillance in the euro area.

Member States worked hard in 2013 to get public finances under control and succeeded in halving the EU's overall budget deficit from its peak in 2009. They also engaged in structural reforms — the fundamental economic reforms to pension and tax systems, labour laws or product and service markets. These have changed the way economies function and can enhance Member States' potential to grow and create jobs. Ireland became the first country to exit its economic adjustment programme.

In addition to reinforced capital requirements for banks, which entered into force on 1 January 2014, the EU has made significant progress towards the completion of a banking union in the euro area in order to increase financial stability and protect taxpayers' interests. The banking union is open to all Member States, also to non-euro area countries. Only a common system will succeed in breaking the vicious cycle in which sovereigns and their banks reinforce each other's difficulties. One central pillar of the banking union — the Single Supervisory Mechanism (SSM) — was agreed in 2013 and will become fully operational in 2014. It will be complemented by a second pillar, the Single Resolution Mechanism (SRM), on which the Parliament and the Council adopted their respective positions in December 2013 with a view to swift trilogue negotiations in 2014. These two mechanisms, underpinned by a single banking rule book common to all 28 EU Member States, will make banks more stable and avoid the prospect of taxpayers picking up the bill for failing banks in the future.

### **Enhancing European economic governance and reinforcing Europe's growth agenda**

#### **The European semester**

A key instrument in the European Union's economic governance system is the European semester, which entered its third year in 2013. The semester process ensures the close coordination of Member States' budgetary policies under the Stability and Growth Pact and economic policies in line with the Europe 2020 strategy, the EU's long-term growth and jobs plan.

The purpose of the European semester is:



- to identify the major economic and social challenges for the EU and the euro area, reflecting the growing interdependence between Member States;
- to assess policy progress, detect new policy challenges early on and, through country-specific recommendations (CSRs), guide Member States to implement their policies in ways that help the EU to adjust and grow sustainably, providing jobs and decent living standards for all.

## **THE EUROPEAN SEMESTER PROCESS**

[GRAPH 02]

Based on the guidance given by the Commission in its 2013 annual growth survey, the March 2013 European Council set EU-wide reform priorities for the year ahead. These priorities remain unchanged from the previous year, partly because major economic challenges require sustained policy attention, but mainly because the evidence shows that the EU's strategy is working. The priorities are:

- pursuing differentiated, growth-friendly fiscal consolidation;
- restoring normal lending to the economy;
- promoting growth and competitiveness for today and tomorrow;
- tackling unemployment and the social consequences of the crisis;
- modernising public administration.

[PHOTO 004]

## **Country-specific recommendations**

These priorities informed the Member States' economic and fiscal plans over the course of 2013. In April, Member States submitted their medium-term budgetary plans (stability or convergence programmes) and planned economic reforms (national reform programmes) to the Commission for assessment. Based on an integrated analysis covering fiscal, macroeconomic and structural policies, the Commission proposed concrete policy advice for each country, or CSRs, at the end of May. The CSRs were discussed by the Member States, and subsequently endorsed by the June European Council and adopted by the Council of the European Union in July. Policy advice was thus given to Member States before they started to finalise their draft national budgets and reform plans for 2014. The Commission closely monitored the implementation of the CSRs during the second half of 2013. The Commission also took action to ensure that EU cohesion policy complemented fiscal consolidation and structural reforms, by supporting investment in growth and jobs and the implementation of CSRs.

## **COUNTRY-SPECIFIC RECOMMENDATIONS PER MEMBER STATE**

[GRAPH 03]

## Assessment of euro area draft budget plans

In May 2013, the ‘two-pack’ budgetary legislation for the euro area entered into force. October 2013 marked the first concrete instance of the new rules in action, as euro area Member States submitted their draft national budgetary plans to the Commission for its views. The Commission’s overall assessment of these budgetary plans on 15 November was relatively positive. Most plans were found to be broadly in line with the debt and deficit commitments made by euro area countries, including those under the excessive deficit procedure (the EU’s strengthened monitoring system for countries with deficits over 3 % of GDP). However, in some countries, the Commission found there was little room for manoeuvre.

The Commission’s opinions and the draft budgetary plans themselves were carefully scrutinised and discussed by finance ministers in the Eurogroup in November. They found that compliance with the rules of the Stability and Growth Pact was at risk for a number of countries, but ministers also manifested their full commitment to addressing this risk. It was agreed that Member States should focus on the quality and composition of any further fiscal adjustments so as to ensure these are as growth friendly as possible.

### The ‘two-pack’ enters into force

The two regulations constituting the ‘two-pack’ <sup>(1)</sup> complement the Stability and Growth Pact but apply only to euro area Member States. They entered into force on 30 May 2013 and were applied for the first time with the start of the new European semester in autumn. They address the need for reinforced budgetary coordination resulting from the close interconnectedness of the Member States of the currency union. One of the most important features of this is that the European Commission assesses national draft budgetary plans and issues recommendations where necessary. They also create a Union framework for dealing with countries with financial difficulties. The ‘two-pack’ integrates commitments made in the Treaty on Stability, Coordination and Governance in the EMU into EU law.

The main features of the ‘two-pack’ are as follows.

1. Tighter monitoring and closer coordination of budgetary policy within the euro area, including a common assessment of draft budgetary plans in autumn and continuous surveillance of excessive deficits in the euro area.
2. Increasing accountability and responsibility in national policy setting. In this regard, national independent forecasts will form the basis for national budgets, thereby increasing reliability and credibility, while national independent

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<sup>(1)</sup> Regulation (EU) No 472/2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013).  
Regulation (EU) No 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L 140, 27.5.2013).

institutions will monitor compliance with national fiscal rules, thus strengthening ownership of European budgetary commitments.

3. Enshrining monitoring principles used in the granting of financial assistance into the Union framework. This establishes new enhanced surveillance, entailing closer monitoring than under the normal surveillance processes, and means that the obligations of countries under a macroeconomic adjustment programme are placed within the EU framework and that a regime for post-programme surveillance is introduced.

## **Early detection of economic risks**

The macroeconomic imbalances procedure, which came into force in 2011, provides for ongoing analysis of all 28 Member States' economic policies throughout the year, allowing for risks such as bubbles forming in housing markets or losses in competitiveness to be flagged early, before they become a problem for the wider economy and other Member States.

Monitoring takes place through a scoreboard of statistical indicators, which is published every autumn in the alert mechanism report (AMR). This is followed up with more in-depth analysis if needed.

In 2013, the Commission concluded that Member States were making progress in correcting the imbalances that built up before the crisis. A number of Member States have reduced their deficits and achieved significant improvements in cost competitiveness. However, further progress is needed to reduce excessive debt and improve the net international investment position of the most indebted economies. In the 2014 AMR <sup>(2)</sup>, published in November 2013, the Commission recommended an in-depth review of developments in 16 Member States facing various macroeconomic challenges and potential vulnerabilities that could spill over to the rest of the euro area and the wider EU. The country-specific in-depth reviews will conclude in spring 2014, in time for the Commission to consider whether to propose any specific action in the subsequent CSRs as part of the European semester cycle.

## **Economic priorities beyond 2013**

The annual growth survey found that the biggest challenge facing the Union and its Member States in 2014 will be to nurture and boost the recovery that got underway in 2013. The survey showed that Member States made progress on the five priorities identified in 2013 and have begun correcting the imbalances that developed before the crisis.

Signs of economic improvement should, therefore, be taken as an encouragement to pursue efforts with determination, avoiding risks of fall-back, complacency or 'reform

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<sup>(2)</sup> Commission report — Alert mechanism report 2014 (COM(2013) 790).

fatigue'. Fairness considerations and clarity about the goals to be achieved will be essential to make sure that the efforts made at national and European level bring tangible results in the medium and long term, and that they are accepted by citizens.

## **European Stability Mechanism**

The European Stability Mechanism (ESM) saw its first full year of operation in 2013. It is a vital element for safeguarding financial stability within the euro area. Equipped with a lending capacity of €500 billion, the ESM is a key financial backstop, providing financial assistance to euro area Member States experiencing or threatened by financing difficulties. The ESM has already provided financial assistance to Spain, to help recapitalise its financial sector, and to Cyprus, to assist in implementing its macroeconomic adjustment programme. Programmes for Ireland, Greece and Portugal continued to be funded jointly by the European Financial Stabilisation Mechanism (EFSM), the European Financial Stability Facility (EFSF) and the International Monetary Fund (IMF).

The establishment of the ESM is not a stand-alone response to the sovereign debt crisis, but complements a series of reforms undertaken at national, euro area and EU levels. The efforts being made by Member States with respect to fiscal consolidation and structural reforms, along with EU and intergovernmental initiatives such as the strengthened Stability and Growth Pact, the Treaty on Stability, Coordination and Governance in the EMU (including a fiscal compact), the European semester and the banking union, are critically important for eradicating the roots of the crisis and preventing possible future crises. If, however, a euro area Member State does require financial assistance, the ESM will have the capacity and resources to act as a financial backstop and apply a lending instrument that will bridge the financing needs of that country until sovereign bond market access is re-established. To fulfil its purpose, the ESM raises funds by issuing money market instruments as well as medium- and long-term debt with maturities of up to 30 years. ESM issuance is backed by paid-in capital of €80 billion and the binding obligation of ESM Member States to provide their contribution to the ESM's authorised capital stock.

## **The social dimension of economic and monetary union**

The Commission communication on strengthening the social dimension of EMU <sup>(3)</sup> proposes to establish a new scoreboard of five key employment and social indicators to help to detect and draw attention to major employment and social challenges in the EMU that need to be addressed in the collective interest. The indicators are: unemployment; youth unemployment and inactivity rate; gross household disposable income; at-risk-of-poverty rate; and income inequalities (ratio of top 20 % and bottom 20 %). The scoreboard was included within the 2014 annual growth survey package (joint

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<sup>(3)</sup> Commission communication — Strengthening the social dimension of the economic and monetary union (COM(2013) 690).

employment report) and will feed into the European semester process, potentially shaping CSRs, but without any sanctions.

## **OVERVIEW OF THE RESULTS OF THE LATEST FLASH EUROBAROMETER (NO 368) IN THE 17 EURO AREA COUNTRIES**

57 % (+ 2 %) of EU citizens living in the euro area say that it is a good thing. In 2011 this was 56 %; this number then dropped by 1 percentage point to 55 % in 2012 and is now up to 57 %.

[GRAPH 04]

## **Financial assistance: details of programmes for Ireland, Greece, Spain, Cyprus and Portugal**

### **Ireland**

Ireland became the first country to successfully exit its economic adjustment programme in December 2013. The programme had been formally agreed in December 2010. It included a joint financing package of €85 billion and covered the period 2010–13.

On 21 November 2010, Ireland officially requested financial assistance from the EU and the IMF. The economic adjustment programme for Ireland included contributions from the EU/EFSM (€22.5 billion); euro area Member States/EFSF (€17.7 billion); bilateral contributions from the United Kingdom (€3.8 billion), Sweden (€0.6 billion) and Denmark (€0.4 billion); and funding from the IMF (€22.5 billion). Moreover, there is an Irish contribution through the treasury cash buffer and investments of the National Pension Reserve Fund.

The programme's objectives were:

- immediate strengthening and comprehensive overhaul of the banking sector;
- ambitious fiscal adjustment to restore fiscal sustainability, with correction of the excessive deficit by 2015;
- growth-enhancing reforms, in particular on the labour market, to allow a return to a robust and sustainable growth.

### **(GR05)->(TABLE1) Disbursement figures for Ireland**

| <b>Review</b> | <b>Date</b> | <b>EFSF</b> | <b>EFSM</b> | <b>IMF</b> | <b>Bilateral</b> | <b>Total</b> |
|---------------|-------------|-------------|-------------|------------|------------------|--------------|
| 1st           | Q1 2011     | 3.6         | 8.4         | 5.8        | 0.0              | 17.8         |
| 2nd           | Q2 2011     | 0.0         | 3.0         | 1.4        | 0.0              | 4.4          |
| 3rd           | Q3 2011     | 3.0         | 2.5         | 1.5        | 0.5              | 7,4          |
| 4th           | Q4 2011     | 2.7         | 1.5         | 3.9        | 0.5              | 8,6          |

|                            |         |             |             |             |            |             |
|----------------------------|---------|-------------|-------------|-------------|------------|-------------|
| 5th                        | Q1 2012 | 2.8         | 3.0         | 3.2         | 0.7        | 9,7         |
| 6th                        | Q2 2012 | 0.0         | 2.3         | 1.5         | 0.5        | 4,2         |
| 7th                        | Q3 2012 | 0.0         | 1.0         | 0.9         | 0.7        | 2,6         |
| 8th                        | Q4 2012 | 0.8         | 0.0         | 0.9         | 0.5        | 2,2         |
| 9th                        | Q1 2013 | 1.6         | 0.0         | 1.1         | 0.7        | 3,43        |
| 10th                       | Q2 2013 | 1.0         | 0.0         | 1.0         | 0.5        | 2,4         |
| 11th                       | Q3 2013 | 2.3         | 0.0         | 0.76        | 0.25       | 3,31        |
| 12th                       | Q4 2013 | 0.0         | 0.8         | 0.6         | 0.0        | 1,4         |
| <i>Total disbursements</i> |         | <i>17.7</i> | <i>22.5</i> | <i>22.5</i> | <i>4.8</i> | <i>67.5</i> |

‘The successful conclusion of the Irish programme is a strong signal that our common response to the crisis is delivering results’ — Olli Rehn, Commission Vice-President responsible for Economic and Monetary Affairs and the Euro.

#### **Ireland exits programme**

Euro area finance ministers endorsed the 12th and final review of the Irish adjustment programme in December 2013. The endorsement was based on the Commission’s draft compliance report released in November 2013. The Commission supported the Irish government’s decision to exit the adjustment programme in December as planned, and without a pre-arranged precautionary credit facility. The Eurogroup commended the Irish authorities for their steadfast implementation of the programme and noted that the then imminent completion of the Irish programme was proof that the EU’s strategy for responding to the crisis was delivering results. Final disbursements to Ireland by the EFSF, the EFSM and the IMF are ongoing.

#### **Greece**

Since May 2010, the euro area Member States and the IMF have been providing financial support to Greece through a Greek Loan Facility (GLF) in the context of a sharp deterioration in Greece’s sovereign financing conditions. The aim is to support the Greek government’s efforts to restore fiscal sustainability and to implement structural reforms in order to improve the competitiveness of the economy, thereby laying the foundations for sustainable economic growth.

On 14 March 2012, euro area finance ministers approved financing for a second economic adjustment programme for Greece. The euro area Member States and the IMF committed the undisbursed amounts of the first programme (GLF) plus an additional

€130 billion for the years 2012–14. Whereas the financing of the first programme was based on bilateral loans, it was agreed that — on the side of euro area Member States — the second programme would be financed by the EFSF, which had been fully operational since August 2010.

In total, the second programme provides for financial assistance of €164.5 billion by the end of 2014. Of this amount, the euro area commitment amounts to €144.7 billion, to be provided via the EFSF, while the IMF contributes €19.8 billion. This is part of a 4-year €28 billion arrangement under the Extended Fund Facility for Greece that the IMF approved in March 2012.

Additionally, when launching the second programme it was agreed that there should be private sector involvement to improve the sustainability of Greece's debt. The high participation in Greece's debt exchange offer in spring 2012 made a significant contribution to this aim. Out of a total of €205.6 billion in bonds eligible for the exchange offer, approximately €197 billion, or 95.7 %, were exchanged.

**(GR06)->(TABLE2) Disbursement figures for Greece**

| Disbursement        | Date              | EFSF  | IMF  | Total  |
|---------------------|-------------------|-------|------|--------|
| 1                   | March–June 2012/1 | 74    | 1.6  | 75.6   |
| 2.1                 | December 2012/2   | 34.3  | —    | 34.3   |
| 2.2                 | January 2013/3    | 7.2   | —    | 7.2    |
| 2.3                 | January 2013      | 2.0   | 3.24 | 5.24   |
| 2.4                 | February 2013     | 2.8   | —    | 2.8    |
| 2.5                 | May 2013          | 2.8   | —    | 2.8    |
| 3.1                 | May 2013/4        | 4.2   | 1.74 | 5.94   |
| 3.2                 | June 2013         | 3.3   | —    | 3.3    |
| 4.1                 | July 2013/5       | 2.5   | 1.8  | 4.3    |
| Total disbursements |                   | 133.1 | 8.38 | 141.48 |

## Portugal

The economic adjustment programme for Portugal was agreed in May 2011. It includes a joint financing package of €78 billion and covers the period 2011 to mid 2014.

On 7 April 2011, Portugal requested financial assistance from the EU, the euro area Member States and the IMF. The economic adjustment programme for Portugal includes

a joint financing package of €78 billion (EU/EFSM €26 billion; euro area/EFSF €26 billion; IMF about €26 billion). It contains reforms to promote growth and jobs, fiscal measures to reduce the public debt and deficit and measures to ensure the stability of the country's financial sector.

The programme's objectives are:

- structural reforms to boost potential growth, create jobs, and improve competitiveness;
- a fiscal consolidation strategy, supported by structural fiscal measures and better fiscal control over public–private partnerships and state-owned enterprises, aimed at putting the gross ratio of public debt to GDP on a firm downward path in the medium term and reducing the deficit below 3 % of GDP by 2014;
- a financial sector strategy based on recapitalisation and deleveraging, with efforts to safeguard the financial sector against disorderly deleveraging through market-based mechanisms supported by backstop facilities.

**(GR07)->(TABLE3) Disbursement figures for Portugal**

| Review   | Date    | EFSF | EFSM | IMF | Total |
|----------|---------|------|------|-----|-------|
| Approval | Q2 2011 | 5.9  | 6.5  | 6.3 | 18.7  |
| 1st      | Q3 2011 | 0.0  | 7.6  | 4.0 | 11.6  |
| 2nd      | Q4 2011 | 3.7  | 1.5  | 2.9 | 8.1   |
| 3rd      | Q1 2012 | 5.2  | 4.5  | 5.2 | 14.9  |
| 4th      | Q2 2012 | 2.6  | 0.0  | 1.4 | 4.0   |
| 5th      | Q3 2012 | 0.8  | 2.0  | 1.5 | 4.3   |
| 6th      | Q4 2012 | 0.8  | 0.0  | 0.9 | 1.7   |
| 7th      | Q1 2013 | 2.1  | 0.0  | 0.7 | 2.8   |
| 8th (*)  | Q2 2013 | 1.8  | 0.0  | 1.0 | 2.8   |
| 9th (*)  | Q3 2013 | 1.9  | 0.0  | 0.9 | 2.8   |
| 10th     | Q4 2013 | —    | —    | —   | 0.0   |
| 11th     | Q1 2014 | —    | —    | —   | 0.0   |
| 12th     | Q2 2014 | —    | —    | —   | 0.0   |



|                            |             |             |             |             |
|----------------------------|-------------|-------------|-------------|-------------|
| <i>Total disbursements</i> | <i>24.8</i> | <i>22.1</i> | <i>24.8</i> | <i>71.7</i> |
|----------------------------|-------------|-------------|-------------|-------------|

(\*) 8th and 9th review were merged.

## Cyprus

The economic adjustment programme for Cyprus was formally agreed in May 2013. It aims to address the financial, fiscal and structural challenges facing the economy in a decisive manner and should allow Cyprus to return to a sustainable growth path.

Following a request by Cyprus on 25 June 2012, the Commission, the European Central Bank (ECB) and the IMF agreed an economic adjustment programme with the Cypriot authorities on 2 April 2013 for the period 2013–16. The financial package will cover up to €10 billion, of which the ESM will provide up to €9 billion and the IMF is expected to contribute around €1 billion.

The programme's objectives are:

- to restore the soundness of the Cypriot banking sector and rebuild depositors' and market confidence by thoroughly restructuring and downsizing financial institutions, strengthening supervision and addressing expected capital shortfalls;
- to continue the ongoing process of fiscal consolidation in order to correct the excessive general government deficit as soon as possible;
- to implement structural reforms to support competitiveness and sustainable and balanced growth, allowing for the unwinding of macroeconomic imbalances, in particular by reforming the wage indexation system and removing obstacles to the smooth functioning of services markets.

### (GR08)->(TABLE4) Disbursement figures for Cyprus

| Review  | Date    | ESM | IMF | Total |
|---------|---------|-----|-----|-------|
| 1st     | Q2 2013 | 2.0 | 0.1 | 2.1   |
| 2nd     | Q3 2013 | 1.0 |     | 1.0   |
| 3rd     | Q4 2013 | 1.5 | 0.1 | 1.6   |
| 4th (*) | Q1 2014 | 0.1 | 0.1 | 0.2   |
| 5th     | Q2 2014 | —   | —   | 0.0   |
| 6th     | Q3 2014 | —   | —   | 0.0   |
| 7th     | Q4 2014 | —   | —   | 0.0   |
| 8th     | Q1 2015 | —   | —   | 0.0   |

|                            |         |            |            |            |
|----------------------------|---------|------------|------------|------------|
| 9th                        | Q2 2015 | —          | —          | 0.0        |
| 10th                       | Q3 2015 | —          | —          | 0.0        |
| 11th                       | Q4 2015 | —          | —          | 0.0        |
| 12th                       | Q1 2016 | —          | —          | 0.0        |
| <i>Total disbursements</i> |         | <i>4.6</i> | <i>0.3</i> | <i>4.9</i> |

(\*) 4th review not yet formally completed.

## Spain

Spain requested financial assistance on 25 June 2012. The financial-sector-specific policy conditions contain measures to increase the long-term resilience of the banking sector, thus restoring its market access, and to deal effectively with the legacy stock of assets stemming from the bursting of the real-estate bubble. The agreement was endorsed at the Eurogroup meeting in Brussels on 20 July 2012.

The agreement concluded with Spain includes both bank-specific measures, in line with state aid rules, and horizontal wider macroeconomic reforms and adjustment. The financial assistance was provided for the period from July 2012 to December 2013. However, the restructuring of the banks receiving public support under the state aid rules is expected to take up to 5 years.

The bank-specific measures have three main components:

- firstly, a comprehensive diagnostic as regards the capital needs of individual banks, based on a comprehensive asset quality review and valuation process, and bank-by-bank stress tests;
- secondly, the segregation of impaired assets from the balance sheet of banks receiving public support and their transfer to an external asset management company;
- thirdly, the recapitalisation and restructuring of viable banks and the orderly resolution of ultimately non-viable banks, with private-sector burden sharing as a prerequisite.

The loans have been provided to the Fondo de Reestructuración Ordenada Bancaria (FROB), the bank recapitalisation fund of the Spanish government, and then channelled to the financial institutions concerned. The funds were disbursed in two tranches amounting to €41.3 billion ahead of the planned recapitalisation dates. No further disbursements are planned.

### (GR09)->(TABLE5) Disbursement figures for Spain (\*)

| Review | Date | ESM | Total |
|--------|------|-----|-------|
|--------|------|-----|-------|

|                           |         |             |             |
|---------------------------|---------|-------------|-------------|
| 1st                       | Q4 2012 | 39.5        | 39.5        |
| 2nd                       | Q1 2013 | 1.9         | 1.9         |
| 3rd                       | Q2 2013 | 0.0         | 0.0         |
| 4th                       | Q3 2013 | 0.0         | 0.0         |
| 5th (**)                  | Q4 2013 | 0.0         | 0.0         |
| <i>Total disbursement</i> |         | <i>41.3</i> | <i>41.3</i> |

(\*) IMF only observer due to nature of programme, did not contribute to financing.

(\*\*) 5th review still ongoing, no disbursement foreseen.

## Strengthening economic and monetary union for the future

The Commission's blueprint for a deep and genuine EMU, referred to in Chapter 1, sets out the steps needed to strengthen the single currency over the short, medium and long term <sup>(4)</sup>. Some reforms are already possible under existing secondary legislation, while some will require further discussion and possible treaty change. The EU has already started delivering on many of the actions set out in the blueprint, as shown below.

- In March 2013, the Commission published two communications to flesh out its ideas on the prior (*ex ante*) coordination of Member States' major economic reform plans <sup>(5)</sup> and on a Convergence and Competitiveness Instrument (CCI) <sup>(6)</sup> to encourage and support priority reforms.
- The 'two-pack' legislation is in force as of May 2013 (see above).
- The SSM has been agreed upon and the ECB has begun its independent valuation of banks' assets before it takes up its supervisory role in 2014.
- The SRM is on its way to being adopted following agreement in the Council in December 2013 on the general approach towards the SRM, including on the establishment and phasing in of a single resolution fund and the creation of a single resolution board and with the Parliament also adopting its negotiation position..
- In July 2013, the Commission clarified how to treat certain public investments for accounting purposes under the Stability and Growth Pact (so-called investment clause).

<sup>(4)</sup> A high-level debate on EMU architecture took place on 19 June at the major annual economic conference, the Brussels Economic Forum ([http://ec.europa.eu/economy\\_finance/bef2013/teaser/03/index.html](http://ec.europa.eu/economy_finance/bef2013/teaser/03/index.html)).

<sup>(5)</sup> Commission communication — Towards a deep and genuine economic and monetary union — *Ex ante* coordination of plans for major economic policy reforms (COM(2013) 166).

<sup>(6)</sup> Commission communication — Towards a deep and genuine economic and monetary union — The introduction of a convergence and competitiveness instrument (COM(2013) 165).

- Following an agreement with the Parliament, the Commission set up an expert group to look into a debt redemption fund and eurobills, two ideas contained in the blueprint.
- In October the Commission published a communication on the social dimension of the EMU (as mentioned above) in response to a call by the December 2012 European Council.

EU leaders at the December European Council agreed on the main features of a system of mutually agreed contractual arrangements and associated solidarity mechanisms to facilitate and support Member States' reforms in areas which are key for growth, competitiveness and jobs. Herman Van Rompuy, President of the European Council, in close cooperation with José Manuel Barroso, President of the European Commission, has been asked to carry work forward on the basis of these features and report to the October 2014 summit.

[PHOTO 006]

## A strong financial framework for Europe and a banking union for the euro area

The financial crisis highlighted the need for better regulation and supervision of the financial sector. This is the reason why the Commission has since 2010 proposed around 30 sets of rules to ensure that all financial actors, products and markets are appropriately regulated and efficiently supervised. These rules are common to all 28 Member States and underpin a properly functioning single market for financial services.

The euro area crisis has added an extra dimension to the EU's work, highlighting the potentially vicious circle between banks and sovereigns. For that circle to be broken, a more robust financial sector is not enough. In particular for countries which share a currency, a deeper, more integrated approach is necessary, basically ensuring centralised delivery and enforcement in the euro area of rules common to all 28 Member States.

This is why EU Heads of State or Government committed to a banking union in June 2012. The vision was further developed in the Commission's blueprint for deep and genuine EMU in November 2012.

### **Why a banking union for the euro area?**

Uncoordinated national responses to the financial crisis have reinforced the link between banks and sovereigns and led to a worrying fragmentation of the single market in lending and funding. This fragmentation is particularly damaging within the euro area, where monetary policy transmission is impaired and the ring-fencing of funding impedes efficient lending to the real economy and thus growth.

Swift progress towards a banking union is indispensable in order to ensure financial stability and growth in the euro area. Building on the strong regulatory framework common to the 28 members of the single market (single rulebook), the Commission has

therefore taken a holistic approach and proposed a roadmap for the banking union with different steps, potentially open to all Member States but mandatory for the 18 Member States currently within the euro area. This roadmap continues to be followed, with concrete elements coming into force from 2014 onwards.

### **The Single Supervisory Mechanism is now set up**

Europe's banks are in a much better place today than they were 2 years ago. They have raised substantial amounts of capital on the markets, so that levels of capital for big European banks are now equivalent to those for American banks. However, more needs to be done to create a thriving, yet more responsible banking sector, particularly in the euro area.

On 4 November 2013, slightly over a year after the Commission had proposed to set up a Single Supervisory Mechanism (SSM) for banks in the euro area, the SSM regulation <sup>(7)</sup> entered into force. This mechanism will be fully operational in 2014.

In the meantime, the ECB is preparing to take up its new role as supervisor. It is currently carrying out a comprehensive assessment of all banks that will be under its direct supervision, including a risk assessment, an asset quality review and a stress test. In parallel, it will have to recruit high quality supervisory staff and build up a new supervisory structure that integrates national supervisors before it commences its activities.

The main features of the SSM are as follows.

- It confers new supervision powers on the ECB over the euro area banks: the licensing of all banks in Europe and the coherent and consistent application of the single rulebook in the euro area; the direct supervision of systemically relevant banks, including all banks having assets of more than €30 billion or constituting at least 20 % of their home country's GDP (around 130 banks); and the monitoring of the supervision conducted by national supervisors for smaller banks. Although large banks of systemic importance are at the heart of the European supervisory framework, recent experience shows that relatively smaller banks can also pose a threat to financial stability. It is therefore essential that the supervisory tasks conferred on the ECB can be exercised over all those banks.
- The ECB shall ensure the coherent and consistent application of the single rulebook in the euro area.
- The SSM is open to all non-euro area Member States.
- For cross-border banks active both within and outside Member States participating in the SSM, existing home/host supervisor coordination procedures will continue to exist as they do today.

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<sup>(7)</sup> Regulation (EU) No 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013).

- The governance structure of the ECB will consist of a separate supervisory board supported by a steering committee, the ECB Governing Council, with the right to object to supervisory decisions from the board, and a mediation panel. Danièle Nouy has been appointed as first chair of the SSM board. Clear separation between the ECB's monetary tasks and supervisory tasks is fully ensured.

[PHOTO 007]

## **Single Resolution Mechanism**

In July 2013, the Commission proposed a Single Resolution Mechanism (SRM) for banks to complement the SSM. It will apply the substantive rules of the draft bank recovery and resolution directive <sup>(8)</sup> in a coherent and centralised way ensuring consistent decisions for the resolution of banks, and common resolution financing arrangements.

The SRM would ensure that — notwithstanding stronger supervision — if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently. In case of cross-border failures, it would be more effective than a network of national resolution authorities and avoid risks of contagion.

The SRM would take over if the ECB, as the banking supervisor, were to flag a bank which needed to be resolved in the euro area or in a Member State participating in the banking union. Member States reached a political agreement on 19 December, and the SRM should be finally agreed by the co-legislators before the end of the mandate of the current Parliament in spring 2014.

## **Common recovery and resolution tools**

In December 2013, a political agreement between the Parliament and the Council was reached on the bank recovery and resolution directive. This is a fundamental step towards the completion of the banking union. The new rules provide authorities with the means to intervene decisively, either before problems occur or early on in the process if they do. If, despite these preventive measures, the financial situation of a bank deteriorates beyond repair, the new framework ensures that the shareholders and creditors of the bank have to pay their share. If additional resources are needed, these will be taken from the national, prefunded resolution funds, which will be financed by the banking industry and which each Member State will have to establish and build up so they reach a level of 1 % of covered deposits within 10 years. All banks will have to pay in to these funds but contributions will be higher for banks which take more risks.

## **Strengthening deposit guarantee schemes**

A second strand of a more robust financial sector is ensuring bank deposits in all Member States are guaranteed up to €100 000 per depositor per bank if a bank fails. From a financial stability perspective, this guarantee prevents depositors from making

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<sup>(8)</sup> Proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (COM(2012) 280).

major withdrawals from their banks that can precipitate a bank run, thereby preventing severe economic consequences.

The Commission proposed to strengthen existing rules in this area in 2010 <sup>(9)</sup>. While the €100 000 guarantee remains appropriate, the reform would ensure faster payouts (a reduction in the payout delay from the current 20 working days to 7 calendar days) and strengthened financing, notably through *ex ante* funding of deposit guarantee schemes (with a target level of at least 1.5 % of eligible deposits to be reached over 10 years). A political agreement was reached in December 2013 between the Parliament and EU Member States on the new rules on deposit guarantee schemes. A final agreement is expected in 2014.

### **Stronger prudential requirements**

The package on capital requirements and liquidity management rules for banks, the so-called ‘CRD IV’ which transfers, via a regulation <sup>(10)</sup> and a directive <sup>(11)</sup>, the new global standards on bank capital (commonly known as the Basel III agreement) into the EU legal framework, was published in the *Official Journal of the European Union* on 27 June, 2013.

The new rules, which apply from 1 January 2014, tackle some of the vulnerabilities faced by the financial institutions during the crisis, namely insufficient levels of capital, both in terms of quantity and in quality, which resulted in the need for unprecedented support from national authorities. The timely implementation of the Basel III agreement is one of the commitments made by the EU in the G20.

CRD IV sets stronger prudential requirements for banks, requiring them to keep sufficient capital reserves and liquidity. This new framework will make EU banks more solid and will strengthen their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

Furthermore, these new rules will strengthen the requirements with regard to the corporate governance arrangements and processes of banks. For example, a number of requirements are introduced in relation to diversity within management, in particular as regards gender balance. In addition, in order to tackle excessive risk-taking, the framework imposes tough rules on variable remuneration.

#### **Legislation for credit rating agencies now in force**

Credit rating agencies (CRAs) are major players in today’s financial markets. Ratings have a direct impact on the actions of investors, borrowers, issuers and governments. For example, a corporate downgrade can have consequences on the capital a bank must hold and a downgrade of sovereign debt can make a country’s borrowing more expensive.

<sup>(9)</sup> Proposal for a directive on deposit guarantee schemes (COM(2010) 368).

<sup>(10)</sup> Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (OJ L 176, 27.6.2013).

<sup>(11)</sup> Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (OJ L 176, 27.6.2013).

Despite the adoption of European legislation on credit rating agencies in 2009 and 2010, the developments in the context of the euro debt crisis have shown the need for the regulatory framework to be strengthened. As a result, in November 2011 the Commission put forward proposals to reinforce the regulatory framework and deal with outstanding weaknesses. The new rules entered into force in June 2013.

### **Restoring benchmark confidence**

The manipulation of the London interbank offered rate (LIBOR) and the Euro interbank offered rate (Euribor) resulted in multimillion euro fines on several banks in Europe and the US. Allegations of manipulation of commodity (e.g. oil, gas and biofuel) and exchange-rate benchmarks are also under investigation. The prices of financial instruments worth trillions of euros depend on benchmarks, and millions of residential mortgages are also linked to them. As a result, benchmark manipulation can cause significant losses to consumers and investors, distort the real economy and undermine market confidence.

That is why, in September 2013, the Commission proposed draft legislation to help restore confidence in the integrity of benchmarks. A benchmark is an index (statistical measure), calculated from a representative set of underlying data, that is used as a reference price for a financial instrument or financial contract, or to measure the performance of an investment fund. The new rules will enhance the robustness and reliability of benchmarks, facilitate the prevention and detection of their manipulation and clarify responsibility for and the supervision of benchmarks by the authorities. They complement the Commission's proposals, agreed by the Parliament and the Council in June 2013, to make the manipulation of benchmarks a market abuse offence subject to strict administrative fines.

All the aforementioned proposals aim at adapting EU rules to the new market reality, notably by extending their scope to include all financial instruments which are traded on organised platforms and over the counter (OTC) and adapting rules to new technology. Since the sanctions currently available to supervisors often lack a deterrent effect, sanctions will be tougher and more harmonised. Possible criminal sanctions were the subject of a separate but complementary proposal on which negotiations between the Parliament and the Council concluded at the end of 2013. This political agreement is due to be confirmed by the Parliament in plenary in 2014.

### **State aid**

The restoration of a healthier financial sector capable of financing the real economy is indispensable for Europe's recovery. In 2013, the Commission continued to use state aid control to help rebuild a sound financial sector. Even when banks have relied heavily on state aid, they can be allowed to remain in business when there is a realistic prospect that they can return to viability and function without public support in the future. This means these banks have to reduce their size considerably and change their business model



substantially to become viable again. The Commission continued in 2013 to ensure that bank support through taxpayers' money is kept to a minimum, that the banks' owners bear a sufficient part of the burden of the restructuring and that distortions of competition created through state aid are minimised.

The special EU state aid crisis rules, in force since 2008, were materially revamped in August 2013 and have been applied since then. The new rules introduce three main changes: firstly, before resorting to taxpayers' money, banks should tap internal resources and ask for contributions from shareholders, holders of hybrid securities (which combine characteristics of equity and debt) and junior debt holders; secondly, bank recapitalisations or asset relief measures will in general only be allowed after Commission approval of the bank's restructuring plan; thirdly, a cap on executive pay for all banks in receipt of aid aims to set the right incentives for management to implement the restructuring in good time and avoid the need for state support, as well as to implement agreed restructuring plans.

In 2013, the Commission adopted 50 decisions. For example, the Commission approved the restructuring plans of Caixa Geral de Depósitos, BPI and Millenium BCP (all Portugal) <sup>(12)</sup>; the liquidation plans of Hypo Alpe Adria Group (Austria) <sup>(13)</sup> and ATE (Greece) <sup>(14)</sup>; the restructuring plans of several Slovenian banks <sup>(15)</sup>; and the new Portuguese scheme <sup>(16)</sup> providing state guarantees for banks that guarantee EIB loans granted to companies in Portugal.

## **Shadow banking**

Shadow banking is the system of credit intermediation that involves entities and activities that are outside the regular banking system. Shadow banks are not regulated like banks, yet engage in bank-like activities. The Financial Stability Board (FSB) has roughly estimated the size of the global shadow banking system at over €50 trillion. This represents 25–30 % of the total financial system and half the size of total bank assets. Shadow banking is therefore of systemic importance for Europe's financial system.

Since the beginning of the financial crisis, the Commission has been undertaking a comprehensive reform of the financial services sector in Europe. However, risks must not be allowed to accumulate in the shadow banking sector, particularly if new banking rules push certain activities into the less strictly regulated shadow banking sector.

As one key group of actors in the shadow banking system, money market funds are an important source of short-term funding for financial institutions, businesses and governments. In Europe, around 22 % of short-term debt securities issued by governments or by the corporate sector are held by money market funds. They hold 38 % of short-term debt issued by the banking sector. Because of this systemic

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<sup>(12)</sup> [http://europa.eu/rapid/press-release\\_IP-13-738\\_en.htm](http://europa.eu/rapid/press-release_IP-13-738_en.htm)

<sup>(13)</sup> [http://europa.eu/rapid/press-release\\_IP-13-811\\_en.htm](http://europa.eu/rapid/press-release_IP-13-811_en.htm)

<sup>(14)</sup> [http://europa.eu/rapid/press-release\\_IP-13-401\\_en.htm](http://europa.eu/rapid/press-release_IP-13-401_en.htm)

<sup>(15)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1276\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1276_en.htm)

<sup>(16)</sup> [http://europa.eu/rapid/press-release\\_IP-13-617\\_en.htm](http://europa.eu/rapid/press-release_IP-13-617_en.htm)

interconnectedness of money market funds with the banking sector and with corporate and government finance, they have been at the core of international work on shadow banking.

As a follow-up to its 2012 Green Paper on shadow banking <sup>(17)</sup>, in September 2013 the Commission adopted a communication on shadow banking <sup>(18)</sup> and proposed new rules for money market funds aimed at ensuring that they can better withstand pressure in stressed market conditions by enhancing their liquidity profile and stability.

## Consumer protection in financial services

### **Mortgage credit directive**

A proposal <sup>(19)</sup> for a directive aiming to create a responsible, efficient, healthy and competitive pan-European market for mortgage credit that works to the benefit of consumers was adopted by the Parliament and the Council in December 2013. The Commission had tabled it as a proposal in 2011.

The financial crisis has shown the damage that irresponsible lending and borrowing practices can do to consumers and lenders, as well as to the financial system and the economy at large. This is particularly important in today's integrated EU marketplace. The now-adopted mortgage credit directive is aimed at ensuring that such practices are not repeated in the future and helping consumers to regain confidence in the financial system.

Upon its entry into force, borrowers will enjoy a higher level of protection through robust rules concerning advertising, pre-contractual information, advice, creditworthiness assessment and early repayment. The requirement for banks to provide personalised information to the consumer through a European standardised information sheet will allow consumers to compare mortgage conditions from different providers.

### **Bank accounts initiative**

In today's world, European citizens cannot fully participate in society without a basic bank account. Bank accounts have become an essential part of everyday life, facilitating among other things the payment of utility bills and online shopping.

Whilst single market legislation has ensured that banks can operate throughout the European Union and offer their services across borders, this mobility is not mirrored for citizens who are often unable to open an account in another Member State or to switch easily from one bank to another. Furthermore, consumers often pay over the odds for the services they receive from their bank and are charged banking fees that are not fully transparent.

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<sup>(17)</sup> Commission Green Paper — Shadow banking (COM(2012) 102).

<sup>(18)</sup> Commission communication — Shadow banking — Addressing new sources of risk in the financial sector (COM(2013) 614).

<sup>(19)</sup> Proposal for a directive on credit agreements relating to residential property (COM(2011) 142).

It is in this context that the Commission published in May 2013 its proposal for a directive on the transparency and comparability of payment account fees, payment account switching and access to a basic payment account <sup>(20)</sup> in May 2013.

The Commission proposals tackle three areas:

- comparability of payment account fees, by making it easier for consumers to compare the fees charged for payment accounts by banks and other payment service providers in the EU;
- payment account switching, by establishing a simple and quick procedure for consumers who wish to change from their payment account to one with another bank or payment service provider;
- access to payment accounts, by allowing EU consumers who want to open a payment account, without being residents of the country where the payment service provider is located, to do so.

Moreover, these provisions will allow all EU consumers, irrespective of their financial situation, to open a payment account that allows them to perform essential operations, such as receiving their salary, pensions and allowances, or payment of utility bills, etc.

[PHOTO 008]

### **Long-term investment funds**

Honouring its commitments announced in the Single Market Act II communication <sup>(21)</sup> in October 2012 and in the Green Paper on long-term financing of the European economy <sup>(22)</sup>, the Commission proposed a new investment fund framework in June 2013 <sup>(23)</sup> designed for investors who want to put money into companies and projects for the long term <sup>(24)</sup>. These private European long-term investment funds (ELTIFs) would only invest in businesses that need money to be committed to them for long periods of time.

The new funds would be available to all types of investor across Europe, subject to certain requirements set out in EU law. These requirements include the types of long-term assets and firms that the ELTIFs are allowed to invest in, for example infrastructure, transport and sustainable energy projects; how they have to spread their money to reduce risks; and the information they have to give to investors.

[PHOTO 005]

|                                                                                 |
|---------------------------------------------------------------------------------|
| <b>Proposal to protect the euro and other currencies against counterfeiting</b> |
|---------------------------------------------------------------------------------|

<sup>(20)</sup> Proposal for a directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (COM(2013) 266).

<sup>(21)</sup> Commission communication — Single Market Act II — Together for new growth (COM(2012) 573).

<sup>(22)</sup> Commission Green Paper — Long-term financing of the European economy (COM(2013) 150).

<sup>(23)</sup> Proposal for a regulation on European long-term investment funds (COM(2013) 462).

<sup>(24)</sup> Proposal for a regulation on European long-term investment funds (COM(2013) 462).

In February 2013, the Commission proposed to strengthen the protection of the euro and other currencies against counterfeiting through criminal law measures<sup>(25)</sup>. These proposals include strengthening cross-border investigations and introducing minimum penalties, including imprisonment, for the most serious counterfeiting offences. The proposal will also enable the analysis of seized counterfeits during judicial proceedings in order to detect further counterfeit euros in circulation. The European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE) backed the proposal in December, paving the way for negotiations with the Council of Ministers which had reached agreement on the rules in October.

## Financing the future: securing sustainable public revenue through improved tax policy coordination

### Financial transaction tax under enhanced cooperation

Following the request of 11 Member States<sup>(26)</sup> to establish enhanced cooperation between them in order to apply a financial transaction tax (FTT), the Commission in February 2013 adopted a proposal for a Council directive implementing enhanced cooperation for an FTT<sup>(27)</sup>.

When applied by the 11 Member States, it is estimated that this FTT will deliver revenues of €30–35 billion a year. The FTT would have low rates, a wide base and safety nets against the relocation of the financial sector.

There are three core objectives for the FTT: firstly, it would strengthen the single market by reducing the number of divergent national approaches to financial transaction taxation; secondly, it would ensure that the financial sector makes a fair and substantial contribution to public revenues; thirdly, it would support regulatory measures in encouraging the financial sector to engage in more responsible activities, geared towards the real economy.

### Fairer taxation

The fight against tax fraud was very high on the Union's political agenda in 2013. Developments fuelled by the outcome of the 'offshore leaks' affair confirmed the urgency for more and better action against tax evasion. The May 2013 European Council committed to accelerating work in the fight against tax fraud, tax evasion and aggressive tax planning.

Priority was given to promoting and broadening the scope of the automatic exchange of information at all levels. Within the EU, the Commission proposed in June to extend the

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<sup>(25)</sup> Proposal for a directive on the protection of the euro and other currencies against counterfeiting by criminal law (COM(2013) 42).

<sup>(26)</sup> Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.

<sup>(27)</sup> Proposal for a directive implementing enhanced cooperation in the area of financial transaction tax (COM(2013) 71).

automatic exchange of information between EU tax administrations. Under the proposal, dividends, capital gains, all other forms of financial income and account balances would be added to the list of categories which are subject to automatic information exchange within the EU. Following the December European Council, unanimous agreement on this proposal should be reached in early 2014. This paves the way for the EU to have the most comprehensive system of automatic information exchange in the world.

The issue of base erosion and profit shifting (BEPS), mechanisms under which companies shift their profits to low-tax jurisdictions, also received a lot of attention from EU and G20 ministers of finance in 2013. Work was carried out at EU level on the Commission's recommendations on aggressive tax planning. A new platform, with members of EU tax authorities, businesses and civil society, was set up to monitor progress in this area. In September, the G20 ministers of finance fully supported the OECD action plan on BEPS<sup>(28)</sup>. According to the G20 ministers of finance, 'Profits should be taxed where economic activities deriving the profits are performed and where value is created. In order to minimise BEPS, we call on member countries to examine how our own domestic laws contribute to BEPS and to ensure that international and our own tax rules do not allow or encourage multinational enterprises to reduce overall taxes paid by artificially shifting profits to low-tax jurisdictions.'

Other initiatives were taken in 2013 for fairer taxation: the Council agreed in July on a quick-reaction mechanism to fight VAT fraud<sup>(29)</sup>; following the mandate received by the Council in May, the Commission started talks on stronger savings tax agreements with our closest neighbours (Andorra, Monaco, Liechtenstein, San Marino and Switzerland); the debate on taxing the digital economy was launched at the European Council of October; and in November the Commission proposed amendments to the parent–subsidiary directive to safeguard against abusive tax planning<sup>(30)</sup>.

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<sup>(28)</sup> <http://www.oecd.org/ctp/BEPSActionPlan.pdf>

<sup>(29)</sup> Directive 2013/42/EU amending Directive 2006/112/EC on the common system of value added tax, as regards a quick reaction mechanism against VAT fraud (OJ L 201, 26.7.2013).

<sup>(30)</sup> Proposal for a directive on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (COM(2013) 814).

### **Towards economic recovery, growth and jobs**

Europe's economy emerged from recession in 2013, paving the way for a more robust recovery in 2014. Still, many Member States continued to grapple with severe unemployment, especially among young people.

To boost the economy and job creation beyond the immediate efforts to deal with the effects of the crisis, the EU redoubled its efforts in implementing Europe 2020, a comprehensive growth and jobs strategy. In a context where the economic and financial crisis has revealed and exacerbated some entrenched growth bottlenecks, Europe 2020 has identified three key levers on which to act at EU and national level, namely smart, sustainable and inclusive growth.

The strategy is supported by five headline targets for the EU and Member States to meet by 2020 in five areas: employment, research and development, climate change/energy, education and social inclusion, and a range of flagship initiatives. The ambition is to build solid conditions and foundations for growth.

At EU level, the stronger budgetary and economic rules that apply during the European semester will help to deliver the Europe 2020 targets. The EU's next 7-year budget, the multiannual financial framework (MFF) 2014–20, will also be closely aligned with the goals of the strategy to support Member States as they strive to meet their targets.

At national level, wide-ranging economic reforms are being carried out in all five target areas. The reforms are monitored throughout the year by the European Commission, with country-specific recommendations made in spring each year to highlight the most pressing reforms.

While the Europe 2020 strategy draws on the strengthened economic governance and the reinforced coordination of economic policies described in Chapter 2, this chapter gives an overview of the actions taken to secure future growth in various policy areas and sectors from industry to fisheries. It also shows how we have been strengthening and deepening two major sources of growth — the single market and trade — and how the EU is using its financial resources to boost the economy over the coming years.

## EU policies for growth – Europe 2020

### EUROPEAN GROWTH MAP 2014

[GRAPH 10]

#### Education and training

One of the goals of the Europe 2020 strategy is for 75 % of those aged 20–64 to be employed by the end of the decade. However, the crisis has resulted in high unemployment across Europe, with youth unemployment reaching 24 % across Europe and more than half of young people being unemployed in countries such as Greece and Spain. At the same time, there are some 2 million unfilled vacancies in Europe and it is clear that there is a skills mismatch. The Commission is addressing this in several ways, following on from the rethinking education initiative and the measures announced at the end of 2012 to fight youth unemployment (including the youth guarantee scheme) <sup>(1)</sup>.

[PHOTO 009]

The existing lifelong learning programme provides support for learning mobility through the Erasmus (higher education), Leonardo da Vinci (vocational education), Comenius (schools) and Grundtvig (adult education) schemes. Erasmus and Leonardo da Vinci together support around 140 000 job placements a year with companies and other organisations <sup>(2)</sup>. Four million people, mostly young people, are due to receive grants under the new Erasmus+ <sup>(3)</sup> programme to study, train or volunteer abroad in 2014–20, compared with 2.5 million beneficiaries under existing EU mobility programmes. This international experience boosts skills and employability.

The Commission also launched the European Alliance for Apprenticeships <sup>(4)</sup> in July, to help fight youth unemployment by improving the quality, supply and image of apprenticeships. It will promote partnerships between countries and stakeholders so they can identify the most successful apprenticeship schemes in the EU and apply bespoke solutions.

The EU High-Level Group on the Modernisation of Higher Education published a report <sup>(5)</sup> outlining a broad range of practical and affordable recommendations for how teaching can be improved in higher education, including a proposal to establish a European academy of teaching and learning, which would act as a platform for the exchange of best practices for Member States and higher education institutions.

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<sup>(1)</sup> Education, Youth, Culture and Sport Council conclusions, 15.2.2013.

<sup>(2)</sup> [http://europa.eu/rapid/press-release\\_IP-12-379\\_en.htm](http://europa.eu/rapid/press-release_IP-12-379_en.htm)

<sup>(3)</sup> [http://ec.europa.eu/education/erasmus-plus/index\\_en.htm](http://ec.europa.eu/education/erasmus-plus/index_en.htm)

<sup>(4)</sup> [http://ec.europa.eu/education/news/20130702\\_en.htm](http://ec.europa.eu/education/news/20130702_en.htm)

<sup>(5)</sup> ‘Improving the quality of teaching and learning in Europe’s higher education institutions’ ([http://ec.europa.eu/education/higher-education/doc/modernisation\\_en.pdf](http://ec.europa.eu/education/higher-education/doc/modernisation_en.pdf)).

Making full use of the opportunities offered by information and communication technologies and by open educational resources is also essential for efficient educational systems. In September, the Commission published a communication on opening up education <sup>(6)</sup>, thus paving the way for more innovative teaching and learning through the use of technologies and access to digital content to help deliver high-quality education and the digital skills which 90 % of jobs will require by 2020. In particular, massive open online courses (MOOCs) are a striking development in this context. The Commission helped to launch the first pan-European MOOCs, making 40 university courses available for free and enabling people to access quality education from their homes.

This initiative also ties in with the Grand Coalition for Digital Jobs <sup>(7)</sup>, a multi-stakeholder platform tackling the lack of information and communication technology (ICT) skills and up to 900 000 unfilled ICT-related vacancies (see the ‘Employment and social inclusion’ section).

## **Employment and social inclusion**

### **Youth employment**

The Commission, together with the European Parliament, the Council of the European Union and stakeholders, has been working to tackle all aspects of youth employment and to build upon the youth employment package it proposed in December 2012.

#### **Youth guarantee**

The Commission has urged every Member State to put in place a youth guarantee <sup>(8)</sup>. This seeks to ensure that all young people up to age 25 receive a quality offer of a job, continued education, an apprenticeship or a traineeship within 4 months of leaving formal education or becoming unemployed. For many Member States this will require structural reforms, including the development of vocational education and training systems. The youth guarantee should be rolled out in Member States from 1 January 2014.

Member States will receive help for funding this from the European Social Fund (ESF) — which is currently worth €10 billion every year. The ESF has provided targeted support for youth employment since long before the crisis, and has been essential in helping to tackle the current rise in youth unemployment, with 68 % of its budget going towards projects that can also benefit young people. The future ESF regulation <sup>(9)</sup> includes a dedicated ESF investment priority targeting the sustainable labour-market integration of young people not in employment, education or training (NEETs). Member States facing high youth unemployment rates are expected to identify NEETs as a

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<sup>(6)</sup> Commission communication — Opening up education: innovative teaching and learning for all through new technologies and open educational resources (COM(2013) 654).

See also: [http://europa.eu/rapid/press-release\\_IP-13-859\\_en.htm](http://europa.eu/rapid/press-release_IP-13-859_en.htm)

<sup>(7)</sup> <http://ec.europa.eu/digital-agenda/en/grand-coalition-digital-jobs-0>

<sup>(8)</sup> Proposal for a recommendation on establishing a youth guarantee (COM(2012) 729).

<http://ec.europa.eu/social/main.jsp?catId=1079&langId=en>

<sup>(9)</sup> Proposal for a regulation on the European Social Fund (COM(2011) 607).



specific target group for ESF funding and provide them with ways into the labour market. To make the youth guarantee a reality, Member States also need to prioritise youth employment measures in their national budgets.

## **BREAKDOWN OF YOUTH UNEMPLOYMENT RATE PER MEMBER STATE**

[GRAPH 11]

### **Youth employment initiative**

To focus financial support still further on the regions and individuals struggling most with youth unemployment and inactivity, the European Council agreed in February 2013 to create a dedicated youth employment initiative (YEI) <sup>(10)</sup>, to be supported by €3 billion from the ESF and €3 billion from the EU budget. The Commission has pressed for the €6 billion to be committed in 2014 and 2015 rather than over the 7-year period of the MFF. This will target individual NEETs and regions experiencing a youth unemployment rate above 25 %. The YEI supports the implementation of the youth guarantee. Member States that will benefit from the YEI were asked to put forward their plans for the implementing youth guarantees by the end of December 2013. All other Member States should submit their plans by spring 2014.

### **European Alliance for Apprenticeships**

Aside from the youth guarantee, the Commission is developing a number of EU-level tools to help Member States tackle youth unemployment. As apprenticeships and work-based learning make it easier for young people to transition from education and training into work, the Council, the Commission and the European social partners launched the European Alliance for Apprenticeships <sup>(11)</sup> in July. The aim is to improve the quality and supply of apprenticeships across the EU and change mindsets towards apprenticeship-type learning.

The alliance is a platform that brings together public authorities, businesses, social partners, vocational education and training providers, youth representatives and other key actors, such as chambers of commerce, in order to coordinate and scale up different initiatives for successful apprenticeship-type schemes, as well as to promote national partnerships for dual-vocational training systems. The strands of action are: targeted knowledge transfer and support for reform of apprenticeship systems; promoting the benefits of apprenticeships; and making smart use of EU funding and resources.

### **Quality framework for traineeships**

A current major concern is that some traineeships have a low learning component or misuse young people as a cheap labour force. In December, the Commission proposed guidelines to enable trainees to acquire high-quality work experience under safe and fair conditions and to increase their chances of finding a good quality job. The proposal for a

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<sup>(10)</sup> <http://ec.europa.eu/social/main.jsp?langId=en&catId=1036>

<sup>(11)</sup> [http://ec.europa.eu/education/apprenticeship/index\\_en.htm](http://ec.europa.eu/education/apprenticeship/index_en.htm)

Council recommendation on a quality framework for traineeships <sup>(12)</sup> calls on Member States to ensure that national law or practice respects the principles set out in the guidelines and to adapt their legislation where necessary. The guidelines require traineeships to be based on a written agreement covering learning content and working conditions, including whether trainees are paid or otherwise compensated and whether they qualify for social security.

#### Action teams

Further progress was made in 2013 by the Commission's youth employment action teams. These teams, composed of national and Commission officials, were set up in February 2012 for the eight Member States with the highest levels of youth unemployment, Ireland, Greece, Spain, Italy, Latvia, Lithuania, Portugal and Slovakia. The action teams were tasked with mobilising EU Structural Funds (including from the ESF) that were still available for the 2007–13 programming period to support job opportunities for young people and to facilitate the access of small and medium-sized enterprises (SMEs) to finance. Work continued over summer 2013 to implement decisions and to readjust programmes where needed, for example in Spain and Lithuania.

As a result of the work done by the action teams, by the beginning of 2013 around €16 billion of EU funding (from the ESF and the European Regional Development Fund (ERDF)) had been targeted for accelerated delivery or reallocation. By November 2013, the ESF alone had reallocated €4.2 billion to specific actions expected to benefit more than 1 million young people.

#### EURES and 'Your first EURES job'

With a view to boosting mobility and providing access to job opportunities, the Commission has launched a reform of the European Network of Public Employment Services (EURES) with the aim of establishing a true pan-European job placement and recruitment network. A EURES decision <sup>(13)</sup> was adopted in November 2012 to maximise the operational functioning of EURES. EURES aims in particular at facilitating transparency in vacancy handling, improving the interoperability of labour markets and skills-based matching processes, boosting services and enhancing cooperation between public and private service providers to increase the EURES outreach. The goal of the 'Your first EURES job' scheme is to assist young people to find their first job in any of the 28 Member States and to assist companies to recruit young people from another EU country. 'Your first EURES job' is a small-scale initiative with a budget of €12 million over 3 years. It aims at testing the effectiveness of tailor-made services for young mobile jobseekers aged 18–30, combined with some financial support.

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<sup>(12)</sup> Proposal for a recommendation on a quality framework for traineeships (COM(2013) 857).

<sup>(13)</sup> Decision implementing Regulation (EU) No 492/2011 as regards the clearance of vacancies and applications for employment and the re-establishment of EURES (OJ L 328, 28.11.2012).

## Programme for employment and social innovation

In December, the Council of Ministers adopted the new EU programme for employment and social innovation (EaSI), which will make €920 million available for the 2014–20 period. It will support innovative social policies and promote labour mobility (for example by strengthening ‘Your first EURES job’), as well as facilitating access to microcredits and encouraging social entrepreneurship. EaSI integrates and extends the coverage of three existing financial instruments: the programme for employment and social solidarity (Progress), EURES and the European Progress Microfinance Facility.

[PHOTO 010]

## Posted workers

On 9 December, the Council agreed a general approach on the Commission’s March 2012 proposal <sup>(14)</sup> to improve enforcement of the safeguards for posted workers laid down in the 1996 posted workers directive <sup>(15)</sup>, paving the way for a likely agreement by the Parliament and the Council before the European Parliament elections. The proposal would:

- set more ambitious standards to raise the awareness of workers and companies about their rights and obligations;
- establish rules to improve cooperation between national authorities in charge of posting;
- clarify the definition of posting;
- define Member States’ responsibilities to verify compliance with the rules laid down in the 1996 directive;
- require posting companies to designate a contact person for liaison with the enforcement authorities and to keep basic documents available for the record;
- improve the enforcement of rights and the handling of complaints;
- ensure that administrative penalties and fines imposed on service providers by one Member State’s enforcement authorities for failure to respect the requirements of the 1996 directive can be enforced and recovered in another Member State.

## Quality framework for restructuring

Best practices for anticipating company restructuring and minimising its impact on workers and social conditions were outlined by the Commission in December in the form of an EU quality framework for anticipation of change and restructuring (QFR). The quality framework offers guidance to companies, workers, trade unions, employers’

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<sup>(14)</sup> Proposal for a directive on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (COM(2012) 131).

<sup>(15)</sup> Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (OJ L 18, 21.1.1997).

organisations and public administrations in order to facilitate the process of restructuring for businesses and workers via better anticipation and investment in human capital, while minimising the social impact. The Commission urges Member States to support and promote the implementation of the quality framework and to consider applying it to public sector employees. It also calls on all stakeholders to cooperate on the basis of these guidelines.

### **Public employment services**

Effective public employment services are essential for the practical implementation of employment policies at national level. For example, public employment services are well placed to advise individual jobseekers on training, apprenticeships, traineeships and further education opportunities adapted to their situation and to employers' requirements.

With a view to improving their efficacy, the Commission came forward with proposals <sup>(16)</sup> to create a network of public employment services that could:

- compare the performance public employment services against relevant benchmarks;
- identify best practices;
- foster mutual learning.

The network would also provide support for the practical implementation by Member States of employment policies, such as the youth guarantee.

### **European Social Fund 2014–20**

The regulation on the European social fund for the period 2014–20 <sup>(17)</sup>, with its 19 investment priorities across four thematic objectives, provides a catalogue of concrete policy intervention areas, much more explicit than in the previous round (2007–13). The focus is on active labour market and inclusion measures, as well as on education and public administration reform. In addition, each Member State must ensure that at least 20 % of the ESF's resources will be dedicated to social inclusion.

The ESF is fully aligned to support the Europe 2020 strategy and the implementation of the country-specific recommendations, and to contribute to the achievement of the headline targets on employment, education and poverty reduction. For this reason, the ESF in the next programming period will amount at least to 23 % of cohesion policy funding.

Thematic concentration should guarantee that the focus of the funding is placed on a few key policy priorities. In addition, a major effort has been made towards simplification of procedures and better spending to achieve more results.

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<sup>(16)</sup> Proposal for a decision on enhanced cooperation between public employment services (PES) (COM(2013) 430).

<sup>(17)</sup> Regulation (EU) No 1304/2013 on the European Social Fund (OJ L 347, 20.12.2013).

## Migration as a tool for growth

EU migration legislation, such as the blue card directive<sup>(18)</sup>, which facilitates the entry and residence of non-EU nationals taking up highly qualified employment, contributes towards attracting certain categories of migrants. Co-legislators agreed on a compromise text on the seasonal workers' directive<sup>(19)</sup>, to be adopted in early 2014. Negotiations on the intra-corporate transferees' directive<sup>(20)</sup> made progress, but further efforts are needed by the Parliament and the Council to agree. The Commission also hopes for swift progress on its proposal setting out rules for non-EU nationals coming to the EU for studies, scientific research and other exchanges<sup>(21)</sup>. Above all, Member States must ensure that effective measures are in place to promote integration<sup>(22)</sup>. Migrants should be able to develop their full potential in an environment where their fundamental rights are fully respected and where they can participate actively in society.

The correct implementation by Member States of the single permit directive<sup>(23)</sup>, which gives certain equal rights to non-EU workers, will also be important.

## Social investment package

The social investment package (SIP) was adopted by the Commission in February 2013. It sets out an integrated framework for social policy reforms that Member States need to undertake to modernise their welfare systems. The SIP provides policy guidance on how to ensure adequate standards of living, supported by adequate benefits and quality services, and on how to make social spending more effective and efficient. The SIP also stresses the importance of activating and enabling policies to improve social inclusion and access to the labour market. Preparing people to confront risks throughout their lives, rather than simply repairing the negative consequences, is the key to the social investment approach. The package provides policy guidance in a number of areas where targeted investment, notably from the ESF, can make a real difference.

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(18) Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for the purposes of highly-qualified employment (OJ L 155, 18.6.2009).

See also: [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/immigration/work/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/immigration/work/index_en.htm)

(19) Proposal for a directive on the conditions of entry and residence of third-country nationals for the purposes of seasonal employment (COM(2010) 379).

(20) Proposal for a directive on conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer (COM(2010) 378).

(21) Proposal for a directive on the conditions of entry and residence of third-country nationals for the purposes of research, studies, pupil exchange, remunerated and unremunerated training, voluntary service and au pairing (COM(2013) 151).

See also: [http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130325\\_01\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130325_01_en.htm)

(22) [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/immigration/integration/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/immigration/integration/index_en.htm)

(23) Directive 2011/98/EU on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State (OJ L 343, 23.12.2011).

## Research, development, innovation

### Innovation union

A report on the state of the innovation union 2012 <sup>(24)</sup> provided an update on progress on the 34 commitments made under the innovation union flagship, showing that more than 80 % of commitments were on track.

The innovation union is one of the seven flagship initiatives of the Europe 2020 strategy for smart, sustainable and inclusive growth, which contains 34 actions that aim at three goals:

- making Europe a world-class performer in science;
- removing obstacles to innovation such as expensive patenting, market fragmentation, slow standard-setting and skills shortages, which currently prevent ideas getting quickly to market; and
- revolutionising the way the public and private sectors work together.

Following a request from the European Council, the Commission in September presented a new indicator of innovation output to benchmark national innovation policies and monitor the EU's performance against its main trading partners. It measures the extent to which ideas stemming from innovative sectors are capable of reaching the market, providing better jobs and making Europe more competitive.

The 2013 innovation union scoreboard, published in March <sup>(25)</sup>, showed that innovation performance in the EU has improved year on year, in spite of the economic crisis, but the innovation divide between Member States is widening. The 'Innovation union competitiveness report 2013' <sup>(26)</sup> was released in December and showed that Europe remains a main knowledge production centre of the world, but lags behind North America and Asia in fast-growing technologies of the future.

### Support for research and innovation from EU cohesion policy

Research and innovation continued to benefit from investments under the EU's Structural Funds in 2013 (approximately 25 % of available funding is currently invested in this area). The reform of cohesion policy agreed in December will require for the first time that all EU regions devote a minimum percentage of the funds available during 2014–20 to research and innovation, as well as developing 'smart specialisation strategies' for each region.

[PHOTO 011]

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<sup>(24)</sup> Commission communication — State of the innovation union 2012 — Accelerating change (COM(2013) 149).

<sup>(25)</sup> [http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013_en.pdf)

<sup>(26)</sup> Commission document — Innovation union competitiveness report 2013 ([http://ec.europa.eu/research/innovation-union/pdf/competitiveness\\_report\\_2013.pdf](http://ec.europa.eu/research/innovation-union/pdf/competitiveness_report_2013.pdf)).

## **Seventh framework programme**

The seventh framework programme for research, technological development and demonstration activities (FP7), which was launched in 2007, concluded in December. Over its 7 years, it helped fund more than 22 000 research projects for an EU budget contribution exceeding €40 billion, including around 4 000 beneficiaries of European Research Council grants. The ‘Sixth FP7 monitoring report’ <sup>(27)</sup>, published in August, showed that roughly 17 % of all participants were SMEs.

## **Horizon 2020**

The legislation for Horizon 2020<sup>28</sup>, the European Union’s programme for research and innovation for the period 2014–20, was adopted in December. With a budget of nearly €80 billion, some 30 % more in real terms than the previous framework programme (FP7), and with simpler rules for participation, Horizon 2020 is the biggest EU research programme yet, and one of the biggest publicly funded research programmes worldwide.

Horizon 2020 will help secure the future knowledge base of the European economy and make a long-term contribution to growth and jobs. Built on three pillars — excellent science, industrial leadership and societal challenges — it will fund all types of activities, from frontier science to close-to-market innovation.

The programme for the first time brings all EU-level funding for research and innovation under one roof with a single set of rules, and will radically slash red tape. The overarching goal of a more coherent, simpler programme should make it easier to participate, especially for smaller research organisations and small businesses.

## **Future emerging technology flagships**

The future emerging technology (FET) flagships have been conceived to have a transformational impact on science, technology and society overall. They are highly ambitious and rely on cooperation between a range of disciplines, communities and programmes, requiring sustained support of up to 10 years. After very selective preparation, two initiatives — ‘Human Brain Project’ and ‘Graphene’ — were selected in 2013 within FP7 <sup>(29)</sup>. Both initiatives have huge potential to create a revolution in the next generation of products and materials in many fields, providing a competitive advantage in a wide range of sectors including health and ageing, medicine, chemicals, electronics and ICT.

### **Destination Europe**

With a view to attracting highly skilled researchers to Europe, the EU organised three ‘Destination Europe’ events in the United States in 2013. These events showcased the

<sup>(27)</sup>

[http://ec.europa.eu/research/evaluations/pdf/archive/fp7\\_monitoring\\_reports/6th\\_fp7\\_monitoring\\_report.pdf](http://ec.europa.eu/research/evaluations/pdf/archive/fp7_monitoring_reports/6th_fp7_monitoring_report.pdf)

<sup>28</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0965:1041:EN:PDF>

<sup>(29)</sup> <http://ec.europa.eu/digital-agenda/en/news/graphene-and-human-brain-project-win-largest-research-excellence-award-history>

excellence of European research and innovation and raised awareness of the career and funding opportunities available through EU initiatives such as the European Research Council and the Marie Skłodowska-Curie actions, as well as Member States' programmes.

[PHOTO 012]

### **Innovation investment package**

In July, the Commission adopted the innovation investment package, proposing to establish formal partnerships in research and innovation with industry and Member States in key strategic sectors, such as bioeconomy, aeronautics and electronics. Together, the six public–private partnerships and four public–public partnerships would have a proposed budget of some €22 billion, of which around €8 billion from Horizon 2020 would secure €10 billion from industry and €4 billion from Member States. The initiatives will boost the competitiveness of EU industry in sectors that provide high-quality jobs and will also find solutions to major challenges for society.

### **The digital agenda**

The 'connected continent' legislative package: creation of a single telecommunications market in the EU

As the world moves rapidly towards an Internet-based economy — directly affecting everything from traditional services such as banking and insurance to new sectors such as online retail, and from industrial production to energy supply — ICT is increasingly seen as a source of the smart, sustainable and inclusive growth envisaged in Europe 2020 <sup>(30)</sup>.

However, the EU lacks a genuine single market for electronic communications. The EU is fragmented into distinct national markets and as a result is losing out on a major source of potential growth, according to the Commission's annual digital agenda scoreboard <sup>(31)</sup>.

The Commission has adopted a legislative package for a connected continent <sup>(32)</sup>, aimed at building a connected, competitive continent and enabling sustainable digital jobs and industries in response to a European Council request to create a single telecommunications market, in order to address the problems confirmed in the scoreboard.

[PHOTO 013]

Less digging equals cheaper broadband

The Commission proposed new rules <sup>(33)</sup> to cut the cost of rolling out high-speed Internet by 30 %. Civil engineering, such as the digging up of roads to lay down fibre-optic

<sup>(30)</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>(31)</sup> <http://ec.europa.eu/digital-agenda/en/scoreboard>

<sup>(32)</sup> <http://ec.europa.eu/digital-agenda/en/connected-continent-legislative-package>

<sup>(33)</sup> Proposal for a regulation on measures to reduce the cost of deploying high-speed electronic communications networks (COM(2013) 147).  
[http://europa.eu/rapid/press-release\\_IP-13-281\\_en.htm](http://europa.eu/rapid/press-release_IP-13-281_en.htm)



cables, accounts for up to 80 % of the cost of deploying high-speed networks. This proposal may save companies €40–60 billion.

The objectives of the proposed regulation are to substantially reduce the civil engineering costs and the costs caused by unnecessary administrative burden, and to enhance the efficiency of deploying high-speed electronic communications infrastructure by scaling up existing best practices across the EU and improving the conditions for the establishment and functioning of the internal market in an area supporting the development of virtually all sectors of the economy.

#### E-invoicing

E-invoicing is an important step towards paperless public administration (e-government) in Europe — one of the priorities of the digital agenda — and offers the potential for significant economic as well as environmental benefits. The Commission estimates that the adoption of e-invoicing in public procurement across the EU could generate savings of up to €2.3 billion. To further foster the uptake of e-procurement in Europe, the Commission on 26 June presented a proposal for a directive on e-invoicing in public procurement<sup>(34)</sup>. This initiative would eliminate the fragmentation of the internal market by promoting the use of e-invoicing in the public sector (business-to-government (B2G) e-invoicing) and enhancing the interoperability of national e-invoicing systems.

#### Support for the digital agenda from EU cohesion policy

ICT continued to benefit from investments under the EU's Structural Funds in 2013. Around €14.6 billion has been invested since the start of the current programming period, helping to connect some 4.7 million more citizens to broadband. The reform of cohesion policy agreed in December will require for the first time that all EU regions devote a minimum percentage of the funds available during 2014–20 to investments linked to the EU's digital agenda.

## Industrial policy and SMEs

### **Small and medium-sized enterprises — unleashing Europe's entrepreneurial potential**

After 5 years of having to deal with an uncertain economic environment, 2013 was the first year since 2008 that SMEs displayed a combined increase in aggregated employment and value added. Viewed against the unparalleled depth and complexity of the crisis, such a turnaround demonstrated the resilience of the SME sector<sup>(35)</sup>.

To return to growth and higher levels of employment, Europe needs more entrepreneurs. New companies, including SMEs, create more than 4 million new jobs every year — 85 % of all new jobs in the EU's private sector. Recognising the integral role

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<sup>(34)</sup> Proposal for a directive on electronic invoicing in public procurement (COM(2013) 213).

<sup>(35)</sup> See the statistics from the 2013 Small Business Act performance review ([http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm)).

entrepreneurs play in economic recovery, in January the Commission launched the ‘Entrepreneurship 2020 action plan’ <sup>(36)</sup>. A combination of investments, regulatory advances and educational opportunities, the action plan will assist the drive for growth and jobs.

[PHOTO 015]

### **Moving forward to an industrial renaissance to overcome economic crisis**

One lesson that has been learned from the crisis is that Europe needs to keep a strong industrial sector as a central part of its economy, as it is key to innovation, value creation and jobs. While industrial performance has stabilised, industry’s share of Europe’s gross domestic product (GDP) declined from 15.5 % in 2012 to 15.1 % in summer 2013 <sup>(37)</sup>. The convergence between the EU’s industrially most competitive countries and the moderate performers is stalling. In this context, Europe must build upon its strengths.

- EU industry remains a global leader in a range of manufacturing sectors, including the chemicals, machinery, metals and automotive sectors.
- The EU share of global exports has diminished in recent years, but overall has remained remarkably resilient despite the strong growth of China and other emerging economies.

#### **Commission measures to help businesses overcome the crisis**

##### **Support for the steel industry**

In June, the Commission proposed an action plan for the European steel industry <sup>(38)</sup>. It proposes specific policy actions for the steel sector, which is facing serious challenges. One way is to support the demand for EU-produced steel both at home and abroad, by acting to ensure EU steel producers have access to non-EU markets through fair trade practices. Also, costs for the industry need to be reduced, including those arising from EU regulation. Innovation, energy efficiency and sustainable production processes are vital for the next-generation steel products that are essential for other key European industries. The action plan also provides for targeted measures to support employment in the sector and accompany the restructuring to ensure that highly skilled labour is retained in Europe.

##### **Support for the construction industry**

Construction companies wishing to expand their business to another EU Member State need to know the challenges they might face. Employment, environmental and safety

<sup>(36)</sup> Commission communication — Entrepreneurship 2020 action plan — Reigniting the entrepreneurial spirit in Europe (COM(2012) 795).

<sup>(37)</sup> Commission document — European competitiveness report 2013 — Towards knowledge-driven reindustrialisation ([http://ec.europa.eu/enterprise/policies/industrial-competitiveness/competitiveness-analysis/european-competitiveness-report/files/eu-2013-eur-comp-rep\\_en.pdf](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/competitiveness-analysis/european-competitiveness-report/files/eu-2013-eur-comp-rep_en.pdf)).

<sup>(38)</sup> Commission communication — Action plan for a competitive and sustainable steel industry in Europe (COM(2013) 407).

requirements may differ, in the same way as those for construction materials and products. In 2013, the Commission launched several initiatives to help the construction industry. One example is the new construction products regulation<sup>(39)</sup>, which entered into force in July. It will help enterprises overcome these difficulties, equipping construction companies with the information they need to be successful in other EU countries<sup>(40)</sup>.

#### Support for the defence and security industry

The EU's defence industry employs around 400 000 people and had a turnover of around €96 billion in 2012. It drives innovation and develops the capabilities which are needed to safeguard Europe's security and defence. At the same time, the sector suffers from budget constraints and market fragmentation. In July, the Commission issued an action plan<sup>(41)</sup> including proposals for fostering innovation, growth and jobs through the promotion of civilian/military synergies and measures to support defence-related SMEs. This communication was discussed at the European Council in December 2013, together with the following three main themes: a genuine internal market for defence; a comprehensive industrial policy that creates opportunities for all Member States and industries of all sizes throughout the EU; and synergies between civil research programmes, Horizon 2020, and those coordinated by the European Defence Agency<sup>(42)</sup>. On that basis, the European Council has identified a number of priority actions built around three axes: increasing the effectiveness, visibility and impact of the common security and defence policy; enhancing the development of capabilities; and strengthening Europe's defence industry<sup>(43)</sup>.

#### Reduced fees for SMEs under EU chemical legislation

The Commission lowered the fees and charges that SMEs have to pay to register chemicals. This step should help SMEs that produce or trade chemicals to remain competitive during the current difficult market situation. Depending on the size of the company, SMEs could benefit from reductions of 35–95 % in relation to standard registration fees and 25–90 % in relation to standard fees for authorisation requests.

### Improving SMEs' access to finance

Access to finance is still among the top concerns of the EU's SMEs. Younger and smaller firms are the worst affected according to the 2013 access to finance survey<sup>(44)</sup>. About one third of the SMEs surveyed did not manage to get the full financing they had planned for during 2013, and 15 % of survey respondents saw access to finance as a

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<sup>(39)</sup> Regulation (EU) No 305/2011 laying down harmonised conditions for the marketing of construction products (OL L 88, 4.4.2011).

<sup>(40)</sup> [http://ec.europa.eu/enterprise/magazine/articles/industrial-competitiveness/article\\_11074\\_en.htm](http://ec.europa.eu/enterprise/magazine/articles/industrial-competitiveness/article_11074_en.htm)

<sup>(41)</sup> Commission communication — Towards a more competitive and efficient defence and security sector (COM(2013) 542).

<sup>(42)</sup> [http://ec.europa.eu/commission\\_2010-2014/president/news/archives/2013/12/20131219\\_1\\_en.htm](http://ec.europa.eu/commission_2010-2014/president/news/archives/2013/12/20131219_1_en.htm)

<sup>(43)</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/140214.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/140214.pdf)

<sup>(44)</sup> Commission document — 2013 SMEs' access to finance survey ([http://ec.europa.eu/enterprise/policies/finance/files/2013-safe-analytical-report\\_en.pdf](http://ec.europa.eu/enterprise/policies/finance/files/2013-safe-analytical-report_en.pdf)).

significant problem for their companies. Over the last few years, the Commission has been constantly working to improve their situation. With a budget of €1.1 billion, Commission-funded guarantees under the competitiveness and innovation framework programme (CIP) helped mobilise loans worth more than €13 billion up to the end of 2012, boosting nearly 220 000 small businesses across Europe. These efforts will continue in the new programming period 2014–20 with the help of the programme for the competitiveness of small and medium-sized enterprises (COSME).

### **European Investment Bank capital increase**

In January, all 27 Member States unanimously approved a €10 billion fully paid-in capital increase for the European Investment Bank (EIB). The capital increase will allow Europe's long-term lending institution to provide up to €60 billion in additional lending, over a 3-year period, for economically viable projects across the EU. SMEs will be one of the four priority sectors to be targeted by the additional lending, the other three being innovation and skills, clean energy and modern infrastructure.

The additional capital was paid in by each Member State according to its current shareholding. It comes on top of the EIB's €50 billion in regular annual lending.

[PHOTO 016]

### **Support for small and medium-sized enterprises from EU cohesion policy**

SMEs continued to benefit from investments under the EU's Structural Funds in 2013. Support has been provided to more than 73 500 start-ups, and 263 000 jobs in SMEs have been created since the start of the current programming period. The reform of cohesion policy agreed in December will require for the first time that all EU regions devote a minimum percentage of the funds available during 2014–20 to support for SMEs. The objective is to double the current support to around €140 billion for 2014–20, partly through the increased use of financial instruments.

### **Tackling cross-border tax obstacles**

As a reply to the main concerns expressed by businesses, in late 2013 the Commission proposed a new standard VAT return, which could cut costs for EU businesses by up to €15 billion a year <sup>(45)</sup>. The aim of this initiative is to slash red tape for businesses, ease tax compliance and make tax administrations across the Union more efficient.

As such, it fully reflects the Commission's commitment to smart regulation and is one of the initiatives set out in the regulatory fitness and performance programme (REFIT) to simplify rules and reduce administrative burdens for businesses.

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<sup>(45)</sup> Proposal for a directive amending Directive 2006/112/EC on the common system of value added tax as regards a standard VAT return (COM(2013) 721).

## Combating late payments

Both inside and outside their own borders, European SMEs are particularly vulnerable to late payments; this is the cause of one in four bankruptcies in Europe. The lack of protection for SMEs not only cripples businesses and stalls economic growth, but might also discourage would-be entrepreneurs from taking chances. The EU rules, decided in 2011, on combating late payment in commercial transactions<sup>(46)</sup> were applied by Member States to their national laws in 2013. They oblige public authorities to pay for goods and services within 30 calendar days or, in very exceptional circumstances, within 60 days. Businesses are now obliged to pay their invoices within 60 calendar days.

## REFIT — making EU law lighter, simpler and cheaper

Regulating at EU level adds value in areas such as competition, trade and the internal market to build a level playing field that creates opportunities for businesses and consumers. It also protects the health, safety and rights of citizens. EU legislation creates a common framework by replacing or aligning 28 different national laws. It allows the EU Member States to work together to deal with problems that do not respect national borders.

However, ensuring that EU legislation is ‘fit for purpose’ is essential for putting Europe back on track towards more growth and jobs. In his 2013 State of the Union address<sup>(47)</sup>, in September, José Manuel Barroso, President of the Commission, stressed the importance of smart regulation and declared that the EU needs to be ‘big on big things and smaller on small things’.

The Commission has made a concerted effort over the past few years to streamline legislation and reduce regulatory burdens. Since 2005, the Commission has approved 660 initiatives aimed at simplification, codification or recasting. More than 5 590 legal acts have been repealed.

The top 10 consultation of SMEs on the most burdensome EU laws has fed into the priorities in the Commission’s regulatory fitness agenda. The consultation revealed in March that the most burdensome rules for SMEs were the registration, evaluation, authorisation and restriction of chemicals (REACH), value added tax, product safety, the recognition of professional qualifications, data protection, waste, the labour market, recording equipment for road transport, public procurement and the modernised customs code.

Following up on the commitments in the communication on EU regulatory fitness<sup>(48)</sup> in December 2012, which launched the REFIT programme, the Commission set out in October, policy area by policy area, where it will take further action to simplify or withdraw EU laws, reduce the burden on businesses and make sure that implementation of EU laws is becoming easier.

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<sup>(46)</sup> Directive 2011/7/EU on combating late payment in commercial transactions (OJ L 48, 23.2.2011).  
<sup>(47)</sup> [http://europa.eu/rapid/press-release\\_SPEECH-13-684\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-684_en.htm)  
<sup>(48)</sup> Commission communication — EU regulatory fitness (COM(2012) 746).

The October communication <sup>(49)</sup> includes the results of a screening of all EU legislation and defines a wide range of actions which are either already being implemented or which are proposed to the Parliament and the Council. In addition, the Commission announced that it will publish a scoreboard to track progress at European and national level.

## **Space policy and satellite navigation**

### **Galileo**

Until now, global navigation satellite system (GNSS) users around the world have had to depend on American GPS or Russian Glonass signals. The EU's Galileo gives users a new and reliable alternative, run by civil, not military authorities.

While European independence has been a key goal behind the creation of the new system, Galileo is nevertheless 100 % interoperable with GPS and Glonass, making it a fully integrated new element in the worldwide global navigation satellite system, a powerful cornerstone that will allow more accurate and more reliable positioning, even in high-rise cities where buildings can obscure signals.

[PHOTO 017]

Galileo is creating a range of new business opportunities for equipment manufacturers, application developers and providers of reliability-critical services.

In 2013, tests of the signals produced by the EU's four global navigation satellite system satellites already in orbit proved that signals are of an excellent quality and accuracy, even beyond expectations. Galileo should provide its first services by the end of 2014 or early 2015.

The Commission intends to combine the system to be established under the Galileo programme with its United States counterpart, GPS, to increase flight safety. A bilateral agreement EU-US with a worldwide impact, this synergy will help make air travel safer and help establish much-needed international standards for air navigation systems.

### **Copernicus**

In December 2013, Copernicus — Europe's Earth observation system — launched a new open-data dissemination regime, which provides free, full and open access to a wealth of important environmental data. This access will support the development of useful applications for a number of different industry segments (e.g. agriculture, insurance, transport and energy). Copernicus is already partly operational — mainly through data acquired from existing satellite missions and sensors on the ground, at sea and in the air — and providing the world with great benefits. When typhoon Haiyan hit the Philippines on 8 November 2013, the Copernicus Emergency Response Service was immediately activated and delivered the first damage-assessment maps <sup>(50)</sup>. The same service was also

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<sup>(49)</sup> Commission communication — Regulatory fitness and performance (REFIT): results and next steps (COM2013) 685).

<sup>(50)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1067\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1067_en.htm)

activated in order to assist the rescue teams in the floods that hit Sardinia in late November 2013.

## **Regional and cohesion policy**

In April, the Commission presented a second strategic report on the progress of the 2007–13 cohesion policy programmes in the Member States <sup>(51)</sup>. The progress report looked at results from the European Regional Development Fund (ERDF), the Cohesion Fund and the European Social Fund (ESF).

With regard to the ERDF, the report noted progress and improvements for citizens in several different areas. As a result of the investments made since the beginning of the current period, 1.9 million more people now have access to broadband, 2.6 million more people are served by water supply and 5.7 million more by waste-water projects. Some 53 240 research and technical development (RTD) projects and 16 000 business research projects have received investment, and 53 160 start-ups have been supported.

[PHOTO 018 (1)]

A major reform of cohesion policy for the 2014–20 funding period was approved in December <sup>(52)</sup>. Cohesion policy will invest €325 billion (2011 prices) in the Union's Member States, their regions and cities to deliver the EU-wide goals of growth and jobs, as well as tackling climate change, energy dependence and social exclusion.

The main elements of this reform were: the targeting of ERDF investments at key growth sectors linked to the Europe 2020 objectives (innovation and research, the digital agenda, support for SMEs and the low-carbon economy); fixing clear, transparent, measurable aims and targets for accountability and results; introducing conditions before funds can be received; establishing a common strategic framework for the five European Structural and Investment Funds (ERDF, Cohesion Fund, ESF, European Agricultural Fund for Rural Development and Fisheries Fund); cutting red tape and simplifying the use of EU investments; enhancing the urban dimension of the policy; reinforcing cooperation across borders; strengthening the link between cohesion policy and economic governance; and encouraging the increased use of financial instruments to give SMEs more support and better access to credit.

## **STRUCTURAL FUNDS (ERDF AND ESF) ELIGIBILITY 2014–20**

[GRAPH 12]

### **Connecting Europe Facility**

The Connecting Europe Facility is a crucial instrument for achieving the objectives of Europe 2020 and was adopted in November 2013, after the final agreement on the MFF 2014–20. It has an overall budget of €29.3 billion for 2014–20 to help fund trans-European transport, energy and telecommunications networks. The facility should

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<sup>(51)</sup> Commission report — Cohesion policy: Strategic report 2013 on programme implementation 2007–13 (COM(2013) 210).

<sup>(52)</sup> OJ L 347, 20.12.2013.

accelerate the completion of trans-European networks and leverage funding from both the public and the private sectors. It will help to build railways, inland waterways, ports, electricity grids and gas pipelines. It will also contribute to the digital single market to facilitate the mobility of citizens and businesses by providing seamless cross-border public services such as e-procurement, e-health or access to open data. The programme will also fund a limited number of broadband projects, together with the EIB.

## **TRANS-EUROPEAN NETWORKS (TENs)**

[GRAPH 13]

### **Trans-European transport network**

The EU aims to put in place a powerful trans-European transport network (TEN-T) across 28 Member States, connecting east with west and replacing today's transport patchwork with a network that is genuinely European. The Connecting Europe Facility will make €26 billion available for this network, tripling the financing currently available.

An agreement between the institutions on the TEN-T was reached in May. The regulation<sup>(53)</sup> sets 2030 as the deadline to make this core network fully connected, multimodal and operational. The core network will consist of nine major cross-border corridors that will improve links between different parts of the EU, making it easier and faster for goods and people to circulate across Europe.

In October, the Commission published new maps showing the nine major corridors which will help to implement the core network through better coordination between Member States, regions, infrastructure managers and other stakeholders, under the leadership of European coordinators.

## **Justice for growth**

### **EU justice scoreboard**

The quality, independence and efficiency of justice systems are important structural components of sustainable growth and social stability in all Member States and are fundamental to the effective implementation of EU law. To promote improvement of the quality, independence and efficiency of judicial systems, the Commission introduced in 2013 the EU justice scoreboard<sup>(54)</sup>, a new comparative tool which provides objective, reliable and comparable data on the functioning of the justice systems in the Member States. The EU justice scoreboard is also a priority in the European semester, the EU annual cycle of economic policy coordination.

Effective justice systems are crucial for growth. As it is national courts that play an essential role in upholding EU law, the effectiveness of national justice systems is also

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<sup>(53)</sup> Proposal for a regulation on Union guidelines for the development of the trans-European transport network (COM(2011) 650).

<sup>(54)</sup> Commission communication — The EU justice scoreboard — A tool to promote effective justice and growth (COM(2013) 160).



fundamental to the effective implementation of EU law and the functioning of the single market.

### **A common European sales law to boost Europe's growth**

In 2013, the Commission continued to advance its work with the Parliament and the Council for the adoption of the proposal for a regulation on a common European sales law <sup>(55)</sup>. At a time when Europe is recovering from a deep economic and financial crisis, the EU must do all that it can to expand opportunities for businesses to export into new markets and increase consumer confidence. The common European sales law offers an optional set of EU-wide contract law rules that businesses can use no matter where they trade in the EU, thereby enabling them to cut costs to trade across borders. The proposal facilitates the online trade of digital content, in particular digital content which can be downloaded from the cloud.

### **No more costly and bureaucratic stamps for public documents**

In April 2013, the Commission adopted a proposal for a regulation aiming at promoting the free movement of citizens and businesses by simplifying the administrative formalities required for the cross-border acceptance of public documents between EU Member States <sup>(56)</sup>. These simplifications would apply to public documents relating to birth, death, names, marriage, registered partnerships, parenthood, adoption, residence, citizenship, nationality, real estate, legal status and representation of a company or other undertaking, intellectual property rights and absence of a criminal record. Under the proposal, public documents falling under its scope would be exempt from legalisation or similar formalities. A Member State would thus have to accept as authentic public documents issued in another Member State without them having to bear an authenticity stamp. The proposal also introduces Union multilingual standard forms which citizens or businesses may request instead of the equivalent domestic public document concerning birth, death, marriage, registered partnerships, and legal status and representation of a company or other undertaking.

### **New insolvency rules**

The Commission proposals on insolvency <sup>(57)</sup> are currently under discussion. They aim at modernising the current rules on cross-border insolvency, which date from 2000. The new rules will develop a new approach to helping businesses overcome financial difficulties in order to avoid liquidation so that they can stay in business, while protecting the right of creditors to get their money back. The Legal Affairs Committee of the European Parliament voted to support the Commission's proposal in December.

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<sup>(55)</sup> Proposal for a regulation on a common European sales law (COM(2011) 635).

<sup>(56)</sup> Proposal for a regulation on promoting the free movement of citizens and businesses by simplifying the acceptance of certain public documents in the European Union (COM(2013) 228).

<sup>(57)</sup> Commission communication — A new European approach to business failure and insolvency (COM(2012) 742).

Proposal for a regulation amending Regulation (EC) No 1346/2000 on insolvency proceedings (COM(2012) 744).

## European account preservation order

In December, the Justice and Home Affairs Council reached an agreement on a general approach to the Commission proposal to create a European account preservation order to facilitate cross-border debt recovery in civil and commercial matters <sup>(58)</sup>. The proposal facilitates cross-border debt claims and gives creditors more certainty about recovering their debt, thereby increasing confidence in trading within the EU's single market.

## An open and fair internal market

### The Single Market Acts I and II: progress made

Europe must act to create more prosperity and jobs, and it must do this urgently in the wake of the financial crisis. That is why the Commission adopted the Single Market Act (SMA), a series of measures to boost the European economy and create jobs.

Since 1992, the single market has brought tremendous benefits and created new opportunities. However, free movement of goods, services, capital and people does not always happen smoothly. There is no truly integrated European market in some fields. Pieces of legislation are missing, and administrative obstacles and a lack of enforcement leave the full potential of the single market unexploited.

Confidence in the single market also needs a strong boost to help stimulate economic growth. Europe needs to act with more force and conviction to show that the single market brings social progress and can be beneficial for consumers, workers and small enterprises.

The SMA presented by the Commission in April 2011 <sup>(59)</sup> set out 12 levers to boost growth and strengthen confidence. In October 2012 the Commission proposed a second set of actions (SMA II) <sup>(60)</sup> to further develop the single market and exploit its untapped potential as an engine for growth.

The Commission has tabled proposals for all 12 SMA I key actions and 48 of the 50 complementary actions. Of the 12 key actions, eight have been formally adopted to date: legislation on a European standardisation system; legislation setting up the unitary patent; legislation on venture capital funds; legislation on social investment funds; legislation on alternative dispute resolution; simplification of the accounting directives; revision of the professional qualifications directive; and infrastructure funding (energy and transport). The modernisation of public procurement rules was at an advanced stage by the end of 2013.

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<sup>(58)</sup> Proposal for a regulation creating a European account preservation order to facilitate cross-border debt recovery in civil and commercial matters (COM(2011) 445).

<sup>(59)</sup> Commission communication — Single Market Act — Twelve levers to boost growth and strengthen confidence — 'Working together to create new growth' (COM(2011) 206).

<sup>(60)</sup> Commission communication — Single Market Act II — Together for new growth (COM(2012) 573).

[PHOTO 020 (1)]

Negotiations in the Parliament and the Council are still ongoing on three proposals: e-identification and signature; the posted workers implementing directive; and revision of the energy tax directive.

On the SMA II, the Commission has tabled proposals for all nine legislative key actions that require approval from the Parliament and the Council. It has adopted communications and implementing rules on the remaining three key actions not requiring Parliament and Council action.

All nine proposals for legislative key actions are currently subject to negotiations in the Parliament and the Council. The European Council agreed that these proposals should be given the highest priority with a view to their adoption by the end of the current parliamentary cycle.

### **Professional qualifications**

As the working age population in many Member States shrinks, demand for highly skilled people between now and 2020 is projected to rise by over 16 million jobs. If Europe is to meet this demand, gaps in labour shortages need to be filled, for example by mobile and well-qualified professionals from other EU Member States. They can be a key source of growth, but only if they can easily go to where jobs are, and this requires their qualifications in the EU to be recognised in a fast, simple and reliable way. That is why the Commission put forward a proposal<sup>(61)</sup> to modernise the professional qualifications directive<sup>(62)</sup>.

The revision, which was adopted by the Parliament and the Council, simplifies rules for the mobility of professionals within the EU by offering a European professional card to all interested professions, which would allow easier and faster recognition of qualifications. At the same time, the directive reinforces safeguards for citizens and patients by introducing an alert mechanism for health professions and professionals dealing with children. The directive will enter into force in January 2014. Member States will have to transfer it into national legislation within 2 years from its entry into force, namely by the beginning of 2016.

### **Public procurement**

Each year, public authorities spend 18 % of GDP on goods, services and works. Given the current budgetary restrictions and economic difficulties in most Member States, public procurement policy must, more than ever, ensure the optimal use of funds in order to foster growth and job creation, and thereby help to achieve the objectives of the Europe 2020 strategy. The Commission's proposals for the revision of the public

<sup>(61)</sup> Proposal for a directive amending Directive 2005/36/EC on the recognition of professional qualifications and regulation on administrative cooperation through the Internal Market Information System (COM(2011) 883).

<sup>(62)</sup> Directive 2005/36/EC on the recognition of professional qualifications (OJ L 255, 30.9.2005).

procurement directives <sup>(63)</sup> formed part of an overall programme to thoroughly modernise public tendering, including concessions, in the EU. In June 2013, a political agreement was reached between the Parliament and the Council on the proposals. Following the political agreement, the legal conformity between the texts of the new directives has been ensured in view of the Parliament vote in plenary scheduled for January 2014.

## **A single market for transport**

### **Fourth railway package**

The Commission is promoting better quality and more choice in railway services in Europe. Far-reaching measures proposed in the fourth railway package <sup>(64)</sup> in January encourage more innovation in EU railways by opening EU domestic passenger markets to competition, as well as technical and structural reforms. The Commission identified the fourth railway package as a key initiative to generate growth in the EU when adopting its Single Market Act II in October 2012.

The reforms would make the European Railway Agency a one-stop shop issuing EU-wide vehicle authorisations, which would allow a 20 % reduction in the time to market for new railway undertakings and a 20 % reduction in the cost and duration of the authorisation of rolling stock. Overall, this should lead to a saving for railway undertakings of €500 million by 2025.

To encourage innovation, efficiency and better value for money, the Commission is proposing that the market for domestic passenger transport services by rail be opened up to competition from December 2019. And to ensure fair access for all to railways, independent track (‘infrastructure’) managers must run networks in an efficient and non-discriminatory manner, and coordinate at EU level to underpin the development of a truly European network.

[PHOTO 022 ???]

### **A ‘blue belt’ for a single market for maritime transport**

In July, the Commission set out plans to ease customs formalities for ships, reducing red tape, cutting delays in ports and making the sector more competitive, reducing the administrative burden for intra-EU maritime transport to a level that is comparable to that of other transport modes. Today, freight forwarders and exporters complain that if they choose to send goods across Europe by short sea shipping, the heavy administrative burden at ports causes additional costs and significant delays — ships can wait for hours and sometimes days in ports for customs clearance. This makes the maritime sector less attractive compared to other forms of transport, especially road, unnecessarily bringing more trucks onto our already congested roads.

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<sup>(63)</sup> Proposal for a directive on procurement by entities operating in the water, energy, transport and postal services sectors (COM(2011) 895).

<sup>(64)</sup> Proposal for a directive on public procurement (COM(2011) 896).  
[http://ec.europa.eu/transport/modes/rail/packages/2013\\_en.htm](http://ec.europa.eu/transport/modes/rail/packages/2013_en.htm)

The communication ‘Blue belt, a single transport area for shipping’ <sup>(65)</sup> sets out two key proposals to ease formalities for shipping by amending the existing Customs Code.

- Easing customs formalities for intra-EU shipping companies using a regular route within the EU and transporting mainly EU goods.
- Easing customs formalities for ships carrying both EU and non-EU goods and which call at ports in non-EU countries.

[PHOTO 018 (2)]

### **Framework on the future EU ports policy**

The Commission presented proposals to enhance the efficiency and overall quality of port services, improving port operations and onward transport connections at 319 key seaports along Europe’s coastline. They are designed to help port operators upgrade their services, as well as giving them more financial autonomy. The European economy could save up to €10 billion by 2030 and help develop new short sea links upon implementation.

### **Revision of the action programme on inland waterway transport**

In revising the Naiades action programme in support of inland waterway transport, the Commission focused on concrete actions to boost the contribution of inland waterways to sustainable and efficient transport. The actions relate to infrastructure, integration in multimodal logistic chains, measures to reduce emissions, increasing training standards and information exchange. Inland waterway transport is a safe mode of transport with low costs, a lot of spare capacity, no congestion, low noise levels, low energy consumption and a low carbon footprint.

[PHOTO 020 (2)]

### **E-vehicles and smart grids: first EU–United States interoperability centre inaugurated**

The first of the twin centres designed to promote common standards in electric mobility and smart grids on both sides of the Atlantic was inaugurated in 2013 near Chicago. Converging standards and interoperability between smart grids and electric vehicles will allow for deeper penetration of renewable energies into electricity systems. The launch of the Interoperability Centre for Electric Vehicles and Smart Grids is the fruit of 18 months of dedicated work by the Commission’s in-house science service — the Joint Research Centre (JRC) — and the United States Department of Energy (DOE). The second centre will be opened in the EU, at the JRC sites in Petten, the Netherlands and Ispra, Italy, in 2014.

[PHOTO 021]

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<sup>(65)</sup> Commission communication — Blue belt, a single transport area for shipping (COM(2013) 510).

## Urban mobility

In December, the Commission presented a package for more competitive and sustainable urban mobility <sup>(66)</sup>, outlining relevant Commission initiatives for the years 2014–20. The package also sets out how the Commission will strengthen its actions on sustainable urban mobility in areas where there is EU added value and encourages Member States to take more decisive and better-coordinated action. Urban areas are central to Europe's growth and jobs. Some 72 % of EU citizens live in urban areas, and 85 % of EU gross domestic product (GDP) originates from them. At the same time, urban areas are more exposed to the negative effects of transport, such as congestion, poor air quality and high noise levels.

## Air transport

In June, the Commission proposed to speed up the reform of Europe's air traffic control system, for better safety and oversight and better air traffic management performance. The so-called 'single European sky 2 +' package <sup>(67)</sup> aims to head off the capacity crunch as the number of flights is expected to increase by 50 % over the next 10 to 20 years. Currently, inefficiencies in the EU's fragmented airspace inflict extra costs of close to €5 billion each year upon airlines and customers. Airspace is currently structured around national boundaries and so flights are often unable to take direct routes. On average, in Europe, aircraft fly 42 km longer than strictly necessary, causing longer flight time, delays, extra fuel burn and CO<sub>2</sub> emissions. By comparison, the United States controls the same amount of airspace, with more traffic, at almost half the cost. With a view to achieving improvements in these areas, the proposal aims at updating the four regulations creating the single European sky (SES) and amending rules governing the European Aviation Safety Agency (EASA).

## Passenger rights

For the first time, in 2013, millions of holidaymakers travelling in the EU were protected by comprehensive passenger rights legislation, whether travelling by air or rail, by ship, bus or coach.

Since January, passenger rights apply to passengers of ships, including large ferries and cruise ships on the sea or on rivers, lakes or canals. They include non-discrimination based on nationality regarding tariffs and other contract conditions, non-discriminatory treatment for disabled persons and persons with reduced mobility, and adequate and accessible information for all passengers before and during their journey.

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<sup>(66)</sup> Commission communication — Together towards competitive and resource-efficient urban mobility (COM(2013) 913).  
Commission document — A call to action on urban logistics (SWD(2013) 524).  
Commission document — Targeted action on urban road safety (SWD(2013) 525).  
Commission document — A call for smarter urban vehicle access regulations (SWD(2013) 526).

Commission document — Mobilising intelligent transport systems for EU cities (SWD(2013) 527).

<sup>(67)</sup> [http://ec.europa.eu/transport/modes/air/single\\_european\\_sky/ses2plus\\_en.htm](http://ec.europa.eu/transport/modes/air/single_european_sky/ses2plus_en.htm)

In March, a regulation on bus and coach passenger rights<sup>(68)</sup> became applicable, providing bus and coach travellers throughout the EU with very similar new rights. The regulation also imposes a number of obligations on bus and coach companies and terminal managers concerning their responsibility towards passengers.

Also in March, the Commission proposed a revision<sup>(69)</sup> of legislation on air passengers' rights. The revision aims at ensuring better application of passenger rights by clarifying the rights in case of denied boarding, long delays of flights or cancellations. The Commission then adopted a communication<sup>(70)</sup> on passenger protection in the event of airline insolvency. It lists the measures that Member States may take and that are liable to enhance the protection of passengers in case an airline goes bankrupt. It also points out that passengers with stand-alone air tickets, although not covered by the package travel directive, enjoy rights pursuant to air passenger rights legislation.

### **Getting well informed before setting out on a trip**

Research shows that two thirds of passengers are not aware of their rights. Therefore, in June, the Commission launched a new campaign to inform the many people gearing up to travel during the summer about their passenger rights, and how to exercise them if needed. In addition, a mobile app is available covering all transport modes. The app is available in 22 EU languages. For each potential problem, the app explains the passenger's rights and provides information on whom to contact in order to complain.

[PHOTO 042]

### **Road safety**

As vehicle checks are fundamental to road safety, the Commission in July 2012 proposed the roadworthiness package<sup>(71)</sup>, a set of new rules to toughen up the testing regime, to widen its scope and to increase the frequency of testing. The new legislation is designed to improve the quality of vehicle tests, including for scooters and motorbikes, by setting common minimum standards for deficiencies, equipment and inspectors and clamping down on mileage fraud with registered mileage readings.

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<sup>(68)</sup> Regulation (EU) No 181/2011 concerning the rights of passengers in bus and coach transport (OJ L 55, 28.2.2011).

<sup>(69)</sup> Proposal for a regulation amending Regulation (EC) No 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights and Regulation (EC) No 2027/97 on air carrier liability in respect of the carriage of passengers and their baggage by air (COM(2013) 130).

<sup>(70)</sup> Commission communication — Passenger protection in the event of airline insolvency (COM(2013) 129).

<sup>(71)</sup> Proposal for a regulation on periodic roadworthiness tests (COM(2012) 380).  
Proposal for a regulation on technical roadside inspections (COM(2012) 382).  
Proposal for a directive amending Directive 1999/37/EC on registration documents for vehicles (COM(2012) 381).

In June, the Commission adopted two proposals <sup>(72)</sup> to ensure that, by October 2015, new cars will automatically call emergency services in case of a serious crash. The eCall system automatically dials 112 — Europe's single emergency number — in the event of a serious accident. It communicates the vehicle's location to emergency services, even if the driver is unconscious or unable to make a phone call. It is estimated that it could save up to 2 500 lives a year. At a cost of less than €100 per car, eCall would speed up emergency response times by 40 % in urban areas and by 50 % in the countryside.

[PHOTO 043]

Since January 2013, all new driving licences issued across the EU have been in the form of a plastic 'credit card', with a standard European format and tougher security protection. The new European licence will progressively replace the more than 100 different paper and plastic models currently in use by more than 300 million drivers across the EU.

[PHOTO 044]

### **Clean transport**

Much of today's air pollution is caused by petrol and diesel used by motor vehicles. Less pollution, less dependence on oil and fulfilling greenhouse gas reduction targets can only be achieved with alternative fuels. This is why, in January, the Commission proposed the clean power for transport package <sup>(73)</sup> to ensure the development of alternative fuel stations across Europe. The proposals aim to break a vicious circle: refuelling stations are not being built because there are not enough vehicles; vehicles are not sold at competitive prices because there is not enough demand; consumers do not buy the vehicles because they are expensive and the stations do not exist. The communication proposed targets in Member States for a minimum level of infrastructure for clean fuels such as electricity, hydrogen and natural gas, as well as common EU-wide standards for equipment needed to allow driving across the continent in 'alternative' vehicles.

In line with new European legislation (called the 'Euro VI' norm) <sup>(74)</sup>, effective from the beginning of 2013, nitrogen oxides and dust emitted from new types of trucks and buses will be lowered. There will be a reduction of 80 % in emissions of nitrogen oxides and 66 % in particulate matters. In addition to health and the environment, the new legislation will also have a positive impact on industry: the legislation introduces worldwide harmonised test procedures and standards which should help boost European automotive industry exports.

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<sup>(72)</sup> Proposal for a decision on the deployment of the interoperable EU-wide eCall (COM(2013) 315).

Proposal for a regulation concerning type-approval requirements for the deployment of the eCall in-vehicle system (COM(2013) 316).

<sup>(73)</sup> [http://ec.europa.eu/transport/themes/urban/cpt/index\\_en.htm](http://ec.europa.eu/transport/themes/urban/cpt/index_en.htm)

<sup>(74)</sup> Regulation (EU) No 582/2011 of 25 May 2011 implementing and amending Regulation (EC) No 595/2009 with respect to emissions from heavy duty vehicles (Euro VI) (OJ L 167, 25.6.2011).



The new recreational craft directive <sup>(75)</sup>, approved by the Parliament in October 2013, will reduce new boats' annual emissions of nitrogen oxides and hydrocarbons by 20 % and emissions of particulate matters by 34 %. This is valid for several million motor boats, sailing boats, jet skis and other recreational craft that navigate the European shores, lakes and rivers. In summer, concentrations of nitrogen oxides from recreational craft can be significant in water tourist resorts.

[PHOTO 045]

## **Climate action**

### **Green Paper on a 2030 framework for climate and energy policies**

In March, the Commission published a Green Paper to launch a debate on EU climate and energy policies up to 2030 <sup>(76)</sup>. The Green Paper raised a range of issues for consideration and served as the document of reference for a 3-month public consultation which attracted 560 responses from stakeholders, Member States and individuals.

The European Council welcomed the Green Paper at its meeting on 22 May, and said it would return to the issue at its meeting in spring 2014 after the Commission comes forward with more concrete proposals. The Commission intends to do so in January 2014.

### **EU strategy on adaptation to climate change**

The strategy's overall objective is to make the EU more resilient to the inevitable impacts of climate change by anticipating and adapting to them. Adaptation to climate change needs to go hand in hand with continued reductions in greenhouse gas emissions. The adaptation strategy <sup>(77)</sup> was presented by the Commission in April and was welcomed by the Council in June.

[PHOTO 037]

The strategy has three key goals:

- promoting action by Member States;
- climate-proofing EU-level policies and spending by taking into account adaptation needs;
- improving decision-making related to adaptation.

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<sup>(75)</sup> Proposal for a directive on recreational craft and personal watercraft (COM(2011) 456).

<sup>(76)</sup> Commission Green Paper — A 2030 framework for climate and energy policies (COM(2013) 169).

<sup>(77)</sup> Commission communication — An EU strategy on adaptation to climate change (COM(2013) 216).

## **Progress in cutting greenhouse gas emissions**

Reports published by the Commission <sup>(78)</sup> and the European Environment Agency <sup>(79)</sup> in October showed the EU succeeded in cutting its greenhouse gas emissions by 17 % between 1990 and 2011 even as the economy grew by 45 % over that period. Estimates for 2012 indicate the reduction since 1990 improved to 18 %.

With the help of the 2009 climate and energy package of legislation <sup>(80)</sup>, the Union is well on track to achieve its Europe 2020 headline target of a 20 % emissions reduction. Member States' latest projections show that total emissions in 2020 will actually be 21 % below 1990 levels.

## **Greenhouse gas emissions from aviation**

In October 2013, years of pressure by the EU paid off when the Assembly of the International Civil Aviation Organisation (ICAO) agreed to develop a global market-based mechanism to address international aviation emissions. The measure will be developed by 2016 and applied by 2020.

In response to this positive result, and to give further momentum to the global discussions, the Commission rapidly presented a proposal <sup>(81)</sup> to amend the scope of the EU Emissions Trading System's application to aviation emissions. The Commission proposes that only the part of a flight that takes place in the regional airspace of the 31 European Economic Area (EEA) countries would be covered by the system. The change would apply from the beginning of 2014 until the global market-based mechanism enters into force.

## **CO<sub>2</sub> emissions from road vehicles**

Following trilogue agreements with the Parliament, the Council approved legislation setting the modalities for reaching the 2020 limits on carbon dioxide (CO<sub>2</sub>) emissions from new cars and vans, as well as confirming the 2020 limit for vans. For new cars the CO<sub>2</sub> limit will fall to 95 g/km from 130 g/km in 2015. In 2020, 95 % of new cars will have to meet the limit, and from 2021 all new cars will have to do so. For vans the limit will drop from 175 g/km in 2017 to 147 g/km in 2020. For both cars and vans the limit is averaged across the entire new vehicle fleet.

The trilogue agreements still require confirmation by a plenary session of the Parliament in early 2014.

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<sup>(78)</sup> Commission report — Progress towards achieving the Kyoto and EU 2020 objectives (COM(2013) 698).

<sup>(79)</sup> European Environment Agency report — Trends and projections in Europe 2013 — Tracking progress towards Europe's climate and energy targets until 2020 (<http://www.eea.europa.eu/publications/trends-and-projections-2013>).

<sup>(80)</sup> [http://ec.europa.eu/clima/policies/package/documentation\\_en.htm](http://ec.europa.eu/clima/policies/package/documentation_en.htm)

<sup>(81)</sup> Proposal for a directive amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in view of the implementation by 2020 of an international agreement applying a single global market-based measure to international aviation emissions (COM(2013) 722).

## **Maritime emissions**

In June, the Commission proposed legislation to establish a system of monitoring and reporting of carbon dioxide emissions from the shipping industry<sup>(82)</sup>. The proposal targets large ships using EU ports. It represents the first of the three steps in a strategy for reducing emissions from the sector that the Commission set out in a communication<sup>(83)</sup> also adopted in June. The EU monitoring and reporting system, which would start in 2018, is designed to be a building block for a global system to address shipping emissions through the International Maritime Organisation.

## **EU emissions trading**

In December, the Parliament and Council approved an amendment to the EU emissions trading directive<sup>(84)</sup> clarifying that the timing of auctions of emission allowances may be changed to ensure the orderly functioning of the carbon market. The amendment opens the way for the Commission to postpone the auctioning of 900 million allowances until towards the end of this decade. This ‘backloading’ initiative is intended to help reduce the impact of the surplus of allowances in the EU emissions trading system.

## **Support for the low-carbon economy from EU cohesion policy**

The reform of cohesion policy agreed in December will require for the first time that all EU regions devote a minimum percentage of the funds available during 2014–20 for the low-carbon economy (20 % of available funds in more developed regions, 15 % in transition regions and 12 % in less developed regions). This will ensure a minimum investment of at least €23 billion for 2014–20 from the European Regional Development Fund, while additional investments through the Cohesion Fund will further support the shift towards a low-carbon economy.

## **Energy**

### **Consumer rights**

Gas and electricity price rises are a cause for concern and need deep analysis. The Commission has undertaken a study on energy prices and costs. This will analyse the composition of energy prices for household and industrial consumers in the EU, the energy costs in industry and in households, and price developments in the EU vis-à-vis price developments in other major economies.

With a view to improving consumers’ awareness of their rights and thereby increasing their active role in the energy market, the Commission’s services prepared a reader-

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<sup>(82)</sup> Proposal for a regulation on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport (COM(2013) 480).

<sup>(83)</sup> Commission communication — Integrating maritime transport emissions in the EU’s greenhouse gas reduction policies (COM(2013) 479).

<sup>(84)</sup> Proposal for a directive establishing a scheme for greenhouse gas emission allowance trading within the Community, in view of the implementation by 2020 of an international agreement applying a single global market-based measure to international aviation emissions (COM(2013) 722).

friendly list of European energy consumers' rights. This list includes consumer-protection provisions as specified in the electricity <sup>(85)</sup> and gas <sup>(86)</sup> directives, the energy efficiency directive <sup>(87)</sup> and the energy performance of buildings directive <sup>(88)</sup>.

The Vulnerable Consumer Working Group, organised under the auspices of the Citizens' Energy Forum <sup>(89)</sup>, finalised a guidance report that addresses the legislative requirements of the electricity and gas directives for defining the concept of vulnerable customers and addressing energy poverty where identified. The main drivers of vulnerability and examples of Member State instruments and practices are provided with the aim of sharing information and practices between Member States to mitigate the risk of energy poverty and vulnerability in the energy sector.

### **Ecodesign and energy labelling**

The main priority of the working plan 2012–14 under the ecodesign directive <sup>(90)</sup> was to clear the backlog of 29 measures from earlier work programmes under the previous directive <sup>(91)</sup>. During 2012 and 2013, 24 ecodesign and energy labelling measures and an ecodesign guidance document were finalised. The total savings generated by the regulations already adopted are estimated at 760.5 TWh per year by 2020. With the rebound effects and overlaps with other legislation factored in, these measures have contributed to around one third of the Europe 2020 target.

[PHOTO 038]

### **May 2013 European Council**

The strategic debate on energy held at the May European Council highlighted the five priorities for Member States and the Commission in the area of energy policy: the single energy market, investments, diversification of energy sources, energy efficiency and competitiveness.

The Heads of State or Government reaffirmed their commitment to delivering a true single European energy market by 2014 and stated that no country should be left unconnected to the common grid by 2015. The leaders pointed out in particular that significant investment in a new and intelligent energy infrastructure is needed to secure the uninterrupted supply of energy at affordable prices. It is also vital for jobs and sustainable growth and will further help enhance competitiveness.

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<sup>(85)</sup> Directive 2009/72/EC concerning common rules for the internal market in electricity (OJ L 211, 14.8.2009).

<sup>(86)</sup> Directive 2009/73/EC concerning common rules for the internal market in natural gas (OJ L 211, 14.8.2009).

<sup>(87)</sup> Directive 2012/27/EU on energy efficiency (OJ L 315, 14.11.2012).

<sup>(88)</sup> Directive 2010/31/EU on the energy performance of buildings (OJ L 153, 18.6.2010).

<sup>(89)</sup> [http://ec.europa.eu/energy/gas\\_electricity/forum\\_citizen\\_energy\\_en.htm](http://ec.europa.eu/energy/gas_electricity/forum_citizen_energy_en.htm)

<sup>(90)</sup> Directive 2009/125/EC establishing a framework for the setting of ecodesign requirements for energy-related products (OJ L 285, 31.10.2009).

<sup>(91)</sup> Directive 2005/32/EC establishing a framework for the setting of ecodesign requirements for energy-related products (OJ L 191, 22.7.2005).

In the summit conclusions, the leaders outline that it remains crucial to further intensify the diversification of Europe's energy supply and to develop indigenous resources to ensure security of supply, reduce the EU's external energy dependency and stimulate economic growth.

[PHOTO 039]

### **Nuclear safety**

The comprehensive and transparent risk and safety assessments (stress tests) of EU nuclear plants, which were launched by the Commission and the European Nuclear Safety Regulators Group (Ensreg) just after the Fukushima nuclear accident in March 2012, confirmed that the standards of safety of nuclear power plants in Europe are generally high. Nevertheless, the stress tests have revealed that further improvements in nuclear safety in the EU are needed. National nuclear safety regulators have set up national action plans for the implementation of the necessary actions and the Commission is closely following the progress made.

Following the Fukushima nuclear accident in Japan, the European Council mandated the Commission to review the existing legal and regulatory framework for the safety of nuclear installations. The Commission made a proposal for a revised nuclear safety directive in October 2013 <sup>(92)</sup>, the overall legislative objective of which is to maintain and promote the continuous improvement of nuclear safety and its regulation at EU level. Since the adoption of the first basic safety standards directive more than 50 years ago, a significant body of EU legislation on radiation protection has been built up and regularly updated. Following the Commission's proposal in 2012 <sup>(93)</sup>, the new basic safety standards directive is now close to being adopted by the Council. The directive offers better protection for workers and the public as well as for patients and strengthened requirements on emergency preparedness and response.

The Commission aims to further enhance its cooperation with the International Atomic Energy Agency (IAEA). To this end, in September 2013 the Commission signed a memorandum of understanding (MoU) on nuclear safety with the IAEA, creating an enhanced framework for extensive cooperation and further synergies, and avoiding the duplication of effort. The MoU also highlights the need to improve the visibility of the actions financed by the EU or implemented with substantial technical assistance.

### **Offshore safety**

The directive on safety of offshore oil and gas operations <sup>(94)</sup> establishes minimum requirements for preventing major accidents and limiting their consequences. The new rules will make sure that the highest safety standards are followed at every offshore oil and gas platform operated pursuant to the licence granted by the Member State. It will

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<sup>(92)</sup> Proposal for a directive amending Directive 2009/71/Euratom establishing a Community framework for the nuclear safety of nuclear installations (COM(2013) 715).

<sup>(93)</sup> Proposal for a directive laying down basic safety standards for protection against the dangers arising from exposure to ionising radiation (COM(2012) 242).

<sup>(94)</sup> Directive 2013/30/EU on safety of offshore oil and gas operations (OJ L 178, 28.6.2013).

also ensure that there is an effective and prompt reaction should an accident occur. This would help minimise the possible damage to the environment and the livelihoods of coastal communities. Member States must transfer the directive into national law by July 2015.

## **Environment**

The seventh environment action programme, ‘Living well, within the limits of our planet’, will guide environment policy up to 2020. The proposal<sup>(95)</sup>, adopted by the Parliament and the Council in November, aims to enhance Europe’s ecological resilience and transform the EU into an inclusive and sustainable green economy. Protecting and enhancing natural capital, encouraging more resource efficiency and accelerating the transition to the low-carbon economy are key features of the programme, which also seeks to tackle environmental causes of disease. The results should help stimulate sustainable growth and create new jobs to set the Union on a path to becoming a better and healthier place to live.

### **Bathing water report**

Europe’s bathing waters continue to improve. Some 94 % of bathing sites in the European Union meet minimum standards for water quality, according to the European Environment Agency’s 2013 edition of the annual report on bathing water quality in Europe<sup>(96)</sup>. Water quality is excellent at 78 % of sites, with 2 % more sites meeting the minimum requirements compared to the 2012 report. Cyprus and Luxembourg stand out, with all listed bathing sites achieving excellent water quality. Eight other countries have excellent quality values above the EU average: Malta (97 %), Croatia (95 %), Greece (93 %), Germany (88 %), Portugal (87 %), Italy (85 %), Finland (83 %) and Spain (83 %). This is an improvement on 2012’s results and follows a positive trend since monitoring began in 1990. Quality is now monitored under the updated bathing water directive<sup>(97)</sup>.

### **Plastic bags**

In some Member States, citizens use 500 single-use plastic bags each year; in others they use four. In November, the Commission proposed an obligation for all Member States to reduce their consumption of lightweight plastic bags<sup>(98)</sup>, giving them a free choice of the measures they use.

[PHOTO 040]

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<sup>(95)</sup> Proposal for a decision on a general Union environment action programme to 2020 — ‘Living well, within the limits of our planet’ (COM(2012) 710).

<sup>(96)</sup> Available at: <http://www.eea.europa.eu/publications/european-bathing-water-quality-2012>

<sup>(97)</sup> Directive 2006/7/EC concerning the management of bathing water quality (OJ L 64, 4.3.2006).

<sup>(98)</sup> Proposal for a directive amending Directive 94/62/EC on packaging and packaging waste to reduce the consumption of lightweight plastic carrier bags (COM(2013) 761).

## **Sustainable timbering**

The timber regulation <sup>(99)</sup> became applicable in March 2013, meaning all timber on the EU market has to be legally sourced. The new law affects both imported and domestically produced timber and timber products, and covers a range of products, from paper and pulp to solid wood and flooring. The aim is to put in place procedures to minimise the risk of illegal wood being traded.

## **Invasive alien species**

In September 2013, the Commission proposed legislation to tackle the issue of invasive alien species (IAS) in the EU <sup>(100)</sup>. IAS are species that have moved out of their natural range as a result of human action, reproducing and spreading with negative consequences for the environment, the economy and society. They are now the second most important cause of biodiversity loss in Europe, after habitat loss. Managing the problem in the EU currently costs at least €12 billion per year.

## **Ecolabel**

The European Ecolabel, a voluntary scheme with a distinctive flower label that promotes products and services that are kinder to the environment, was extended to cover bathroom taps and showerheads <sup>(101)</sup>, flushing toilets and urinals <sup>(102)</sup> and imaging equipment such as photocopiers <sup>(103)</sup>.

Photo XX

## **Air quality**

EU policy has brought substantial improvements to air quality in recent decades. Despite these advances, air pollution remains the principal environmental cause of ill health in the EU, and poor air quality is still having negative effects on many natural areas. In December, the Commission proposed a new air strategy <sup>(104)</sup>, with an agenda for further EU action. The strategy was accompanied by a legislative proposal for a revised national emission ceilings directive <sup>(105)</sup> and a proposal for a directive <sup>(106)</sup> which will, for the first

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- <sup>(99)</sup> Regulation (EU) No 995/2010 laying down the obligations of operators who place timber and timber products on the market (OJ L 295, 12.11.2010).
- <sup>(100)</sup> Proposal for a regulation on the prevention and management of the introduction and spread of invasive alien species (COM(2013) 620).
- <sup>(101)</sup> Decision 2013/250/EU establishing the ecological criteria for the award of the EU Ecolabel for sanitary tapware (OJ L 145, 31.5.2013).
- <sup>(102)</sup> Decision 2013/641/EU establishing the ecological criteria for the award of the EU Ecolabel for flushing toilets and urinals (OJ L 299, 9.11.2013).
- <sup>(103)</sup> Decision 2013/806/EU establishing the ecological criteria for the award of the EU Ecolabel for imaging equipment (OJ L 353, 28.12.2013).
- <sup>(104)</sup> Commission communication — A clean air programme for Europe (COM(2013) 918).
- <sup>(105)</sup> Proposal for a directive on the reduction of national emissions of certain atmospheric pollutants (COM(2013) 920).
- <sup>(106)</sup> Proposal for a directive on the limitation of emissions of certain pollutants into the air from medium combustion plants (COM(2013) 919).

time, control emissions from medium-sized combustion plants and help achieve the necessary emissions reductions. The strategy also contains non-regulatory support measures to enhance capacity and cooperation at all political levels, with priority areas including urban air pollution, research and innovation, and the international dimension of air policy.

[PHOTO 041]

## **Intellectual and industrial property rights**

### **Trade marks**

In March, the Commission presented a package of initiatives<sup>107</sup> to make trade mark registration systems all over the EU cheaper, quicker, more reliable and more predictable. The proposed reform would improve conditions for businesses to innovate and to benefit from more effective trade mark protection against counterfeits, including fake goods in transit through the EU's territory.

### **Patents**

In December 2012, the regulations creating unitary patent protection in the EU were adopted in enhanced cooperation between 25 Member States (all Member States except Italy and Spain)<sup>108</sup>. An international agreement among the Member States setting up a Unified Patent Court (the 'UPC agreement') was signed in February 2013. In order for the UPC agreement to enter into force and for the regulations to apply, the agreement must be ratified by at least 13 Member States, including the three Member States that had the highest number of European patents. An amendment of Regulation (EC) No 1215/2012<sup>(109)</sup> on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters is also necessary in order to allow the entry into force of the UPC agreement and to ensure coherence between both instruments. The Commission proposed the necessary amendments in July 2013<sup>(110)</sup>. The Council reached agreement on them in December and the European Parliament's is expected for March 2014. With the whole system in place, it will be possible to obtain a European patent with unitary effect — a legal title ensuring uniform protection for an invention across 25 Member States — on a one-stop-shop basis, providing cost advantages and reducing administrative burdens.

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<sup>107</sup> [http://ec.europa.eu/internal\\_market/indprop/tm/index\\_en.htm](http://ec.europa.eu/internal_market/indprop/tm/index_en.htm)

<sup>108</sup> See [http://ec.europa.eu/internal\\_market/indprop/patent/documents/index\\_en.htm](http://ec.europa.eu/internal_market/indprop/patent/documents/index_en.htm)

<sup>(109)</sup> Regulation (EC) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ L 351, 20.12.2012).

<sup>(110)</sup> Proposal for a regulation amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (COM(2013) 554).



## **Trade secrets**

There are substantial differences in the laws in place in EU countries on the protection of undisclosed know-how and business information (trade secrets). Some countries have no specific laws on the issue. Businesses find it difficult to understand and access the systems of other Member States and, when they become victims of misappropriation of confidential know-how, they are reluctant to bring civil court proceedings as they are not sure the confidentiality of their trade secrets will be upheld by the courts. The current fragmented system has a negative effect on cross-border cooperation between business and research partners and is a key obstacle to using the EU single market as an enabler of innovation and economic growth.

That is why, in December 2013, the Commission proposed new rules on the protection of trade secrets against their unlawful acquisition, use and disclosure<sup>(11)</sup>. The draft directive introduces a common definition of trade secrets, as well as means through which victims of trade-secret misappropriation can obtain redress. It will make it easier for national courts to deal with the misappropriation of confidential business information and remove from the market products that infringe trade secrets, and make it easier for victims to receive damages for illegal actions.

## **Fair competition in the single market**

Competition policy can help the EU to overcome sluggish economic performance and boost sustainable growth. It promotes innovation, makes sure that every economic actor plays by the same rules, and keeps markets open and contestable. It not only benefits consumers but also preserves a level playing field for every company that does business in the EU. Specifically, the Commission fights anticompetitive behaviour such as cartels and abuses of a dominant position, reviews mergers and state aid and encourages liberalisation.

Companies in cartels that control prices or divide up markets are protected from competitive pressure to launch new products, improve quality and keep prices down. Consumers end up paying more for lower quality. If a major player in a market abuses its dominant position to squeeze its competitors out of the market, competition may be eliminated because of its actions, resulting in higher prices or reduced choice for consumers.

The Commission also has the duty to review state aid in order to prevent governments from spending public money to support local industries or individual companies, thereby giving them an unfair advantage and damaging competition and distorting trade.

Mergers may allow companies to develop new products more efficiently or reduce production or distribution costs. Through increased efficiency the market becomes more competitive, and consumers benefit from better goods at fairer prices. But some mergers may reduce competition, for example by creating or strengthening a dominant player.

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<sup>(11)</sup> Proposal for a directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (COM(2013) 813).

This is likely to harm consumers through higher prices, reduced choice or less innovation.

### **Antitrust policy**

The Commission has proposed a directive on how citizens and companies can claim damages when they are victims of infringements of the EU antitrust rules<sup>(112)</sup>. The proposal is designed to remove procedural obstacles that prevent all those that have suffered damage in Europe from obtaining compensation for losses caused by anticompetitive behaviour. It proposes clarity on what types of damages can be claimed and who can claim them, making it more difficult for infringers to keep crucial evidence from the court, clarifying the deadline for bringing compensation claims and simplifying the way the amount of damages is calculated.

In 2013, the Commission adopted eight antitrust decisions.

- The Commission fined Telefónica and Portugal Telecom a total of €79 million for agreeing not to compete in the Iberian telecommunications market between September 2010 and February 2011<sup>(113)</sup>.
- The Commission imposed a €561 million fine on Microsoft for failing to comply with its commitments to offer Windows users a choice of web browser with its Windows 7 Service Pack 1, from May 2011 until July 2012<sup>(114)</sup>.
- Legally binding commitments by CEZ, the Czech electricity incumbent, to address concerns that it was abusing its dominant market position by reserving capacity in the transmission network in order to prevent competitors from entering the market<sup>(115)</sup>. In response, CEZ offered to divest significant generation capacity, which the Commission has accepted.
- Legally binding commitments from Star Alliance members Air Canada, United Airlines and Lufthansa to alleviate concerns that the parties' cooperation under a revenue-sharing joint venture may be in breach of EU antitrust rules and harming premium passengers on the Frankfurt to New York route<sup>(116)</sup>. The parties have offered to make slots available at Frankfurt and New York airports and to enter into agreements with competitors, allowing them to offer more attractive services.
- The Commission has accepted commitments given by Penguin to address the concerns it had that the company was engaged in anticompetitive practices aimed at limiting retail price competition for e-books in the European Economic Area

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<sup>(112)</sup> Proposal for a directive on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union (COM(2013) 404).

<sup>(113)</sup> [http://europa.eu/rapid/press-release\\_IP-13-39\\_en.htm](http://europa.eu/rapid/press-release_IP-13-39_en.htm)

<sup>(114)</sup> [http://europa.eu/rapid/press-release\\_IP-13-196\\_en.htm](http://europa.eu/rapid/press-release_IP-13-196_en.htm)

<sup>(115)</sup> [http://europa.eu/rapid/press-release\\_IP-13-320\\_en.htm](http://europa.eu/rapid/press-release_IP-13-320_en.htm)

<sup>(116)</sup> [http://europa.eu/rapid/press-release\\_IP-13-456\\_en.htm](http://europa.eu/rapid/press-release_IP-13-456_en.htm)

(EEA), completing commitments already offered in 2012 by four other publishers and Apple <sup>(117)</sup>.

- The Commission fined the Danish pharmaceutical company Lundbeck and several producers of generic medicine a total of €146 005 000 for having agreed to delay the market entry of cheaper generic versions of Lundbeck's brand Citalopram, a blockbuster antidepressant <sup>(118)</sup>.
- In the same vein, in December the Commission imposed fines of €10 798 000 on the US pharmaceutical company Johnson & Johnson and €5 493 000 on Novartis of Switzerland for having delayed the entry onto the market of a generic version of a powerful pain killer, Fentanyl <sup>(119)</sup>.
- The Commission accepted the commitments offered by the German railway incumbent Deutsche Bahn regarding its pricing system for traction current in Germany and made them legally binding <sup>(120)</sup>. Traction current is the electricity used to power locomotives.

The Commission also issued statements of objections in antitrust cases in 2013 to Motorola Mobility concerning its potential misuse of mobile phone standard-essential patents <sup>(121)</sup>; and to Romanian power exchange operator OPCOM about its practice of requiring electricity spot-market participants to hold a Romanian VAT registration <sup>(122)</sup>. The Commission sent statements of objections to 13 investment banks, the International Swaps and Derivatives Association (ISDA) and Markit in a credit default swaps investigation concerning possible collusion to prevent exchanges from entering the credit derivatives business <sup>(123)</sup>. A statement of objections was also sent to Altstoff Recycling Austria AG regarding possible abuse of its dominant position on the markets for the management of packaging waste in Austria <sup>(124)</sup>.

The Commission market tested commitments from Visa Europe relating to multilateral interchange fees (MIFs) for transactions with consumer credit cards in the EEA <sup>(125)</sup>. Other market tests of commitments were carried out in the Deutsche Bahn <sup>(126)</sup>, Google <sup>(127)</sup> and Samsung <sup>(128)</sup> cases.

The Commission opened three formal antitrust proceedings in 2013: AB Lietuvos geležinkeliai (the Lithuanian rail incumbent) <sup>(129)</sup>, MasterCard <sup>(130)</sup> and Bulgarian Energy

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<sup>(117)</sup> [http://europa.eu/rapid/press-release\\_IP-13-746\\_en.htm](http://europa.eu/rapid/press-release_IP-13-746_en.htm)

<sup>(118)</sup> [http://europa.eu/rapid/press-release\\_IP-13-563\\_en.htm](http://europa.eu/rapid/press-release_IP-13-563_en.htm)

<sup>(119)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1233\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1233_en.htm)

<sup>(120)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1289\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-13-1289_en.htm?locale=en)

<sup>(121)</sup> [http://europa.eu/rapid/press-release\\_IP-13-406\\_en.htm](http://europa.eu/rapid/press-release_IP-13-406_en.htm)

<sup>(122)</sup> [http://europa.eu/rapid/press-release\\_IP-13-486\\_en.htm](http://europa.eu/rapid/press-release_IP-13-486_en.htm)

<sup>(123)</sup> [http://europa.eu/rapid/press-release\\_IP-13-630\\_en.htm](http://europa.eu/rapid/press-release_IP-13-630_en.htm)

<sup>(124)</sup> [http://europa.eu/rapid/press-release\\_IP-13-711\\_en.htm](http://europa.eu/rapid/press-release_IP-13-711_en.htm)

<sup>(125)</sup> [http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=1\\_39398](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=1_39398)

<sup>(126)</sup> [http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=1\\_39678](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=1_39678)

<sup>(127)</sup> [http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=1\\_39740](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=1_39740)

<sup>(128)</sup> [http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=1\\_39939](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=1_39939)

<sup>(129)</sup> [http://europa.eu/rapid/press-release\\_IP-13-197\\_en.htm](http://europa.eu/rapid/press-release_IP-13-197_en.htm)

<sup>(130)</sup> [http://europa.eu/rapid/press-release\\_IP-13-314\\_en.htm](http://europa.eu/rapid/press-release_IP-13-314_en.htm)

Holding <sup>(131)</sup>. A cartel investigation was also opened to investigate whether several container shipping companies have engaged in concerted practices <sup>(132)</sup>.

[PHOTO 023]

## Cartels

The Commission issued three decisions on cartels.

- In July, the Commission fined several automotive suppliers a total of €141 791 000 for operating five cartels for the supply of wire harnesses to Toyota, Honda, Nissan and Renault <sup>(133)</sup>. Wire harnesses conduct electricity in cars, for instance to start the motor, to open windows or to switch the air conditioner on.
- In December, in the framework of the LIBOR/EURIBOR case, the Commission fined eight international financial institutions a total of €1 712 468 000 for participating in illegal cartels in markets for financial derivatives. Four of these institutions participated in a cartel relating to interest rate derivatives denominated in euros. Six participated in one or more bilateral cartels relating to interest rate derivatives denominated in Japanese yen. Both decisions were adopted under the Commission's cartel settlement procedure; the companies' fines were reduced by 10 % for agreeing to settle.
- Also in December, four European North Sea shrimp traders were fined a total of €28 716 000 for operating a cartel <sup>(134)</sup>.

The Commission sent two statements of objections to companies suspected of involvement in cartels in the synthetic rubber <sup>(135)</sup> and smart card chip <sup>(136)</sup> sectors, and also made unannounced inspections in 2013 in the biofuel <sup>(137)</sup> and sugar <sup>(138)</sup> industries and online distribution of consumer electronic products and small domestic appliances.

## Mergers

In early December, the Commission adopted a package <sup>(139)</sup> to simplify its procedures for reviewing concentrations under the EU merger regulation <sup>(140)</sup>. The package widens the scope of its simplified procedure to review unproblematic mergers, bringing the total ratio of cases treated under this procedure to 60–70 %. The amount of information required for notifying transactions in all cases is also reduced, bringing significant

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<sup>(131)</sup> [http://europa.eu/rapid/press-release\\_IP-13-656\\_en.htm](http://europa.eu/rapid/press-release_IP-13-656_en.htm)

<sup>(132)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1144\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1144_en.htm)

<sup>(133)</sup> [http://europa.eu/rapid/press-release\\_IP-13-673\\_en.htm](http://europa.eu/rapid/press-release_IP-13-673_en.htm)

<sup>(134)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1175\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1175_en.htm)

<sup>(135)</sup> [http://europa.eu/rapid/press-release\\_IP-13-179\\_en.htm](http://europa.eu/rapid/press-release_IP-13-179_en.htm)

<sup>(136)</sup> [http://europa.eu/rapid/press-release\\_IP-13-346\\_en.htm](http://europa.eu/rapid/press-release_IP-13-346_en.htm)

<sup>(137)</sup> [http://europa.eu/rapid/press-release\\_MEMO-13-435\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-435_en.htm)

<sup>(138)</sup> [http://europa.eu/rapid/press-release\\_MEMO-13-443\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-443_en.htm)

<sup>(139)</sup> [http://europa.eu/rapid/press-release\\_IP-13-1214\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1214_en.htm)

<sup>(140)</sup> Regulation (EC) No 139/2004 on the control of concentrations between undertakings (OJ L 24, 29.1.2004).

benefits for businesses and advisers in terms of preparatory work and related costs. This initiative is a concrete step towards the goals of the Commission's REFIT programme to make rules and procedures less burdensome for businesses.

During 2013, 257 mergers were notified to the Commission and 217 cases were cleared unconditionally<sup>(141)</sup>. Ten mergers were cleared with commitments in phase 1 and a further two with commitments in phase II. The Commission prohibited two mergers: UPS/TNT<sup>(142)</sup> and Ryanair/Aer Lingus<sup>(143)</sup>.

Mergers which were cleared unconditionally in first phase investigation included, amongst others: the acquisition of Invensys's railway signalling division by Siemens; the creation of Penguin Random House, combining parts of the publishing businesses of Bertelsmann and Pearson; the acquisition by Intercontinental Exchange of the stock exchange NYSE Euronext; and the acquisition by Vodafone of the biggest German cable network, Kabel Deutschland. Two cases were cleared without conditions after a second phase investigation: Olympic/Aegean and Nynas/Shell/Harburg refinery, both relying on a failing-firm analysis.

Examples of mergers cleared conditionally include: the acquisition of Belgian potato processor Lutosa by McCain, subject to the divestment of Lutosa's branded retail business in the EEA (which would have reduced competition on the Belgian retail market for French fries); the merger of Munksjö and Ahlstrom's label and processing paper business, subject to certain commitments by the parties; and the acquisition of the Italian aviation equipment company Avio by General Electric, raising the concern that General Electric could have been able to block export sales of the Eurofighter and authorised under commitments to ensure that General Electric will not have access to strategic information of the Eurojet consortium so that the Eurofighter can continue to participate in future campaigns for export sales.

The two prohibitions in 2013 concerned UPS's proposed acquisition of TNT Express, prohibited on the grounds that the takeover would have restricted competition in 15 Member States by reducing the number of significant players in the market for express delivery of small packages to two or three, and Ryanair's proposed takeover of Aer Lingus, which would have combined the two leading airlines operating from Ireland, with overlaps on more than 40 routes.

## State aid

In 2013, the Commission made progress on the state aid modernisation initiative<sup>(144)</sup>, announced in 2012, to review and consolidate the current state aid rules. State aid rules will be simpler and leave greater room for aid measures without prior notification to the Commission. The aim is to improve the focus of enforcement on the cases with the biggest impact. This will be accompanied by improved evaluation and control of

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<sup>(141)</sup> As of the end of November 2013.

<sup>(142)</sup> [http://europa.eu/rapid/press-release\\_IP-13-68\\_en.htm](http://europa.eu/rapid/press-release_IP-13-68_en.htm)

<sup>(143)</sup> [http://europa.eu/rapid/press-release\\_IP-13-167\\_en.htm](http://europa.eu/rapid/press-release_IP-13-167_en.htm)

<sup>(144)</sup> [http://ec.europa.eu/competition/state\\_aid/modernisation/index\\_en.html](http://ec.europa.eu/competition/state_aid/modernisation/index_en.html)

compliance. As part of the initiative, in December the Commission adopted a revised regulation on small aid amounts that fall outside the scope of EU state aid control because they are deemed to have no impact on competition and trade in the internal market (*de minimis*)<sup>(145)</sup>. It will significantly reduce the administrative burden on companies and Member States.

To accompany the legislative changes that will lead to the banking union, the Commission reformed the special state aid rules for banks in distress that have been used over the past 5 years.

The rules contain three main changes: a burden-sharing requirement whereby banks must bear a larger share of the burden; no state aid in the form of recapitalisation or impaired-asset relief will be approved before the burden sharing takes place and the restructuring plan is approved by the Commission; and a cap on executive pay for all aided banks (see Chapter 2 for further details on banking legislation).

## Customs

The Parliament and the Council formally adopted the new regulation on the customs enforcement of intellectual property rights (IPRs)<sup>(146)</sup>, an important aspect of ensuring that European business is protected from fraudsters, and thereby protecting employment.

The scope of IPRs that can be legitimately controlled and protected at the borders is thereby extended. For example, counterfeit goods sent in small consignments are now covered. This is of major importance since postal and courier packages accounted for around 70 % of customs interventions in 2012. This will keep the EU at the forefront of border enforcement of IPRs, while also simplifying the work of customs. In 2012, EU customs services detained almost 40 million products suspected of violating IPRs. Although this is less than the 2011 figure, the value of the intercepted goods is still high, at nearly €1 billion.

In December, the Parliament and the Council formally adopted the regulations on the monitoring of trade in drug precursors within the EU and between the EU and non-EU countries<sup>(147)</sup> [only one regulation shown in the footnote, whereas this talks about multiple. Please provide info]. This initiative will provide a major contribution to the international efforts against the diversion of drug precursors and, therefore, will be a great achievement in the fight against the manufacturing of illicit drugs. In December the Commission also proposed a framework to harmonise customs infringements and align the 28 national sets of related sanctions<sup>(148)</sup>.

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<sup>(145)</sup> Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013).

<sup>(146)</sup> Regulation (EU) No 608/2013 concerning customs enforcement of intellectual property rights (OJ L 181, 29.6.2013).

<sup>(147)</sup> Regulation (EU) No 1259/2013 amending Regulation (EC) No 111/2005 laying down rules for the monitoring of trade between the Community and third countries in drug precursors (OJ L 330, 10.12.2013).

<sup>(148)</sup> Proposal for a directive on the Union legal framework for customs infringements and sanctions (COM(2013) 884).

### **Union Customs Code in force**

In October, the Parliament and the Council formally adopted the Union Customs Code <sup>(149)</sup>, which will ensure that customs continues its vital work, but in an even more efficient, cost-effective way. The new code will offer greater legal certainty to businesses, and increased clarity for customs officials throughout the EU. It streamlines and simplifies customs rules and procedures, and facilitates more efficient customs transactions in line with modern-day needs.

Among the improvements that will be introduced are measures to complete the shift by customs to a paperless, fully electronic environment and provisions to reinforce swifter customs procedures for reliable traders.

[PHOTO 024]

### **Strategy to step up the fight against the illicit tobacco trade**

In June 2013, the Commission adopted a comprehensive package <sup>(150)</sup> aiming at stepping up the fight against the illicit trade in tobacco products, especially cigarette smuggling. This strategy sets out a number of coordinated measures at national, EU and international level and proposes specific actions in four key areas:

- measures to decrease incentives for smuggling activities;
- measures to improve the security of the supply chain;
- stronger enforcement of customs, police and border authorities; and
- heavier sanctions for smuggling activities.

## **The contribution of trade to economic growth**

Trade has become an important means of achieving growth and creating jobs for the EU's economy. Trade links Europe to the new global growth centres and acts as a source of productivity gains. The contribution of external demand to GDP is currently the EU's most important source of growth, as domestic demand components, both public and private, remain weak. The EU benefits very significantly from globalisation and is well placed to gain even more from growth in trade.

[PHOTO 025]

The core objective of the EU's common trade policy is to maintain and, where necessary, reinvent Europe's place in global supply chains. While manufacturing in the EU remains of pivotal importance, it has to be acknowledged that in many sectors countries are less able to make products on their own. Trade is more and more about adding layers of value, from R & D and design to manufacturing of components, assembly and logistics.

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<sup>(149)</sup> Regulation (EU) No 952/2013 laying down the Union Customs Code.

<sup>(150)</sup> Commission communication — Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products — A comprehensive EU strategy (COM(2013) 324).

In 2013, the EU pursued its ambitious agenda of bilateral trade negotiations in line with the 'global Europe' policy change of 2006. The EU started to negotiate deep and comprehensive free trade agreements with key trade partners such as the United States and Japan.

In October 2013, José Manuel Barroso, President of the Commission, and Stephen Harper, Prime Minister of Canada, reached a political agreement on the key elements of a comprehensive economic and trade agreement. It will be the first free trade agreement between the EU and a G8 country. It will remove over 99 % of tariffs between the two economies and create sizeable new market access opportunities in services and investment. Based on the political agreement, technical negotiations will have to be completed so as to finalise the legal text of the agreement.

In 2012, Canada was the EU's 12th most important trading partner, while the EU is Canada's second-largest trading partner, after the United States. In 2012, the value of bilateral trade in goods between the EU and Canada was €61.8 billion. An economic study jointly released by the EU and Canada before the negotiations showed that a comprehensive trade agreement could increase their bilateral trade by over €25 billion.

#### **Transatlantic trade and investment partnership**

The EU–United States trade relationship is already the biggest in the world. Every day we trade goods and services worth €2 billion, therefore every trade barrier we remove could result in significant economic gains. The transatlantic trade and investment partnership (TTIP) that is presently being negotiated between the EU and the United States aims at removing trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the EU and the United States. On top of cutting tariffs across all sectors, the EU and the United States want to tackle barriers behind the customs border, such as differences in technical regulations, standards and approval procedures. These often cost unnecessary time and money for companies who want to sell their products on both markets.

The EU continued its work in multilateral trade forums such as the World Trade Organisation (WTO) in Geneva, which culminated at the ninth WTO Ministerial Meeting held in Bali, Indonesia, in December 2013.

#### **WTO conference in Bali**

The successful outcome of the WTO conference in Bali is a small but significant step towards the completion of the Doha development agenda (DDA), bringing renewed hope that the world's poorer countries will not be left outside the mainstream of the global economy.

The conference achieved significant success in three areas: it sealed a deal that will make trading around the world much smoother by simplifying customs procedures; it made sure food supplies can be secured for the poorest; and it secured arrangements that will benefit least-developed countries. This provides the basis for furthering the now-stalled DDA.



The trade facilitation agreement alone stands to create an additional €50 billion worth of trade per year worldwide, and will help traders save around €325 billion per year in costs related to red tape at customs. If you compare this to the expected benefit of the TTIP (an additional €119 billion in GDP growth for the EU and €95 billion for the United States), the magnitude of the trade facilitation agreement becomes clearer.

The transitional regulation on Member States' bilateral investment treaties (BITs) <sup>(151)</sup> entered into force in early 2013 and is in the implementation phase. The EU is competent for negotiating investment protection provisions. It will therefore include the latter in its free trade agreements or other international trade agreements and thereby create a 'package' of market access and protection rules that responds in a more adequate manner to the tight linkage between trade and investment created by ever more widespread global value chains.

## Agricultural policy, and fisheries and maritime policies

### **A reformed common agricultural policy for intelligent and green growth in rural areas**

In June, the Parliament, the Council and the Commission reached a political agreement on reforming the common agricultural policy (CAP) post-2013, which was confirmed by the deal sealed on the MFF in December. This was a major achievement after almost 2 years of negotiations between the three EU institutions.

The legislative package includes four basic regulations for the CAP: (i) on direct payments <sup>(152)</sup>; (ii) on the single common market organisation (sCMO) <sup>(153)</sup>; (iii) on rural development <sup>(154)</sup>; and (iv) on a horizontal regulation for financing, managing and monitoring the CAP <sup>(155)</sup>.

The package will lead to far-reaching changes, making direct payments fairer and greener, strengthening the position of farmers within the food chain and making the CAP more efficient and more transparent. The CAP is aimed at ensuring the competitiveness of European agriculture, not only from the point of view of food security and the quantity, quality and diversity of food products, but also in terms of sound management of natural resources. This new direction, proposed by the Commission in October 2011, has been widely supported both in the Parliament and in the Council, where almost all Member States supported the reform. The reform will come into force progressively.

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<sup>(151)</sup> Regulation (EU) No 1219/2012 establishing transitional arrangements for bilateral investment treaties between Member States and third countries (OJ L 351, 20.12.2012).

<sup>(152)</sup> Regulation (EU) No 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (OJ L 347, 20.12.2013).

<sup>(153)</sup> Regulation (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products (OJ L 347, 20.12.2013).

<sup>(154)</sup> Regulation (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 347, 20.12.2013).

<sup>(155)</sup> Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy (OJ L 347, 20.12.2013).

[PHOTO 026]

The outlines of the agreement are the following.

- A fairer CAP — The distribution of the CAP budget will ensure that no single Member State receives less than 75 % of the Union average by 2019. Within a given Member State or region, divergences in the level of aid will be reduced from one holding to the next; basic aid per hectare may in principle not be less than 60 % of the average of the aid disbursed by 2019 in a single administrative or agronomic area. Member States will be able to increase support for small and medium-sized farms by allocating higher levels of aid for the ‘first hectares’ of a holding. This adaptation will help to valorise the diversity of the agricultural sector across the Union, better answering the expectations of EU citizens in terms of the quality of their food.
- A greener CAP — All Member States, all rural areas and all farmers will take simple, proven steps to promote sustainability and combat climate change. Between 2014 and 2020, over €100 billion will be invested to help farming meet the challenges of soil and water quality, biodiversity and climate change. One third of direct payments will be directly linked to climate- and environment-related actions; one third of the budget for rural development programmes will have to be allocated to agri-environmental measures, support for organic farming or projects associated with environment-friendly investment or innovation measures.
- A more efficient CAP — Considerable improvements have been made to the functioning of the single Common Market Organisation (CMO) in order to improve the competitiveness of EU producers. Amongst the most important of these improvements are the enhancing of producer cooperation in order to improve their position in the food chain, the end to the sugar quota regime on 30 September 2017 and the confirmation of the end of the system of wine planting rights at the end of 2015, with the introduction of a system of authorisations for new vine planting from 2016. Other amendments to the single CMO rules aim to improve the market orientation of EU agriculture in light of increased competition on world markets while providing an effective safety net for farmers in the context of external uncertainties (together with direct payments and options for risk management under rural development).
- A better-targeted CAP — Young farmers are a central concern under the new CAP. Special measures are directed at young farmers and are compulsory for Member States. In addition, a specific voluntary instrument for small farms has been set up. The amount of funding to support research, innovation and knowledge sharing will also be doubled, to boost the competitiveness and the sustainability of the European farming sector.
- A more efficient and transparent CAP — The CAP instruments will allow each EU Member State to fulfil the common objectives in an efficient and flexible

manner, taking into account the diversity of the 28 Member States. Rural development programmes will be better coordinated with other European funds, and the sector-based approach will be replaced by a more adaptable national or regional strategic approach. Information on all the beneficiaries, including natural persons, of all CAP aid will be made public, with the exception of the very small amounts allocated to small farmers.

## **Common fisheries policy**

### **Common fisheries policy reform**

The year 2013 saw the much anticipated reform of the common fisheries policy (CFP) <sup>(156)</sup>. Political agreement between the Parliament and the Council was reached in May and the reforms will come into effect on 1 January 2014, with a structured and progressive timetable for implementation.

The reforms present a robust plan of action that places greater emphasis on environmental, economic and social sustainability. The aim is to support the long-term growth of the fishing sector, create job opportunities in coastal areas and, ultimately, provide EU citizens with a healthy and sustainable supply of fish.

### **Sustainable and responsible fishing**

To rebuild a vibrant fishing economy in Europe, fish stocks need to return to a healthy state. In order to achieve this, fishing will progressively be managed according to maximum sustainable yield (MSY) levels, and the setting of quotas will respect scientific advice. MSY refers to the largest catch that can be taken from a fish stock over an indefinite period without harming it. Managing stocks according to MSY will mean going from fishing desperately on smaller fish stocks to fishing rationally on abundant ones. It will lead to larger stocks, and thus higher catch potential, higher profit margins and higher return on investment

Discarding, the practice of throwing unwanted fish overboard, is estimated at 23 % of total catches. Discards will now be phased out, according to a precise timeline for implementation (progressively between 2015 and 2019). This ban will lead to more reliable data on fish stocks, support better management and improve resource efficiency. It is also an incentive for fishermen to avoid unwanted catches by means of technical solutions such as more selective fishing gear.

These same principles of sustainability, conservation of fish stocks and reliance on scientific knowledge applied at home will also be core elements of the EU's sustainable fisheries partnership agreements (SFPAs), which allow the EU fleet to operate in foreign waters.

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<sup>(156)</sup> [http://ec.europa.eu/fisheries/reform/index\\_en.htm](http://ec.europa.eu/fisheries/reform/index_en.htm)

## **Taking decisions at the right level**

The new CFP will bring decisions on technical and conservation measures closer to the fishing grounds, in particular to national administrations, fishermen and other interested groups — those with the local expertise to make decisions in the best interest of fish and fishermen alike.

Small-scale fisheries represent a significant proportion of the industry — 77 % of the total EU fleet — and are central to the future sustainable development of European fishing. This is why the reform offers support to this part of the sector and extends the right for Member States to restrict fishing in a zone within 12 nautical miles of the coastline.

The up-to-date information on prices and market trends provided by the European Market Observatory for Fisheries and Aquaculture Products (Eumofa) <sup>(157)</sup>, a new web tool launched by the Commission in 2013, will enable producers to better meet demand and increase the market value of their products.

### **Consumer-friendly labels**

Recognising how confusing product labelling can be, and as part of the new common organisation, the Commission has introduced new guidelines on labelling for fish and aquaculture products in the EU to help consumers make informed decisions on the food they eat. Labels will include details of where the fish was caught and by whom, and how it was produced, as well as the date of minimum durability and whether it has been defrosted or not.

## **Aquaculture**

A better framework for aquaculture will contribute to increased production and supply of seafood in the EU, reduce the dependence on imported fish and boost growth in coastal and rural areas.

The Commission, in cooperation with Member States, introduced strategic guidelines for aquaculture <sup>(158)</sup> to address the challenges facing the sector and identify areas, such as administrative simplification, spatial planning, market organisation, and better labelling and information, to help market forces unlock the potential of the EU aquaculture sector.

[PHOTO 027]

## **European maritime policy**

The priority in 2013 was the implementation of the blue growth agenda, with a particular focus on those areas with the greatest economic potential. The Marine knowledge 2020 initiative has moved from the pilot phase to the operational phase with over 100 organisations in Europe having agreed to open up their data on our seas and coasts, which was previously not widely available.

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<sup>(157)</sup> <http://ec.europa.eu/fisheries/market-observatory>

<sup>(158)</sup> [http://ec.europa.eu/fisheries/cfp/aquaculture/official\\_documents/com\\_2013\\_229\\_en.pdf](http://ec.europa.eu/fisheries/cfp/aquaculture/official_documents/com_2013_229_en.pdf)

The proposal for a directive on maritime spatial planning (MSP) and integrated coastal management (ICM) <sup>(159)</sup> is in its final stages of discussion by the Parliament and the Council. This is a cornerstone of the EU's blue growth agenda, as MSP and ICM are expected to boost sustainable maritime growth by facilitating the spatial development of emerging sectors, such as renewable energy or aquaculture, whilst taking into account the health of marine ecosystems.

By working with the relevant regional stakeholder, the Commission was also able to address the specific needs of different sea-basins. The Atlantic action plan <sup>(160)</sup> adopted this year reflects the sea-basin's importance to the EU's integrated maritime policy in terms of its potential for delivering growth. It provides a template for how the EU's Atlantic Member States, their regions and the Commission can help create sustainable growth in coastal regions.

The importance of marine research in the Atlantic was underlined by the Galway Statement on Atlantic Ocean Cooperation <sup>(161)</sup> between the European Union, the United States and Canada signed on May 2013. Its aim is to extend the depth and breadth of research into the workings of the Atlantic Ocean and its interaction with the Arctic.

Elsewhere, progress has also been made in other areas, notably in the Baltic Sea. The Baltic action plan <sup>(162)</sup> recognises that the region should build on its assets and maximise its potential from its leading innovation and research sector, strong maritime clusters, a proactive approach towards marine environment challenges, and well-established cooperation.

## Budget

### The multiannual financial framework 2014–20

#### On the way to adoption

The negotiations among EU Member States followed the presentation of the Commission proposals for the MFF 2014–20 on 29 June 2011 <sup>(163)</sup>. They culminated in an important agreement reached between the Heads of State or Government at the European Council on 7 and 8 February 2013. EU Member States agreed to limit the maximum possible expenditure to €959.99 billion in commitment appropriations (2011 prices). The ceiling for overall payment appropriations was set at €908.40 billion (2011 prices).

Under the provisions of Article 312(2) of the Treaty on the Functioning of the European Union (TFEU), the Council adopts the MFF regulation by unanimity after obtaining the

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<sup>(159)</sup> Proposal for a directive establishing a framework for maritime spatial planning and integrated coastal management (COM(2013) 133).

<sup>(160)</sup> Commission communication — Action plan for a maritime strategy in the Atlantic area — Delivering smart, sustainable and inclusive growth (COM(2013) 279).

<sup>(161)</sup> [http://ec.europa.eu/research/iscp/pdf/galway\\_statement\\_atlantic\\_ocean\\_cooperation.pdf](http://ec.europa.eu/research/iscp/pdf/galway_statement_atlantic_ocean_cooperation.pdf)

<sup>(162)</sup> <http://www.balticsea-region-strategy.eu>

<sup>(163)</sup> Proposal for a regulation laying down the multiannual financial framework for the years 2014–20 (COM(2011) 398).

consent of the Parliament, given by a majority of its component members. This meant that the consensus in the European Council still had to be subject to a vote in the Parliament.

The Parliament's position was set down in a resolution adopted in March 2013 <sup>(164)</sup>. The key issues identified by the Parliament were the need for a compulsory and comprehensive revision of the MFF following the coming into office of the next Parliament and the new Commission after the 2014 European elections; maximum overall flexibility between and within headings and between financial years of the MFF; a reform of the own resources system; and the unity of the EU budget and more transparency on the financial and budgetary consequences of Union activities. The Parliament did not contest the overall levels of commitments and payments that had been agreed by the European Council.

The negotiation process intensified in May and June and a political agreement was reached on 27 June 2013 in a trilateral meeting between the President of the Parliament, the Irish Presidency of the Council and the President of the Commission. The Commission agreed to undertake a mid-term review of the MFF by 2016 at the latest, which should be accompanied by legislative proposals for a revision of the MFF regulation. The Council agreed to increased flexibility on the carrying forward of unexecuted payment margins to later years, and to a rollover of unused margins for commitment appropriations from 2014–17 to be made available from 2016 onwards for policy objectives related to growth and employment. The Parliament's concern to ensure strong support for measures on youth employment, education, research and SMEs was recognised by the inclusion of a provision on the frontloading of expenditure in these areas in 2014 and 2015. On own resources, there was an agreement on a roadmap to further address this important issue in a high-level group of representatives from the three institutions that would be convened for this purpose. The Council also agreed to adopt as a matter of urgency the €7.3 billion amendment of the 2013 EU budget.

The deal on the 2014 EU budget and on the various pending amending budgets for 2013, reached in the conciliation procedure of 12 November 2013, was important for the Parliament's consent regarding the EU's long-term financial plan that was expressed soon after, on 19 November. The Council then formally adopted the regulation laying down the MFF for 2014–20 on 2 December 2013.

## **COMMITMENT APPROPRIATIONS ACCORDING TO BUDGETARY HEADINGS**

[GRAPH 14]

### **€1 trillion to invest in Europe's future**

Through the MFF, the European Union will invest almost €1 trillion in growth and jobs between 2014 and 2020. One single year's budget represents more money — in today's

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<sup>(164)</sup> European Parliament resolution of 13 March 2013 on the European Council conclusions of 7/8 February concerning the multiannual financial framework.

prices — than the whole Marshall plan in its time. This modern, future-oriented budget can make a real difference to people's lives. It will help to strengthen and sustain the recovery underway across the EU. There is funding so we can build our way out of the crisis, financial support for those below the poverty line or looking for a job, investment opportunities for small companies and assistance for local communities, farmers, researchers and students.

The MFF 2014–20 is geared towards investment in the 28 Member States on common challenges: boosting growth and creating jobs across the EU, making Europe safer and increasing the EU's influence in the world. It does not seek to fund what national budgets could finance themselves, but focuses on where European funding makes a real difference. It funds what would not be funded or what would be more expensive to fund from national budgets.

The MFF 2014–20 is a modern, long-term financial plan for the EU in the 21st century. It brings the following important innovations, showing the EU budget's clear European added value.

- There will be a significant contribution to job creation. At least €70 billion (about €10 billion per year) will be available under the ESF to help people search for a job. The new Youth Employment Initiative linked to the ESF is worth at least €6 billion and will support the implementation of the youth guarantees in 2014 and 2015.
- The reformed cohesion policy will make up to €366.8 billion<sup>(165)</sup> available to invest in Europe's regions, cities and the real economy. It will be the EU's principal investment tool for delivering the Europe 2020 goals.
- More young people than ever before can plan their stay abroad with support from the EU's new Erasmus+ programme, which provides almost €15 billion<sup>(166)</sup> to develop skills and mobility.
- European culture, cinema, television, music, literature, performing arts, heritage and related areas will benefit from increased support under the EU's new 'Creative Europe' programme, with a budget of almost €1.5 billion<sup>(167)</sup>.
- EU-funded research and innovation will do more to improve Europeans' quality of life and to enhance the EU's global competitiveness. Horizon 2020, the new programme for research and innovation, is equipped with a budget of almost €80 billion<sup>(168)</sup>, around 30 % more than in the years 2007–13 in real terms.
- SMEs are the backbone of Europe's economy, accounting for around 99 % of all European businesses and providing two out of three private sector jobs. Support for SMEs under the ERDF is set to double from €70 billion to €140 billion over

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<sup>(165)</sup> Current prices: Equivalent in 2011 prices: €325 billion.

<sup>(166)</sup> Current prices. Equivalent in 2011 prices: €13 billion.

<sup>(167)</sup> Current prices. Equivalent in 2011 prices: €1.3 billion.

<sup>(168)</sup> Current prices. Equivalent in 2011 prices: €70 billion.

the 7 years, and the new COSME programme, the first EU programme targeted at SMEs, will provide €2.3 billion <sup>(169)</sup> to ease SMEs' access to markets and offer loan guarantees and risk capital.

- Growth and jobs in Europe crucially depend on investment in infrastructure. The new €33.3 billion <sup>(170)</sup> Connecting Europe Facility will help build roads, railways, electricity grids and gas pipelines, and the infrastructure and services for the digital single market, by providing the crucial financial support needed to close the missing links in Europe's infrastructure networks that otherwise would not be built (€26.3 billion for transport <sup>(171)</sup>, €5.9 billion for energy, and €1.1 billion for digital).
- Scarce public money increases the need to unlock other sources of finance, and thus generate a leverage effect for the EU budget compared to direct funding by grants. This is precisely the purpose of financial instruments, such as loans, guarantees, equity and other risk-sharing instruments, which can be used more widely in the MFF 2014–20.
- At least 20 % of the entire budget will be spent on climate-related projects and policies. This commitment could yield as much as €180 billion in climate finance in all major spending areas, including Structural Funds, research, agriculture, maritime policy and fisheries, and development.
- The reformed CAP is a strong response from the EU to the big challenges of today, such as food safety, climate change, and sustainable growth and job creation in rural areas. It also responds better to people's expectations: direct payments will be fairer and greener, with a budget of €312.7 billion <sup>(172)</sup>, while there will be €95.6 billion <sup>(173)</sup> set aside for rural development.
- The funding rules will be much simpler and therefore easier for beneficiaries to understand and less prone to errors. Altogether, around 120 simplification measures are going to be introduced.
- An open and safer Europe is crucial for its citizens. The future budget will help ensure that EU activities which stimulate economic, cultural and social growth can develop in a stable, lawful and secure environment. It will help people feel at ease when living, travelling, studying or carrying out business in other Member States.
- As a responsible global player, the EU will continue its engagement with the rest of the world. Relations with the immediate neighbourhood, to the east and south, and with the EU's strategic partners will remain a top priority. EU funding will

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<sup>(169)</sup> Current prices. Equivalent in 2011 prices: €2 billion.

<sup>(170)</sup> Current prices. Equivalent in 2011 prices: €29 billion.

<sup>(171)</sup> This consists of €15 billion from heading 1A and €11.3 billion ring-fenced for the Connecting Europe Facility in the Cohesion Fund under heading 1B (in current prices).

<sup>(172)</sup> Current prices. Equivalent in 2011 prices: €277.85 billion.

<sup>(173)</sup> Current prices. Equivalent in 2011 prices: €84.9 billion.



focus even more on helping the poorest in the world by concentrating support on fewer countries (like those in sub-Saharan Africa) and fewer sectors (like sustainable and inclusive growth and good governance).

Further information on the MFF 2014–20 and the new generation of EU expenditure programmes can be found in a comprehensive way on the Commission’s website (<sup>174</sup>).

[PHOTO 028]

### **Resources of the next multiannual financial framework**

No significant changes were approved to the way the next MFF would be financed. However, the agreement on the setting up of a high-level group with members from the Parliament, the Council and the Commission means the discussion on this issue will continue. In 2014, a first assessment will be made available. National parliaments will have the opportunity to assess the outcome of the work in the context of an interparliamentary conference in 2016.

### **COMPARISON BETWEEN THE NEW AND LAST TWO FINANCIAL FRAMEWORKS**

[GRAPH 25]

### **Evaluation of the EU budgets for 2011 and 2012**

In April 2013, the Parliament granted discharge to the Commission for the implementation of the 2011 budget. This positive and important decision concluded a period of several months when both arms of the budgetary authority (the Parliament and the Council), as well as the Court of Auditors, scrutinised how the resources from the 2011 budget were used. The Commission’s consistent efforts over recent years to improve the management and control of EU funds were recognised by the discharge. The Commission welcomed in particular the calls from the Parliament and the Council for further simplification of the rules and processes in order to reduce the risk of errors. As usual, in the context of the budgetary discharge procedure, the Parliament as the budgetary discharge authority, as well as the Council and the Court of Auditors, issued several requests and recommendations with regard to EU financial management, which are being implemented by Commission services.

In November 2013, the Court of Auditors published its report on the implementation of the budget concerning the financial year 2012. In this report, the Court stated that, in 2012, the overall quantified error rate for EU spending was 4.8 %. This was higher than the error rate in 2011. However, as the Court itself acknowledged, this was partly due to the updating of its sampling approach. The error rate in cohesion policy, energy and transport was in line with the improved rates from previous years, which confirmed the improved functioning of the system achieved in the current programming period.

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(<sup>174</sup>) [http://ec.europa.eu/budget/mff/figures/index\\_en.cfm](http://ec.europa.eu/budget/mff/figures/index_en.cfm)

## **The EU budget for 2013**

The 2013 EU budget reflected the growth- and innovation-oriented goals of the Europe 2020 strategy. At the same time, it reflected the continued difficult economic situation in many Member States. The Commission had expressed concerns that the budget would in all likelihood not be sufficient to pay all the incoming bills, as the budget adopted was well below the Commission estimates necessary for 2013. That is why the Commission proposed in March 2013 an amending budget for an extra €11.2 billion, required to reimburse the beneficiaries of EU-funded programmes that were completed across Europe in 2012, as well as to honour the cohesion policy claims that would fall due in 2013. The amending budget was approved in November 2013.

## **The EU budget for 2014**

The EU budget for 2014 was adopted on 20 November 2013 as the first budget of the new MFF 2014–20. It amounts to €142.6 billion in commitment appropriations and €135.5 billion in payment appropriations. The 2014 budget is 6.2 % lower than the EU budget for 2013 for both commitments and payments.

### **Putting in place the new programmes under the 2014–20 multiannual financial framework**

The start of the new programming period 2014–20 provides the occasion to launch new programmes that respond better to the current challenges and focus on stimulating growth, employment and competitiveness. Despite cuts, the 2014 budget shows a 3.3 % increase in commitments in the ‘Competitiveness for growth and jobs’ area as the EU’s reduced resources focus on measures to tackle unemployment and generate growth. These include Horizon 2020 — the EU’s new funding programme for research and innovation (€9 billion), the YEI (€3.6 billion), the Connecting Europe Facility (close to €2 billion) and support measures for Europe’s businesses, in particular for SMEs.

### **Fulfilling the EU’s obligations**

Apart from planning the budget for new expenditure programmes the EU has to meet its past and present obligations vis-à-vis the beneficiaries of EU funding programmes prior to 2014. Only €10.3 billion is provided to cover the new obligations the EU will enter into in 2014. Out of the overall amount of €135.5 billion provided for payments, €71.1 billion (more than 50 %) will go to honour the outstanding payment obligations for programmes prior to 2014.

### **BREAKDOWN BY HEADINGS OF THE 2014 BUDGET APPROPRIATIONS IN COMMITMENTS AND CURRENT PRICES**

[GRAPH 15]

### **Restraint on administrative expenditure**

For the second year running, the Commission proposed a 1 % reduction in its staff numbers (excluding the impact of the accession of Croatia) as part of its proposal to

reach a 5 % reduction in staff over 5 years. The Commission also proposed a 1.1 % cut in discretionary areas of its own administrative expenditure. The overall decrease in the EU budgetary heading on administration, however, was lower (– 0.2 %), mainly due to the growing number of pensions to be covered from the EU budget and the costs relating to the accession of Croatia.

### **Towards a Europe of citizens, rights, justice and security**

To mark the 20th anniversary of the establishment of European Union citizenship under the Maastricht Treaty, 2013 was designated the European Year of Citizens. This European Year has given Europeans the opportunity to learn more about their rights and opportunities open to them as EU citizens.

As Europe overcomes the financial and economic crisis, it is taking steps towards closer integration that were unthinkable just a few years ago. More and more decisions that have a direct impact on people's lives are being taken at European level, making it important for institutions and decision-making processes to become more democratic and transparent.

This will require bold changes, but before considering any new structures, we will need to have a broad debate. It is the voice of citizens that will count in this debate about the future of Europe. That is why the European Commission launched a series of citizens' dialogues to hear from people across the Union what they expect, and to make clear that at the upcoming European Parliament elections they will have a real choice on what kind of Europe they want. In this context, the Commission considers it appropriate to continue actions related to the European Year of Citizens into 2014.

Europe is for citizens, and in 2013 the EU continued to ensure that their rights were upheld and strengthened, whether by protecting fundamental rights or tackling citizens' everyday concerns. And the EU continued to build a true European area of freedom, justice and security at the service of citizens — one of the Union's key objectives as stated in the Treaty of Lisbon.

### **2013 — The European Year of Citizens**

The official launch event for the European Year of Citizens took place in Dublin on 10 January, to coincide with the opening of the Irish Presidency of the Council. It was immediately followed by the first citizens' dialogue of the year.

[PHOTO 029]

Events such as the Commission's series of citizens' dialogues, but also exhibitions, seminars and workshops, have been taking place across the EU to include the general public in a debate about the future of the EU and to discuss with them their concerns, hopes and expectations regarding their EU citizenship. These events have been a valuable catalyst to help engage with the general public across the EU.

A number of documents were adopted during the European Year of Citizens to help ensure a lasting, meaningful impact for citizens long after the European Year is over. The

first of these was the 2013 edition of the EU citizenship report <sup>(1)</sup>, adopted on 8 May, which received a warm welcome from the Member States in a set of Council conclusions on 6 December <sup>(2)</sup>.

Then, on 13 December, a set of policy recommendations was published by the European Year of Citizens Alliance (EYCA), a large network of civil-society organisations active in promoting civic engagement and fostering European integration. The EYCA policy document provides important insights from the point of view of organised civil society.

The closing event on 13 December in Vilnius, organised together with the Lithuanian Presidency of the Council, showcased the key outputs of the European Year of Citizens. A citizens' dialogue in Vilnius took place on the same day, with the participation of Viviane Reding, Commission Vice-President responsible for Justice, Fundamental Rights and Citizenship.

During the year, 36 citizens' dialogues took place in 21 Member States, involving numerous Members of the European Parliament, almost all commissioners and representatives from national, regional and local governments. Politicians met and debated with citizens from all walks of life at each event; many more citizens followed each debate via live web streams or participated through social media. The citizens' dialogues focused on how the EU is overcoming the crisis, citizens' rights and the future of Europe. The events triggered substantial media interest and broadened the debate to include a much wider audience.

The entire series of citizens' dialogues runs from September 2012 to March 2014, with some 50 events in all 28 Member States. The Commission is set to present a document on the dialogues in 2014.

## Religious and philosophical dialogue

The Bureau of European Policy Advisers (BEPA) intensified the dialogue with churches, religious communities, and philosophical and non-confessional organisations, based on Article 17 of the Treaty on the Functioning of the European Union; a dialogue the Commission has conducted over several decades.

[PHOTO 030]

The presidents of the Parliament, European Council and Commission held meetings with religious leaders and with representatives of philosophical and non-confessional associations. In the context of the European Year of Citizens, and with a view to the Parliament election in May 2014, discussions focused on 'Putting citizens at the heart of the European project in times of change'. In addition, three dialogue seminars were held on the topic of EU citizenship and populism.

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<sup>(1)</sup> Commission report — EU citizenship report 2013 — EU citizens: your rights, your future (COM(2013) 269).

<sup>(2)</sup> Justice and Home Affairs Council conclusions, 5/6 December 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/jha/139938.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/139938.pdf)).

## Fundamental rights

### **The Charter of Fundamental Rights of the European Union**

#### **Report on the application of the charter**

Three years after it became legally binding, the impact of the EU Charter of Fundamental Rights is increasingly clear. It is becoming a point of reference not only for the EU institutions when drawing up legislation, but also for the European and national courts, making fundamental rights a reality for citizens in Europe.

The 2012 report <sup>(3)</sup> gives a comprehensive overview of how fundamental rights have been implemented in the EU over the past year. It highlights, for example, how the rights enshrined in the charter are taken into careful consideration by the EU institutions when proposing and adopting EU legislation, while Member States are bound by the charter only in cases where they implement EU policies and law. The report address the six titles of the EU Charter of Fundamental Rights: ‘Dignity’, ‘Freedoms’, ‘Equality’, ‘Solidarity’, ‘Citizens’ rights’ and ‘Justice’.

Where the EU has the competence to act, the Commission can propose EU legislation that gives concrete effect to the rights and principles of the charter, such as:

- the proposed major reform of the EU’s rules on the protection of personal data;
- the proactive approach taken to accelerate progress towards a better gender balance on the corporate boards of European companies listed on stock exchanges;
- the steps taken to safeguard procedural rights and victims’ rights.

#### **AWARENESS OF THE RIGHTS THAT A CITIZEN OF THE EUROPEAN UNION HAS, 2007–12 — THE RIGHT TO RESIDE IN ANY MEMBER STATE OF THE EUROPEAN UNION, SUBJECT TO CERTAIN CONDITIONS**

[GRAPH 16]

#### **State of play of EU accession to the European Convention on Human Rights**

The accession of the EU to the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) became possible with the entry into force of the Lisbon Treaty, which imposes an obligation on the EU institutions and on Member States to undertake all necessary steps in order to achieve that objective. A draft accession agreement to be concluded between the EU and the existing contracting parties to the convention, namely the 47 member countries of the Council of Europe, was agreed upon at negotiator level in April 2013. In July 2013, the Commission, for the sake of legal

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<sup>(3)</sup> Commission report — 2012 report on the application of the EU Charter of Fundamental Rights (COM(2012) 271).

certainty, requested an opinion from the Court of Justice on the compatibility of that draft accession agreement with the EU treaties.

## **Data protection**

Revelations about large-scale United States surveillance programmes served as a wake-up call and provided a push for the negotiations of the data protection reform package <sup>(4)</sup> presented by the Commission in 2012. The Parliament's Civil Liberties Committee voted on the package in October, agreeing on a compromise found between the political parties and strongly backing the Commission's proposals. European Heads of State or Government committed to the 'timely' adoption of the new rules.

The aim of the package is to make the EU data protection rules from 1995 fit for the Internet age. The reform will strengthen citizens' rights, for example the right to data portability, while at the same time slashing red tape for businesses, for instance by replacing 28 national laws with one strong, uniform set of rules. Crucially, the reform will ensure that every company offering its products and services to European citizens will have to abide by European rules, regardless of where it is based — in the EU or outside it. National data-protection authorities will be able to fine companies that violate these rules up to 2 % of their global annual turnover. The reform will also establish clear rules for data transfers: if non-EU country authorities want to access the data of EU citizens outside their territory, they will have to use a legal framework that involves judicial control.

The spying scandals also severely damaged trust in the transatlantic partnership, which now needs to be restored. The Commission made very clear that the mass surveillance of citizens is unacceptable. At the end of November, it set out a series of actions that would strengthen data protection in transatlantic relations. This includes 13 recommendations on how to improve, by summer 2014, the 'safe harbour' scheme that allows companies to send data to the United States for commercial purposes. It also made clear that it expects the United States to work towards a swift conclusion of the negotiations on an EU–United States data protection 'umbrella' agreement. Such an agreement has to give European citizens concrete and enforceable rights, notably the right to judicial redress in the United States whenever their personal data are being processed there.

## **Free movement**

Free movement is one of the pillars of our Union. The right for people to circulate freely around the EU is one of the four freedoms enshrined in the treaty. Moreover, free movement brings economic benefits. This right comes with obligations, however. It does not confer the right to circulate into Member States' social security systems. In the light of concerns voiced by several Member States, the Commission therefore offered help and guidance to national and local authorities on the effective implementation of free-movement rules.

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<sup>(4)</sup> [http://ec.europa.eu/justice/newsroom/data-protection/news/120125\\_en.htm](http://ec.europa.eu/justice/newsroom/data-protection/news/120125_en.htm)

To this end, in November the Commission adopted a communication on free movement of EU citizens and their family members, stressing the need to safeguard this fundamental right while at the same time making clear it stands ready to support Member States in dealing with potential abuses <sup>(5)</sup>. The document clarifies EU citizens' rights and obligations, as well as the possibilities offered by EU law and generally by EU tools to combat abuses of free movement. It sets out five actions to help Member States and their local authorities to apply EU laws and tools to their full potential. This includes the full use of EU Structural Funds and Investment Funds, a handbook on marriages of convenience and the commitment to promote the exchange of best practices between local authorities. As agreed at a Council meeting in December<sup>6</sup>, the Commission and Member States will continue to work together on the basis of the five actions.

### **Proposal to better ensure the free movement of workers**

While EU rules on the free movement of workers are long established, the way in which they are applied in practice can give rise to barriers and discriminatory practices (perceived or real) for EU migrant workers when working or looking for work in another Member State. In April, the Commission proposed measures to ensure the better application of EU law on the right of EU citizens to work in another Member State. In December, the Parliament and the Council reached a provisional agreement on the proposal, which, if agreement is finally reached (expected in early 2014), would help to ensure the real and effective application of existing legislation. Member States would be required to:

- create national contact points providing information, assistance and advice so that mobile EU citizens, and employers, are better informed about their rights;
- provide appropriate means of redress at national level;
- allow labour unions, non-governmental organisations (NGOs) and other organisations to launch administrative or judicial procedures on behalf of individual workers in cases of discrimination;
- give better information for mobile EU citizens and employers in general.

### **EU CITIZENS LIVING AND WORKING IN AN EU MEMBER STATE OTHER THAN THEIR OWN (AS A SHARE OF TOTAL EMPLOYMENT)**

[GRAPH 17]

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<sup>(5)</sup> Commission communication — Free movement of EU citizens and their families: five actions to make a difference (COM(2013) 837).

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[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/jha/139938.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/139938.pdf)



## **Directive on facilitating free movement through better conditions for the acquisition and preservation of supplementary pension rights**

Eliminating barriers to the free movement of workers is part of the solution to tackling unemployment. Protecting occupational pensions can help workers to seek jobs across borders. An agreement was reached in the course of the year on the Commission's April 2013 proposal <sup>(7)</sup>, paving the way for the adoption of the directive before the 2014 European elections. The proposal provides for workers' occupational pension rights to be granted after no more than 3 years of an employment relationship and preserved after they leave the pension scheme. Under the compromise agreement, the directive would only apply to workers who move between Member States; however, Member States may extend these standards also to workers who change jobs within a single country.

## **The fight against discrimination**

### **Gender equality**

In 2013, the Commission published the annual report on progress on equality between women and men <sup>(8)</sup>. It carried out a mid-term review of the strategy for equality between women and men <sup>(9)</sup>, which found that, halfway through the strategy's 5-year time scale, the Commission is delivering on its commitments. It has taken action on the majority of areas covered, in particular on improving the gender balance in economic decision-making, tackling female genital mutilation, promoting equal pay and promoting equality within the EU's overall economic strategy.

The Commission also reviewed the application of the equal pay directive <sup>(10)</sup>. Moreover, it presented reports on *The gender gap in pensions in the EU* <sup>(11)</sup> and on *Women and men in leadership positions in the European Union 2013* <sup>(12)</sup>. The third European Equal Pay Day, an annual event to raise awareness of the fact that a wage gap between women and men still exists, took place on 28 February 2013. In May, the Commission adopted a report on the Barcelona objectives <sup>(13)</sup> which measures progress towards the targets agreed by EU leaders in 2002 for the availability and accessibility of childcare services.

The Commission also adopted the communication 'Towards the elimination of female genital mutilation' <sup>(14)</sup>. It builds on work the EU has done over many years and on a

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<sup>(7)</sup> Proposal for a directive on measures facilitating the exercise of rights conferred on workers in the context of freedom of movement for workers (COM(2013) 236).

<sup>(8)</sup> Commission document — Report on progress on equality between women and men in 2012 (SWD(2013) 171).

<sup>(9)</sup> Commission communication — Strategy for equality between women and men (2010–15) (COM(2010) 491).

<sup>(10)</sup> Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (OJ L 204, 26.7.2006).

<sup>(11)</sup> [http://ec.europa.eu/justice/gender-equality/files/documents/131118\\_pension\\_gap\\_report\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/documents/131118_pension_gap_report_en.pdf)

<sup>(12)</sup> [http://ec.europa.eu/justice/gender-equality/files/gender\\_balance\\_decision\\_making/131011\\_women\\_men\\_leadership\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/gender_balance_decision_making/131011_women_men_leadership_en.pdf)

<sup>(13)</sup> Commission report — Barcelona objectives — The development of childcare facilities for young children in Europe with a view to sustainable and inclusive growth (COM(2013) 322).

<sup>(14)</sup> Commission communication — Towards the elimination of female genital mutilation (COM(2013) 833).

report from the European Institute for Gender Equality (EIGE) <sup>(15)</sup>. It also benefits from the input of a high-level round-table on female genital mutilation that took place on 6 March 2013, contributions to a public consultation <sup>(16)</sup> and a written opinion of the EU Advisory Committee on Equal Opportunities for Women and Men <sup>(17)</sup>.

## **GENDER PAY GAP IN UNADJUSTED FORM**

The unadjusted gender pay gap (GPG) represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The population consists of all paid employees in enterprises with 10 employees or more in NACE Rev. 2 aggregate B to S (excluding 0) — before reference year 2008: NACE Rev. 1.1 aggregate C to O (excluding L). The GPG indicator is calculated within the framework of the data collected according to the methodology of the structure of earnings survey (Regulation (EC) No 530/1999). It replaces data which was based on non-harmonised sources.

[GRAPH 18]

## **Recommendation on Roma inclusion**

Member States unanimously adopted a Commission proposal for a Council recommendation <sup>(18)</sup>, the first EU legal instrument for Roma inclusion.

This aims at reinforcing the process started with the EU framework for national Roma integration strategies agreed by all Member States in 2011. The proposal the Commission presented in June 2013 invites EU Member States to enhance the effectiveness of measures to achieve Roma integration in the four key areas (education, employment, healthcare, housing), and also in the areas of the fight against discrimination and stereotypes and the protection of Roma children and women. It is recommended that Member States take action to bridge the gaps between the Roma and the rest of the population.

## **Access City Award 2014**

On the European Day for People with Disabilities (3 December), Gothenburg was announced as the winner of the Access City Award for its outstanding work towards increasing accessibility for disabled people and the elderly. The award is an annual competition established to recognise the efforts and achievements of cities with over 50 000 inhabitants which take exemplary initiatives to improve accessibility in the urban environment. The award is organised by the Commission in partnership with the European Disability Forum.

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<sup>(15)</sup> *Female genital mutilation in the European Union and Croatia* ([http://eige.europa.eu/sites/default/files/EIGE-Report-FGM-in-the-EU-and-Croatia\\_0.pdf](http://eige.europa.eu/sites/default/files/EIGE-Report-FGM-in-the-EU-and-Croatia_0.pdf)).

<sup>(16)</sup> The results of the consultation are available at: [http://ec.europa.eu/justice/newsroom/gender-equality/opinion/130306\\_en.htm](http://ec.europa.eu/justice/newsroom/gender-equality/opinion/130306_en.htm)

<sup>(17)</sup> ‘Opinion on an EN initiative on female genital mutilation’ (<http://ec.europa.eu/justice/gender-equality/other-institutions/advisory-committee>).

<sup>(18)</sup> Proposal for a recommendation on effective Roma integration measures in the Member States (COM(2013) 460).

# Citizenship

## Citizenship report 2013

The EU citizenship report 2013 sets out 12 concrete actions to remove obstacles citizens still encounter when exercising their EU rights, in particular free movement and political rights. It follows the first citizenship report from 2010, and serves both as a tool to inform EU citizens about their rights and the benefits attached to their status as EU citizens, and as a motor to develop new initiatives to achieve a common area of rights for all EU citizens.

Since it was first included in the treaties in 1993, EU citizenship has been evolving. But it is not yet fully mature; people still face obstacles exercising their rights in everyday life. The Commission receives over 1 million enquiries every year from citizens on issues that relate to their rights. That is why it is necessary to act to reinforce citizens' rights in everyday situations.

This report was based on far-reaching consultations with citizens, civil society and experts<sup>(19)</sup>. Other institutions took a keen interest in the report and followed up with events and opinions. The Council adopted conclusions<sup>20</sup> which were presented at the closing event of the European Year of Citizens in Vilnius. Some actions put forward in the report have already been implemented by the Commission: the quality framework for traineeships (action 2, adopted in December 2013); the package on procedural rights (action 7, proposal adopted in November 2013); and the revision of the small claims procedure (action 8, proposal adopted in November 2013).

### TWELVE NEW KEY ACTIONS TO IMPROVE EU CITIZENS' LIVES

In its 2013 EU citizenship report the Commission is putting forward 12 new actions in six key areas to further remove obstacles standing in the way of citizens' enjoyment of their EU rights.

[GRAPH 19]

### The European citizens' initiative (ECI)

Since the new instrument came into force in April 2012, 22 initiatives have been launched, collecting statements of support from signatories across the EU. They cover a wide range of topics such as the environment, telecommunications, mobility and citizens' rights<sup>(21)</sup>.

In November 2013, the first initiatives that were launched in 2012 arrived at the end of their collection period. Three initiatives have announced that they have reached the required number of signatories (1 million overall and minimum quotas in at least seven Member States).

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<sup>(19)</sup> See the summary on the website of DG Justice: [http://ec.europa.eu/justice/citizen/index\\_en.htm](http://ec.europa.eu/justice/citizen/index_en.htm)

<sup>20</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/jha/139959.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/139959.pdf)

<sup>(21)</sup> <http://ec.europa.eu/citizens-initiative/public/initiatives/ongoing>

First of them, ‘Right2water’, which states that ‘water is a public good, not a commodity’, was officially submitted to the Commission on 20 December 2013, after the competent national authorities had positively concluded the verification of the collected statements of support. The Commission has to answer this initiative by 20 March 2014, indicating in a communication whether it will propose the legislation requested or not and for what reasons.

Two other initiatives, ‘One of us’, which seeks to end EU financing of activities which presuppose the destruction of human embryos, and ‘Stop vivisection’, which seeks an end to live animal experimentation, provided that the verification of the statements of support by the competent national authorities confirms their success, are likely to be submitted to the Commission in the first months of 2014, provided the validation of the collected statement of support.

## Justice

### Rule of law

The European Union is built on key fundamental values. It relies on the rule of law, and the Commission has been called upon to intervene when the rule of law has seemed under threat in Member States. As announced by José Manuel Barroso, President of the European Commission, in his 2013 State of the Union address <sup>(22)</sup>, the Commission is working on a framework to allow for a consistent response to such situations, based on objectivity and the principle of equality between Member States. It would be activated only in situations where there is a serious, systemic risk to the rule of law, and would be triggered by pre-defined benchmarks <sup>(23)</sup>.

Following earlier exchanges with the Hungarian authorities regarding laws adopted under Hungary’s new constitution, the Commission expressed its concern about the conformity of the fourth amendment to the fundamental law of Hungary with EU law and with the principle of the rule of law. The Commission consequently conducted a detailed legal analysis of the amendments. In November, the Commission formally closed the legal proceedings launched against Hungary on 17 January 2012 over the country’s forced early retirement of around 274 judges and public prosecutors, as the country took the necessary measures and adopted changes to its law.

#### **The cooperation and verification mechanism**

The Commission continued to work with the Romanian authorities to address the issues raised in its report in July 2012 under the cooperation and verification mechanism (CVM) <sup>(24)</sup>. The Commission reported in January 2013 on Romania’s progress and on

<sup>(22)</sup> [http://europa.eu/rapid/press-release\\_SPEECH-13-684\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-684_en.htm)

<sup>(23)</sup> [http://europa.eu/rapid/press-release\\_SPEECH-13-677\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-677_en.htm)

<sup>(24)</sup> Commission report on progress in Romania under the Cooperation and Verification Mechanism (COM(2012) 410).

measures taken to restore respect for the rule of law and the independence of the judiciary in Romania <sup>(25)</sup>. The assessment showed that Romania has implemented several but not all of the Commission's recommendations. Cooperation continues with the Romanian authorities in the context of the CVM.

The Commission continued to monitor progress under the CVM both in Bulgaria and in Romania and is due to report in early 2014 on the reform process.

## **Assises de la justice — the future of EU justice policy**

The Commission launched a broad debate on the future of justice policy in the EU, with a call for contributions and a high-level conference, the Assises de la Justice <sup>(26)</sup>, held in November 2013. It assembled senior European- and national-level policymakers, judges and other stakeholders. The joint reflection served to develop thoughts and ideas which will contribute to the shaping of the Union's future justice policy. The Commission will follow this up with a communication in 2014.

Photo XX

## **JUDICIAL INDEPENDENCE (PERCEPTION — HIGHER VALUE MEANS BETTER PERCEPTION)**

[GRAPH 20]

## **Judicial cooperation in civil and commercial matters**

### **Proposal for a revision of the regulation on small claims**

In November, the Commission adopted a proposal <sup>(27)</sup> to revise the small claims regulation <sup>(28)</sup>. The European small claims procedure <sup>(29)</sup> offers a cheap and easy way to resolve cross-border disputes for amounts below €2 000, without complicated legal procedures. As such, it improves access to justice for consumers and small businesses in small-value cross-border disputes. The revision of the legislation aims at achieving a more widespread use of the procedure, in particular by raising the threshold to €10 000.

### **Revision of the EU directive on package travel**

In July, the Commission proposed <sup>(30)</sup> to revise the 1990 EU directive on package travel <sup>(31)</sup> with a view to updating rules that apply when consumers book holiday

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<sup>(25)</sup> Commission report on progress in Romania under the cooperation and verification measure (COM(2013) 47).

<sup>(26)</sup> [http://ec.europa.eu/justice/events/assises-justice-2013/index\\_en.htm](http://ec.europa.eu/justice/events/assises-justice-2013/index_en.htm)

<sup>(27)</sup> Proposal for a regulation amending Regulation (EC) No 861/2007 establishing a European small claims procedure and Regulation (EC) No 1896/2006 creating a European order for payment procedure (COM(2013) 794).

<sup>(28)</sup> Regulation (EC) No 861/2007 establishing a European small claims procedure (OJ L 199, 31.7.2007).

<sup>(29)</sup> [https://e-justice.europa.eu/content\\_small\\_claims-42-en.do](https://e-justice.europa.eu/content_small_claims-42-en.do)

<sup>(30)</sup> Proposal for a directive on package travel and assisted travel arrangements (COM(2013) 512).

<sup>(31)</sup> Directive 90/314/EEC on package travel, package holidays and package tours (OJ L 158, 23.6.90).

packages with combinations of, for example, flights, hotels or car rentals. The protection includes the right to receive all necessary information before signing the contract, making sure that a party is liable for the performance of all services in the package and the reassurance of repatriation in case a tour operator goes bust. The current rules need to be modernised, given that more and more combinations of travel services are put together in a customised fashion, especially on the Internet, and since, in such cases, holidaymakers are often not sure of protection if something goes wrong.

## **Criminal justice**

### **Legislative package on procedural rights**

The Commission moved towards completing its roadmap on procedural rights in criminal proceedings with a number of proposals. The aim of all these measures is to guarantee fair trial rights for all citizens, wherever they are in the EU. Once adopted, the proposals will help to increase mutual trust in Member States' judicial systems and therefore ensure the smooth functioning of the European area of justice.

There are over 9 million criminal proceedings in the EU every year. Since 2010, the Commission has been steadily working to set common EU standards in all criminal proceedings.

[PHOTO 031]

In November 2013, the Commission presented a proposal for a directive on the strengthening of certain aspects of the presumption of innocence and of the right to be present at trial in criminal proceedings <sup>(32)</sup>. As part of the same package it proposed a directive on procedural safeguards for children suspected or accused in criminal proceedings <sup>(33)</sup> and a directive on the right to provisional legal aid for suspects or accused persons in criminal proceedings and for persons sought in European arrest warrant proceedings <sup>(34)</sup>. In addition, it adopted a recommendation on the right to legal aid for suspects or accused persons in criminal proceedings <sup>(35)</sup> and a recommendation on procedural safeguards for vulnerable persons suspected or accused in criminal proceedings <sup>(36)</sup>.

### **Access to a lawyer**

One central measure in this effort to secure fair trial rights for all citizens was adopted by the Parliament and the Council in the autumn: the directive on the right of access to a

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<sup>(32)</sup> Proposal for a directive on the strengthening of certain aspects of presumption of innocence and of the right to be present at trial in criminal proceedings (COM(2013) 821/2).

<sup>(33)</sup> Proposal for a directive on procedural safeguards for children suspected or accused in criminal proceedings (COM(2013) 822).

<sup>(34)</sup> Proposal for a directive on provisional legal aid for suspects or accused persons deprived of liberty and legal aid in European arrest warrant proceedings (COM(2013) 824).

<sup>(35)</sup> Commission recommendation on the right to legal aid for suspects or accused persons in criminal proceedings (C(2013) 8179).

<sup>(36)</sup> Commission recommendation on procedural safeguards for vulnerable persons suspected or accused in criminal proceedings (C(2013) 8178).

lawyer and the right to communicate upon deprivation of liberty<sup>(37)</sup>, which the Commission had presented in 2011<sup>(38)</sup>. The new law means anyone who is a suspect — no matter where they are in the European Union — will be guaranteed the right to see a lawyer from the earliest stages of proceedings until their conclusion. The new rules would also ensure that anyone arrested has the opportunity to communicate with their family. If they are in another EU country, citizens would have the right to be in contact with their country's consulate.

#### **The Commission oversees compliance with treaties**

The Commission launched the so-called 'Article 39 procedure' against Croatia, which provides for the activation of the justice and home affairs safeguard clause in Croatia's accession treaty. The decision was taken in view of the continued non-compliance by Croatia with the European Arrest Warrant framework decision<sup>(39)</sup>. In response, Croatia committed to amend its legislation by 1 January 2014 at the latest, so as to comply with the framework decision.

#### **Drugs package**

Drugs are a complex social and health problem that affects millions of individuals in the EU. Each year, around 6 500 persons in the EU die because of a drug overdose. In addition to controlled drugs, subjected to restriction measures under the UN conventions on drugs, a growing number of new psychoactive substances, which imitate the effects of UN-controlled drugs, are emerging and spreading fast in the internal market. The Commission presented in 2013 a package of two legislative proposals aiming at enhancing the effectiveness of EU action on new psychoactive substances<sup>(40)</sup>. Under the rules, harmful psychoactive substances will be withdrawn quickly from the market without jeopardising their various legitimate industrial and commercial uses.

#### **Establishment of a European Public Prosecutor's office to protect the financial interests of the Union**

In July, the Commission delivered on its promise to apply a zero tolerance policy towards fraud against the EU budget, presenting a proposal<sup>(41)</sup> to establish a European Public Prosecutor's Office. This is an essential tool to improve Union-wide prosecution

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<sup>(37)</sup> Directive 2013/48/EU on the right of access to a lawyer in criminal proceedings and in European arrest warrant proceedings, and on the right to have a third party informed upon deprivation of liberty and to communicate with third persons and with consular authorities while deprived of liberty (OJ L 294, 22.10.2013).

<sup>(38)</sup> Proposal for a directive on the right of access to a lawyer in criminal proceedings and on the right to communicate upon arrest (COM(2011) 326).

<sup>(39)</sup> Decision 2002/584/JHA on the European arrest warrant and the surrender procedures between Member States (OJ L 190, 18.7.2002).

<sup>(40)</sup> Proposal for a directive amending Decision 2004/757/JHA laying down minimum provisions on the constituent elements of criminal acts and penalties in the field of illicit drug trafficking, as regards the definition of drug (COM (2013) 618).

Proposal for a regulation on new psychoactive substances (COM(2013) 619).

<sup>(41)</sup> Commission communication — Better protection of the Union's financial interests: setting up the European Public Prosecutor's Office and reforming Eurojust 'COM(2013) 532' (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0532:FIN:EN:PDF>).

of criminals who defraud EU taxpayers. When it comes to taxpayers' money, every euro counts – even more so in today's economic climate.

The exclusive task of the European Public Prosecutor's Office will be to investigate and prosecute and, where relevant, bring to judgement – in the Member States' courts – crimes affecting the EU budget. The European Public Prosecutor's Office will be an independent institution, subject to democratic oversight.

The Commission also presented proposals to reform Eurojust, the European Union's Judicial Cooperation Unit.

Presently, there is a very uneven level of protection and enforcement across the EU when it comes to tackling fraud against the Union's budget. The European Public Prosecutor's Office will ensure that protecting the EU budget is given proper priority throughout Europe. It will bridge the gap between Member States' criminal systems, whose competences stop at national borders, and Union bodies that cannot conduct criminal investigations.

The Commission proposed to set up the European Public Prosecutor's Office as a decentralised structure, integrated into national judicial systems. Delegated European prosecutors would carry out the investigations and prosecutions in the respective Member State, using national staff and applying national law. Their actions would be coordinated by the European public prosecutor to ensure a uniform approach throughout the EU.

Following a thorough analysis of the reasoned opinions received from 14 national parliamentary chambers in 11 Member States on the basis of the principle of subsidiarity, the Commission in November confirmed that its proposal complies with the principle of subsidiarity as enshrined in the EU treaties and decided to maintain it.

## Home affairs

### Migration

#### Lampedusa tragedy

The 2013 migration tragedies in the Mediterranean, particularly off the Italian island of Lampedusa, triggered a very wide and emotional reaction across Europe, with citizens asking for solutions to be found to prevent such incidents. Building on the existing migration management framework and tools, the Commission has set up the Mediterranean Task Force — comprising the Commission, the Member States and EU agencies — with a view to developing and implementing both operational short-term measures and medium-term innovative ideas to avoid further loss of lives in the Mediterranean.

[PHOTO 032]



## Eurosur

A new regulation from October 2013 <sup>(42)</sup> established a European Border Surveillance System (Eurosur), with the aim of increasing coordination within and between Member States to reinforce border surveillance, prevent and tackle serious crime, such as drug trafficking and the trafficking of human beings, and diminish the unacceptable death toll of migrants at sea. Eurosur started to become operational from the beginning of December 2013.

## Trafficking in human beings

In May, in a bid to promote the role of civil society and enhance cooperation amongst relevant actors, the Commission launched the EU Civil Society Platform on Trafficking in Human Beings. The EU-wide platform will serve as a forum for civil society organisations working at European, national and local levels in the field of human rights, children's rights, women's rights and gender equality, migrants' rights and shelters. Participants will be able to interact, expand their networks and exchange concrete ideas on how best to assist victims and prevent others from falling victim to this crime, as well as becoming better informed about the EU policy framework.

In 2013, the Commission also published the document *The EU rights of victims of trafficking in human beings* <sup>(43)</sup>. It provides clear, user-friendly information on the labour, social, victim and migrant rights that victims of trafficking in human beings have under EU law. Such an overview will be used by victims and those working in the field (such as NGOs and police), and will contribute to the effective realisation of these rights by helping authorities in Member States to deliver assistance and protection.

In line with the new directive on trafficking in human beings <sup>(44)</sup>, which had to be transferred into national law by Member States by April 2013, the Commission is continuing to work with the Member States on the implementation of the EU strategy towards the eradication of trafficking in human beings <sup>(45)</sup>. It also closely monitors the efforts taken by the Member States to transfer the directive into national law.

## External dimension

In line with the global approach to migration and mobility (GAMM), the EU continues to engage with non-EU countries and regions and to strengthen cooperation and dialogues (see Chapter 5 for more details).

Mobility partnerships were signed between the EU and Morocco in June 2013 and between the EU and Tunisia and the EU and Azerbaijan in December. Another one has started with Jordan.

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<sup>(42)</sup> Regulation (EU) No 1052/2013 establishing the European Border Surveillance System (Eurosur) (OJ L 295, 6.11.2013).

<sup>(43)</sup> Available at: [http://ec.europa.eu/anti-trafficking/EU+Policy/EU\\_rights\\_victims](http://ec.europa.eu/anti-trafficking/EU+Policy/EU_rights_victims)

<sup>(44)</sup> Directive 2011/36/EU on preventing and combating trafficking in human beings and protecting its victims (OJ L 101, 15.4.2011).

<sup>(45)</sup> Commission communication — The EU strategy towards the eradication of trafficking in human beings 2012–16 (COM(2012) 286).

Dialogues and cooperation with strategic non-EU countries continued in 2013. This is the case with regard to the EU–China Dialogue on Mobility and Migration, which resumed its activities with a high-level meeting in October 2013.

In addition, the EU pursues its dialogues with other regions in the world. In this regard, a Silk Routes Partnership for Migration was established in April 2013, which aims at promoting dialogue and cooperation in managing the mixed migration flows originating from the ‘silk route countries’ (in particular Afghanistan, Iran, Iraq and Pakistan). Cooperation on migration and asylum has also been further developed in the context of the Eastern Partnership, with a first Eastern Partnership justice and home affairs ministerial meeting in October 2013 in Luxembourg ahead of the third Eastern Partnership Summit in November 2013 in Vilnius.

As regards visas and readmission, a visa liberalisation dialogue was launched with Turkey and a readmission agreement was signed on 16 December 2013. Readmission and visa facilitation agreements <sup>(46)</sup> have been concluded with Armenia and Cape Verde. A visa facilitation agreement was signed with Azerbaijan on 29 November 2013, at the occasion of the Eastern Partnership Summit in Vilnius. Upgraded visa facilitation agreements with Moldova and Ukraine entered into force on 1 July 2013. Visa liberalisation dialogues with Georgia, Moldova and Ukraine continued. The Commission reports on the fulfilment of the visa liberalisation action plan benchmarks by these countries <sup>(47)</sup> were adopted on 15 November 2013.

[PHOTO 034]

## **External borders — Schengen area**

### **New Schengen rules to better protect citizens’ free movement**

In October, new rules were adopted which will become applicable within a year. These rules allow for sound Schengen governance, reinforcing the EU area of free movement, based on clear and transparent European rules that will make the system more efficient. The Commission is given a central role when it comes to monitoring and evaluation and, in close cooperation with experts from the Member States, will have the competence to ensure that the Schengen rules are respected. In addition, the new rules will also ensure that, in cases where, exceptionally, border controls need to be reintroduced at internal borders, such decisions take into account the interests of the Union and all its Member States.

### **SCHENGEN AREA AS OF 1.7.2013**

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<sup>(46)</sup> [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/visa-policy/index\\_en.htm#facilitation](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/visa-policy/index_en.htm#facilitation)

<sup>(47)</sup> Commission report — First progress report on the implementation by Georgia of the action plan on visa liberalisation (COM(2013) 808).  
Commission report — Fifth report on the implementation by the Republic of Moldova of the action plan on visa liberalisation (COM(2013) 807).  
Commission report — Third report on the implementation by Ukraine of the action plan on visa liberalisation (COM(2013) 809).

[GRAPH 21]

### **Schengen Information System (SIS II)**

The second generation Schengen Information System (SIS II) <sup>(48)</sup> entered into operation in April. SIS II is an information system that allows national border control, customs and police authorities that are responsible for checks within the Schengen area to circulate alerts about wanted or missing people and objects, such as stolen vehicles and documents. SIS II will continue to play a crucial role in facilitating the free movement of people within the Schengen area while enhancing its security.

### **Progressive roll-out of the Visa Information System (VIS)**

Following the roll-out of the VIS in north Africa, the Near East and the Gulf region, the VIS was deployed in central and west Africa in March, in east and southern Africa in June, in South America in September, and in central and south-east Asia and in Palestine in November. While successfully handling millions of visa applications and operations from external crossing points and worldwide consulates, the incident-free deployment of the VIS in these regions shows that the system has matured to a very satisfactory level and that it can sustain operations in subsequent regions.

### **Smart borders**

In February, the Commission proposed a ‘smart borders package’ <sup>(49)</sup> to speed up, facilitate and at the same time reinforce border-check procedures for foreigners travelling to the EU. The package consists of an entry/exit system (EES) <sup>(50)</sup> to record the time and place of entry and exit of non-EU nationals travelling to the EU and a registered traveller programme (RTP) <sup>(51)</sup> to allow certain groups of frequent travellers from non-EU countries to enter the EU using simplified border checks.

[PHOTO 33?? FRONTEX]

### **Rules on Frontex sea operations**

On 12 April, the Commission proposed the establishment of clear rules for joint patrolling as regards interception, search and rescue and disembarkation for sea operations coordinated by Frontex <sup>(52)</sup>. This proposal responds to the Court judgment <sup>(53)</sup> annulling Council Decision 2010/252/EC on procedural grounds.

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<sup>(48)</sup> [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/schengen-information-system/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/schengen-information-system/index_en.htm)

<sup>(49)</sup> [http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130228\\_01\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130228_01_en.htm)

<sup>(50)</sup> Proposal for a regulation establishing an entry/exit system (EES) to register entry and exit data of third country nationals crossing the external borders of the Member States of the European Union (COM(2013) 95).

<sup>(51)</sup> Proposal for a regulation establishing a registered traveller programme (COM(2013) 97).

<sup>(52)</sup> Proposal for a regulation establishing rules for the surveillance of the external sea borders in the context of operational cooperation coordinated by the European Agency for the Management of Operational Cooperation at the External Borders of the Members States of the European Union (COM(2013) 197).

## Common European Asylum System

The Common European Asylum System (CEAS) <sup>(54)</sup> was adopted on World Refugee Day (20 June 2013). The new system will provide better access to the asylum procedure for those who seek protection, will lead to fairer, quicker and better quality asylum decisions, will ensure that people in fear of persecution will not be returned to danger and will provide dignified and decent conditions both for those who apply for asylum and for those who are granted international protection within the EU.

- The new CEAS instruments comprise:
- the revised asylum procedures directive<sup>55</sup>, which aims at fairer, quicker and better quality asylum decisions;
- the revised reception conditions directive<sup>56</sup>, which ensures that there are humane material reception conditions (such as housing) for asylum seekers across the EU;
- the revised qualification directive<sup>57</sup>, which clarifies the grounds for granting international protection;
- the revised Dublin regulation<sup>58</sup>, which enhances the protection of asylum seekers during the process of establishing the state responsible for examining the application and clarifies the rules governing the relations between states.

### NUMBER OF ASYLUM APPLICANTS IN THE EU-28

[GRAPH 22]

## Organised crime, police cooperation and terrorism

### Joint anti-terrorism exercise at EU level

On 17 and 18 April, the EU Member States' anti-terrorist police forces united as part of the EU-sponsored Atlas Network, which carried out the most complex preparation and

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<sup>(53)</sup> Court of Justice ruling of 5.9.2012 in Case C-355/10 *Parliament v Council* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-355/10>).

<sup>(54)</sup> [http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130612\\_01\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130612_01_en.htm)

<sup>55</sup> Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection (OJ L 180, 29.6.2013)

<sup>56</sup> Directive 2013/33/EU of the European Parliament and of the Council of 26 June 2013 laying down standards for the reception of applicants for international protection (OJ L 180, 29.6.2013)

<sup>57</sup> Directive 2011/95/EU of the European Parliament and of the Council of 13 December 2011 on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection, and for the content of the protection granted (OJ L 337, 20.12.2011)

<sup>58</sup> Regulation (EU) No 604/2013 of the European Parliament and of the Council of 26 June 2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (OJ L 180, 29.6.2013)

crises response simulation so far at European level. The simulation involved simultaneous terrorist attacks in nine different EU Member States (Belgium, Ireland, Spain, Italy, Latvia, Austria, Romania, Slovakia and Sweden). A number of other detection activities and practical detection trials were also launched in different domains with the aim of developing preventive approaches to terrorist attacks.

### **Internal security strategy**

The second report on the implementation of the internal security strategy (ISS)<sup>(59)</sup>, presented in April, highlights that organised crime is still a major challenge for the internal security of the EU. Cybercrime, trafficking in human beings and the increase in violent extremism are also major security threats that the EU continues to face, together with money laundering and corruption. New priorities for the fight against serious and organised international crime within the EU policy cycle were established for 2014–17.

### **Europol**

On 27 March, the Commission proposed to make the EU law enforcement agency (Europol) more effective at collecting information, analysing it and sharing these analyses with the Member States<sup>(60)</sup>. This will enable Europol to provide more concrete and targeted support to national law enforcement authorities in cross-border cooperation and investigations. At the same time, the proposal increases Europol's accountability to the European Parliament and national parliaments, and strengthens the protection of personal data. The Commission proposal also reinforces the link between training/support and operational cooperation by merging the European Police College (CEPOL) within Europol.

### **Strategy against illegal firearms trafficking**

On 21 October, the Commission presented suggestions for how to reduce gun violence in Europe<sup>(61)</sup>. It identifies actions at EU level, through legislation, operational activities, training and EU funding, to address the threats posed by the illegal use of firearms.

### **Cybersecurity**

Taking or misusing personal data is listed as the top concern for Internet users by 40 % of Europeans. The threat of cybercrime undermines consumer confidence and affects citizens' readiness to shop or bank online. It creates a significant obstacle to the digital internal market. Since January 2013, the new European Cybercrime Centre (EC<sup>3</sup>)<sup>(62)</sup> has been up and running to help protect European citizens and businesses against threats from cybercriminals. The EC<sup>3</sup> pools expertise and information, supports criminal

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<sup>(59)</sup> Commission communication — Second report on the implementation of the EU internal security strategy (COM(2013) 179).

<sup>(60)</sup> Proposal for a regulation on the European Union Agency for Law Enforcement Cooperation and Training (Europol) (COM(2013) 173).

<sup>(61)</sup> Commission communication — Firearms and the internal security of the EU: protecting citizens and disrupting illegal trafficking (COM(2013) 716).

<sup>(62)</sup> [http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130109\\_01\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-is-new/news/news/2013/20130109_01_en.htm)

investigations and promotes EU-wide solutions, while raising awareness of cybercrime issues across the Union.

In February, a cybersecurity strategy<sup>(63)</sup> was presented that outlines the EU's comprehensive vision on how best to prevent and respond to cyber disruptions and attacks. The Commission and Catherine Ashton, the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP), have jointly adopted this strategy alongside a directive proposed by the Commission on network and information security (NIS)<sup>(64)</sup>. Specific actions are aimed at enhancing the cyber resilience of information systems, reducing cybercrime and strengthening the EU's international cybersecurity policy and cyber defence.

## Easing citizens' everyday concerns

### Citizens' health and their rights as consumers

#### Consumer protection

##### *Alternative dispute resolution/online dispute resolution*

In April, the EU adopted rules<sup>(65)</sup> on alternative dispute resolution. They will ensure that consumers can turn to quality alternative dispute resolution entities for almost all kinds of contractual disputes that they have with traders, no matter what they purchased and whether they purchased it online or offline, domestically or across borders. An EU-wide online platform will be set up to facilitate the online resolution of consumer disputes that arise from online transactions.

##### *Safety of non-food products in Europe*

In February, the Commission adopted the product safety and market surveillance package<sup>(66)</sup>. The package contains solutions on how to improve the safety of consumer products circulating in the single market and to step up market surveillance concerning all non-food products, including those imported from non-EU countries.

In addition, in 2013 the Rapid Alert System for Non-food Dangerous Products (RAPEX) further improved the efficiency of information sharing among Member States and the Commission on dangerous products found across Europe. Cooperation with China and the US also remained an important part of Europe's product safety work.

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<sup>(63)</sup> Joint communication — Cybersecurity strategy of the European Union — An open, safe and secure cyberspace (JOIN(2013) 1).

<sup>(64)</sup> Proposal for a directive concerning measures to ensure a high common level of network and information security across the Union (COM(2013) 48).

<sup>(65)</sup> Directive 2013/11/EU on alternative dispute resolution for consumer disputes (OJ L 165, 18.6.2013).  
Regulation (EU) No 524/2013 on online dispute resolution for consumer disputes (OJ L 165, 18.6.2013).

<sup>(66)</sup> <http://ec.europa.eu/consumers/safety/psmsp>

### *Safety of cosmetics*

The new cosmetics regulation<sup>(67)</sup> was applicable from 11 July 2013. It strengthens consumer protection while simplifying the life of economic operators. For example, labels on cosmetic products must now include information on the name and address of a person responsible for compliance with the rules.

In March the full EU ban on animal testing for cosmetics entered into force. This was the last deadline to be phased out, and as of this date cosmetics tested on animals cannot be marketed in the EU.

### *Entry into force of new lower roaming price caps from 1 July*

The EU has achieved retail price reductions across calls, text messages and data of over 80 % since 2007. Data roaming is now up to 91 % cheaper compared to 2007, and the volume of the data roaming market has grown by 630 % since 2007. This year, visitors to Croatia enjoyed significant savings as the cost of data was almost 15 times cheaper than before<sup>(68)</sup>.

## **THE MOST YOU'LL PAY WHEN ROAMING WITHIN THE EU**

[GRAPH 23]

### *Promotion of agricultural and food products*

The Commission presented a draft reform of the information and promotion policy for European agricultural and food products<sup>(69)</sup>. This new promotion policy, which benefits from a more substantial budget (€200 million in 2020) and will in the future be supported by a European executive agency, is intended to act as a key for opening up new markets. With the slogan 'Enjoy, it's from Europe', the policy aims to help the sector's professionals break into international markets and make consumers more aware of the efforts made by European farmers to provide quality products, based on a genuine strategy established at European level.

### **'EU stop fakes' campaign**

To meet the challenges to health and the economy posed by counterfeiting and piracy of products, in 2013 the Commission created the 'EU stop fakes' campaign<sup>(70)</sup>. Counterfeit goods damage brand reputations, steal revenue from companies and subsidise organised crime. Fake medicines, alcohol and toys are particularly ruinous — sold without the health and safety protection that we take for granted under EU law when we buy real goods. As part of the implementation of the Europe 2020 flagship initiative for industrial policy, the campaign's objective is to stop the production and circulation of counterfeit goods by promoting closer cooperation between the Commission, national authorities

<sup>(67)</sup> Regulation (EC) No 1223/2009 on cosmetic products (OJ L 342, 22.12.2009).

<sup>(68)</sup> [http://europa.eu/rapid/press-release\\_IP-13-611\\_en.htm](http://europa.eu/rapid/press-release_IP-13-611_en.htm)  
<http://ec.europa.eu/digital-agenda/en/roaming>

<sup>(69)</sup> Proposal for a regulation on information provision and promotion measures for agricultural products on the internal market and in third countries (COM(2013) 812).

<sup>(70)</sup> [http://ec.europa.eu/commission\\_2010-2014/tajani/stop-fakes/index\\_en.htm](http://ec.europa.eu/commission_2010-2014/tajani/stop-fakes/index_en.htm)



and trade associations. Most importantly, it aims to make consumers aware of the damage counterfeiting does and remind them that they have the power to combat this activity through their own actions and choices.

## **Citizens' health**

### *Tobacco products*

'Tobacco products should look and taste like tobacco products' is the premise behind the revision of the tobacco products directive <sup>(71)</sup>, which aims to improve the functioning of the internal market and to discourage young people from starting to smoke. The legislative process for the proposal for the revision of this directive, tabled at the end of 2012, continued at a rapid pace throughout 2013, and political agreement was reached between the Parliament and EU Member States on 18 December 2013.

Key measures endorsed by the Parliament and the Council include large mandatory photo and text warnings covering 65 % of the front and back of packs of cigarettes and roll-your-own tobacco, and no characterising flavours (e.g. fruit, menthol, candy) allowed in these products. Also endorsed is the first ever EU-wide tracking and tracing system to combat the illicit trade in tobacco products. On e-cigarettes, the most contentious element of the proposal, it was agreed that for products not falling under the definition of medicinal products in the corresponding directive <sup>(72)</sup>, mandatory safety and quality requirements will be set, for example on nicotine content, ingredients and devices, as well as refill mechanisms.

### *Clinical trials*

Political agreement was reached on 20 December 2013 on another important file for people's health: the revised rules on clinical trials<sup>73</sup> [provide reference]. Clinical trials are indispensable for developing and improving medicines and ensuring that EU patients can have access to the most innovative and effective treatments, under high safety and ethical standards. The revised rules take the form of a regulation, which means that once that they are formally approved by the Parliament and the Council they will be directly applicable throughout the EU. In addition to boosting patient safety, these new rules will ensure that the EU remains an attractive location for clinical research — which is of vital importance for Europe's competitiveness and innovation capacity.

[PHOTO 035]

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<sup>(71)</sup> Proposal for a directive on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products (COM(2012) 788).

<sup>(72)</sup> Directive 2001/83/EC on the Community code relating to medicinal products for human use (OJ L 311, 28.11.2001).

<sup>73</sup> The reviewed clinical trials directive 2001/20/EC will become a regulation in 2014..



## *Chemicals*

The use of chemicals in Europe has become safer since the REACH regulation <sup>(74)</sup> entered into force. More readily available information about chemical substances on the market and better-targeted risk management measures mean that risks from substances registered under REACH have decreased.

### **Healthily nourished schoolchildren**

In March, the Commission adopted the final allocation of EU funds for the distribution of fruit and vegetables in schools — under the ‘school fruit scheme’ — for the 2013/14 school year. Twenty-five Member States are participating in the programme. With €90 million of EU funds available, the main beneficiaries of the scheme in 2013/14 will be Italy (which is set to receive over €20.5 million), followed by Poland (€13.6 million), Germany (€12 million), Romania (€4.9 million), France (€4.7 million), Hungary (€4.5 million), Spain (€4.4 million) and the Czech Republic (€4.2 million).

## *Cross-border healthcare*

The directive on patients’ rights in cross-border healthcare <sup>(75)</sup> was due to be transferred into national law by all Member States in October 2013. This new EU law clarifies patients’ rights to access safe and good quality treatment across EU borders and to be reimbursed for it. It also provides reinforced cooperation among Member States’ healthcare systems. Guidelines foreseen by the directive, on a patient summary data set for electronic exchange across EU borders, were agreed on 20 November 2013. The guidelines aim to enhance continuity of care and ensure safe and high-quality healthcare. In June, the rules on health technology assessment (HTA) were established, providing policymakers with information on the benefits and comparative value of health technologies and procedures. This is a key tool when planning healthcare budgets and is vital for the long-term sustainability of Europe’s healthcare systems.

## *Cross-border health threats*

The decision on serious cross-border health threats <sup>(76)</sup> aims to better protect EU citizens from a wide range of health threats through strengthened preparedness planning, enhanced risk assessment and improved response coordination at EU level. It covers serious cross-border threats caused by communicable diseases and chemical, biological and environmental events. Special health issues such as antimicrobial resistance and healthcare-associated infections are also covered.

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<sup>(74)</sup> Regulation (EC) No 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals (REACH), establishing a European Chemicals Agency (OJ L 396, 30.12.2006).

<sup>(75)</sup> Directive 2011/24/EU on the application of patients’ rights in cross-border healthcare (OJ L 88, 4.4.2011).

<sup>(76)</sup> Decision No 1082/2013/EU on serious cross-border threats to health (OJ L 293, 5.11.2013).

### *Additional monitoring of medicinal products*

From 1 September, a black inverted triangle will appear on the inside leaflet of certain medicinal products on the EU market. The symbol will allow patients and healthcare professionals to easily identify medicinal products that are undergoing additional monitoring. The accompanying text will encourage them to report unexpected adverse reactions through national reporting systems.

[PHOTO 036]

### *Transplant alert system*

In 2013, the safety of patients undergoing transplantation and medical procedures involving human tissues and cells was greatly improved, following the launch of a web-based rapid alert system used by national authorities. A high volume of tissues and cells are donated and transplanted every year in the EU, and the system allows rapid information exchange on any alert in the field.

### *Electromagnetic fields*

In June, the Commission's proposal for a directive to update and improve EU rules to protect workers from electromagnetic fields in their workplace was adopted by the Parliament and the Council <sup>(77)</sup>. The new directive will protect workers such as doctors and nurses giving patients magnetic resonance imaging scans (MRIs), people working with radar, welders and workers repairing power lines. Member States will have to implement the directive in their national law by 1 July 2016.

## **Food and feed safety and animal health**

In response to the detection of an undeclared fraction of horsemeat in products labelled as containing beef, the Commission adopted a recommendation <sup>(78)</sup> establishing an EU-wide coordinated programme testing products for the presence of horse meat as well as for residues of phenylbutazone, a veterinary drug that must not be used in food-producing animals. On 16 April 2013, the Commission published the results of this coordinated testing programme, which revealed that less than 5 % of tested products had horse DNA and that about 0.5 % of the equine carcasses tested were found to be contaminated with phenylbutazone. The Commission has also drawn up a five-point action plan to strengthen the EU system and restore consumer confidence in the areas of official controls, penalties, origin labelling and horse passports.

### **Smarter rules for safer food**

The animal, plant and control package 'Smarter rules for safer food' <sup>(79)</sup> is the most important piece of food-chain legislation proposed in 2013. It involves a substantial

<sup>(77)</sup> Directive 2013/35/EU on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) (OJ L 179, 29.6.2013).

<sup>(78)</sup> Commission recommendation on a coordinated control plan with a view to establishing the presence of fraudulent practices in the marketing of certain foods (2013/99/EU).

<sup>(79)</sup> [http://ec.europa.eu/dgs/health\\_consumer/pressroom/animal-plant-health\\_en.htm](http://ec.europa.eu/dgs/health_consumer/pressroom/animal-plant-health_en.htm)

simplification and modernisation of the existing body of legislation. It covers animal health, plant health, plant reproductive material and controls to streamline the processes and make procedures easier for the all actors involved in the food chain.

The new rules on animal health aim to sharpen the economic competitiveness of the sector by prioritising action where the risks are higher and by improving the tools to fight serious animal diseases. The driving principles behind the review are that prevention is better than cure and that economic losses due to disease outbreaks will be reduced. The new plant health rules aim to prevent the entry of new pests into the EU brought about by globalisation and climate change, to put in place surveillance in all Member States for outbreaks of new pests and to mount early action in the event of such outbreaks. Enhanced synergy is created between the plant health and plant reproductive material proposals. This aims to ensure quality, healthy and identifiable plant-propagating material for users, while supporting innovation and contributing to the conservation and sustainable use of plant genetic resources.

The review of rules on official controls aims to deliver more effective and efficient controls, which will be risk based. Financial penalties for wilful acts of food fraud will be dissuasive and will amount to a sum that is at least equal to the gain expected from the fraud that was committed.

A restriction on the use of three pesticides belonging to the neonicotinoid family entered into force on 1 December 2013. These pesticides (clothianidin, imidacloprid and thiametoxam) were identified by the European Food Safety Authority (EFSA) as being harmful to Europe's honeybee population. These measures form part of the Commission's overall strategy to tackle the decline of Europe's bee population.

A regulation to revise the framework legislation on foods for particular nutritional uses ('dietetic foods') <sup>(80)</sup> was adopted by the Parliament and the Council in June 2013. As of 2016, this new regulation will abolish the obsolete concept of 'dietetic food' and set clear rules to protect specific vulnerable groups of consumers like infants and young children. Simpler rules will guarantee more legal clarity, a better environment for operators, better application of the rules by national authorities and better protection for vulnerable consumers.

Two proposals for directives on animal cloning <sup>(81)</sup> and a proposal to revise the novel food regulation <sup>(82)</sup> were adopted by the Commission on 18 December 2013. The two proposals for directives will ban the use of the cloning technique in the EU for farm animals <sup>(83)</sup> and the imports of these animal clones. The marketing of food from animal clones, such as meat or milk, will also be banned. The revision of the novel food

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<sup>(80)</sup> Regulation (EU) No 609/2013 on food intended for infants and young children, food for special medical purposes, and total diet replacement for weight control (OJ L 181, 29.6.2013).

<sup>(81)</sup> Proposal for a directive on the cloning of animals of the bovine, porcine, ovine, caprine and equine species kept and reproduced for farming purposes (COM(2013) 892).  
Proposal for a directive on the placing on the market of food from animal clones (COM(2013) 893).

<sup>(82)</sup> Proposal for a regulation on novel foods (COM(2013) 894).

<sup>(83)</sup> Cattle, pigs, sheep, goats and horses.

regulation aims to improve the access of new and innovative food to the EU market, while still maintaining a high level of consumer protection.

## Culture and media

European culture, cinema, television, music, literature, performing arts, heritage and related areas will benefit from increased support under the Commission's new 'Creative Europe' programme<sup>(84)</sup> adopted in 2013. With a budget of €1.46 billion<sup>(85)</sup> over the next 7 years — 9 % more than current levels — the programme will provide a boost for the cultural and creative sectors, which are major sources of jobs and growth. 'Creative Europe' will provide funding for at least 250 000 artists and cultural professionals, 2 000 cinemas, 800 films and 4 500 book translations. It will also launch a new financial guarantee facility enabling small cultural and creative businesses to access up to €750 million in bank loans<sup>(86)</sup>.

Marseille (France) and Košice (Slovakia) were the two European Capitals of Culture in 2013<sup>(87)</sup>. The Council also formally designated Aarhus (Denmark) and Paphos (Cyprus) as European Capitals of Culture for 2017 and Valletta (Malta) as European Capital of Culture 2018.

Harpa, Reykjavik won the European Union Prize for Contemporary Architecture — Mies van der Rohe Award for 2013; Nave de Música, Madrid was awarded the Emerging Architect Special Mention<sup>(88)</sup>. The EU Prize for Contemporary Architecture is the most prestigious award for European architecture. The prize wins €60 000 and the special mention wins €20 000, with both receiving a sculpture that evokes the Mies van der Rohe Pavilion of Barcelona, the symbol for this prize: excellence and innovation in conceptual and constructive terms.

The winners of the 2013 European Union Prize for Cultural Heritage/Europa Nostra Awards were honoured in June at a ceremony in the Odeion of Herodes Atticus, at the foot of the Acropolis in Athens. Among the 30 laureates for 2013 were the seven Grand Prize winners, each of which received €10 000: the Propylaea Central Building, Athens (Greece); Tallinn Seaplane Harbour (Estonia); Roman Theatre of Medellin (Spain); Strawberry Hill, Twickenham (United Kingdom); Restoration of the Exceptional Machines of Wielemans-Ceuppens Brewery, Brussels (Belgium); Association for the Promotion of Art and Culture in the Eastern Part of Germany, Berlin (Germany); and SOS Azulejo Project, Loures (Portugal).

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<sup>(84)</sup> [http://ec.europa.eu/culture/creative-europe/index\\_en.htm](http://ec.europa.eu/culture/creative-europe/index_en.htm)

<sup>(85)</sup> €1.46 billion taking account of estimated inflation. This is the equivalent of €1.3 billion in 'fixed' 2011 prices.

<sup>(86)</sup> [http://ec.europa.eu/culture/creative-europe/index\\_en.htm](http://ec.europa.eu/culture/creative-europe/index_en.htm)

<sup>(87)</sup> [http://ec.europa.eu/culture/news/20130114-opening-events-ecoc\\_en.htm](http://ec.europa.eu/culture/news/20130114-opening-events-ecoc_en.htm)

<sup>(88)</sup> [http://ec.europa.eu/culture/news/20130429-prize-for-architecture\\_en.htm](http://ec.europa.eu/culture/news/20130429-prize-for-architecture_en.htm)

The winners of the 2013 European Union Prize for Literature <sup>(89)</sup>, recognising the best emerging authors in Europe, were announced in September at the opening of the Gothenburg Book Fair in Sweden.

Acclaimed Danish film director Thomas Vinterberg is the winner of the 2013 European Union Prix MEDIA <sup>(90)</sup>. The prize is awarded to the best new film project with box-office potential eligible for support from the EU MEDIA programme for cinema. The award was presented to Vinterberg at the Cannes Film Festival. Vinterberg shares the award with co-writer Tobias Lindholm and his producers Sisse Graum and Morten Kaufmann for their new film project *Kollektivet* ('The Commune'), which tells the story of life in a Danish commune in the 1970s.

[PHOTO 046]

## Ethics and sciences

### Ethics

#### *The European Group on Ethics (EGE)*

The European Group on Ethics (EGE) is an independent, pluralist and multidisciplinary body which advises the Commission on ethical aspects of science and new technologies in connection with the preparation and implementation of EU policies and legislation. Following the request of the president of the Commission, the EGE adopted its opinion on the research, production and use of energy <sup>(91)</sup> in early 2013. The opinion built upon an intense series of meetings with experts and stakeholders <sup>(92)</sup> (including industry, civil society, NGOs, academia and the chairpersons of the EU-27 national ethics councils). In its opinion, the EGE proposed an integrated ethics approach for the research, production and use of energy in the EU. In February 2013, the EGE started the work on its opinion on the ethics of security and surveillance technologies, as requested by the president of the Commission.

#### *The European Commission International Dialogue on Bioethics*

The European Commission International Dialogue on Bioethics (IDB) took place in September 2013. It brought together the presidents of the national ethics councils from Member States and non-EU countries across all continents to share experiences and reflect together on the topic of research security and security research. On this fifth occasion, the international dialogue forum fully played its role as a platform of mutual learning between these bodies, also enabling interactions and linkages between them and the Commission.

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<sup>(89)</sup> [http://ec.europa.eu/culture/news/20130924-literature-prize\\_en.htm](http://ec.europa.eu/culture/news/20130924-literature-prize_en.htm)

<sup>(90)</sup> [http://europa.eu/rapid/press-release\\_IP-13-419\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-13-419_en.htm?locale=en)

<sup>(91)</sup> [http://ec.europa.eu/bepa/european-group-ethics/docs/publications/opinion\\_no\\_27.pdf](http://ec.europa.eu/bepa/european-group-ethics/docs/publications/opinion_no_27.pdf)

<sup>(92)</sup> [http://ec.europa.eu/bepa/european-group-ethics/welcome/activities/index\\_en.htm](http://ec.europa.eu/bepa/european-group-ethics/welcome/activities/index_en.htm)

## **Sciences**

Following the establishment of the post of chief scientific adviser to the president in 2012, the Commission has further strengthened its commitment to evidence-based policymaking by establishing the president's Science and Technology Advisory Council (STAC). Made up of eminent scientists, it aims to provide advice on the importance of science and technology in: (i) society and policymaking; (ii) a future vision for Europe; (iii) jobs and growth; and (iv) foresight and horizon scanning of major breakthroughs.

### **Towards a stronger role for the EU in the world**

The European Union plays a unique role in addressing global issues. By acting together, the 28 countries of the EU are better able to defend the interests of citizens and the Union is able to project stability, security, prosperity and peace in its neighbourhood and beyond.

One of the most significant events of the year was a deal over Iran's nuclear programme. Catherine Ashton, the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP), played a crucial role in bringing about this agreement. She also worked to maintain a political dialogue in Syria, with the goal of achieving a settlement of the devastating conflict there. While continuing to apply sanctions on the Syrian regime, the EU and its Member States remained the world's most important source of humanitarian assistance for the people affected by the conflict.

The year 2013 saw a renewed engagement to foster sustainable stability and democracy in Europe's neighbourhood, both to the south in north Africa and with a renewed impetus on the partnership with eastern Europe. This was combined with continued efforts to strengthen existing and emerging partnerships around the world.

The year also saw an EU-facilitated agreement between Kosovo<sup>(1)</sup> and Serbia that opened the door to a normalisation of their relations, which will benefit the people of these countries, the western Balkans and Europe more widely.

The EU's foreign service, the European External Action Service (EEAS), now in its third year of operation, ensures that Europe's policies and values are represented and projected globally through its network of 141 delegations worldwide.

### **The European neighbourhood**

#### **European neighbourhood policy**

The European neighbourhood policy (ENP) remains the basis for establishing an area of prosperity with the EU's neighbours, notably through enhanced political association, economic integration and close cooperation. The EU continued its efforts to support and encourage democratic transitions in the region through political engagement, economic support and cooperation with regional organisations, and made available altogether about €1.3 billion in new commitments for the region. The EU remains the single most important trade partner for almost all countries in the neighbourhood.

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<sup>(1)</sup> This designation is without prejudice to positions on status and is in line with UNSCR 1244/99 and the International Court of Justice opinion on the Kosovo declaration of independence.

## Southern neighbourhood

The EU continued to be fully engaged in efforts to facilitate political and economic transition. The EU has been particularly involved in overcoming the deepening polarisation in Egypt. The EU will observe the upcoming electoral cycle, starting with the referendum on the constitution in January 2014.

EU assistance to Egypt has been reviewed in light of the difficult situation in the country and the outbreaks of violence following the ousting of President Mohamed Morsi. As mandated by the Foreign Affairs Council in August, the assistance focused on the socio-economic sector benefiting people most in need, and in favour of civil society.

Syria continued to be embroiled in an armed conflict that has caused a humanitarian catastrophe impacting on the stability of the neighbouring countries, in particular Lebanon and Jordan. The HR/VP has played an important role in maintaining a political dialogue with stakeholders to bring about a political settlement in Syria, and took active part in the preparations for the peace conference in Syria (Geneva II). In 2013, the EU decided to modify its sanctions regime to the benefit of the Syrian population and the opposition while maintaining the pressure on the regime. The EU has actively supported the implementation of United Nations Security Council (UNSC) Resolution 2118 on the elimination of chemical weapons in Syria and has provided material support to the UN–OPCW (Organisation for the Prohibition of Chemical Weapons) mission <sup>(2)</sup>.

In June, the joint communication ‘Towards a comprehensive EU approach to the Syrian crisis’ <sup>(3)</sup> was adopted, announcing an additional €400 million assistance package to address the consequences of the crisis. The package includes development programmes benefiting Syrian refugees and host communities in Lebanon and Jordan. The EU and its Member States remain the largest donors of humanitarian assistance (over €2 billion).

[PHOTO 047]

The EU is a key partner supporting Libyan democratic transition process through a comprehensive programme. Important challenges however remain, with security being the most pressing concern. The civilian CSDP integrated border management mission started in May 2013 and is providing support for enhancing the security of Libya's land, sea and air borders. The cooperation portfolio with Libya is largely addressing the security sector through various programmes – in complementarity with the CSDP mission.

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<sup>(2)</sup> Following urgent requests by EU Member States and the United States, on 18 December 2013, the EU pledged €12 million to the Organisation for the Prohibition of Chemical Weapons (OPCW) Special Trust Fund set up for the destruction of the Syrian chemical weapons. The EU pledge together with the contributions by others (notably Norway and Japan) has enabled the OPCW to launch the necessary tender process on 20 December as planned. The EU contribution is to be financed through the Instrument for Stability.

<sup>(3)</sup> Joint communication — Towards a comprehensive EU approach to the Syrian crisis (JOIN(2013) 22) (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=JOIN:2013:0022:FIN:EN:PDF>).



In relations with Tunisia, EU policy dialogue and development cooperation continued to focus on supporting the transition process. Despite political deadlocks on the appointment of a new government, which contributed to some delays, an association committee met in June 2013 and a political agreement on a mobility partnership was reached in November.

The new 2013–17 EU–Morocco action plan for the implementation of the advanced status was formally adopted in December. The launch of negotiations for an EU–Morocco deep and comprehensive free trade agreement (DCFTA) commenced on 1 March 2013 and the first ever mobility partnership in the southern neighbourhood region was signed in June.

High-level political dialogue with Algeria continued, especially in view of the security challenges in the Sahara/Sahel region. A memorandum of understanding establishing a strategic partnership with Algeria in the energy domain was signed in July 2013.

## **Eastern Partnership**

Significant progress was made in the implementation of the Eastern Partnership (EaP) in 2013.

The EaP Summit in Vilnius in November was a milestone in the EU’s relationship with the EaP countries. Negotiations on association agreements, including a DCFTA, with Moldova and Georgia were substantively completed and the agreements initialled. Negotiations continued with Azerbaijan. However, initialling the association agreement with Armenia was impossible due to the incompatibility with Armenia’s declared wish to join the customs union with Belarus, Kazakhstan and Russia.

PHOTO 050

The government of Ukraine took a decision to suspend preparations for the signature of the association agreement with the EU a week before the summit. The EU remains ready to sign the association agreement on the basis of determined action and tangible progress on the EU’s benchmarks. To this end, important progress has already been achieved.

The EU remained committed to a policy of critical engagement towards Belarus. This included cooperation through the multilateral track of the EaP and technical dialogues on specific topics of common interest, as well as support for civil society and for the Belarusian population as a whole. At the same time, the EU has extended the restrictive measures for 1 year.

The EU welcomed steps taken by Georgia to deliver reforms in areas such as the judicial system. The smooth conduct of presidential elections in October was an important step for Georgia’s democratic consolidation. EU–Georgia relations continued to deepen. Georgia reconfirmed the objectives of political association and economic integration with the EU following its second political transition and the intention to sign the association agreement as soon as possible in 2014. Cooperation on common security and defence

policy (CDSP) matters was enhanced by the signature of the framework agreement allowing for Georgia's participation in EU-led crisis management operations. Georgia also signed the protocol on participation in EU programmes. The EU continued to show its active support for Georgia's territorial integrity and expressed concern about intensified 'borderisation' along the administrative boundary line.

EU–Moldova relations continued to deepen, particularly after the formation of a new government in May, which confirmed the objectives of political association and economic integration with the EU and the intention to sign the association agreement by September 2014. Significant efforts were consented to and resources made available to implement agreements concluded in previous years in the areas of aviation, agriculture, civil protection, participation in EU agencies and programmes, and CSDP cooperation.

## Enlargement

### Croatia

Croatia joined the EU as its 28th Member State on 1 July 2013 (see Chapter 1).

### Iceland

Following the 27 April 2013 general elections, the Icelandic government decided to put EU accession negotiations on hold and has indicated that the negotiations will not be continued unless approved through a referendum.

### Turkey

Turkey remains a key country for the EU, considering its dynamic economy, its strategic location and its important regional role. The Commission underlined that it is in the interests of both the EU and Turkey that accession negotiations regain momentum, ensuring that the EU remains the benchmark for reforms in Turkey. The Council agreed in 2013 on the opening of one chapter, namely Chapter 22 on regional policy. On 16 December, the Commission and Turkey signed the EU–Turkey readmission agreement, and initiated the EU–Turkey visa liberalisation dialogue. In order to support and complement the process of accession negotiations, the 'positive agenda' is to promote, inter alia, alignment with the EU *acquis* in many areas.

[PHOTO 051]

### Montenegro

Accession negotiations were opened in June 2012. The meetings on the analytical examination of the EU *acquis* (screening) were completed in June 2013. Two negotiating chapters (25 — Science and research and 26 — Education and culture) were opened and provisionally closed. The rule of law chapters (23 — Judiciary and fundamental rights and 24 — Justice, freedom and security) were opened at the intergovernmental

conference of December 2013, as well as chapters 5 — Public procurement, 6 — Company law and 20 — Enterprise and industrial policy.

## Serbia

A new phase was opened in relations between the EU and Serbia. The European Council decided in June to open accession negotiations, and the framework for negotiations with Serbia was adopted in December by the Council. The Commission started the analytical examination of the EU *acquis* in September. The stabilisation and association agreement between the EU and Serbia entered into force on 1 September. Serbia took significant steps in the normalisation of its relations with Kosovo. It also reinvigorated the momentum of reforms and positively contributed to regional cooperation, including by stepping up high-level contacts with neighbouring countries.

[PHOTO 052]

## The former Yugoslav Republic of Macedonia

The high-level accession dialogue with the Commission, launched in 2012, continued in 2013 and served as a catalyst for accelerating reforms. Meetings took place in April 2013. As requested by the Council in December 2012, with a view to a possible decision on the opening of accession negotiations, the Commission issued a report in April 2013 <sup>(4)</sup> which assessed the implementation of reforms within the framework of the high-level accession dialogue and promotion of good neighbourly relations. In light of the lack of progress on implementing the 1 March political agreement between the main political parties, designed to address the political crisis caused by events in the national parliament on 24 December 2012, the Council did not take a position in June 2013 on the Commission's outstanding recommendations <sup>(5)</sup>. In December, it broadly shared the Commission's assessment that the political criteria continue to be sufficiently met, took note of the Commission's recommendation to open negotiations and stated that it will come back to the issue in 2014 on the basis of an update from the Commission.

## Albania

Albania adopted key measures that had been identified in the areas of rule of law, public administration reform and the rules of procedure of parliament, and continued making progress towards fulfilling the 12 key priorities of the 2010 opinion <sup>(6)</sup>. Moreover, Albania scored highly in the conduct of its parliamentary elections. In October, the

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<sup>(4)</sup> Commission communication — The former Yugoslav Republic of Macedonia: implementation of reforms within the framework of the high level accession dialogue and promotion of good neighbourly relations (COM(2013) 205).

<sup>(5)</sup> In October 2013, the Commission repeated its recommendation to open accession negotiations, deeming that moving to the next stages of the enlargement process is essential in order to consolidate and encourage further reforms as well as to strengthen inter-ethnic relations.

<sup>(6)</sup> Commission opinion on Albania's application for membership of the European Union (COM(2010) 680).

Commission acknowledged the progress made and recommended that the Council grant Albania the status of candidate country on the understanding that Albania continues to take action in the fight against organised crime and corruption. Furthermore, the Commission identified five key priorities for the opening of accession negotiations and indicated its readiness to support Albania's efforts towards meeting them by engaging in a high-level dialogue.

## **Bosnia and Herzegovina**

Limited progress has been made by Bosnia and Herzegovina towards meeting the Copenhagen political criteria and the requirements of the roadmap for the entry into force of the stabilisation and association agreement and for a credible membership application. The country needs to engage urgently on the implementation of the EU agenda. Amending Bosnia and Herzegovina's constitution to remove incompatibilities with the European Convention on Human Rights is the most important first step forward. So far there has been little progress in achieving more functional, coordinated and sustainable institutional structures. The EU continues to engage with Bosnia and Herzegovina using all available instruments.

The Council in December expressed concern for this limited progress on the EU path due to the lack of political will on the side of political leaders of Bosnia and Herzegovina, which also led to a loss of a significant amount of 2013 Instrument for Pre-Accession Assistance funds for the country.

## **Kosovo**

Further to the Council's authorisation at the end of June, the Commission started negotiations on a stabilisation and association agreement with Kosovo in October 2013. The Council's authorisation followed a joint report by the Commission and the HR/VP in April <sup>(7)</sup>, which confirmed Kosovo had addressed the key priorities identified in the Commission's 2012 feasibility study and had continued to participate constructively in its EU-facilitated dialogue with Serbia. In April, the Commission issued its recommendation to the Council to sign and conclude a framework agreement allowing Kosovo to participate in EU programmes <sup>(8)</sup>.

The Commission issued its progress report on Kosovo on 16 October <sup>(9)</sup>. The report confirmed Kosovo's progress towards the normalisation of relations with Serbia, notably the first agreement of principles agreed in April. The report also noted that Kosovo continued to make progress on European integration-related issues. However, many important challenges remain, notably the rule of law, public administration reform,

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<sup>7)</sup> Joint report on Kosovo's progress in addressing issues set out in the Council conclusions of December 2012 in view of a possible decision on the opening of negotiations on the stabilisation and association agreement (JOIN(2013) 8).

<sup>(8)</sup> Proposal for a decision on the conclusion of a framework agreement between the European Union and Kosovo on the general principles for the participation of Kosovo in Union programmes (COM(2013) 219).

<sup>(9)</sup> [http://ec.europa.eu/enlargement/pdf/key\\_documents/2013/package/brochures/kosovo\\_2013.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/brochures/kosovo_2013.pdf)

electoral reform, the integration of communities and the economy. Two rounds of stabilisation and association agreement negotiations took place between September and December.

### **Belgrade–Pristina dialogue**

Serbia and Kosovo participated actively and constructively in the dialogue facilitated by the HR/VP. Twenty meetings between the prime ministers have taken place to date. These discussions resulted in the ‘First agreement on principles governing the normalisation of relations’, supplemented in May by a comprehensive implementation plan with a clear timeline to the end of 2013. This landmark achievement represented a fundamental change in relations between the two sides. The parties also reached agreements on energy and telecommunications in September. The implementation of other agreements reached in the dialogue to date has continued. In her 16 December report to the Council, the HR/VP stressed that the implementation of all elements of the April agreement has been completed in substance.

[PHOTO 053]

## **Strategic partnerships**

### **Working with strategic partners**

#### **United States**

The EU–United States relationship continued to strengthen with the launch of negotiations of a ground-breaking new agreement, the Transatlantic Trade and Investment Partnership (TTIP) in June 2013 (see chapter 3).

[PHOTO 054]

Revelations of surveillance activities by the National Security Agency (NSA) led to the establishment of an EU–United States ad hoc working group on data protection to clarify the legal base, safeguards and oversight applicable to such surveillance programmes. While recognising the critical nature of the EU–United States partnership for security in Europe and beyond, the EU conveyed to the United States its concerns and recommendations regarding the data protection rights of EU citizens.

[PHOTO 055]

As with his predecessor, the HR/VP developed an effective and productive relationship with the US Secretary of State, John Kerry, allowing for close and intense EU-US cooperation on many foreign and security policy issues, both in the European neighbourhood and beyond.

## **Canada**

EU–Canada relations reached a key juncture, with the announcement in October 2013 of an agreement on the finalisation of a comprehensive economic and trade agreement (CETA). The CETA will further boost the bilateral trade and investment flows. The political agreement on the CETA creates the right conditions for a swift conclusion of the negotiations of the strategic partnership agreement (SPA), which will provide the overall framework for the EU–Canada relationship. The SPA will enshrine the EU and Canada’s joint values and aim at taking relations to another level by deepening and strengthening ties in many fields of bilateral cooperation.

## **Russia**

The EU continued to engage with Russia as an indispensable yet often challenging partner. A successful visit by the College of Commissioners to the Russian government in March gave fresh impetus to EU–Russia cooperation in a wide range of areas, and also launched formal dialogues in new fields. The EU–Russia energy roadmap 2050 was signed, a significant step in our energy cooperation.

The 31st EU–Russia Summit took place in June 2013 in Yekaterinburg. It confirmed the determination of both sides to further develop EU–Russian cooperation, in particular in view of Russia’s interest in modernisation, but it also made it clear that differences remain where further work is needed.

[PHOTO 056]

The EU closely followed certain developments in Russia's domestic situation, characterised by further steps to restrict civil society and intimidate the opposition. The EU’s concerns in this regard were raised both publicly and in political dialogue including at highest level. An amnesty granted in some emblematic human rights cases and the release of Mikhail Khodorkovsky towards the end of the year was a welcome step but the need to address systemic rule of law issues remains.

## **China**

The year 2013 was marked by the completion of the Chinese leadership transition and the 10th anniversary of the EU–China comprehensive strategic partnership. The EU was successful in establishing links with the new Chinese administration and in laying the groundwork for EU–China relations over the next decade. The HR/VP started the process by paving the way with a visit to China in April, while the 16th EU–China Summit in November established the EU–China 2020 strategic agenda for cooperation, for enhanced collaboration over the coming years in a comprehensive way. The new agenda focuses especially on strategic issues, investment, innovation, urbanisation, climate change and

environmental protection, people-to-people exchanges, and defence and security matters. A major urbanisation forum and exhibition was held in Beijing during the summit, involving city mayors from both sides.

Human rights remained at the top of the EU's agenda with China. The latest round of the human rights dialogue was held in June. Stavros Lambrinidis, the EU Special Representative for Human Rights, visited China, including Tibet, in September.

### **Japan**

With Japan, 2013 was marked by the launch, in March, of parallel negotiations on a framework agreement covering political, sectorial and global issues and a free trade agreement. This has the potential to dramatically change the level and intensity of cooperation between the two sides and is expected to bring significant mutual benefits. The 21st EU–Japan Summit held in Tokyo in November provided an opportunity for leaders to reaffirm their strong commitment to the early conclusion of these ambitious agreements and to give political impetus to cooperation on a range of issues such as science and technology, disaster preparedness and regional security issues.

### **South Korea**

The EU and South Korea celebrated 50 years of diplomatic relations in 2013, and worked together to consolidate their strategic partnership founded on the framework agreement and the free trade agreement signed in 2010. The seventh bilateral summit in November set the future direction of EU–Korea cooperation under the new Park administration.

### **India**

The EU and India continued to work closely together with a view to strengthening the economic, political and sector policy dimensions of their relations, while intensifying their efforts to conclude the negotiations on a free trade agreement. However, the start of the election campaign in India in September 2013 put further progress on hold in this area.

### **Brazil**

The sixth EU–Brazil Summit (Brasilia, January) confirmed mutual satisfaction at the work achieved through more than 30 ongoing dialogues on areas of common interest. Both sides expressed their willingness to further strengthen the strategic partnership, in particular in areas such as science, technology and innovation, education, climate change, energy, sustainable development and millennium development goals (MDGs), as well as human rights and UN matters.

### **Mexico**

For Mexico and the EU, the year started with a meeting between Herman Van Rompuy, President of the European Council, José Manuel Barroso, President of the European Commission, and Enrique Peña Nieto, the new President of Mexico, in the margins of the EU–CELAC (Community of Latin American and Caribbean States) Summit in Santiago

de Chile. Confirming the excellent state of the bilateral relationship, the presidents agreed to establish a working group to analyse the scope and options for modernisation of the EU–Mexico global agreement. A working group met in October to explore the options for modernising the trade pillar of the agreement <sup>(10)</sup>. Meetings for a full review of all three pillars of the agreement — political dialogue, cooperation and trade — are under preparation in 2014.

## South Africa

The EU and South Africa held their sixth annual summit in July in Pretoria. This year the summit was held on Nelson Mandela International Day and allowed both President Van Rompuy and President Barroso to honour his legacy by participating jointly in the traditional 67 minutes of community service (1 minute for every year of Mandela’s struggle). Presidents van Rompuy and Barroso also attended the state memorial service held for Nelson Mandela in Soweto on 10 December 2013.

## The EU–Africa partnership — celebrating the 50th anniversary of the African Union and preparation of the EU–Africa summit scheduled for 2014

At the continental level, the EU’s main partner in Africa is the African Union (AU), which celebrated its 50th anniversary in May 2013. Relations between Africa and the EU are framed within the context of the joint Africa–EU strategy (JAES). The JAES opened a new phase in EU–Africa relations, setting out a shared vision for a partnership of equals: achieving benefits for both sides through enhanced bilateral cooperation on economic and political issues, through working jointly in the international arena to tackle global challenges and through more people-to-people contacts.

[PHOTO 057]

## Regional policies

### The Middle East and the Gulf

#### The Middle East peace process

Concerning the Middle East peace process, Council conclusions adopted in December 2012 <sup>(11)</sup> and July 2013 <sup>(12)</sup> reaffirmed the EU’s commitment to the two-state solution. The EU signalled its full support for the resumption in August 2013 of direct negotiations

<sup>(10)</sup> Since the conclusion of the EU–Mexico free trade agreement, total bilateral trade has doubled, moving from €21.7 billion in 2000 to €47.1 billion in 2012.

<sup>(11)</sup> Foreign Affairs Council conclusions, 10 December 2012 ([http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/134140.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/134140.pdf)).

<sup>(12)</sup> Foreign Affairs Council conclusions, 22 July 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/138293.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/138293.pdf)).



between the Israeli and Palestinian sides. In December 2013, Council conclusions<sup>(13)</sup> outlined that the EU will provide an unprecedented package of European political, economic and security support to both parties in the context of a final-status agreement.

The adoption of the new EU–Palestine action plan in April 2013 marked a new milestone in EU–Palestine relations. As the main donor to Palestine, the EU continued its support to the institution-building and reform efforts of the Palestinian Authority and the HR/VP hosted the Ad Hoc Liaison Committee (AHLIC) meeting of donors on 19 March in Brussels.

[PHOTO 048]

Progress in EU–Israel relations was registered through the entry into force of the agreement on conformity assessment and acceptance of industrial products (January 2013) and the signature of the ‘open skies’ agreement (June 2013). In July, the Commission published guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel after June 1967 for EU-funded grants, prizes and financial instruments from 2014 onwards. In November, negotiations were concluded on Israel’s participation in the EU’s Horizon 2020 programme on research and development. The EEAS and Commission services continued their work on the origin labelling of settlement products.

## **The Arabian Peninsula, Iran and Iraq**

### *Iran*

The EU remains fully committed to seeking a diplomatic solution to the Iranian nuclear issue. Throughout 2013, the E3+3 (France, Germany and the United Kingdom, along with China, Russia and the United States), led by the HR/VP, were engaged in diplomatic efforts to seek agreement with Iran on initial measures aimed at achieving a comprehensive, negotiated, long-term settlement which would build international confidence in the exclusively peaceful nature of the Iranian nuclear programme while respecting Iran’s legitimate right to the peaceful use of nuclear energy in conformity with the non-proliferation treaty, and fully taking into account resolutions of the UN Security Council and International Atomic Energy Agency (IAEA) Board of Governors.

[PHOTO 049]

The election of a new Iranian government under President Hassan Rouhani, which embarked on a more constructive approach to the nuclear talks, together with the E3/EU+3’s diplomatic commitment and unity, based on the dual-track approach, led to an interim agreement with Iran in November in Geneva. Known as the joint plan of action, both sides regard it as a first step towards such a settlement.

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<sup>(13)</sup> Foreign Affairs Council conclusions, 16 December 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/140097.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/140097.pdf)).

The agreement includes a voluntary commitment by Iran to suspend a number of its nuclear activities, in return for limited sanctions relief and a commitment not to pursue further sanctions. For the EU, this means the suspension of certain sanction measures, while core sanctions remain in place. Work on the implementation arrangement for the Geneva joint plan of action is ongoing, with the aim of quickly starting the implementation of the initial measures for a 6-month period. The proper implementation of this agreement will be the key to achieving a long-term diplomatic resolution.

The EU continued to raise concerns over the human rights situation in Iran. In public statements the EU condemned in particular the large number of executions (over 400 in 2013), as well as Iran's bad record in the respect of fundamental freedoms, such as freedom of expression, assembly, and religion or belief. In September, the HR/VP welcomed the release of 2012 Sakharov Prize winner Nasrin Sotoudeh and other prisoners of conscience, expressing hope that this positive step would pave the way for an improvement of the human rights situation in Iran under the new government.

### *Iraq*

The EU and Iraq began implementation of the partnership and cooperation agreement, based on provisional application of those parts that relate to trade and sectorial cooperation. Meetings of the three subcommittees on energy, trade and trade-related matters, and human rights took place and were an opportunity for focused and open discussions on a series of priority areas and actions. The first meeting of the Cooperation Committee also took place in Baghdad in November, to make the point about progress regarding implementation and to set the future agenda. The HR/VP visited Iraq in June to discuss ways of tackling rising sectarian violence and to give impetus to bilateral cooperation.

### *Yemen*

The EU has fully supported the national dialogue process that was launched in March in close cooperation with Member States and the international community at large. The October Council conclusions <sup>(14)</sup> supported the process, reiterating that progress has to be made while at the same time expressing concern about spoilers frustrating the process.

## **Central Asia**

The EU continued to strengthen its relations with central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) throughout 2013 on the basis of the EU's central Asia strategy and the review of the strategy and progress report. Cooperation continued to develop, notably in the regional initiative areas of education, the rule of law and the environment/water, as well as on energy, the promotion of human rights and anti-drugs trafficking. A first EU–Central Asia High-Level Security Dialogue was held in Brussels in June at the level of deputy foreign ministers, reflecting the

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<sup>(14)</sup> Foreign Affairs Council conclusions, 21 October 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/139093.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/139093.pdf)).

increased importance of security issues in relations. In November, the revised EU–Central Asia action plan on drugs was concluded; this was welcomed by the EU–Central Asia Ministerial Meeting on 20 November in Brussels.

## **Asia and the Pacific**

The 2013 was one of consolidation of the EU's relations with its Asian and Pacific partners. In the context of a series of transitions at leadership level in several countries, the EU's objectives were to reaffirm its engagement with its four Asian strategic partners (China, India, Japan and South Korea). At the same time, the EU continued to play its role in terms of support for the stability and security of the region. The high-level dialogue, as well as the regular political dialogue and the assistance provided to Asia and the Pacific, remained at its highest intensity. The EU–Pacific interim economic partnership agreement with Papua New Guinea was further implemented, while talks with all Pacific ACP countries continued.

### **The Asia-Europe Meeting (ASEM)**

The ASEM process in 2013 focused on internal consolidation, aiming to make the Asia-Europe Meeting more effective. The 11th ASEM Foreign Ministers meeting held in November in New Delhi allowed for a frank dialogue between Europe and Asia on key strategic issues, among which financial and economic issues as well as non-traditional security challenges were high on the agenda.

### **Association of Southeast Asian Nations (ASEAN)**

In 2013, EU–ASEAN cooperation was further strengthened through the implementation of the Brunei plan of action 2013–17. Working towards a more ambitious EU–ASEAN political partnership, several high-level visits and meetings took place that confirmed the positive momentum.

In the ASEAN Regional Forum (ARF), ASEAN and the EU, together with other partners, have continued to address regional and international security issues of common interest and concern. The HR/VP took part in the 20th ARF Ministerial Meeting in Brunei Darussalam (July), setting out the EU's stance on the nature of the main security challenges affecting the region and on the need for comprehensive and rules-based solutions. She also reiterated the EU's ambition to take part in the East Asia Summit.

### **Myanmar/Burma**

The EU continued to encourage and support the ongoing transition in Myanmar/Burma in 2013. The joint statement by President Van Rompuy, President Barroso and President U Thein Sein, issued during the latter's visit to Brussels in March, marked an important milestone in EU–Myanmar relations by setting out a vision to build a lasting partnership and contribute to plans for democratisation, national reconciliation and economic liberalisation. In April, the EU lifted all sanctions against Myanmar/Burma, with the exception of the arms embargo, in recognition of the positive changes taking place and in the expectation that they will continue. Furthermore, the EU reinstated the generalised

scheme of preferences (GSP) trade preferences for Myanmar/Burma in July, after the country's efforts to improve the political, social and labour environment <sup>(15)</sup>. In July, EU foreign ministers agreed the EU comprehensive framework for Myanmar/Burma which sets out the EU and Member States' goals and priorities towards building a lasting partnership and promoting closer engagement. It is a collective effort involving actions by EU Member States and EU institutions to support peace, democracy, development and trade.

[PHOTO 058]

An EU–Myanmar Task Force took place in Yangon and Nay Pyi Taw from 13 to 15 November and brought together the full range of the EU's resources (political, development and business). The EU–Myanmar Task Force aims to provide comprehensive EU support to Myanmar/Burma's transition by drawing on the entire range of EU resources. The task force will act as the main vehicle for turning into reality the ambition of 'building a lasting EU–Myanmar partnership', as expressed in the joint statement by the three presidents on 5 March, and will follow up on the provisions of the Council conclusions of April 2013 <sup>(16)</sup>.

Finally, the EU upgraded its diplomatic presence in the country by opening a fully fledged delegation in Yangon in 2013.

## **Afghanistan**

The Council conclusions of June <sup>(17)</sup> reaffirmed the long-term commitment of the EU and its Member States to support Afghanistan during transition and the decade of transformation. In May, the Council prolonged the mandate of the EUPOL Afghanistan mission in support of civilian policing and the rule of law until 31 December 2014. In 2013, the EU committed €196.5 million in support to local development and governance, credible and transparent elections, regional cooperation by Afghanistan with its neighbours, agricultural development and the police.

## **Pakistan**

The EU worked closely with Pakistan in order to support the ongoing electoral cycle reform in the country. An EU electoral observation mission, led by Chief Observer Michael Gahler MEP, was established in the field for Pakistan's general elections in May 2013. The outcome of Pakistan's historic elections were welcomed by the Council as marking a strengthening of democracy owing to the first ever handover in the country from one civilian government to another.

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<sup>(15)</sup> The EU's trade preferences had been suspended in 1997 as a result of the country's serious and systematic violations of core international conventions on forced labour.

<sup>(16)</sup> Foreign Affairs Council conclusions, 22/23 April 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/136921.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/136921.pdf)).

<sup>(17)</sup> Foreign Affairs Council conclusions, 24 June 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/137590.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/137590.pdf)).

## **North Korea**

The EU has worked closely with the international community and the main regional players to prevent further development of North Korea's illegal missile and nuclear programmes. In line with the UNSC's unanimous resolutions, the EU adopted new restrictive measures in April. The EU continued to work with key actors in order to promote a peaceful and lasting solution for the denuclearisation of the Korean Peninsula and to resume talks on a credible basis. The EU has not changed its policy of critical engagement with North Korea, but direct dialogue in 2013 was hampered by the deterioration of the situation on the peninsula during the first half of the year. The EU continued to be highly concerned by the dire human rights situation in the country and has supported the establishment of a UN commission of inquiry to investigate violations of human rights in North Korea.

## **Latin America and the Caribbean**

The EU's strategic partnership with Latin American and the Caribbean (LAC) as a whole is structured through biennial summit-level meetings and a joint action plan adopted in 2010. The seventh bi-regional summit took place on 26–27 January in Santiago de Chile under the theme 'Alliance for sustainable development: promoting investments of social and environmental quality'. It was the first summit held with CELAC, heralding a new phase in bi-regional relations. Leaders adopted a political declaration and expanded the existing action plan to include two new areas of activity: gender and investments.

The very good state of bilateral relations with the Andean countries was reflected by a number of high level visits, including by the HR/VP to Peru (and Chile) and by President Barroso to Colombia. The ambitious and comprehensive multiparty trade agreement concluded with Peru and Colombia in 2012 provisionally entered into force in March and August 2013 respectively. This trade agreement is giving further impetus to relations with Colombia and Peru. It is expected to bring savings in tariffs for exporters of more than €500 million a year, and even bigger gains through the creation of a stable framework for trade and investment.

## **Africa**

The EU's policy priorities towards Africa on the political and security side, i.e. promoting peace, democracy and stability, were increasingly balanced with efforts on the economic and global front in areas such as trade and investment, and climate change.

The EU has invested in building political relations with the African Union, the Economic Community of West African States (Ecowas) and the South African Development Community (SADC), as well as closer economic ties with the East African Community (EAC) and Ecowas. It has been engaged in finding solutions to political problems in countries under Article 96 of the Cotonou Agreement (Guinea, Guinea-Bissau, Madagascar and Zimbabwe). It has also sent election observation missions to Guinea, Kenya and Mali and electoral expert missions to Djibouti, Guinea-Bissau and Rwanda, and has provided assistance to the electoral processes in Burkina Faso, Comoros, the

Democratic Republic of the Congo, Kenya, Libya, Madagascar, Malawi, Mali, Sierra Leone, Tunisia, Zambia and Zimbabwe, as well as to the Southern Africa Development Community Election Support Network (SADC-ESN) to prevent electoral violence in southern African countries. The EU and four eastern and southern Africa (ESA) states (Zimbabwe and the Indian Ocean nations of Madagascar, Mauritius and Seychelles) took steps to ensure the implementation of the economic partnership agreement in 2013, while negotiations continued with other sub-Saharan African regions, marked by two visits by Karel De Gucht, Commissioner for Trade.

## Development

### Implementation of the agenda for change

In 2013, the EU worked at implementing policy recommendations put forward in the agenda for change <sup>(18)</sup>. As from the first steps of the programming process of the future financial instruments (2014–20), clear instructions were given to delegations and EU services, through programming guidelines, to make differentiation, concentration and a joint EU approach a reality. The EU will also make increased use of innovative financial instruments in its external cooperation during the next multiannual financial framework. A thorough follow-up of in-country programming was organised to ensure that EU action focuses on a maximum of three sectors and that these focus sectors are part of the policy priorities identified in the agenda for change, i.e. human rights, democracy and the other aspects of good governance, and support for sustainable and inclusive growth. Plans for joint programming with EU Member States and other donors were taken forward in over 40 countries.

[PHOTO 059]

### Communications on the post-2015 development framework

The year 2013 was important in building a European position on the post-2015 development framework.

Following a public consultation held in summer 2012, the Commission in February 2013 released its first policy paper on the post-2015 issue <sup>(19)</sup>. The paper advocates a single overarching post-2015 framework bringing together development (the MDG process) and environmental (the Rio+20 process, including the elaboration of sustainable development goals) concerns. In April 2013, the ‘European report on development — Post-2015: global action for an inclusive and sustainable future’ <sup>(20)</sup> was released and subsequently presented in a wide number of forums. The development and environment

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<sup>(18)</sup> Commission communication — Increasing the impact of EU development policy: an agenda for change (COM(2011) 637).

<sup>(19)</sup> Commission communication — A decent life for all: ending poverty and giving the world a sustainable future (COM(2013) 92).

<sup>(20)</sup> [http://www.erd-report.eu/erd/report\\_2012/index.html](http://www.erd-report.eu/erd/report_2012/index.html)

ministers endorsed in May and June 2013 the Council's conclusions on the overarching post-2015 agenda <sup>(21)</sup>, which were subsequently adopted on 25 June 2013 by the General Affairs Council.

## **ACP–EU partnership**

The EU and the African, Caribbean and Pacific Group of States (ACP) agreed in June 2013 to approve the request by Somalia for accession to the EU–ACP Partnership Agreement and to grant observer status to Somalia until the accession process is completed. Thus, Somalia will become the 79th ACP state signatory to the Cotonou Agreement.

## **Africa**

### **Somalia and the Horn of Africa — a new deal for Somalia**

The EU has been a long-time partner to Somalia, with more than €1.2 billion provided since 2008 to support the Somali people's basic needs and improve security in the country. On 16 September 2013, the landmark EU–Somalia conference in Brussels endorsed a new-deal compact for Somalia and raised an additional €1.6 billion (including €650 million provided directly by the EU) to implement the most pressing priorities for rebuilding the Somali state during the period 2013–16.

[PHOTO 060]

### **Budget support in fragile situations: state-building contracts in Côte d'Ivoire and Mali**

A state-building contract of €225 million for Mali was signed in May as part of the €523.9 million aid package announced by the Commission at the international donor conference 'Together for a New Mali'. This budget support helps the government to ensure the provision of basic services and restore the rule of law for the whole population.

The state-building contract for Côte d'Ivoire, worth €115 million, is a key component of the general EU strategy aimed at stabilising the country, restoring the state's authority and promoting inclusive growth. The most tangible results achieved so far include the proper functioning of all courts of first instance in the country in which civil and criminal hearings take place and the proper functioning of 90 % of police stations in the country.

### **AL-Invest regional aid programme**

The year 2013 saw the end of the fourth phase of AL-Invest, an emblematic programme of the EU for the promotion of small and medium enterprises (SMEs) in Latin America. AL-Invest facilitated the internationalisation of Latin American SMEs in collaboration

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<sup>(21)</sup> General Affairs Council conclusions, 25 June 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/137606.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/137606.pdf)).

with European partners. With an EU contribution of €50 million in its last (fourth) phase from 2009 to 2013, it contributed substantially to the strong economic growth in Latin America.

### **Long history of success**

AL-Invest generated over €500 million worth of intraregional trade and investment between 1994 and its fourth phase in 2013. The EU committed a total of €144 million to AL-Invest during this period.

[PHOTO ??]

### **Blending instruments in the region**

The year 2013 saw the consolidation of the Latin America Investment Facility (LAIF) as an efficient instrument blending grants and loans, mainly for large infrastructure projects.

LAIF creates a strong leverage effect, i.e. it channels additional funds into areas of strategic importance for development. From 2009 to 2013 it mobilised more than €5 billion in 25 projects in Latin America, with a total EU contribution of €192.15 million.

[PHOTO 061]

The Caribbean Investment Facility (CIF) was officially launched on 22 March 2013 in Barbados. With an initial budget of €40 million, the purpose of this facility is to leverage funding by blending grants and loans in order to develop the infrastructure and private sectors in Caribbean countries.

[PHOTO DRINKING WATER??]

### **Food and nutrition**

The EU is the world's largest donor of food and nutrition security and agricultural development, providing at least €1 billion for food and nutrition security each year (not counting emergency food aid in response to crises). EU support is aimed at fighting undernutrition, increasing food availability and improving access to food for people who are at risk of hunger. In March 2013, a communication on 'Enhancing maternal and child nutrition in external assistance' <sup>(22)</sup> was adopted by the Commission, and endorsed by the Council in May. A key element of the communication is the commitment to support partner countries in reducing stunting in children under 5 by at least 7 million children in 2025. A nutrition action plan describing the steps to be taken to attain this target is expected to be finalised by the first half of 2014.

[PHOTO 062]

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<sup>(22)</sup> Commission communication — Enhancing maternal and child nutrition in external assistance: an EU policy framework (COM(2013) 141) (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0141:FIN:EN:PDF>).



The year 2013 was also when the final evaluation on the implementation of the €1 billion Food Facility was released. This facility reached a total of 59 million people, mainly smallholder farmers, with spillover effects on an additional 93 million. The activities of the EU on food security were recognised by the international community in 2013, when the Commission was selected as joint winner of the very first Jacques Diouf Award. This award recognises that the EU was the first major donor to help break a trend stretching back more than 40 years, during which agriculture and food security were low on the political agenda. EU efforts have helped bring sustainable agricultural development and food and nutrition security right up the global development agenda.

## Responding to humanitarian crises and emergencies

Worldwide, natural disasters are increasing in frequency, complexity and severity, and are aggravated by challenges such as climate change, rapid urbanisation and underdevelopment. Armed conflicts and protracted crises also show worrying trends across the globe. As one of the world's leading humanitarian donors, the EU—has throughout 2013 responded with determination to these challenges. The relief assistance provided by the Commission alone amounted to over €1.3 billion, helping **nearly XX million** people in more than 90 countries.

In November 2013, tropical cyclone Haiyan hit the Philippines. The cyclone, which is among the strongest ever recorded, caused massive destruction, left thousands dead, around 4 million displaced, and affected over 14 million people altogether. Teams of EU humanitarian and civil protection experts were deployed to the worst hit areas within hours after the disaster to support relief efforts and assess the most acute needs. To ensure coordination of the European relief efforts and facilitate logistics, the EU Civil Protection Mechanism was activated. The EU and its Member States provided considerable humanitarian aid and in-kind assistance, exceeding €150 million in the immediate aftermath of the disaster. The Commission also committed support to assist in medium-term rehabilitation, thus helping the population in the struggle to rebuild their lives.

[PHOTO 063]

In Syria, an estimated 9.3 million people, nearly half of them children, are affected by the ongoing violence and require humanitarian assistance. Around 6.5 million people are internally displaced, whilst the number of refugees in neighbouring countries — more than 2.3 million and growing — underlines the complex, regional dimension of the disaster. European assistance is reaching up to 80 % of the population affected by the crisis and is bringing concrete and tangible results with an immediate impact for those affected by the Syria crisis. The Commission in 2013 mobilised an additional €350 million for humanitarian aid, bringing the EU's total response to more than €2 billion since the end of 2011. Moreover, material assistance (such as ambulances, heaters, blankets and hygiene parcels) has been provided to neighbouring countries hosting the

Syrian refugees. This includes support from other Member States to Bulgaria, which faced an increasing influx of Syrian refugees over the year.

[PHOTO 064]

Across the Sahel, vulnerable households are struggling to recover after the severe food and nutrition crisis that hit the region in 2012. Aggravated by the ongoing armed conflict in Mali, almost 16 million people remain at risk from lack of food, among them 8 million in need of emergency food assistance. Building resilience for the most vulnerable communities to withstand future crises has also been a priority in 2013. To this end, the Commission was a driving force in establishing the AGIR-Sahel initiative, which brings together all stakeholders around the pursuit of a ‘zero hunger’ goal for the Sahel over the next 20 years.

The EU is also committed to helping those caught up in the world’s forgotten crises, dedicating around 15 % of its humanitarian aid budget to meeting the needs of people that largely escape the attention of media and donors. The Central African Republic is experiencing a catastrophic humanitarian situation, which has for too long been ignored by the wider international community. Inter-communal violence escalated dramatically towards the end of 2013, forcing hundreds of thousands in the capital Bangui and throughout the country to flee their homes. The Commission allocated €39 million of humanitarian aid to CAR - making it the country's main donor. Moreover, the EU organised repeated airlift into the country to support the transport of humanitarian relief and aid personnel in the very challenging security environment.

Three years after the devastating 2010 earthquake, the humanitarian needs in Haiti remain high. The EU remains fully committed, and in 2013 scaled up humanitarian aid by €30.5 million to help those still homeless as a result of the earthquake, cholera victims and those badly affected by hurricane Sandy. Backed by EU funding, humanitarian organisations carried out a wide range of emergency operations.

#### **EU children of peace: echoing the Nobel Prize into the future**

Children are among the most vulnerable victims of conflict. Upon receiving the 2012 Nobel Peace Prize for its achievements in peace on the European continent, the EU decided to dedicate the prize money to help girls and boys around the world who are deprived of growing up in peace. In Colombia, children benefit from a project that prevents child recruitment by armed groups. In South Sudan, the funds are used to help children begin new lives following years of conflict. In Pakistan, the EU Nobel Prize initiative supports education and protection for children displaced by conflict. Altogether, over 28 000 girls and boys benefit from the initiative. In November 2013, the EU confirmed its decision to continue the ‘Children of peace’ initiative <sup>(23)</sup> by announcing additional funds for new projects in 2014.

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<sup>(23)</sup> [http://ec.europa.eu/echo/files/aid/countries/factsheets/thematic/eu\\_children\\_of\\_peace\\_en.pdf](http://ec.europa.eu/echo/files/aid/countries/factsheets/thematic/eu_children_of_peace_en.pdf)

International cooperation is vital in the ever more challenging humanitarian landscape. Throughout 2013, the EU continued to use its strong voice in multilateral forums. Taking a leading role in the transformative agenda, the EU is aiming to enhance the collective humanitarian response through improved global coordination, leadership and accountability. Embracing the motto ‘acting together for those in need’, the EU, through the Commission, is chairing the OCHA Donor Support Group (ODSG) in the period from July 2013 to July 2014. This is an important mechanism for humanitarian donor consultation on the activities of the United Nations Office for the Coordination of Humanitarian Affairs (OCHA).

## **Civil protection**

Natural and man-made disasters, acts of terrorism, and technological, radiological and environmental accidents can strike anywhere, at any time. When they happen, the role of the EU Civil Protection Mechanism is to ensure a rapid and coordinated response to help people caught up in disasters by drawing on the expertise and capacity available across the Union.

In situations like tropical cyclone Haiyan, which hit the Philippines in November, the Commission’s Emergency Response Coordination Centre (ERCC) was the operational heart of the EU response. The centre operates 24 hours a day, 7 days a week. Launched in May 2013, it further strengthens the EU’s disaster response capacity inside the Union and globally. The ERCC collects real-time information on disasters, monitors hazards and ensures that interventions are effectively coordinated. In the Philippines, the ERCC facilitated the delivery of over 20 participating states’ personnel and relief material supplies, as well as supported the transport of civil protection assets to the region.

The assistance to fight forest fires in Albania, Bosnia and Herzegovina, Greece, Montenegro and Portugal in 2012 and 2013 and the help provided to refugees in Syria’s neighbouring countries are other recent examples of emergency responses to help people in distress inside and outside the Union.

The EU Civil Protection Mechanism has reacted to over 180 disasters worldwide since its creation in 2001. All EU Member States, as well as the former Yugoslav Republic of Macedonia, Iceland, Liechtenstein and Norway, participate in the mechanism. Action focuses on those areas where a common European approach is more effective than separate national interventions.

## **Human rights and democracy**

### **Human rights**

The EU has continued to strive to place human rights and democracy at the centre of its activities. Progress has been made in the implementation of actions included in the EU

action plan on human rights and democracy <sup>(24)</sup>, in particular: completion of a worldwide network of human rights and democracy focal points; progress on economic social and cultural rights; a rights-based approach to development; revised guidelines on the death penalty; children's and women's rights; and establishing guidelines on lesbian, gay, bisexual, transgender and intersex (LGBTI) people and freedom of religion or belief (FoRB). Throughout the year, the EU continued to actively support civil society organisations and specific human rights dialogues were held with over 20 countries. In addition, the work of the EU special representative for human rights has enhanced the coherence and visibility of human rights in the EU's foreign policy.

The EU has continued to be a committed actor on human rights at the UN, contributing towards building and defending strong standards and mechanisms for the promotion and protection of human rights. In particular, the EU actively participated in the work of the Human Rights Council and the UN General Assembly (UNGA), and presented several initiatives on countries of concern as well as important thematic issues.

### **Support for democracy and democratisation**

In 2013, the EU continued to support electoral processes around the globe by sending election observation missions (EOMs) and electoral expert missions (EEMs), as well as providing electoral assistance and support to domestic observers. EOMs were deployed to Jordan (legislative elections on 23 January), Kenya (general elections on 4 March), Paraguay (general elections on 21 April), Pakistan (parliamentary and provincial elections on 11 May), Mali (presidential elections on 28 July, further deployment for legislative elections on 24 November and 15 December), Guinea (legislative elections on 28 September), Madagascar (presidential and legislative elections on 25 October and 20 December), Kosovo (municipal elections on 3 November), Nepal (constitutional assembly/legislative elections on 19 November) and Honduras (presidential and legislative elections on 24 November). EEMs were sent to Bhutan, Cambodia, Maldives, Mauritania, Rwanda, Swaziland, Togo and Zimbabwe.

In addition, the follow-up to EOM recommendations is a high priority (as per the human rights action plan). So far, regular reporting by heads of mission has started and guidelines for EOMs and delegations are being developed; follow-up missions have been sent to Malawi (December 2012), Bolivia (March 2013) and Mozambique (May 2013).

Among the actions included in EU action plan on human rights and democracy is the completion of work on nine pilot projects developing new methods of work in support of democracy/democratisation. The pilot countries were Benin, Bolivia, Ghana, Indonesia, Kyrgyzstan, Lebanon, Maldives, Mongolia and Solomon Islands. The work was done jointly by the EEAS, DG Development and Cooperation — EuropeAid and EU delegations, and focused on the six action areas identified in Council conclusions from 2009: country-specific approach, dialogue & partnership, EU coherence and coordination, mainstreaming, international cooperation and visibility.

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<sup>(24)</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/131181.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/131181.pdf)

Concrete deliverables per country were a democracy profile and a democracy support action plan. To the extent the local context permits, the work is ongoing in order to deepen cooperation between the EU, the EU Member States, the partner governments and other key actors. A second generation of pilot projects was launched towards the end of 2013, building on the results of the first and aiming at a global roll-out by the end of 2015.

## Multilateral governance and global challenge

### **Multilateral**

#### **The EU in the United Nations**

As a staunch supporter of multilateralism, the EU continued to work towards strengthening the UN. The EU focused on the promotion of international peace and security, sustainable development and human rights, democracy and the rule of law, as well as on the improvement of the effectiveness of the UN.

[PHOTO 066]

Within the framework of the UNGA the EU contributed actively to several high-level meetings with an impact on development, notably the Special Event on MDGs, the High-Level Meeting on Disabilities and Development, the first meeting of the High-Level Political Forum (HLPF) on Sustainable Development agreed at Rio+20 and the High Level-Meeting on Migration and Development. The meetings resulted in the adoption of outcome documents, for which the EU provided relevant input. The EU has also contributed to the negotiations and adoption of several UNGA resolutions with a direct impact on development, human rights, disarmament and non-proliferation, peacekeeping and peacebuilding.

The outcome document from the UNGA Special Event on MDGs was adopted by the UNGA in October 2013. This is a good basis for continued discussions and also provides a roadmap for the process ahead: an intergovernmental process as of the 69th UNGA leading towards a summit in September 2015, during which the post-2015 development agenda will be adopted. The EU is working in order to ensure that the new development agenda will properly integrate topics like peace, security and fragility, as well as human rights, good governance and the rule of law.

#### *Cooperation in promotion of peace and security*

In 2013, the EU continued its close cooperation with the UN in military and civil crisis management in various countries, in particular in the Democratic Republic of the Congo, Kosovo, Libya, Mali and Somalia. The EU–UN Steering Committee on Crisis Management met in April in Brussels and in November in New York to discuss current crisis situations and concrete cooperation between the EU and the UN both in the headquarters and in the field. The implementation of the plan of action to enhance CSDP

support for UN peacekeeping has seen steady progress. The finalisation of joint EU–UN planning guidelines, for cases in which both organisations operate in the same field, will facilitate significantly the cooperation between the EU and the UN during the planning of missions and operations.

## **The EU in other multilateral forums**

### *Organisation for Security and Cooperation in Europe*

The EU continued its strong engagement in the Organisation for Security and Cooperation in Europe (OSCE) in 2013, including by resisting attempts by some participating states to lower the OSCE commitments and by providing support for its various regional and thematic priorities. The EU supports the work of the OSCE's autonomous institutions and continues to work closely with the OSCE field missions notably in the western Balkans, south Caucasus and central Asia. The EU continued strongly to support the OSCE's efforts to advance in the talks on the Transnistrian settlement, the conflict in Georgia and the Nagorno-Karabakh conflict.

### *NATO*

EU–NATO cooperation continued well, including in the context of the 'Berlin plus' arrangements. There are frequent staff-to-staff contacts between the EU and NATO on operational engagements, on planning and on capability development. The HR/VP regularly meets with the NATO secretary general, and in several theatres NATO and CSDP missions and operations work side by side. The European Council of December 2013 recognised the importance of the EU–NATO relationship. The EU continues to strive towards a genuine organisation-to-organisation relationship.

### *Council of Europe*

The EU pursued its cooperation with the Council of Europe, notably in the area of the European neighbourhood policy (with special focus on the EaP and southern Mediterranean dimension) and the western Balkans. In particular, it continued to enjoy good cooperation with the Council of Europe on justice and home affairs issues within the framework of the implementation of the EU's Stockholm programme, as well as in the areas of the rule of law and democracy, by means of close cooperation with the Venice Commission on constitutional reforms and electoral law issues. Negotiations for EU accession to the European Convention on Human Rights reached an important milestone in April 2013 with the conclusion of an agreement at technical level on a draft accession agreement.

### *G7, G8 and G20*

The Commission participated in a number of summits and meetings of these three forums in 2013, inter alia to discuss the global economy and, at the G8 summit at Lough Erne in June, the 'three T' priorities: trade, taxation and transparency. The main focus of the development-related work of the G8 continued to be on agriculture and food security. The New Alliance for Food Security and Nutrition was expanded. The EU continues to

play an active role with other G8 leaders to build the partnership between partner governments in Africa, G8 countries and the private sector to lift 50 million people out of poverty in the next 10 years by supporting agricultural development. During 2013, the EU provided strong support to the UK initiative on trade in Africa. A UK-led G8 transparency initiative covered several important areas, including: the Extractive Industries Transparency Initiative, aid transparency, tax transparency, reducing money laundering and improving tax systems in developing countries. These are all areas where the EU is very active.

[PHOTO 067]

In 2013, four meetings of G20 finance ministers and central bank governors took place. The meetings focused on the global economic situation and the actions needed to strengthen the recovery. At the summit in Saint Petersburg, G20 leaders committed inter alia to work together to manage any spillovers onto other countries from unconventional monetary policies.

This G20 summit also cemented the global paradigm shift towards fairer taxation by endorsing the establishment of the automatic exchange of tax information. The EU played a pivotal role in ensuring that this new standard will be implemented as from 2015 among G20 members. The G20 countries are taking action to make sure that companies and individuals pay the taxes that are due and that are badly needed in difficult times for investment in the future.

## **Global challenges**

### **Non-proliferation and conventional weapons**

The EU continued to support the UN process leading to the Arms Trade Treaty (ATT), to strengthen responsibility and transparency in the conventional arms trade. The EU actively participated in the final UN Diplomatic Conference on the ATT (18–28 March 2013 in New York) and welcomed the adoption of the ATT by the UNGA on 2 April 2013.

The EU has enhanced its support for the IAEA in Vienna. It remains a key donor to the IAEA Nuclear Security Fund, with more than €31 million committed since 2004. A new Council decision to provide for more than €8 million in support of that fund was approved on 21 October 2013 <sup>(25)</sup>.

In 2013, there were important developments in the area of space safety, security and sustainability. The EU held, on 16–17 May in Kiev and on 20–22 November in Bangkok, open-ended consultations on its proposal for an international code of conduct for outer

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<sup>(25)</sup> Decision 2013/517/CSFP on the Union support for the activities of the International Atomic Energy Agency in the areas of nuclear security and verification and in the framework of the implementation of the EU strategy against proliferation of weapons of mass destruction (OJ L 281, 23.10.2013).

space activities, to broaden international support for the code with a view to its adoption possibly in the course of 2014. The code is designed to contribute to transparency and confidence-building measures (TCBMs) in outer space activities. The EU has also supported awareness raising about the importance of norms of behaviour and TCBMs in outer space through regional seminars. Besides a meeting in Kuala Lumpur in 2012, additional meetings were held in 2013 in Addis Ababa (Ethiopia), Almaty (Kazakhstan) and Mexico City .

### **Climate change and security**

The security aspects of climate change remained high on the EU's agenda in 2013.

In June 2013, the Foreign Affairs Council adopted conclusions<sup>(26)</sup> on ways to further strengthen EU climate diplomacy with a view to helping to bring about political conditions that are conducive to progress towards the 2015 agreement. Throughout the year, the EU pursued and intensified efforts to stimulate and support ambitious climate action in partner countries, drawing on all foreign policy instruments.

The UN climate change conference held in Warsaw in November marked a step forward in the international fight against climate change. Responding to a key EU demand, the conference agreed a timeline for countries to table their contributions to reducing or limiting greenhouse gas emissions under a new global climate agreement to be adopted in 2015. It also agreed ways to accelerate efforts to deepen emission cuts over the rest of this decade, set up a mechanism to address losses and damage caused by climate change in vulnerable developing countries and agreed decisions which enhance the implementation of a range of measures already agreed at international level, including finance to support developing countries and combating tropical deforestation.

[PHOTO 068]

In 2013, the Commission committed an additional €47 million to finance nine new Global Climate Change Alliance (GCCA) interventions in Chad, Comoros, Djibouti, Haiti, Malawi, Mauritania, Myanmar/Burma, São Tomé e Príncipe and Tanzania. With these, the portfolio has increased from four pilot projects in 2008 to 48 national and regional programmes across 38 countries and eight regions and subregions, with an envelope of close to €300 million.

### **Migration**

The external dimension of EU migration policy, and more specifically cooperation with non-EU countries in the area of migration, is a clear priority for the EU. The EU is placing migration systematically on the agenda of its political, economic and social dialogues with non-EU countries. Strategic dialogues on migration issues have been developed with a series of key partners, such as China, India, Russia and the United

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<sup>(26)</sup> Foreign Affairs Council conclusions, 24 June 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/137593.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/137593.pdf)).



States, as well in the framework of several regional initiatives, such as the EU–Africa Partnership on Migration, Mobility and Employment, the Rabat process, the EaP, the ‘silk routes’ and EU–CELAC cooperation. Such dialogues address various dimensions of the migration phenomenon, such as the migration and development nexus, mobility issues, curbing illegal migration, readmission and human trafficking. The EU is also actively participating in discussions held within the framework of various international forums and has developed close cooperation with various international actors working on migration.

In May, the Commission adopted a new communication on ‘Maximising the development impact of migration’ <sup>(27)</sup>, both serving as the basis for the EU’s position for the UN High-Level Dialogue on International Migration and Development in October 2013 and making proposals for a more ambitious approach to migration and development at EU level.

### **Water diplomacy**

In 2013, the EU conducted an EU water security mapping project aiming to obtain a snapshot of who does what from the EU and Member States on main regional and transboundary water security challenges around the world. The results demonstrated a great degree of engagement by the EU and Member States and a great depth of initiatives and activities across the world.

Building on this mapping project, in July 2013 the Foreign Affairs Council adopted, for the first time ever, Council conclusions on water diplomacy <sup>(28)</sup> aiming to enable the EU to become more engaged in water security challenges around the world. The Council conclusions recognise proactive engagement in transboundary water security challenges as a concrete objective of water diplomacy, with the aim of promoting collaborative and sustainable water management, and identified the Nile and central Asia as immediate water diplomacy priorities. The Council conclusions also encouraged the promotion of international agreements on water cooperation and relevant International water conventions as well as building international partnerships in promoting regional and trans-boundary water cooperation.

### **Energy diplomacy**

Building on the increased engagement by the HR/VP and the EEAS on energy diplomacy, the Foreign Affairs Council discussed external energy policy and energy security in April 2013 with the EU foreign Ministers focusing on how foreign policy can help the EU energy policy objectives, and more particularly on the Southern Corridor.

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<sup>(27)</sup> Commission communication — Maximising the development impact of migration — The EU contribution for the UN high-level dialogue and next steps towards broadening the development–migration nexus (COM(2013) 292) (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0292:FIN:EN:PDF>).

<sup>(28)</sup> Foreign Affairs Council conclusions, 22 July 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/138293.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/138293.pdf)).

## **Cybersecurity**

In February 2013, the HR/VP and the Commission adopted a joint communication on an EU cybersecurity strategy <sup>(29)</sup>, the first comprehensive policy document produced by the EU on this rapidly expanding issue. The strategy focuses on an imminent need to step up EU-wide preventive efforts in the area of cybersecurity and seeks to improve horizontal cooperation between different policy areas in the EU: cyber resilience, cybercrime, EU international cyberspace policy and CSDP issues. The strategy sets out clear priorities for EU international cyberspace policy: to preserve freedom and openness in cyberspace; to develop norms of behaviour and apply existing international law in cyberspace; to raise cybersecurity capacity in non-EU countries; and to foster international cooperation in cyberspace issues.

Implementation of the strategy has continued throughout 2013. The EEAS has increased engagement in cyber issues with EU key strategic partners. The development of norms of behaviour in cyberspace has continued and agreement has been reached on a first set of confidence-building measures in the OSCE. The EEAS has engaged in global capacity building focused on enhancing the rule of law in cyberspace and incident response. Funding for this work is to increase over the next 5 years, and engagement with international partners and organisations, the private sector and civil society has begun to find an appropriate model to support capacity building.

## **Counterterrorism**

The threat of terrorism remains significant and is constantly evolving. Recent attacks highlight the continued threat and global challenge of terrorism, as evidenced by the terrorist attacks in Boston, Algeria and Kenya and the developments in Mali and the Sahel region. The year 2013 has seen the increased decentralisation of terrorism. The diffuse and pervasive nature of terrorism requires a multilateral response to enhance global coordination to prevent attacks, intercept criminal networks and block avenues of financing for decentralised, sophisticated terrorist networks and disaffected individuals.

As part of a comprehensive approach, the EEAS developed political dialogues on counterterrorism with many key partners and international organisations, thus contributing to deepening the international consensus and enhancing international efforts to combat terrorism. Specific dialogues were held with the UN, Canada, Pakistan, Russia, Saudi Arabia, Turkey, the United Arab Emirates and the United States.

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<sup>(29)</sup> Joint communication — Cybersecurity strategy of the European Union: an open, safe and secure cyberspace (JOIN(2013) 1).

## Peace and security

### Common security and defence policy

The year 2013 saw many developments in the area of CSDP. The EU launched two new missions, the EU Training mission in Mali and the EU Border Assistant Mission in Libya. In total, the EU deployed more than 7 000 civilian and military personnel in 2013, in 12 civilian missions and four military operations.

Security and defence also gained prominence on the EU's agenda through the preparation of the European Council on Security and Defence in December 2013. The main aim of a thematic discussion among leaders was to strengthen the effectiveness and impact of the CSDP, to enhance the development of defence capabilities and to strengthen Europe's defence industry.

In the run-up to the December European Council, the Commission presented a communication on the European defence and security sector in July <sup>(30)</sup>, while the HR/VP (the head of the European Defence Agency) presented a major report on CSDP in October. The Council adopted conclusions in November <sup>(31)</sup>, which were endorsed by the December European Council.

### EU-led missions all over the world

[GRAPH 24]

In Libya, following a specific request from the Libyan authorities, the EU launched EUBAM Libya, a civilian CSDP mission designed to provide much-needed integrated border management capacity for the Libyan authorities. In addition the EU commissioned projects addressing reform in the police and justice sectors, secure storage and stockpile management of conventional weapons and ammunition and the rebuilding of Libya's criminal investigative capacity, and continued a broad package of support in terms of strengthening public administration, vocational training, good governance, health, education and civil society.

[PHOTO 069]

In response to the 2012 coup d'état in Mali, the Council established in January 2013 a CSDP mission to advise the Malian defence authorities and train tactical units. The EU Training Mission in Mali (EUTM Mali) is a response to an official request from the Malian authorities and to UN Security Council Resolution 2071, which calls upon regional and international partners, including the EU, to provide assistance in order to improve the capacity of the Malian armed forces. EUTM is one of several instruments,

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<sup>(30)</sup> Commission communication — Towards a more competitive and efficient defence and security sector

<sup>(31)</sup> Education, Youth, Culture and Sport Council conclusions, 25/26 November 2013 ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/139719.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/139719.pdf)).

part of the EU comprehensive approach, in accordance with the strategy for security and development in the Sahel.

[PHOTO 070]

The EU action in the Horn of Africa is another prime example of how combined use of various EU instruments can achieve results.

The EU naval operation EUNAVFOR-Atalanta is a recognised leader in the international fight against piracy, and collective efforts led to a dramatic reduction in the number of attempted and successful pirate attacks in the Gulf of Aden and the western Indian Ocean. In 2013, there were fewer than 20 attacks and suspicious events off the Somali coasts. No large ship has been attacked by pirates since May 2012.

At the same time, the civilian mission EUCAP Nestor is building the capacities of partner countries in the region to assist them in ensuring the maritime security of their waters.

[PHOTO 071]

On land, EUTM Somalia has now successfully trained over 3 000 Somali soldiers, an important contribution to allow the liberation of Mogadishu and the subsequent transition to a new political beginning in Somalia. In this context, the mission also started its new role this year of providing strategic advice to Somali authorities on restructuring their armed forces.

### **Comprehensive approach/conflict prevention**

The Union has at its disposal many external relations policies and tools — spanning diplomatic, security, defence, financial, trade, development and humanitarian aid, as well as the external dimension of EU internal policies — to deliver the end result that Member States and the international community seek. This is the EU's main strength as an international actor.

In December 2013, the Commission and the HR/VP adopted a joint communication on 'The EU's comprehensive approach to external conflict and crises' <sup>(32)</sup> with a view to further increasing its efforts to make its global action more effective and cohesive, drawing on the full range of its instruments and resources.

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<sup>(32)</sup> Joint communication — The EU's comprehensive approach to external conflict and crises (JOIN(2013) 30).

### The European institutions and bodies at work

The heavy workload of the Union's institutions in 2013 substantially reflected the challenges of the European economy. They continued with the legislative work of rebuilding the economic and monetary union (EMU). Very substantial progress was made on economic governance, financial regulation and supervision as well as the creation of the banking union.

Given that economic recovery took root in 2013, the institutions focus shifted more towards the growth and jobs agenda, including the fight against youth unemployment. The major work that was concluded over the course of the year on the multiannual financial framework (MFF), the Union's budget for 2014 to 2020, put a strong focus on growth-oriented policies and measures, so as to continue to support a positive employment friendly agenda.

Many other topics occupied the institutions and bodies of the Union in 2013, from the fight against organised crime and corruption, to foreign affairs, to international trade, to fundamental and citizens' rights.

### The European Parliament

The major issues of economic and monetary union (EMU), the banking union and financial services played a substantial role in the Parliament's deliberations during 2013. In the context of various key debates, such as on European Councils and on Presidency programmes, the plenary paid sustained and strong attention to the next steps in deepening EMU and the right economic policy mix to get Europe out of the crisis. Ensuring a social dimension to EMU and finding the right balance in terms of fiscal consolidation and growth were key preoccupations for the Parliament throughout all these debates, with the issue of youth unemployment progressively taking centre stage.

[PHOTO 072]

The legislative output in the economic and monetary field was also significant, with the approval of first-reading agreements reached with the Council on key files such as the 'two-pack', credit rating agencies, the CRD IV<sup>(336)</sup> and the transparency<sup>337</sup> and accounting<sup>338</sup>

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<sup>(336)</sup> Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (OJ L 176, 27.6.2013).  
Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (OJ L 176, 27.6.2013).

<sup>(337)</sup> Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC

<sup>(338)</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of

directives. The Parliament also sought to push the other institutions for more action; a debate querying the Commission and the Council on alleged delays with proposals on financial services was added to the agenda in June.

In particular, following the plenary debates held in May, Parliament voted on the Single Supervisory Mechanism dimension of the banking union. The vote was preceded by a Commission statement and a debate on the state of play of the banking union, and by an oral statement by Martin Schulz, President of the European Parliament, on the general agreement reached on the interinstitutional agreement between the Parliament and the European Central Bank (ECB) detailing the procedures for the democratic accountability of the ECB's supervisory function. President Schulz drew attention to the strengthening of Parliamentary control, and considered the result of negotiations a 'quantum leap' in European politics. This was followed in September by a joint declaration by President Schulz and Mario Draghi, President of the ECB, the endorsement by Parliament of the Single Supervisory Mechanism legislation and its entry into force in November. This provided the basis for the ECB to advance with the preparations to take up its prudential supervision tasks.

Pushing ahead with the other remaining pillars of the banking union, and notably the Single Resolution Mechanism (SRM), remained a repeatedly voiced aspiration of the Parliament throughout the year, backing the Commission, whilst at the December session — in various debates and adopted texts — concerns and criticism were raised over the intergovernmental turn taken by the Council discussions on the SRM.

An important non-legislative contribution in this area came in the form of the report on the feasibility of introducing stability bonds, which sought to provide a 'framework for reflection'. Likewise, the resolution adopted by the plenary in May on future legislative proposals on economic and monetary union contained important messages in response to the Commission's communications on *ex ante* economic policy coordination<sup>(339)</sup> and on the Convergence and Competitiveness Instrument<sup>(340)</sup>. It stressed the importance of parliamentary oversight and called, inter alia, for a proposal to adopt a convergence code under the European semester, based on the Europe 2020 strategy and including a strong social pillar.

Similarly, in July the Parliament also adopted an own-initiative report on reforming the structure of the banking sector, promoting a principle-based approach which recommended the separation of essential activities from speculative ones (although with Members of the European Parliament (MEPs) expressing a multitude of views in the debate on how the separation should be achieved).

A dedicated debate was held on the European semester in October, with the main political groups welcoming the results of the 2012–13 cycle and many recalling the importance of ensuring enhanced ownership by Member States. MEPs were divided on the optimal degree

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undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

<sup>(339)</sup> Commission communication — Towards a deep and genuine economic and monetary union — *Ex ante* coordination of plans for major economic policy reforms (COM(2013) 166).

<sup>(340)</sup> Commission communication — Towards a deep and genuine economic and monetary union — The introduction of a Convergence and Competitiveness Instrument (COM(2013) 165).

of the country-specific recommendations being ‘prescriptive’ while also emphasising different priorities, for example fiscal consolidation versus social dimension.

[PHOTO 073]

#### **State of the Union address**

In September, José Manuel Barroso, President of the European Commission, delivered his third and last State of the Union address under the current term before the European Parliament. The president argued that the upcoming European elections offer the opportunity — and the obligation — for pro-European forces across party lines to speak up and make the case for Europe. They could explain the determined and increasingly successful response that the Union has given to the financial and economic crisis over the last 5 years. Moreover, the Parliament could use the remaining 8 months of the legislature to agree on the most important pieces of legislation on the table.

Reactions by the political groups already somewhat reflected their endeavour to profile themselves against each other in view of the upcoming elections, and they differed widely on the question of how successful Europe’s strategy to fight the crisis was.

#### **Legislation**

In an overall perspective, one of the features of the year was the rejection, in April, of the report on backloading (timing of auctions of greenhouse gas emissions). Following the Parliament’s rules of procedure, the report was sent back to the competent committee which then presented to the plenary a reworked version in July. After the Council had accepted the text as amended by the Parliament, the file came back to the plenary for a second time in December, when the plenary endorsed the agreement reached with Council. Similarly, the report on ground handling also came to the plenary twice; after an original rejection and referral back to the committee in December 2012, the reworked version was approved in April.

The report on further macro-financial assistance for Georgia was approved in conciliation in October, with the Parliament offering overwhelming support for the final agreement and the rapporteur applauding the solution found to finally unblock the long interinstitutional battle. The Commission had previously withdrawn its proposal.

Regarding the fisheries partnership agreement with Mauritania, rejection was avoided as the plenary turned around the Parliament’s position, voting in favour — contrary to the proposal of the PECH Committee in the lead — of granting consent.

The plenary also voted against several attempts coming from committees to oppose draft Commission implementing measures. Among these, the issue of flight-time limitations proved to be particularly sensitive and provoked a great deal of interest.

In the case of the report on the regulation regarding third countries whose nationals are subject to or exempt from a visa requirement [is this COM(2013) 853? If not please provide correct reference], the plenary supported with a rather narrow majority the text agreed with Council, in support of a first reading agreement, despite clear warnings from both President Schulz and the Commission about the risky legal position taken in relation to delegated and

implementing acts, whilst the Commission explicitly stated that it reserved its right to seek legal remedy from the Court of Justice.

In several fields, the Parliament adopted own-initiative reports asking the Commission to come forward with a legislative proposal. Among these, one report called on the Commission to submit a legislative proposal on a statute for a European mutual society, while another report called for legislation on a European law of administrative procedure. A third report called for minimal social rules for restructuring via a proposal for a legal act on information and consultation of workers, anticipation and management of restructuring. Furthermore, the report on single market governance requested that the Commission submit a proposal for an act aimed at strengthening the governance of the single market, including the idea of ‘defining a single market pillar for the European semester’.

Following the Commission’s intention to withdraw its 2005 proposal on the mandatory marking of origin on imported products, the plenary debate and the ensuing resolution demonstrated that all groups regretted the Commission’s intention, but the Commission pointed to the blockage in the Council and to the fact that the new World Trade Organisation (WTO) rules were not reflected in the original proposal.

In various cases, the Parliament adopted its amendments while postponing the vote on the legislative resolution, thus sending a strong message on its position but leaving the door open for an agreement with the Council via informal (trilogue) negotiations. Such cases included the Parliament’s reports on the banking union, but also on flag state responsibilities, European statistics on demography, ship recycling, the road worthiness package, UCITS V, medical devices, the environmental impact assessment directive and the long-awaited tobacco directive.

Also, in application of the Parliament’s revised rules on interinstitutional negotiations (Articles 70 and 70a), some files were subject to a plenary debate, before the actual committee report was adopted, with a view to gaining political endorsement (a mandate) from the plenary for the Parliament’s negotiating position. The first such case concerned the files composing the common agricultural policy reform package.

[PHOTO 074]

## **Non-legislative work — political and other topical issues**

The Parliament’s own-initiative reports, deemed to have strategic importance and reflecting the Parliament’s priorities, were subject to full debates. These included topics such as access to finance for SMEs, corporate social responsibility, the energy roadmap for 2050, the implementation of the youth strategy, youth unemployment, the annual reports on competition policy and on EU public finances, equal treatment between men and women and the millennium development goals (MDGs).

The single market was given special prominence throughout the year, with a whole series of debates and reports dedicated to the various aspects: completing the digital single market (July), the internal market for services (September), the internal energy market (September), completing the European research area (October) and electronic communication/recent proposals to complete the digital single market (October).



The Special Committee on Crime adopted its temporary report in June and then its final report in October, addressing the issue of organised crime, corruption and money laundering. Members urged, in both the debate and the report, the creation of a uniform regulatory framework, as well as stronger sanctions on mafia-tool organisations and tailor-made investigative methods; in this latter context they also offered support to the establishment of the European Public Prosecutor's Office.

The issue of the fight against corruption was also subject to a dedicated debate in January, wherein MEPs welcomed the prospect of a European Public Prosecutor and saw a need to further improve the management of EU funds by national administrations. The issue of tax fraud and tax havens gained importance thanks to the related discussion in the May European Council. The plenary adopted a report in May asking for a clear definition of tax havens and the establishment of a European blacklist of tax havens <sup>(341)</sup>. In December, the plenary came back to the issue and adopted a resolution calling for ambitious targets to reduce tax fraud and evasion, at least halving the tax gap by 2020.

Non-legislative issues were also examined in the form of oral questions put to the Council and the Commission or statements requested from the Council and/or Commission. Foreign trade and fisheries issues were particularly well represented among these, while such occasions were used to query the Commission's stance and seek clarifications on various issues such as the 'one-bag rule' in aircraft, the cross-border authorisation of mega trucks, state aid modernisation, measures aiming at the recovery of European industry and the follow-up to the horsemeat scandal.

In the political context, the Parliament continued to look at several country-specific issues — mostly leading to lively debates dominated to a great extent by politics — such as the constitutional modifications in Hungary, the political situation in Bulgaria or the closure of the Greek national broadcasting company. Hungary featured for a second time in July when the plenary adopted a report on the situation of fundamental rights in Hungary. The report concluded that 'the systemic and general trend of repeatedly modifying the constitutional and legal framework in very short time frames, and the content of such modifications, are incompatible with the values referred to in Article 2, Article 3(1) and Article 6 TEU and deviate from the principles referred to in Article 4(3) TEU'. It reiterated the Parliament's call for the 'establishment of a new mechanism to ensure compliance by all Member States with the common values enshrined in Article 2 TEU'. It also called on the Commission to create 'an "Article 2 TEU/alarm agenda", i.e. a Union values monitoring mechanism, to be dealt with by the Commission with exclusive priority and urgency, coordinated at the highest political level'.

Furthermore, the Parliament also immediately reacted to the US surveillance programme issue (PRISM), with all political groups expressing strong concerns about breaches of fundamental rights. In July, the plenary adopted a joint resolution on the impact on citizens' right to data protection, and later on, in October, the Parliament adopted a resolution calling for the

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<sup>(341)</sup> See <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0205+0+DOC+XML+V0//EN&language=EN>

suspension of the SWIFT agreement, after having held a heated debate on the issue the previous month.

Similarly, the tragic events in Lampedusa and in Syria prompted very strong interest in the Parliament and the issue of refugees, both from the Mediterranean and from Syria, as well as migration policy in general, were at the centre of various plenary debates in the autumn. A resolution adopted in October (follow-up to Syria) called on the Member States and the Commission, *inter alia*, to work on contingency planning, including the possibility of applying the temporary protection directive <sup>(342)</sup>, and to establish a more coherent approach based on solidarity with Member States facing particular pressure. Another resolution, also from October (follow-up to Lampedusa), welcomed the establishment of a task force for the Mediterranean and called *inter alia* for consideration of the idea of an EU coastguard.

The Parliament invited several prime ministers and Heads of State to address the House, setting out their vision on the future of Europe. Werner Faymann, Chancellor of Austria (January), François Hollande, President of France (February) and Jyrki Katainen, Prime Minister of Finland (April) participated in such debates, and MEPs generally praised this new format as a model for making the hemicycle a hub for European democracy and political debate.

Furthermore, several formal sittings were also held, with an address from high-level visitors (the presidents of Israel, Mali, Portugal, Senegal, Slovenia and Tunisia) but with no ensuing debate.

## **Budgetary affairs**

In the budgetary field, the year was dominated by the discussions on the multiannual financial framework (MFF) 2014–20. The Parliament maintained pressure until the end, postponing its final vote of consent from October to November. After protracted and difficult negotiations, in which there was a complex entanglement between the MFF and the amending budgets for the 2013 budget, the negotiations over the 2014 budget and the creation of a high-level group to examine the system of EU own resources, the Parliament finally gave its consent in November to the Council resolution establishing the MFF 2014–20 and to the related interinstitutional agreement. This paved the way for votes on a large number of further MFF-related sectorial legal bases in the November and December sessions.

Alongside the MFF vote, the Parliament also approved the 2014 budget. The result was largely interpreted as the best possible compromise that could be reached under the difficult economic and fiscal conditions in Member States. At the same time, it was criticised by all parties (except those on the far right) as too tight to face the challenges of the Union, especially given the very slim margins for unforeseen expenditure, and insufficient to solve the payment problems that had accumulated over previous years. Thus, the 2014 budget was seen by many as the first clear proof of the insufficient means foreseen under the new MFF for the tasks that the treaty attributes to the Union and that the citizens expect of it.

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<sup>(342)</sup> Directive 2001/55/EC on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof (OJ L 212, 7.8.2001).

## **Institutional matters**

The Parliament also dealt with several appointment procedures. Most importantly, in June it approved by an overwhelming majority the appointment of Commissioner-designate Neven Mimica to become the first Croatian commissioner as of 1 July 2013. He is in charge of consumer policy. Under the terms of Croatia's accession treaty, the Parliament needed to be officially consulted by the Council on the nomination.

[PHOTO 075]

Similarly, in July the Parliament elected Emily O'Reilly as the new European Ombudsman (as of 1 October 2013), and subsequently held a debate with the outgoing Ombudsman P. Nikiforos Diamandouros in September. He believed that, during his term of office of the last 10 years, the EU institutions had become more service oriented and more transparent, and also noted with satisfaction that citizens had been increasingly turning to the Ombudsman.

On the other hand, the nomination of the Croatian Member of the Court of Auditors caused some trouble, as his nomination was confirmed by Croatia and the Council despite the Parliament's negative vote on him. This provoked a debate (held in October) in which MEPs challenged the Council and sought the best way to make it bound by the Parliament's recommendation. In December, the appointment of five new Members to the Court (Greece, France, Luxembourg, the Netherlands and the United Kingdom) was endorsed by the Parliament.

In June, the Parliament approved the draft decision of the European Council on the composition of the European Parliament, which caters for the accession of Croatia, taking into account the number of seats in the Lisbon Treaty (751). The pragmatic approach to the numerical composition, as proposed by the Parliament — taking away one seat from 12 current middle-sized Member States, whereas no country would gain any new seats — was approved without changes by the European Council.

The Parliament also gave its consent (in May) to the draft Council decision fixing the dates of the 2014 Parliament elections for 22–25 May instead of 5–8 June 2014. The Parliament also adopted a report on practical arrangements for the holding of the European elections in 2014. The text suggested creating a stronger and more direct link between voters and the outcome of the elections (including that each political family should nominate a candidate for Commission president), as well as facilitating voters' participation and their identification with European parties (use of Parliament party logos and affiliations, an EU-wide campaign, synchronised publication of results, etc.).

In November, the Parliament also adopted, with a very clear majority, a report on the location of seats of the EU institutions, calling for an ordinary treaty change procedure to give Parliament the right to determine its own seat.

As every year, the Commission's work programme for the following year was discussed in the plenary in November. The groups generally welcomed the work programme as containing clear and focused priorities for the remainder of the legislature.

Future-oriented institutional issues featured high on the agenda in December, with the plenary debate and adoption of the reports on multitier governance and on the relations between the

Parliament and the institutions representing the national governments, providing analysis of the institutional evolutions reflecting the further deepening of EMU, the question of differentiated integration and of the evolving role of the European Council, and the resulting necessary steps for the Parliament to ensure appropriate follow-up and control. The second report also addresses as key issues the nomination of the next Commission president (in particular how the European Council will respect the choice of European citizens in the coming European elections) and a proposed (second) State of the Union debate, with the president of the European Council and Catherine Ashton, the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP).

## Foreign affairs

In the field of foreign affairs, the Parliament discussed a significant number of topical issues, such as the situation in Syria, with a particular focus on the armed conflict, diplomatic efforts and the humanitarian situation. Another recurrent subject was Mali: the French intervention, but also the stabilisation and reconstruction of the country. Preparations for the Eastern Partnership Summit in Vilnius, as well as internal developments in Egypt and Turkey, were also high on the agenda. The situation in Bangladesh was discussed in the context of industrial disasters. The Parliament gave its consent to the partnership and cooperation agreement with Iraq. It also debated ongoing negotiations on the EU–Afghanistan Cooperation Agreement for Partnership and Development, as well as EU strategies for the Arctic and the Horn of Africa.

Ukraine came under the spotlight in December following the massive protests against the government's refusal to sign an association agreement with the EU. In an emotionally charged debate, MEPs from the main political groups stressed that the EU should keep its doors open to Ukraine and that the role of the EU should at present be to engage in mediation and use all instruments at its disposal to avoid the use of violence against protesters.

Moreover, the Parliament discussed more long-term and structural questions: the 2013 review of the organisation and functioning of the European External Action Service (EEAS) <sup>(343)</sup>; the second amendment to the Cotonou Agreement; the MDGs; the 'Annual report on the common foreign and security policy', implementation of the common security and defence policy; and the annual report on human rights and democracy in the world <sup>(344)</sup>.

Like each year, the Parliament debated the Commission's enlargement reports on specific countries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Iceland, Kosovo <sup>(345)</sup>, Montenegro, Serbia and Turkey).

The Parliament's Sakharov Prize was this year awarded to Malala Yousafzai. Ceremonies were held to honour laureates of the Sakharov Prize who had been unable to collect it in

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<sup>(343)</sup> 'EEAS review' ([http://eeas.europa.eu/library/publications/2013/3/2013\\_eeas\\_review\\_en.pdf](http://eeas.europa.eu/library/publications/2013/3/2013_eeas_review_en.pdf)).

<sup>(344)</sup> 'EU annual report on human rights and democracy in the world in 2012' (<http://register.consilium.europa.eu/pdf/en/13/st09/st09431.en13.pdf>).

<sup>(345)</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the International Court of Justice opinion on the Kosovo declaration of independence.

previous years: Aung San Suu Kyi (laureate in 1990), Ladies in White (2005) and Guillermo Fariñas (2010).

[PHOTO 076]

## **International trade**

The Parliament monitored and supported EU trade negotiations. On the Transatlantic Trade and Investment Partnership (TTIP), MEPs called for assurance of full respect for the protection of personal data and for the exclusion of cultural and audiovisual services from the negotiations. The Parliament also supported the EU–China negotiations for a bilateral investment agreement and asked the Commission to ‘respond positively to Taiwan’s willingness’ to launch negotiations on a similar agreement. In addition, MEPs renewed their support for the trade negotiations with Mercosur and for a positive outcome of the Doha Development Round ahead of the WTO Ministerial Conference.

## **Parliamentary questions**

in comparison to the previous year, in 2013 the number of questions from MEPs to the Commission increased by 21.34%, leading to a total of 13.448 written questions - the highest ever. ‘Question time’ with the Commission was held only once in 2013 and was devoted to innovation, research and development, especially within the framework of Horizon 2020. Within the scope of the topic decided beforehand, MEPs spontaneously asked questions to a group of Commissioners (the ‘catch-the-eye’ procedure). While the experience of the new format was positive on the whole, further improvements in conducting ‘question time’ could still be expected in the context of the revision of Parliament’s rules of procedure giving effect to the new ‘question time’ system.

## **The European Council**

The European Council had a particularly active year which produced far-reaching decisions and delivered fast responses to rapidly evolving European and international events. Under the chairmanship of its president, Herman Van Rompuy, the European Council met six times throughout 2013. Additionally, one meeting of the Euro Summit took place.

The past few years were extremely challenging and largely dominated by the financial and economic crisis. Therefore, in 2013, the critical issues on the European Council’s agenda were growth and employment. These priorities were the main focus of European Council meetings.

[PHOTO 077]

At its meeting in February, the European Council agreed on the EU’s MFF 2014–20. The agreed budget shows a clear focus on mobilising resources to support growth, employment, competitiveness and convergence. The European Council also confirmed the Commission’s ambitious trade agenda.

In March, the European Council set the priorities for economic policies for the year ahead and confirmed the overall economic strategy proposed by the Commission in its annual growth survey. Given the social situation in Europe, especially among young European citizens, the

European Council agreed on a particular focus on topics with a high potential for delivering growth and jobs. The social dimension was also mentioned, while reflecting on continuous work on EMU.

In May, the European Council focused on stronger competitiveness, with dedicated discussions on energy and on effective steps to fight tax evasion and tax fraud, the latter being a particularly sensitive issue at a time when many European citizens were asked to contribute to the general economic effort. The Council addressed Europe's dependence on imported energy and its costs, which are borne, and increasingly felt in the context of the crisis, by many households and businesses.

In June, the European Council paid particular attention to the social situation across the Union and to the risk it poses, devoting the summit to youth employment and strengthening competitiveness. European leaders also agreed on a set of actions promoting jobs for youth and helping the key European employers, SMEs. The youth employment initiative received a budget of €8 [10?] million, while SMEs were promised a credit increase from both the EU and the European Investment Bank (EIB).

At the October European Council, leaders addressed the digital economy, economic and social policy, EMU, the Eastern Partnership and migration flows.

The European Council in December addressed strengthening the competitiveness of Europe's defence industry.

## The Council of the European Union

The 2013 rotating Presidencies of the Council of the European Union were held by Ireland and Lithuania, in the first and second half of 2013 respectively. The priorities of the Irish Presidency during the first half of 2013 were securing stability and ensuring that it led to jobs and growth. In the second semester of 2013, Lithuania assumed the Presidency of the Council for the first time, seizing the opportunity to present the country and strengthen links to Europe. Lithuania focused its efforts on working towards a credible, growing and open Europe.

In the course of these two Presidencies, the Council met under 9 of its 10 configurations: the General Affairs Council; the Economic and Financial Affairs Council; the Justice and Home Affairs Council; the Employment, Social Policy, Health and Consumer Affairs Council; the Competitiveness (internal market, industry, research and space) Council; the Transport, Telecommunications and Energy Council; the Environment Council; the Education, Youth, Culture and Sport Council; and, under the chairmanship of the High Representative of the Union for Foreign Affairs and Security Policy, the Foreign Affairs Council.

[PHOTO 078]

The agendas of the different Council configurations reflected a wide variety of legislative proposals and non-legislative debates. The agenda items reflected, to a large extent, the challenging events in Europe and issues to which the EU had to react speedily, notably economic developments, financial regulation and supervision, deepening EMU and the legislative proposals on the new generation of funding instruments for the EU's MFF 2014–

20. The negotiations on most of the MFF instruments were concluded to make new funding available as of early 2014. In November, the Council approved the agreement with the Parliament on the 2014 budget.

## The European Commission

The Commission used its right of initiative and its pivotal role in economic governance to support the economic recovery and to take additional steps towards a genuine EMU. Building on the blueprint for a deep and genuine EMU of November 2012<sup>(346)</sup>, it put forward two communications on mechanisms designed to strengthen economic policy coordination and integration in the euro area<sup>(347)</sup>. Together with the recommendations made in its communication on the social dimension on EMU<sup>(348)</sup>, they fed into the Commission's contribution to the European Council debate on EMU in December. The Commission pursued efforts to create a banking union. It ensured the adoption of the Single Supervisory Mechanism and worked with the Parliament and the Council on the adoption of the proposal for the Single Resolution Mechanism that the Commission presented in July<sup>(349)</sup>. In order to facilitate democratic scrutiny, the Commission supported the pragmatic steps for stronger involvement of the European Parliament and national parliaments in the European semester process.

Also in 2013, the agreement on the MFF 2014–20 brought to an end negotiations which the Commission had facilitated for 2 years. The Commission also stepped up its efforts to simplify EU legislation. In the communication 'Regulatory fitness and performance (REFIT): results and next steps'<sup>(350)</sup>, it completed a comprehensive screening of all existing EU legislation and explained what has been achieved, what further steps it counts on taking and why this is important for growth and jobs. After the Council gave its green light to start trade and investment negotiations with the United States in June, the Commission led the negotiations on a comprehensive transatlantic trade and investment partnership (TTIP) in two rounds in the second half of the year.

[PHOTO 079]

The Commission welcomed Neven Mimica, who was named by Croatia as commissioner-designate. After the necessary consultation of the Parliament earlier in June, the Council appointed the new commissioner by common accord with the president of the Commission, so as to allow him to take up his post on 1 July. President Barroso assigned to Mr Mimica the portfolio of consumer protection.

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<sup>(346)</sup> Commission communication — A blueprint for a deep and genuine economic and monetary union — Launching a European debate (COM(2012) 777).

<sup>(347)</sup> Commission communication — Towards a deep and genuine economic and monetary union — The introduction of a Convergence and Competitiveness Instrument (COM(2013) 165).  
Commission communication — Towards a deep and genuine economic and monetary union — *Ex ante* coordination of plans for major economic policy reforms (COM(2013) 166).

<sup>(348)</sup> Commission communication — Strengthening the social dimension of the economic and monetary union (COM(2013) 690).

<sup>(349)</sup> Proposal for a regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund (COM(2013) 520).

<sup>(350)</sup> Commission communication — Regulatory fitness and performance (REFIT): results and next steps (COM(2013) 685).

In 2013, the number of infringement procedures initially launched against Member States for alleged breach in the implementation of EU law amounted to [ ] (the figure represents the first stage of the procedure when a letter of formal notice is sent according to Article 258 of the Treaty on the Functioning of the European Union (TFEU)). Those policy areas which saw a higher proportion of inquiries being launched were transport, environmental issues, and health and consumers, representing about [ ] % of the total.

The Commission continued its efforts concerning the modernisation of public administrations across Europe, as this can lead to more and better digital services for citizens and enterprises and to cost savings in the public sector. A global approach is crucial for success; horizontal, cross-border initiatives encompassing all layers of public administration (European, national and regional) will have a strong impact. The Commission's programme for interoperability solutions for European public administrations (ISA) <sup>(351)</sup>, can provide a wide range of solutions and tools to support the modernisation of public administrations. Some solutions that have been developed by ISA in 2013 are listed below.

- The machine translation tool MT@EC <sup>(352)</sup>, developed by the Commission, offers machine translation in all the official languages of the EU. It is currently being implemented in a number of e-government solutions to establish roughly the content and relevance of documents provided before passing them on to the right authority/contact person. The use of MT@EC is also available to interested Member States through pilot schemes. The tool builds on the Commission's huge language resources and linguistic expertise (currently more than 650 million sentences in 23 languages) and will be made available to other public authorities in 2014.
- Semantic efforts <sup>(353)</sup> undertaken by the Commission have led to a number of specifications which are by now recognised by and integrated into the standardisation process of international standards organisations.
- The e-invoicing tool e-Prior <sup>(354)</sup>, available to all interested public administrations free of charge, is used by 48 commission directorate-generals and executive and regulatory agencies. Belgium has decided to take up this solution as its national e-invoicing solution <sup>(355)</sup>, estimating that potential benefits could reach €2 million for suppliers and €7.5 million for the public on a yearly basis.

## The Court of Justice of the European Union

The Court of Justice and the General Court made important rulings which cover a great variety of areas of EU law and have implications for a wide range of rights and activities in the EU.

[PHOTO 080]

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<sup>(351)</sup> <http://ec.europa.eu/isa>

<sup>(352)</sup> [http://ec.europa.eu/isa/actions/02-interoperability-architecture/2-8action\\_en.htm](http://ec.europa.eu/isa/actions/02-interoperability-architecture/2-8action_en.htm)

<sup>(353)</sup> <https://joinup.ec.europa.eu/community/semic/description>

<sup>(354)</sup> [http://ec.europa.eu/isa/actions/01-trusted-information-exchange/1-7action\\_en.htm](http://ec.europa.eu/isa/actions/01-trusted-information-exchange/1-7action_en.htm)

<sup>(355)</sup> [http://ec.europa.eu/isa/news/2013/e\\_invoicing\\_en.htm](http://ec.europa.eu/isa/news/2013/e_invoicing_en.htm)



## Fundamental rights

In the *Radu* case, the Court ruled that the Charter of Fundamental Rights does not allow refusal to execute a European Arrest Warrant (EAW) if the person was not heard by the issuing authority. The Court highlighted that the EAW facilitates and accelerates judicial cooperation and therefore serves the objective set for the EU to become an area of freedom, security and justice based on mutual trust and the high degree of confidence which should exist between the Member States. It follows that in principle the Member States must execute a EAW. The possibility to refuse to execute an EAW when the rights of the defence during trial have been infringed therefore only applies to cases where the trial led to the imposition of a criminal sentence in absentia. An infringement of the right to be heard by the authorities issuing an EAW does not fall under the exceptions <sup>(356)</sup>.

In the *Kadi* case, the Grand Chamber of the Court of Justice sought to ascertain the content of the procedural rights of suspected terrorists and strike a balance between the imperative need to combat international terrorism and the protection of the fundamental rights and freedoms of suspected terrorists. In proceedings relating to listing or maintaining the listing of the name of an individual on the list of persons suspected of being associated with terrorism, the Court held that the competent EU authority must disclose to the individual concerned the evidence underpinning its decision. Furthermore, that EU authority must ensure that the individual is placed in a position in which he may effectively make known his views of the grounds relied on against him and must examine, in the light of comments made by the individual concerned, whether those reasons are well founded <sup>(357)</sup>.

In the *Åkerberg Fransson* case <sup>(358)</sup>, the Court clarified the criteria for the application of the charter under its Article 51, which concerns whether a Member State is implementing EU law. The Court held that a Member State is implementing EU law once a partial link is established between the national measure and EU law. In other words, the reference to Member States ‘implementing’ EU law in Article 51 of the charter goes beyond national measures that are adopted for the specific purpose of giving effect to a provision of EU law. Since the fundamental rights guaranteed by the charter must be complied with where national legislation falls within the scope of EU law, the applicability of EU law entails the applicability of the fundamental rights guaranteed by the charter.

In the *Melloni* case <sup>(359)</sup>, the Court confirmed that the fundamental constitutional principle of primacy of EU law also applies in the relationship between the charter, on the one hand, and national constitutional provisions on fundamental rights, on the other. A Member State may not invoke a provision of its constitution allegedly providing for a higher level of protection

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<sup>(356)</sup> Court of Justice ruling of 29.1.2013 in Case C-396/11 *Radu* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-396/11>).

<sup>(357)</sup> Court of Justice ruling of 18.7.2013 in Joined Cases C-584/10 P, C-593/10 P and C-595/10 P *Commission and Others v Kadi* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-584/10%20P>).

<sup>(358)</sup> Court of Justice ruling of 26.2.2013 in Case C-617/10 *Åkerberg Fransson* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-617/10>).

<sup>(359)</sup> Court of Justice ruling of 26.2.2013 in Case C-399/11 *Melloni* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-399/11>).

of a fundamental right than the charter as a ground for not applying a clear provision of an EU legislative act.

In the ZZ case (360), the Court pointed out that under Directive 2004/38/EC, the person concerned by the decision refusing entry on the grounds of public policy or security must be notified in writing, and in such a way that he is able to comprehend the content of the decision and the implications for him and must be informed, precisely and in full, of the grounds which constitute the basis of it, unless this is contrary to the interests of state security. The Court specified that the invocation of national security by a Member State does not prevent the EU from taking action in areas of EU competence, in particular to safeguard the application of EU law.

## Consumer protection

The Court ruled that Directive 93/13/EEC on unfair terms in consumer contracts<sup>(361)</sup> must grant a consumer the opportunity to seek the suspension of any enforcement procedure while that consumer questions the validity of the contract that is being enforced, or any of its terms. The Court also held that the national judge has to examine the legal situation of the consumer, taking into account the applicable national law in the absence of an agreement by the parties, in order to determine the existence of a ‘significant imbalance’. The Court reiterated that the annex of Directive 93/13/EC contains only an indicative and non-exhaustive list of terms, which may be regarded as unfair. The Court considered that it is for the national courts to assess whether the specific clauses contained in a mortgage loan are fair<sup>(362)</sup>.

The Court ruled, as regards Directive 2005/29/EC on unfair business-to-consumer commercial practices<sup>(363)</sup>, that a commercial practice that misleads consumers is unfair and therefore prohibited, and there is no need to show that it is contrary to the requirements of professional diligence<sup>(364)</sup>.

The Court concluded that Directive 2005/29/EC on unfair business-to-consumer commercial practices must be interpreted to the effect that the definition of a ‘trader’ in the unfair commercial practices directive includes a public body and a body performing a public function. Consumers will, therefore, be protected from the unfair commercial practices of such bodies<sup>(365)</sup>.

The Court decided that the term ‘advertising’, as defined in Article 2(1) of Directive 84/450/EEC on misleading advertising<sup>(366)</sup> and Article 2(a) of Directive 2006/114/EC on

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<sup>(360)</sup> Court of Justice ruling of 4.6.2013 in Case C-300/11 *ZZ* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-300/11>).

<sup>(361)</sup> Directive 93/13/EEC on unfair terms in consumer contracts (OJ L 95, 21.4.1993).

<sup>(362)</sup> Court of Justice ruling of 14.3.2013 in Case C-415/11 *Aziz* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-415/11>).

<sup>(363)</sup> Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market (OJ L 149, 11.6.2005).

<sup>(364)</sup> Court of Justice ruling of 19.9.2013 in Case C-435/11 *CHS Tour Services* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-435/11>).

<sup>(365)</sup> Court of Justice ruling of 3.10.2013 in Case C-59/12 *Zentrale zur Bekämpfung unlauteren Wettbewerbs* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-59/12>).

<sup>(366)</sup> Directive 84/450/EEC relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising (OJ L 250, 19.9.1984).

misleading and comparative advertising <sup>(367)</sup>, also covers the use of a domain name and that of metatags in a website's metadata. By contrast, the registration of a domain name, as such, is not encompassed by that term <sup>(368)</sup>.

## Equal treatment

The Court developed its interpretation of the concept of disability for the purposes of the protection from discrimination provided for by Directive 2000/78/EC <sup>(369)</sup>. It ruled that disability includes a condition caused by an illness where that illness entails a long-term limitation that results in particular from physical, mental or psychological impairments which in interaction with various barriers may hinder the full and effective participation of the person concerned in professional life on an equal basis with other workers. In this context, the state of health of a person with a disability who is fit to work, albeit only part-time, is thus capable of being covered by the concept of 'disability'. The Court reached this conclusion after recalling that, since the EU has approved the UN Convention on the Rights of Persons with Disabilities, Directive 2000/78/EC had to be interpreted according to the convention <sup>(370)</sup>.

## Non-discrimination

The Court interpreted the rule on the sharing of the burden of proof of Directive 2000/78/EC, as applied to the prohibition of discrimination based on sexual orientation. The case concerned the statements of George Becali, who presented himself as being the 'patron' of FC Steaua București, a professional football club based in Bucharest, who stated in an interview he would never hire a homosexual player. The Court considered the directive applicable to the situation, since it involved statements concerning the 'conditions for access to employment ... including ... recruitment conditions', covered under the directive <sup>(371)</sup>.

## Free movement

The Court ruled in several cases regarding the granting of study grants that Articles 20 and 21 TFEU must be interpreted as precluding national legislation that makes the award of an education or training grant to a national resident for a course pursued in another Member State subject to the requirement that the course in question lead to a vocational qualification equivalent to that provided by a vocational school in the state awarding the grant. This restriction of the right of free movement and residence cannot be justified by the objective of avoiding an unreasonable financial burden. The Court also held that a condition of uninterrupted residence of 3 years is likely to dissuade nationals from exercising their right to

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<sup>(367)</sup> Directive 2006/114/EC concerning misleading and comparative advertising (OJ L 376, 27.12.2006).

<sup>(368)</sup> Court of Justice ruling of 11.7.2013 in Case C-657/11 *Belgian Electronic Sorting Technology* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-657/11>).

<sup>(369)</sup> Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation (OJ L 303, 2.12.2000).

<sup>(370)</sup> Court of Justice ruling of 19.9.2013 in Case C-579/12 RX II *Commission v Strack* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-579/12%20RX>).

<sup>(371)</sup> Court of Justice ruling of 25.4.2013 in Case C-81/12 *Asociația Accept* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-81/12>).

freedom of movement and residence in another Member State, given the impact that exercising that freedom was likely to have on the right to the education or study grant <sup>(372)</sup>.

## The European Central Bank

Against the background of downside risks to the economic outlook for the euro area and low inflation pressures over the medium term, the ECB cut interest rates twice in 2013: the first time on 2 May, the second time on 7 November.

On both occasions, the ECB's interest rate on the main refinancing operations of the Eurosystem was lowered by 25 basis points, thus reaching a historic low of 0.25 %. The interest rates on the marginal lending facility were cut by different amounts, by 50 basis points and 25 basis points respectively in May <sup>(373)</sup> and November <sup>(374)</sup>, to 0.75 %, while the rate on the deposit facility remained unchanged at 0.00 %.

Both decisions were in line with the forward guidance provided after its meeting in July 2013, when the ECB communicated that it continued to expect its key interest rates to remain at present or lower levels for an extended period of time, given the broad-based weakness of the economy and subdued monetary dynamics, and the resulting overall subdued outlook for inflation extending into the medium term. At its November meeting the Governing Council of the ECB reiterated this stance.

[PHOTO 081]

The ECB also took other measures aimed at restoring the proper functioning of the transmission mechanism of monetary policy. The aim of these so-called non-standard monetary policy measures is to ensure that interbank rates across the euro area are aligned with the interest rates set by the ECB. As part of these measures, the ECB continued to provide ample liquidity to the banking sector via fixed rate full allotment (FRFA) procedures in all refinancing operations, and will continue to do so at least until July 2015. This means that financial institutions can obtain all the funds they need from the ECB, provided that they have adequate collateral to back the loans and that they are willing to pay the set interest rates.

They can do so by participating, for example, in the main refinancing operations (MROs), which provide funds in euros for 1 week, or in other special-term refinancing operations, which provide funds with other maturities, for example with the maturity of one maintenance period (roughly 1 month, as specified in a detailed calendar). They can also obtain funds through the 3-month longer-term refinancing operations (LTROs) <sup>(375)</sup>, which the ECB has announced will continue to be conducted also as fixed-rate tender procedures with full allotment until at least 24 June 2015.

As market functioning improved and the bank deleveraging process continued, banks' demand for the ECB refinancing operation has in fact declined since September 2012.

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<sup>(372)</sup> Court of Justice rulings of 18.7.2013 in Joined Cases C-523/11 and C-585/11 *Prinz and Seeberger* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-523/11>), and of 24.10.2013 in Case C-220/12 *Thiele Meneses* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-220/12>) and in Case C-275/12 *Elrick* (<http://curia.europa.eu/juris/liste.jsf?language=en&num=C-275/12>).

<sup>(373)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130502.en.html>

<sup>(374)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr131107.en.html>

<sup>(375)</sup> [http://www.ecb.europa.eu/press/pr/date/2013/html/pr130502\\_2.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130502_2.en.html)

Given the importance of interbank reference rates such as Euribor for the implementation of monetary policy, the ECB welcomed the Commission's intention to systemically regulate important reference rates and its plans to introduce the power to compel mandatory submissions for systemically important reference rates. The ECB also encouraged banks to participate further in reference rate panels <sup>(376)</sup>.

The ECB is also making sure that the banking system can access liquidity in other currencies, when and if needed. At the end of October, the ECB, together with the Bank of Canada, the Bank of England, the Bank of Japan, the Federal Reserve and the Swiss National Bank, announced that their existing temporary bilateral liquidity swap arrangements were being converted to standing arrangements, that is, arrangements that will remain in place until further notice.

In this context, the ECB announced that it is continuing, also until further notice, to conduct regular operations providing liquidity in US dollars with maturities of approximately 1 week and 3 months.

Furthermore, in October 2013 the ECB announced the establishment of a bilateral currency swap agreement with the People's Bank of China. From the perspective of the Eurosystem, this arrangement is intended to serve as a backstop liquidity facility and to reassure euro area banks of the continuous provision of Chinese yuan.

In February, the ECB decided to publish the Eurosystem's holdings of securities acquired under the securities markets programme (SMP) <sup>(377)</sup>. The SMP was introduced in 2010 with the objective of addressing the 'malfunctioning of securities markets and restore an appropriate monetary policy transmission mechanism' <sup>(378)</sup> and discontinued in September 2012.

Following its decision to keep the assets it holds under the SMP until maturity, the ECB in December 2013 was still managing €184 billion <sup>(379)</sup> in securities as part of the SMP. It was also managing respectively €41.9 billion and €15.4 billion <sup>(380)</sup> as part of its covered bond purchase programmes 1 and 2, which were both terminated earlier on.

The ECB furthermore adapted its collateral framework in order to maintain collateral adequacy while preserving collateral availability for Eurosystem monetary policy operations. Firstly, the ECB adopted Decision ECB/2013/6 which prevents, as of 1 March 2015, the use as collateral in Eurosystem monetary policy operations of uncovered government-guaranteed bank bonds issued by the counterparty itself or an entity closely linked to that counterparty <sup>(381)</sup>. Secondly, the ECB reviewed its risk control framework, allowing for new

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<sup>(376)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130208.en.html>

<sup>(377)</sup> [https://www.ecb.europa.eu/press/pr/date/2013/html/pr130221\\_1.en.html](https://www.ecb.europa.eu/press/pr/date/2013/html/pr130221_1.en.html)

<sup>(378)</sup> <http://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html>

<sup>(379)</sup> Data as of 9 December 2013. In February 2013, the Governing Council decided to publish the Eurosystem's holdings of securities acquired under the SMP, in line with the envisaged transparency stance for the OMTs as communicated on 6 September 2012 ([http://www.ecb.europa.eu/press/pr/date/2013/html/pr130221\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130221_1.en.html)).

<sup>(380)</sup> Data as of 9 December 2013.

<sup>(381)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130322.en.html>

treatment of asset-backed securities and retained covered bonds<sup>(382)</sup>. Third, the ECB took decisions related to the eligibility of marketable debt instruments issued or guaranteed by the Republic of Cyprus<sup>(383)</sup>, in line with what had been done for other programme countries.

As regards banknotes, the ECB started the introduction of a second series of euro banknotes, the 'Europa' series, by issuing new €5 banknotes as of 2 May 2013 in the euro area countries.

The new banknotes are to be introduced gradually over several years, in ascending order. The denominations remain unchanged: €5, €10, €20, €50, €100, €200 and €500. On 10 January 2013, Mario Draghi, President of the ECB, unveiled the new €5 banknote at the Archaeological Museum in Frankfurt am Main. The ECB and the national central banks of the Eurosystem are conducting an information campaign about the Europa series and the new €5 banknote. The aim is to help the public recognise the new note and its security features. The campaign includes a dedicated website<sup>(384)</sup>.

Regarding payment systems, the ECB released recommendations for the security of Internet payments<sup>(385)</sup>. It also launched public consultations on payment account access services and on oversight requirements for systematically important payment systems<sup>(386)</sup>. In this domain, it also published its first SEPA migration report, in which it warned against the risks of late migration<sup>(387)</sup>.

In the field of international cooperation, the ECB completed a Eurosystem cooperation programme with the National Bank of the Republic of Macedonia (NBRM), funded by the European Union<sup>(388)</sup>, and a central bank cooperation programme with the National Bank of Serbia (NBS)<sup>(389)</sup>, also EU funded.

The ECB has also continued to participate in the review missions in countries receiving financial assistance from the EU and the International Monetary Fund (IMF)<sup>(390)</sup> and has continued to take decisions related to the provision of emergency liquidity assistance by Eurosystem national central banks to domestic counterparties.

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<sup>(382)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130718.en.html>

<sup>(383)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130705.en.html>  
[http://www.ecb.europa.eu/press/pr/date/2013/html/pr130628\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130628_1.en.html)  
[http://www.ecb.europa.eu/press/pr/date/2013/html/pr130502\\_3.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130502_3.en.html)

<sup>(384)</sup> <http://www.new-euro-banknotes.eu>

<sup>(385)</sup> [http://www.ecb.europa.eu/press/pr/date/2013/html/pr130131\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130131_1.en.html)

<sup>(386)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130607.en.html>

<sup>(387)</sup> [http://www.ecb.europa.eu/press/pr/date/2013/html/pr130321\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130321_1.en.html)

<sup>(388)</sup> <http://www.ecb.int/press/pr/date/2013/html/pr130710.en.html>

<sup>(389)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130131.en.html>

<sup>(390)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130204.en.html>  
[http://www.ecb.europa.eu/press/pr/date/2013/html/pr130207\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130207_1.en.html)  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130315.en.html>  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130325.en.html>  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130415.en.html>  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130418.en.html>  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130509.en.html>  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130603.en.html>  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130708.en.html>  
[http://www.ecb.europa.eu/press/pr/date/2013/html/pr130718\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2013/html/pr130718_1.en.html)  
<http://www.ecb.europa.eu/press/pr/date/2013/html/pr130731.en.html>



As part of its communication activities targeted at the public, the ECB launched a third educational game ‘Top floor — Make your way up!’, available on the ECB’s website in 22 languages of the EU <sup>(391)</sup>.

Furthermore, the ECB together with the national central banks of the euro area conducted the Generation Euro Students’ Award. This is a competition about monetary policy, held annually and organised at national level in a number of euro area countries by the national central banks.

## The European Court of Auditors

The European Court of Auditors (ECA) is the independent audit institution of the EU. The ECA’s audit reports and opinions are an essential element of the EU accountability chain. Its output is used to hold to account — notably within the annual discharge procedure — those responsible for managing the EU budget. This is mainly the Commission, but also concerns the other EU institutions and bodies. Member States also play a major role in shared management.

Its annual report on the EU budget for 2012 financial year <sup>(392)</sup> was published in November 2013. In most spending areas of the EU budget the report found that the legislation in force was still not fully complied with. As a result, the ECA called for a rethink of EU spending rules and recommended simplifying the legislative framework.

Looking at the EU budget as a whole, the ECA’s estimate of the error rate for spending was 4.8 % for the 2012 financial year (3.9 % in 2011). All operational spending areas were affected by material error in 2012. The estimate of the error rate is not a measure of fraud or waste but an estimate of the money that should not have been paid out because it was not used in accordance with the legislation concerned. Typical errors include payments for beneficiaries or projects that were ineligible or for purchases of services, goods or investments without proper application of public purchasing rules. In 2012 the EU spent €138.6 billion, of which approximately 80 % is jointly managed by the Commission and the Member States. The ECA was critical of Member States’ authorities where they had had sufficient information available to have detected and corrected errors before claiming reimbursement from the EU budget. The rules for the 2007–13 spending period provided limited incentives for Member States to use financial management systems more effectively. The ECA’s audit findings and opinions addressed how to improve EU financial management. The ECA therefore recommended that they should be fully taken into account when completing the rules governing the management and control of the 2014–20 financial framework.

[PHOTO 082]

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<sup>(391)</sup> <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130417.en.html>  
<sup>(392)</sup> [http://www.eca.europa.eu/Lists/ECADocuments/AR12/AR12\\_EN.pdf](http://www.eca.europa.eu/Lists/ECADocuments/AR12/AR12_EN.pdf)

## The European Economic and Social Committee

In 2013, at its nine plenary sessions, the European Economic and Social Committee (EESC) delivered 206 opinions, of which 35 were own-initiative opinions and 10 were exploratory opinions (4 requested by the Commission and 6 by the Council Presidencies).

[PHOTO 083]

On 17 April 2013, the EESC elected its new president, Henri Malosse (Employers' Group/FR), for the second 2½-year term of the current mandate (2013–15). He replaced Staffan Nilsson (Various Interests/SE), who was president during the first half of the 5-year mandate of the EESC. Jane Morrice (Various Interests/UK) was elected vice-president for communication and Hans-Joachim Wilms (Workers Group/DE) became vice-president for budget matters. The procedure for the election of a new secretary-general of the EESC was launched at the end of 2013. The new EESC president put an emphasis on reforming working methods: focus on a few important subjects, instead of spreading its work too much over secondary subjects; more selectivity and improved quality with regard to own-initiative opinions; and strengthening of the EESC's anticipation capacity.

In 2013, the EESC was particularly involved in the discussions on the implementation of the Europe 2020 strategy as well as the European semester, namely through its Europe 2020 Steering Group. Many discussions were dedicated to the financial crisis and the response to it, and also unemployment, with a special focus on youth unemployment. The EESC debated the Union's major policy deliverables, such as a modernised common agriculture policy post-2013 and a future cohesion policy. The EESC was active in deliberations on the MFF after 2013. Furthermore, the energy sector and the role of SMEs featured prominently on the EESC's agenda.

In December, a political and administrative agreement of cooperation was signed between the Parliament and the EESC.

## The Committee of the Regions of the European Union

At its five plenary sessions in 2013, the Committee of the Regions of the European Union (CoR) presented 73 opinions, of which 15 were initiative opinions and 1 were outlook opinions (0 requested by the Commission and 4 by the Council Presidencies).

Through its Europe 2020 Monitoring Platform, the CoR continued to assess the strategy for growth and employment from the point of view of EU regions and cities. It put much emphasis on strengthening the role of local and regional authorities in the European semester. The CoR also published the 'Fourth CoR monitoring report on Europe 2020' <sup>(393)</sup> and organised a series of conferences on the 7 flagship initiatives of the Europe 2020 strategy that will feed into the Athens Summit of Regions and Cities in March 2014 and the mid-term review of the Europe 2020 strategy. Some other issues, such as negotiations on the MFF 2014–20, and the cohesion policy in the context of the MFF, were also frequently subjects for discussion. No less focus was on the financial crisis, with a strong emphasis on youth unemployment and the future of the EU — the Commission's blueprint on EMU. The CoR

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<sup>(393)</sup> <https://portal.cor.europa.eu/europe2020/SiteCollectionDocuments/4th%20MR.pdf>



prepared a report on its institutional and political role, to be presented in April 2014 on the occasion of the 20th anniversary of the CoR, on how to strengthen its institutional and political role beyond 2015.

A number of important events were organised by the CoR in 2013. A 2013 open days event, organised jointly with the Commission, was held under the slogan ‘Europe’s regions and cities taking off for 2020’. It gathered numerous participants from administrative and academic circles to participate in hundreds of seminars and workshops, with President Barroso delivering the opening speech. Furthermore, the Subsidiarity Conference was organised in the Bundesrat in Berlin in December. The CoR has also followed up on its White Paper on multilevel governance<sup>(394)</sup>, issuing scoreboards and organising follow-up meetings.

[PHOTO 084]

In December 2013, a political and administrative agreement of cooperation was signed between the Parliament and the CoR. [tbc]

## The European Investment Bank

The EIB, owned by and representing the interests of the 28 Member States, works closely with other EU institutions to implement EU policy. The EIB is the largest multilateral borrower and lender by volume in the EU/world, providing finance and expertise for sound and sustainable investment projects which contribute to furthering the Union’s policy objectives. The EIB also implements the financial aspects of the EU’s external and development policies. The EIB group includes the European Investment Fund (EIF), which focuses on innovative financing for SMEs.

The EIB group played an enhanced role in boosting the financing of the economy in 2013, following the capital increase of €10 billion agreed in 2012. EIB lending activity reached €[...] billion in 2013, up [...] % from the previous year. The EIB’s activities focused on key EU priorities, such as SMEs, innovation and skills, resources efficiency and strategic infrastructures.

[PHOTO 085]

In 2013, to respond to SMEs’ difficulties in financing themselves adequately, the Commission prepared, together with the EIB and the EIF, an initiative for facilitating SMEs’ access to financing. At the same time, following the request of the June 2013 European Council, the Commission, the EIB and the EIF are assessing options to increase the EIF’s credit enhancement capacity.

In parallel, the Commission and the EIB finalised the preparation of joint risk-sharing financial instruments to be carried out under the MFF 2014–20, notably under the Connecting Europe Facility, Horizon 2020 and the programme for the competitiveness of small and medium-sized enterprises (COSME). This also includes the follow-up to the pilot phase of the EU–EIB project bond initiative, an evaluation of which was started in 2013.

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<sup>(394)</sup> Opinion of the Committee of the Regions — The Committee of the Regions’ White Paper on multilevel governance (OJ C 211, 4.9.2009).

In 2013, the Commission made a legislative proposal for the next EIB external mandate covering the period 2014–20. The Commission proposed an overall volume of €28 billion for EIB financing operations under EU guarantee, of which €3 billion would be optional and decided at mid-term.

## European Ombudsman

The Commission, by the nature of its powers and the fact that many of its decisions and proposals have a direct or indirect impact on citizens, continued to be the institution most concerned by complaints to the European Ombudsman.

In 2013, 62,7 % of the inquiries which the Ombudsman opened concerned the Commission. The Commission received 173 new enquiries from the Ombudsman and replied to 278 of the Ombudsman's enquiries, including those launched in earlier years, which were still ongoing in 2013.

The complaints investigated by the Ombudsman concerned several areas of activity, including the following: lawfulness (application of substantive and/or procedural rules); requests for information; fairness and reasonable time limit for taking decisions; requests for public access to documents.

On 14 March 2013, P. Nikiforos Diamandouros announced his intention to retire after having completed 10 years in office. For the post of European Ombudsman, six admissible candidates were heard by the Petitions Committee of the Parliament: Dagmar Roth-Behrendt (MEP), Ria Oomen-Ruijten (MEP), Francesco Enrico Speroni (MEP), Emily O'Reilly (Ombudsman of Ireland), Alex Brenninkmeijer (Ombudsman of the Netherlands) and Markus Jaeger (official at the Council of Europe).

[PHOTO 086]

The election of the new Ombudsman took place on 2 July 2013 and Emily O'Reilly was elected. She took office on 1 October 2013. Ms O'Reilly considers that one of her proactive roles as Ombudsman will be to highlight citizens' concerns and help bridge the gap between them and the EU institutions. She wishes to rethink the focus of the Ombudsman and enhance its impact and visibility.

## Decentralised agencies

The Commission pursued the implementation of its roadmap on the follow-up to the common approach of the Parliament, the Council and the Commission on EU decentralised agencies, adopted in 2012, in close cooperation with the network of agencies.

In its progress report adopted in December, it reviewed progress in all areas covered by the common approach. In particular, the five deliverables considered as priorities by the Commission were either finalised (guidelines on the prevention and management of conflicts of interest, guidelines on headquarter agreements, guidelines on activity-based budgeting/activity-based management) or are well advanced and will be finalised at the beginning of 2014 (guidelines on programming documents and key performance indicators, as well as guidelines on evaluations). Other finalised deliverables were the revision of the staff

regulations and of the framework financial regulation to simplify the rules applicable to agencies, guidelines for agencies' anti-fraud strategies and guidelines for agencies' communication strategies.

The implementation of the roadmap will continue into 2014 and beyond, in accordance with the deliverables and deadlines set out in it. In addition, the Commission proposed to adapt the governance of seven existing decentralised agencies on the occasion of the revision of their founding acts: the European Railway Agency (ERA); the European GNSS Supervisory Authority (GSA); the Office for Harmonization in the Internal Market (OHIM); the European Aviation Safety Agency (EASA); the European Union's Judicial Cooperation Unit (Eurojust); and the European Police College (CEPOL) and European Police Office (Europol), for which a merger was proposed.

The EU's decentralised agencies employ more than 7 000 people and received a contribution from the EU budget of €727.5 million in 2013.

## National parliaments and their role on the European scene

In 2013, the political dialogue with national parliaments remained a key feature of the Commission's interinstitutional agenda.

In January 2013, the first European Parliamentary Week took place, during which MEPs and national parliamentarians met in Brussels to debate the European semester.

The necessity for stronger democratic legitimacy and accountability in the economic governance of the EU was one of the key topics on which the Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) focused at its plenary meetings in Dublin, Ireland and Vilnius, Lithuania. In its contribution, adopted at the Dublin meeting, COSAC called on the Commission to agree to a series of measures in order to strengthen the political dialogue, including giving more specific replies to reasoned opinions, giving special attention to issues raised by at least one third of national parliaments and considering individual or collective requests from national parliaments for new legislative proposals. In its reply, the Commission confirmed its commitment to providing timely and appropriate replies and explained that it naturally takes particular note of comments or concerns widely shared by national parliaments and takes them into account for the purposes of the legislative process. The Commission also confirmed that it will be ready to consider whether there is a need for new or modified rules in the related policy field. The main topic of the COSAC plenary meeting in Vilnius (its 50th jubilee plenary meeting) was the role of national parliaments, especially in the context of EMU.

The first meeting of the newly established interparliamentary conference under Article 13 of the fiscal compact was held in Vilnius in October.

The great majority of national parliaments' opinions continue to focus on the substance of Commission proposals and non-legislative documents rather than on subsidiarity aspects.

In 2013, for the second time, national parliaments triggered a so-called ‘yellow card’ procedure <sup>(395)</sup>, this time on the Commission’s proposal for a regulation on the establishment of the European Public Prosecutor’s Office <sup>(396)</sup>. Within the deadline of 8 weeks, the Commission received reasoned opinions from 14 chambers (accounting for 18 votes), which concluded that the Commission proposal did not respect the principle of subsidiarity. In the subsequent review, the Commission carefully assessed the subsidiarity arguments put forward in these reasoned opinions, but in its communication of 27 November 2013 <sup>(397)</sup> came to the conclusion that the national parliaments had not demonstrated that the proposal was in breach of the principle of subsidiarity. The Commission, therefore, decided to maintain the proposal.

Overall, in 2013, national parliaments sent 592 opinions to the Commission, approximately as many as the year before. However, the number of reasoned opinions stating an alleged breach of subsidiarity was slightly higher (15 % instead of 13 %).

## Transparency

Over the past few years, the Commission has put a lot of effort into enhancing transparency concerning the expert groups it uses to collect external expertise when drafting proposals/rules and conceiving policies. In particular, the Online Register of Commission Expert Groups and Other Similar Entities <sup>(398)</sup> has been improved in terms of information provided and it has become a more user-friendly tool.

In 2013 the Parliament and the Council endorsed a Commission proposal to incorporate into EU legislation the deposit of the historical archives of the EU institutions <sup>(399)</sup> at the European University Institute (EUI) in Florence, Italy <sup>(400)</sup>. All the EU institutions <sup>(401)</sup> will be obliged to deposit their historical archives at the EUI once they have been opened to the public after 30 years. The regulation, furthermore, includes a strong commitment by the EU institutions to make their archives available to the public by electronic means and to facilitate their consultation on the Internet.

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<sup>(395)</sup> The first yellow card procedure was triggered in May 2012 on the proposal for a regulation on the exercise of the right to take collective action within the context of the freedom of establishment and the freedom to provide services (COM(2012) 130).

<sup>(396)</sup> Proposal for a regulation on the establishment of the European Public Prosecutor’s Office (COM(2013) 534).

<sup>(397)</sup> Commission communication on the review of the proposal for a Council Regulation on the establishment of the European Public Prosecutor’s Office with regard to the principle of subsidiarity (COM(2013) 851).

<sup>(398)</sup> <http://www.cc.cec/regexp/welcome.do>

<sup>(399)</sup> Proposal for a regulation amending Regulation (EEC/Euratom) No 354/83, as regards the deposit of the historical archives of the institutions at the European University Institute in Florence (COM(2012) 456).

<sup>(400)</sup> The adopted regulation will come into force after approval by the national parliaments of two Member States that had a parliamentary scrutiny reserve.

<sup>(401)</sup> An exception was made for the Court of Justice of the European Union and the ECB, which may deposit their historical archives on a voluntary basis but are not obliged to do so.