European
Commission

General Report

on the Activities
of the European Union

2014

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FOREWORD

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The year 2014 contained many events that made me proud to be European. The euro area family welcomed Latvia on 1 January — with Lithuania joining 1 year later. In Lima, Peru, the EU acted in a spirit of constructiveness and compromise to help pave the way towards a meaningful global climate-change deal in Paris. In the wake of the Ukraine crisis, we were able to unite, speak with one voice and act effectively, with trade sanctions, an association agreement and an energy deal to ensure gas supplies continue. The EU made significant progress towards a banking union, restoring confidence, ending the era of taxpayers having to pay for the mistakes of banks and enabling the financial sector to start lending again. In the opening year of the EU's new multiannual financial framework, the first tranche of almost €1 trillion of funding began to flow to the EU's researchers, regions, farmers and more. Meanwhile, 510 million kilometres away, a European spacecraft was the first ever to land on a comet; an astonishing achievement of innovation and ingenuity.

And, of course, in 2014 there was an election campaign in which, for the first time, political parties nominated their lead candidates for the position of President of the Commission. This was a first in history: a battle for the European Union fought with words and ideas, not weapons. It means a new kind of legitimacy: a Union of democratic change. There can be no going back from that.

For me these events show the value of European unity, cooperation and common purpose, across the EU and beyond.

Yet 2014 was also a year of many challenges for our Union.

First and foremost, growth prospects remain weak; a fact that bears real human consequences. The number of unemployed people in the EU could populate a large Member State, and the situation is not improving fast enough. We cannot forget these people, nor relent in our focus on improving their situation.

We have seen many global challenges too: the rise of Daesh, which constitutes a serious threat to international peace and security; the Ebola crisis, calling for an organised, strong and rapid response from the EU; people drowning as they come to seek a better life on Europe's shores; and the global challenge of development, to eradicate poverty and alleviate the suffering of the most vulnerable.

These are areas in which united European action can and should make a difference. But they also show the need to change our approach.

The year was one of great political change in the EU. We have a new European Parliament, a new Commission and a new President of the European Council. This institutional renewal offers the opportunity of a new start for the EU. This time it has been different and we will do many different things and do them differently: 'big on the big things, small on the small things'.

We have started to put this into practice: the 10 clear priorities set out in the political guidelines for the new Commission are the political contract established with both the European Parliament and the European Council, and are the basis for the election of the Commission. They were followed through in the Commission's work programme for 2015. As President of the executive branch of the European Union I want to focus on areas in which the Union can make a real, positive difference for people; addressing major challenges and delivering concrete results.

Top of the list — and the common thread to all we do — is to get people back to work and get the EU economy growing. We need to boost investment. Member States must continue to pursue structural reforms and promote fiscal responsibility in a way that is friendly to growth — the 'virtuous triangle'. Already in 2014, within a month of the Commission taking office, we had proposed a new investment offensive to unlock public and private investment worth €315 billion over the next 3 years. That proposal has now been endorsed by the European Council, with the ambition of moving swiftly so new investment can be activated as early as mid 2015.

We will go further, as the 2015 work programme shows. From helping people back into work, to fairer taxation, to a new balanced agenda on migration, we are translating our 10 priorities into actions on the ground. All of this will be supported and led by a Commission that is political; transparent but also visible; and accountable — opening the door to a Union of democratic change. A Commission that is able to promulgate our values and meet our challenges.

The year 2014 was also one during which we sadly lost many great Europeans. In particular Jacques Barrot, the former Commission Vice-President; Jean-Luc Dehaene, the architect of the Lisbon Treaty; Maurice Faure, the last surviving signatory of the 1957 Treaties of Rome; and Leo Tindemans, the visionary who made a lasting contribution to the reconciliation of European history and European geography. These were people committed not just to the idea of Europe, but also to applying that idea in practice and making it work on the ground.

These people, sadly, have passed away, but their values and their vision live on. They inspire me personally and will continue to inspire many, in Europe and across the world, in the years to come.

I believe in a Union that moves forward, even if not all its members necessarily do so at the same speed. A Union that is not built in opposition to its member nations, with their traditions, their virtues, their riches, and their *raisons d'être*; but which respects them and acts in concert with their goodwill. A Commission that is not secretary-general to the Council, nor valet to the Parliament, but that works with the other institutions as advocates, artisans and architects of the Community method. A Union committed to democracy and reform; not meddling in every detail but working for its citizens, and focused on the issues that matter.

In the pages that follow you can read about many of the activities of the EU in 2014. My predecessor José Manuel Durão Barroso was President of the Commission until 1 November, and takes credit for much of the progress detailed in this report. I pay homage to him for that work.

In 2015 I will not just continue that momentum for its own sake but bring a new start for Europe, one that focuses sharply on our political priorities and delivers a real difference for citizens. 'This time it's different' was the motto of the European Parliament for the elections in 2014. With our work and focus we will make it so.

Jean-Claude Juncker

CHAPTER 1

Towards a Union of democratic change


95
60
33
143
11
12

The year 2014 was one of change for the European Union. A new European Parliament was elected and, for the first time, the President of the European Commission was appointed based on the results of the Parliament elections. Jean-Claude Juncker, the candidate of the winning political group, was appointed to the position. Following hearings and a vote of approval by the Parliament in October, the new Commission took office on 1 November and set an ambitious agenda building on the political priorities presented by President Juncker to the Parliament. On 1 December the new President of the European Council, Donald Tusk, took office, meaning that the European Council was for the first time headed by a national from one of the Member States that have joined since 2004. In addition, as part of the strengthening of the EU's economic and monetary union (EMU), the European Central Bank acquired new powers to supervise European banks.

Martin Schulz, President of the European Parliament (left), hands over to Jean-Claude Juncker, President of the European Commission (right), the official result of the Parliament's vote on the new College of Commissioners. Strasbourg, France, 22 October.

A new Parliament elected by citizens

The year 2014 was marked by the elections that were held between 22 and 25 May. As a result of these elections, the European People's Party (EPP) preserved its position as the largest political group within the European Parliament (with 221 members), keeping its lead over the Progressive Alliance of Socialists and Democrats (S & D), which came in second (with 191 members).

The official turnout rate at European level was 42.54 %. This was marginally lower than in 2009, but with wide variations between Member States. In countries where the turnout was high, several party leaders attributed a part of the voters' interest to the electoral campaign for the European Commission President, the so-called *Spitzenkandidaten* (leading candidates) process.

In fact, the major institutional novelty of the election campaign was the fact that several *Spitzenkandidaten* were selected, ahead of the elections, by the main European political parties to lead a Europe-wide campaign and to be the face of their political family in Europe. These leading candidates then became the official party candidate for the position of Commission President. The candidates were Jean-Claude Juncker (European People's Party (EPP)/Luxembourg), Martin Schulz (Party of European Socialists (PES)/Germany), Guy Verhofstadt (Alliance of Liberals and Democrats for Europe (ALDE)/Belgium), Franziska Keller (European Green Party/Germany), José Bové (European Green Party/France) and Alexis Tsipras (The Party of the European Left (EL)/Greece). In light of the election outcome, the European Council agreed by a qualified majority to nominate Jean-Claude Juncker as President-designate of the Commission. On this basis the Parliament endorsed him as President-elect on 15 July.

Poster used in the campaign for the European elections held between 22 and 25 May.

Spitzenkandidaten campaign

Article 17(7) of the Treaty on European Union:

'Taking into account the elections to the European Parliament and after having held the appropriate consultations, the European Council, acting by a qualified majority, shall propose to the European Parliament a candidate for President of the Commission. This candidate shall be elected by the European Parliament by a majority of its component members.'

To reach the stage provided for by the treaty provision shown above, the leading candidates for the position of Commission President campaigned from April right up to the date of the Parliament elections. They were supported by their backers in the European-level political parties, and travelled across the Union meeting citizens, constituents, the media, non-governmental organisations and a whole host of other interests.

CAMPAIGNING FOR EUROPE

The candidates from the five main political parties in action during the their election campaign (clockwise from top left): Jean-Claude Juncker (EPP) in Vienna, Austria; Guy Verhofstadt (ALDE) in Stockholm, Sweden; Franziska Keller (European Green Party) in Brussels, Belgium; Alexis Tsipras (EL) in Prague, Czech Republic; and Martin Schulz (PES) in Malaga, Spain.

The leading candidates put forward their visions, policies and priorities so that citizens could have a real choice in electing the President of the Commission for the first time. This meant that the process was at its most democratic and transparent. The Commission had recommended in 2013 that the EU-level political parties should nominate a candidate for Commission President in the 2014 Parliament election campaign and that they should display their European political party affiliation. The recommendation was geared to ensuring better information for voters about the issues at stake in the elections, encouraging an EU-wide debate and mobilising voters.

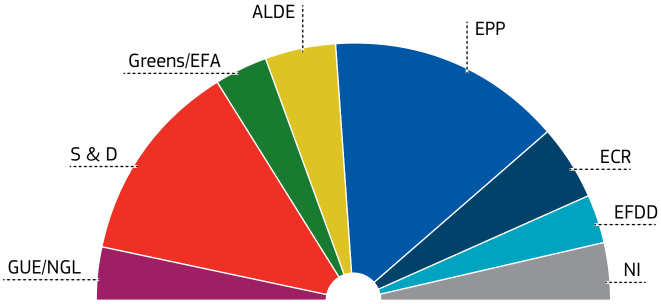
A major innovation of the campaign was the live TV debate dimension. In the run-up to the elections, the leading candidates participated in up to nine live TV debates, again a first in European election terms. The formats of the debates were different. Some involved all or most candidates, while four were head-to-head debates between the leading candidates from the EPP and the PES. The debates were conducted in five different countries in three different languages. In addition to more traditional media, the campaign fully embraced social media platforms, again reaching out to many more people, including the younger generation of voters.

Constitution of the new European Parliament

After negotiations to decide on national parties' affiliations, the new Parliament (eighth legislature) convened in July with seven political groups (¹). These groups were already present in the previous Parliament, with the EFD (Europe of Freedom and Democracy) changing its name to the EFDD (Europe of Freedom and Direct Democracy) for the new term. However, due to the outcome of the elections and the affiliation decisions, their relative numerical strengths had changed. ALDE had to concede its position as the third largest group to the European Conservatives and Reformists (ECR), whereas the Greens/European Free Alliance (fourth largest in the previous Parliament) fell to sixth place, being overtaken by GUE/NGL. In the new Parliament Eurosceptic deputies became more numerous. This, in turn, prompted the two biggest groups, the EPP and S & D, joined also by ALDE, to initiate a new technical and political cooperation agreement (often referred to as a 'grand coalition'), with a view to ensuring the prevalence of a 'stable pro-European majority' within the Parliament. As a first manifestation of this cooperation the Parliament re-elected Martin Schulz (S & D/Germany) as its President for a further term of 2½ years.

As of the eighth legislature the provisions of the Lisbon Treaty became fully applicable. Accordingly, there are 751 members of Parliament and the number of members per Member State ranges from six (Cyprus, Luxembourg and Malta) to 96 (Germany) following the principle of regressive proportionality.

THE OUTCOME OF THE EUROPEAN PARLIAMENT ELECTIONS, 22–25 MAY



751

Turnout 42.54 %
Final results

EPP European People's Party	221	29.43 %
S & D Progressive Alliance of Socialists and Democrats	191	25.43 %
ECR European Conservatives and Reformists	70	9.32 %
ALDE Alliance of Liberals and Democrats for Europe	67	8.92 %
GUE/NGL European United Left/ Nordic Green Left	52	6.92 %
Greens/EFA The Greens/European Free Alliance	50	6.66 %
EFDD Europe of Freedom and Direct Democracy	48	6.39 %
NI Non-attached members — Members not belonging to any political group	52	6.92 %

Renewal at the helm of the European Council

On 30 August the 28 EU Heads of State or Government elected Donald Tusk, the former Prime Minister of Poland, as the President of the European Council for a term of 2½ years. He took office on 1 December, thereby replacing his predecessor, Herman Van Rompuy, the first President of the European Council, who had held office from 2009 to 2014.

At a handover ceremony in Brussels, President Tusk expressed his appreciation for the work of Mr Van Rompuy, praising his outstanding contribution in helping to steer Europe out of the financial and economic crisis. He indicated that he would keep working with the same important principles that guided the actions of his predecessor: trust, common sense, moderation and decency.

Herman Van Rompuy, the outgoing President of the European Council (right), hands a pen to Donald Tusk, the incoming President, at the handover ceremony in the Justus Lipsius building, the Council's headquarters, in Brussels, Belgium, on 1 December.

President Tusk also outlined the four priorities that would guide his mandate.

- A commitment to protect the EU's fundamental values of freedom and solidarity, and preserve the unity of the EU against internal and external threats.
- Determination to end the economic crisis and to complete a genuine EMU.
- On the international scene, the EU should be strong and should support countries in its neighbourhood that share the same democratic values.
- Transatlantic relations between Europe and the United States are the backbone of the community of democracies.

A new Commission in place

A new start for Europe

Following the first pan-European election campaign, Jean-Claude Juncker was proposed on 27 June by the European Council to the Parliament as the candidate for Commission President. The European Council thereby took the result of the elections to the Parliament into account, as required under Article 17(7) of the Treaty on European Union. On 15 July Mr Juncker was elected by the Parliament by a strong majority of 422 votes (the minimum required was a majority of 376 votes).

The President-elect selected the other members of the Commission based on the suggestions made by Member States, and the final list of Commissioners-designate was agreed between the President-elect and the Council on 5 September. President-elect Juncker presented his team and the allocation of portfolios on 10 September, which was followed by individual hearings of the Commissioners-designate in front of the relevant Parliament committees.

On this basis, and following adjustments Mr Juncker made to his team to address issues raised in the hearings, on 22 October the Parliament gave its consent to the College of Commissioners with 426 votes in favour (out of 699 votes). The European Council then appointed the Commission at its meeting of 23 October, and it took office from 1 November.

President Juncker and the members of the College of Commissioners took their formal oath of office on 10 December in Luxembourg, at the Court of Justice of the European Union. With this 'solemn undertaking', the members of the Commission pledged to respect the treaties and the Charter of Fundamental Rights of the European Union and to carry out their responsibilities in complete independence and in the general interests of the Union.

Jean-Claude Juncker, President of the European Commission since 1 November, taking an oath in the solemn ceremony before the Court of Justice of the European Union, with the rest of the members of the College. Luxembourg, 10 December.

Banner hanging from the Berlaymont building, the headquarters of the European Commission in Brussels, Belgium, displaying the photos of the members of the new Commission, which took office on 1 November. The slogan reads 'A new start for Europe' in Dutch, French and English.

Commissioners also undertook not to seek or take instructions from any authorities, to refrain from engaging in actions incompatible with their duties and the performance of their tasks and to respect their obligations during and after their term of office.

The President was elected by the Parliament on the basis of his political guidelines, presented in a document entitled 'A new start for Europe: my agenda for jobs, growth, fairness and democratic change' (²). This document, building on the contacts with the political groups in the Parliament and on the 'Strategic agenda for the Union in times of change' agreed by the June European Council (³), formed the political contract with the Parliament and the European Council that allowed the election and appointment of the new Commission to take place.

The 10 priorities set by President Juncker

1. A new boost for jobs, growth and investment.
2. A connected digital single market.
3. A resilient energy union with a forward-looking climate change policy.
4. A deeper and fairer internal market with a strengthened industrial base.
5. A deeper and fairer EMU.
6. A reasonable and balanced free trade agreement with the United States.
7. An area of justice and fundamental rights based on mutual trust.
8. A new policy on migration.
9. A stronger global actor.
10. A Union of democratic change.

The President's political guidelines underline the commitment of the new College to a new start for Europe, and to an agenda for jobs, growth, fairness and democratic change by means of the aforementioned 10 priorities. The President was elected on the basis of this agenda; the new College, after parliamentary hearings, got the consent of the Parliament for the agenda; and the European Council appointed the new Commission on this basis.

President Juncker made it clear from the outset of his mandate that he wished the new Commission to be open to and ready to adopt change. This is why he has reorganised the way the Commission works internally so as to be capable of delivering on that agenda. The new Commission will work together as a strong team, cooperating across portfolios to produce integrated, well-grounded and well-explained initiatives that lead to clear results.

The President has made it abundantly clear that he wants the Commission 'to be bigger and more ambitious on big things, and smaller and more modest on small things'.

A new way of working

To facilitate this level of ambition, the new Commission President designed a new methodology for the way the College would work during its mandate. In line with the provisions of the treaty, President Juncker designated seven Commission Vice-Presidents to lead project teams, steer and coordinate the work of a number of Commissioners, ensure the dynamic interaction of all members of the College and enable the Commission to be flexible and to work in a non-compartmentalised way. The Vice-Presidents were charged with a number of well-defined priority projects and will steer and coordinate work across the Commission in the key areas of the agenda for jobs, growth, fairness and democratic change. These include: giving a new boost for jobs, growth and investment; a connected digital single market; a resilient energy union; and a deeper and fairer EMU. In practical terms, several Commissioners will be working closely together as project teams with the Vice-Presidents, in compositions that may change according to need and with possible new projects developing over time.

Jean-Claude Juncker, President of the European Commission since 1 November, ringing the call bell at the first weekly meeting of the new College 4 days later, flanked by Catherine Day, Secretary-General, and Martin Selmayr, Head of the President's Private Office. Berlaymont building, Brussels, Belgium.

In order to enable the smooth functioning of the new College set-up, the incoming President issued mission letters to each Vice-President and member of the Commission prior to taking up office. These letters established clearly the way in which the President expected his new team to work — across portfolios, collegially, to the highest possible professional and ethical standards and in full independence and impartiality. The letters also set out the President's specific expectations in respect of each portfolio's responsibility. The mission letters were also geared to granting more political ownership of portfolio issues in full accord with the principle of collegiality.

The Vice-Presidents will also act as enablers of political ownership. As a general rule, the President will only put a new initiative in the Commission work programme or on the agenda of the College if it has received the backing of a Vice-President, on the basis of sound arguments and a clear narrative. In this respect, and considering the specific priority given to the better regulation agenda and budgetary matters, the President will pay particular attention to the opinions of Frans Timmermans, First Vice-President responsible for Better Regulation, Interinstitutional Relations, the Rule of Law and the Charter of Fundamental Rights, and of Kristalina Georgieva, Vice-President responsible for Budget and Human Resources.

The new Spokesperson's Service (SPP) reflects the more political and collegial nature of the new Commission, and takes its organisational inspiration from the arrangements under the Delors Commission (1985–1994), when Commissioners did not have their own exclusive portfolio spokesperson. The SPP supports the political communication of the President and all members of the College, who are the public faces of the institution, the best advocates and the best 'spokespersons' of Commission policies. This helps individual Commissioners to communicate convincingly and effectively on a large number of issues and on the key objectives, priorities and achievements at Union level.

The SPP is an integral part of the Directorate-General for Communication, placed under the authority of the President. It is the official voice of the Commission vis-à-vis the media. The SPP is headed by the Chief Spokesperson of the European Commission, Margaritis Schinas, and consists of spokespeople, press officers and assistants, whose number has been significantly reduced. In addition, each member of the College has a dedicated communication adviser to assist with their communication activities in close cooperation with the SPP.

Seven project teams

The First Vice-President, Frans Timmermans, will seek to ensure that every Commission proposal respects the principles of subsidiarity and proportionality. He will also act as a type of watchdog, upholding the Charter of Fundamental Rights and the rule of law in all the Commission's proposals. As the President's deputy, he will oversee the Commission's relations with the other European institutions and national parliaments. He will thus work with all Commissioners, and particularly closely with Věra Jourová, Commissioner for Justice, Consumers and Gender Equality, and Dimitris Avramopoulos, Commissioner for Migration, Home Affairs and Citizenship, due to their close links with fundamental rights and the rule of law. Moreover, the Commission President has asked Vice-President Timmermans to advise him on the matter of investor–state dispute settlement in the transatlantic trade and investment partnership (TTIP) negotiations. The President made it clear that there will be no investor-to-state dispute clause in the TTIP if the Vice-President does not agree with it.

First photo of the Juncker Commission, in office since 1 November, taken in the building of the European Parliament in Strasbourg, France, immediately after the confirmation vote by the House on 22 October.

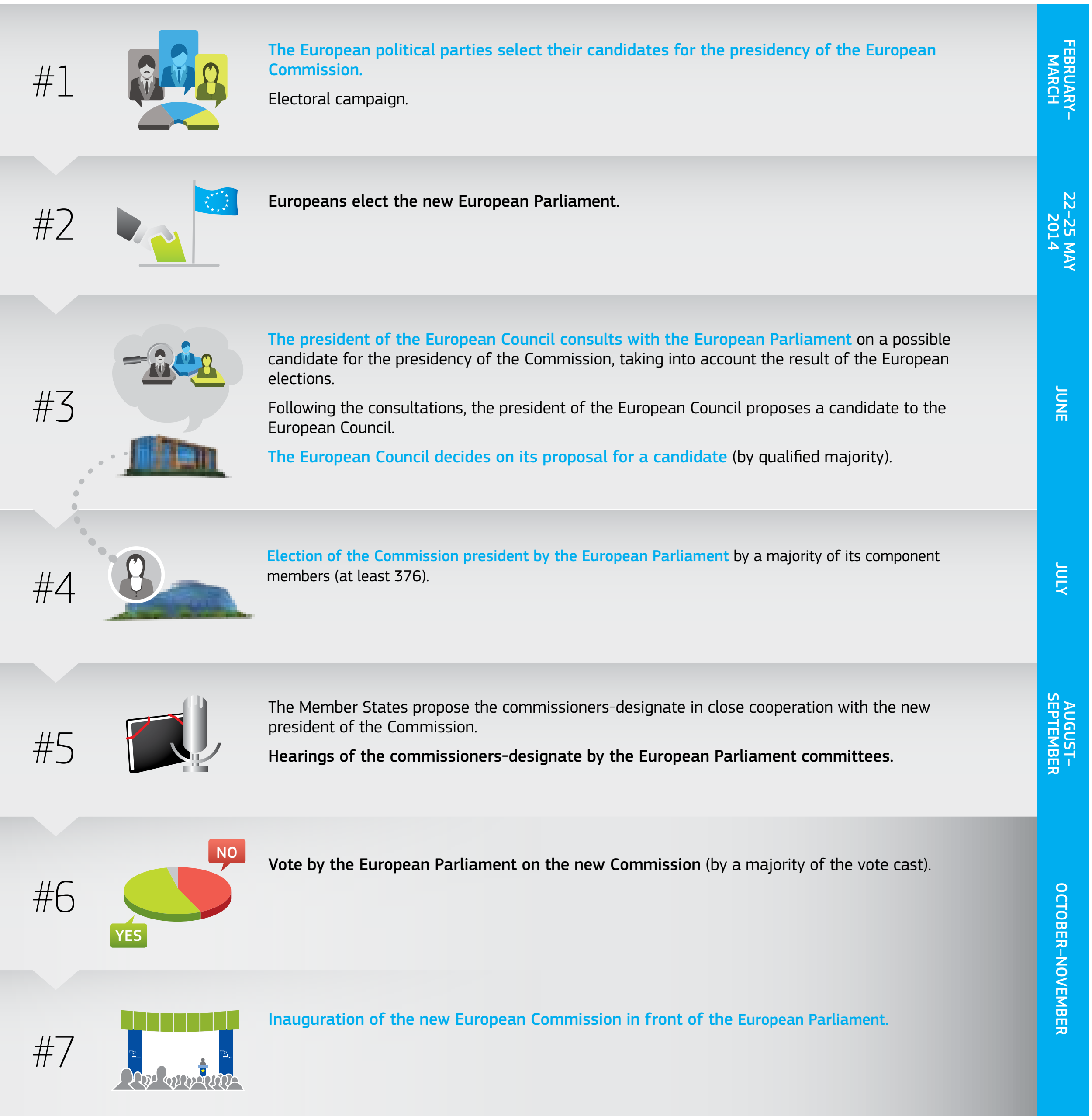
To ensure that resources are allocated according to the Commission's political priorities and that every action delivers maximum performance, the Vice-President responsible for Budget and Human Resources, Kristalina Georgieva, will vet all Commission initiatives for their budgetary and personnel implications. She will seek to further modernise European public administration, including by making stronger use of digital technologies. She is also tasked with bringing female representation in the Commission's senior and middle management up to 40 % by the end of the mandate.

The High Representative of the Union for Foreign Affairs and Security Policy, Federica Mogherini, is also one of the Commission's Vice-Presidents. She will coordinate all the Commission's external relations activities: European neighbourhood policy and enlargement negotiations; trade; international cooperation and development; and humanitarian aid and crisis management. Against this demanding backdrop, she may ask fellow College members to deputise in areas related to their Commission competence, thereby allowing her to focus her efforts on current geopolitical challenges.

The other four Vice-Presidents are responsible for the following areas:

- Andrus Ansip — the Digital Single Market;
- Maroš Šefčovič — Energy Union;
- Valdis Dombrovskis — the Euro and Social Dialogue;
- Jyrki Katainen — Jobs, Growth, Investment and Competitiveness.

HOW IS THE EUROPEAN COMMISSION ELECTED?



#1	**The European political parties select their candidates for the presidency of the European Commission.** Electoral campaign.	FEBRUARY–MARCH
#2	**Europeans elect the new European Parliament.**	22–25 MAY 2014
#3	**The president of the European Council consults with the European Parliament** on a possible candidate for the presidency of the Commission, taking into account the result of the European elections. Following the consultations, the president of the European Council proposes a candidate to the European Council. **The European Council decides on its proposal for a candidate** (by qualified majority).	JUNE
#4	**Election of the Commission president by the European Parliament** by a majority of its component members (at least 376).	JULY
#5	The Member States propose the commissioners-designate in close cooperation with the new president of the Commission. **Hearings of the commissioners-designate by the European Parliament committees.**	AUGUST–SEPTEMBER
#6	**Vote by the European Parliament on the new Commission** (by a majority of the vote cast).	OCTOBER–NOVEMBER
#7	**Inauguration of the new European Commission in front of the European Parliament.**	

Sources: European Parliament; consolidated version of the Treaty on European Union, Article 17.7; Declaration 11 annexed to the Treaty of Lisbon.

The European Commission work programme for 2015

Based on the President's political guidelines, with 10 clear priorities, and the new working methods, the Commission adopted its work programme for 2015 on 16 December (4). It set out the actions the Commission intends to take during the year to make a real difference with regard to jobs, growth and investment and to bring concrete benefits for citizens. The work programme is the translation of the President's 10 priorities into concrete first deliverables.

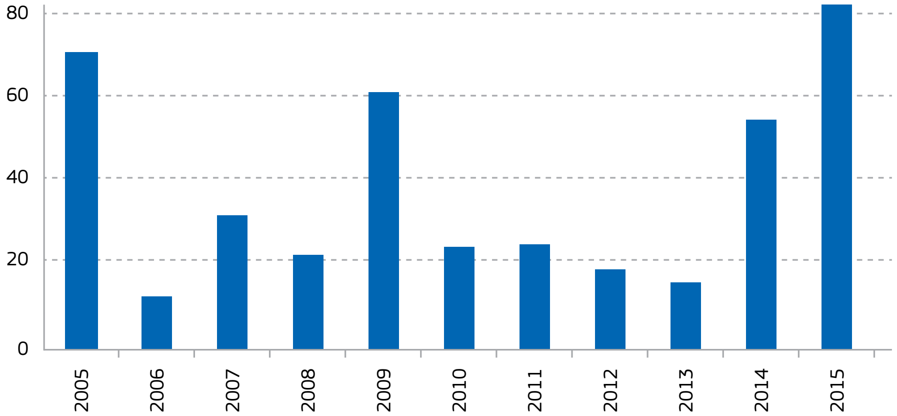
The work programme set out 23 new initiatives proposed by the Juncker Commission, following the political guidelines presented to the Parliament, 80 existing proposals that the Commission proposes to withdraw or amend for political or technical reasons and proposals for cutting red tape and removing regulatory burdens.

The Commission notably committed to delivering the following in 2015.

- An investment plan for Europe: unlocking public and private investments in the real economy of at least €315 billion over the next 3 years. This will be supported and complemented by the capital markets union — building a single market for capital.
- An ambitious digital single market package: creating the conditions for a vibrant digital economy and society by complementing the regulatory environment for telecommunications, modernising copyright rules, simplifying rules for consumers making online and digital purchases, enhancing cybersecurity and mainstreaming digitalisation.
- The European energy union framework strategy: this will aim at ensuring energy supply security, further integrating national energy markets, improving energy efficiency, decarbonising the energy mix and stepping up research and innovation in support of these objectives or dimensions.
- A fairer approach to taxation: an action plan to combat tax evasion and tax fraud, including measures at EU level in order to move to a system on the basis of which the country where profits are generated is also the country of taxation, including the automatic exchange of information on tax rulings and the stabilisation of corporate tax bases.
- A European agenda on migration: developing a new approach on legal migration to make the EU an attractive destination for talent and skills and improving the management of migration into the EU through greater cooperation with non-EU countries, solidarity among Member States and fighting human trafficking.
- Deeper EMU: continued efforts to promote economic stability and to attract investors to Europe.

With regard to applying political discontinuity, in preparing the work programme the Commission examined some 450 proposals that are currently awaiting decision by the Parliament and the Council and proposed to withdraw or amend 80 of them. Some are proposed for withdrawal because they do not match the new Commission's priorities, but in many cases the Commission remains strongly committed to the objectives sought. However, proposals are of no use if they are simply sitting dormant on a negotiating table or if they will be so watered down in negotiations that they can no longer achieve their original purpose. When that is the case, the Commission will propose new, better ways of achieving these objectives. The Commission sought the views of the Parliament and the Council on these proposals before formalising the withdrawals.

NUMBER OF WITHDRAWALS 2005–15 (FIGURE FOR 2015 AS ANNOUNCED IN THE 2015 COMMISSION WORK PROGRAMME)



In relation to cutting red tape and removing regulatory burdens, the 2015 work programme reflects the Commission's strengthened commitment to better regulation, building on the regulatory fitness programme, which seeks to cut red tape and remove regulatory burdens, and contributing to an environment conducive to investment. The College of Commissioners identified a series of proposals and existing legislative instruments that will be reviewed and amended to make them work better for the EU's citizens and businesses. This also includes simplification efforts, for example with regard to the common agricultural policy.

Ten years of achievement

Europe witnessed an unprecedented period of upheaval and change in the second 5-year mandate of José Manuel Barroso as President of the Commission, which ended on 31 October. His first mandate, whilst also eventful from an institutional angle, ended with the entry into force of the Lisbon Treaty in December 2009.

While this new treaty brought institutional clarity and stability, the financial crisis, which began in 2007, evolved quickly into a sovereign debt crisis, an economic crisis and a social crisis, blurring the barriers between European and national politics. In the face of the aforementioned challenges, the Barroso Commission was successful in keeping Europe united, open and stronger for the future: united because the Commission managed to keep Europe together, and even enlarge it, despite the pressures exerted on the Member States; open because it engaged with the EU's international partners through the G20 to define a global response, promoting trade within the Union and across the world as a means of growth and maintaining its commitments to developing countries; and stronger because the necessary economic reforms are now being implemented across Europe, combined with strengthened European economic governance, in particular in the euro area, to help make Europe's economies better equipped for globalisation.

The Barroso Commission, in office until 31 October, with all 28 Commissioners present on the occasion of one of the weekly College meetings at the Berlaymont building in Brussels, Belgium.

In doing so, the Commission has built on what is unique about the European Union. Europe is about values. Values like peace — the Union's founding principle and the basis upon which it was awarded the 2012 Nobel Peace Prize. Values like unity and diversity, a source of strength to be treasured. Values like solidarity, underpinning the Union's social market economy and the protection of the deprived. The EU is more than an economic project; it is a political one, a community of cultures and of shared values and interests. Over the period 2010–14, the Commission, along with the Parliament, the Council, the European Central Bank and the other institutions, worked to avoid a collapse of Europe's economies. The lack of regulation and oversight of the financial markets allowed speculation and credit bubbles to emerge. The subsequent aftershock revealed that many of the EU's Member States were living beyond their means and lacked competitiveness. And whilst national economies were deeply interdependent, the Union lacked the necessary strong governance framework to prevent unsound policies or to handle the crisis when it hit. Today the EU is protecting citizens and taxpayers through stronger regulation that guarantees savings and makes banks more responsible. And the Union has taken the decisive step — unthinkable before the crisis — of creating a banking union to create a safer and sounder financial sector for the EU and for the benefit of citizens. As a result, the financial sector is now better regulated and financial regulators are better equipped to supervise banks, to deal with difficult economic developments and to protect savings.

Cover of the book *The European Commission 2010–14: a record of achievements*, which takes stock of the second Barroso Commission.

The Union has put in place a system of collective economic and budgetary governance at EU level that ensures that all governments put, and keep, their public finances in order and that the necessary reforms are undertaken to make and keep Member States' economies competitive. The Eurosystem has come out of this crisis even stronger, gaining rather than losing members.

The Commission has used all the means at its disposal to keep people in jobs and help those out of work to get back into the labour market, giving special attention to the acute problem of youth unemployment. A new EU budget was agreed that focuses on investments that help Member States, regions, companies and people. And to boost growth further and create more new jobs, new markets have been opened across the continent by further developing the single market and defending its four freedoms, and across the world by pursuing ambitious global trade deals.

Beyond the immediate crisis management, the Union has developed, and implemented, a long-term plan to help modernise the EU's economies. The Europe 2020 strategy sets realistic but ambitious targets to return the EU to smart, sustainable and inclusive growth.

While the economic and financial crisis has been the main challenge over the last 5 years, the Commission has not lost sight of the need to address other concerns on the part of Europe's citizens either.

The Commission has taken a series of initiatives to guarantee free movement of people, goods, services and capital, to ensure choice and fair competition for consumers and companies and to increase investment in infrastructure. Thanks to the single market, the Union has been able to bring down mobile telephone roaming charges even further, to put in place fairer prices and rights for travellers and consumers, to reach agreement on the European patent and to improve the visibility of job opportunities across the EU to facilitate cross-border jobseeking.

As for safeguarding the rule of law, the Commission has intervened with a number of Member States in recent years to ensure that these fundamental principles are respected and that people's freedoms and rights are fully upheld. And, to this end, more systematic and robust tools have been proposed through the rule of law initiative.

In an increasingly globalised world, size matters. The economic crisis, global climate-change negotiations, concerns over energy security, migration, the Arab Spring and, most recently, Ukraine and the Ebola health crisis have all shown that the EU is only effective if it acts collectively.

The economic crisis put the spotlight on the EU, but it has also demonstrated its ability to exert influence on the international stage. The European Union has set the global standard in many areas, and it has played a leading role in global fora such as the G8/G7, the G20, the World Trade Organisation and the United Nations. The Union has also established a stronger global European presence throughout the world, as well as in its own neighbourhood. And from Africa to Asia, from Latin America to the Pacific and the Caribbean, the EU has strengthened its political partnerships whilst remaining the biggest global aid donor, despite the crisis.

The award of the Nobel Peace Prize to the EU in 2012 served to remind everybody that the EU stands for peace, hope and stability. None of this should be taken for granted and the EU should continue to contribute to those values for many years to come.

Jean-Claude Juncker, President of the European Commission, paid tribute to former Commission Vice-President, Jacques Barrot, who passed away on 3 December, at a remembrance ceremony held at the European Commission headquarters in Brussels, Belgium.

Further progress towards a deep and genuine economic monetary union

Expert group publishes its final report on debt redemption fund and eurobills

The final report of the Expert Group on a Debt Redemption Fund and Eurobills (5) was submitted to the Commission at the end of March. The Commission established the expert group in 2013 to examine the possible merits and risks of, requirements for and obstacles to the partial substitution of national issuance of debt by joint issuance in the form of a redemption fund and eurobills.

The report concluded that both a debt redemption fund/pact and eurobills would have merits in relation to stabilising government debt markets, supporting monetary policy transmission and promoting financial stability and integration. However, these merits would be coupled with economic, financial and moral risks. The expert group recommended first collecting evidence on the efficiency of the EU's reformed economic governance before taking any decisions on joint issuance schemes. The idea for a debt redemption fund and eurobills was first proposed in the Commission's blueprint for a deep and genuine EMU (6), published in November 2012. Based on the expert report, the Commission will consider how to bring forward consideration of these issues.

Closer coordination of economic policies

The Euro Summit in October concluded that closer coordination of economic policies is essential to ensure the smooth functioning of EMU. It called for work to continue, in close cooperation with the Commission, to develop concrete mechanisms for stronger economic policy coordination, convergence and solidarity. This approach was endorsed by the European Council in December (7), which also went on to state that its informal summit in February 2015 would return to this subject in more detail. Subsequently, the President of the Commission, in close cooperation with the President of the Euro Summit, the President of the Eurogroup and the President of the European Central Bank, will report to the June 2015 European Council at the latest. The Member States will be closely involved in the preparatory work.

Engaging citizens in the debate on the future of Europe

On 27 March the series of 51 citizens' dialogues organised in all 28 Member States with Commission President Barroso and 21 Commissioners ended with the first pan-European citizens' dialogue in Brussels (8). At this special event, 150 participants from all of the earlier citizens' dialogues shared their thoughts with President Barroso and 10 Commissioners in a genuine pan-European debate.

The citizens' dialogues were launched in September 2012, when the financial and economic crisis had turned into a fully fledged crisis of trust in the European Union, its political leaders and its institutions, as well as European governance in general. The aim was to reach out to and listen to citizens. The concept builds on the model of 'town hall meetings' in which EU, national and local politicians listen to and debate with citizens about EU issues.

Over the 18 months of the first dialogue series about 17 000 citizens came to the debates in town halls, universities, theatres and market places, and over 105 000 participated actively via the Internet and social media. Millions of Europeans saw the dialogues on television or read about them in the media.

José Manuel Barroso, President of the European Commission until 31 October, addresses the participants in a workshop during the pan-European citizens' dialogue held in Brussels, Belgium, on 27 March.

What did citizens say?

A broad variety of themes were covered, but the economic situation, its social impact and the threat of a 'lost generation' came up everywhere. Issues related to free movement, forward-looking investments in education and research and the need for integrated policymaking approaches were among participants' top concerns.

Many citizens felt strongly that economic integration must be accompanied by more democracy. They also sent a clear signal that solidarity and responsibility have to go hand in hand. Whether from Member States that weathered the crisis well or from so-called programme countries (9), they all stressed that, for them, the EU is about solidarity. Citizens' EU rights also featured prominently.

Throughout the first series of dialogues, on average, nine out of 10 participants expressed their wish to have more face-to-face dialogue with European and national politicians. The Juncker Commission will further develop and implement this new instrument to reach out to and engage with citizens. In particular, President Juncker, in his mission letters to all members of the College, mandated them to be politically active in the Member States and in dialogues with citizens by presenting and communicating the common agenda, listening to ideas and engaging with stakeholders.

The European Year of Citizens 2013 — activities in 2014

The overall objective of the European Year of Citizens 2013 was to enhance awareness and knowledge of the rights and responsibilities attached to EU citizenship and invite citizens to engage in the discussion and debate about the topic.

The Commission continued to spread the messages of the European Year in the run-up to the European elections in May 2014. Over this period, dialogue was promoted between all levels of government, civil society and business at events and conferences around Europe to discuss the importance of both representative and participatory democracy in the EU and to inform people about how to better participate in the democratic process, with special emphasis on the European elections.

Official poster of the 2014 citizens' dialogue campaign.

A new narrative for Europe

In 2013 and 2014 the Commission implemented the 'New narrative for Europe' pilot project (10). This initiative, supported by the Parliament, had its roots in the 2012 State of the Union address by President Barroso, in which he called for a genuine debate with citizens to deepen political union. In particular, he called on the cultural, scientific and intellectual world to take an active part in the debate on the future of Europe, to prevent the public sphere from being in the exclusive hands of populist and radical nationalist political forces.

The new narrative for Europe was born as an initiative designed to give a voice to the artistic, cultural, scientific and intellectual communities in the debate about the future of the EU, so as to help connect the general public with the European integration project via the arts and sciences.

To implement the project, the Commission set up a cultural committee, composed of relevant cultural, intellectual and scientific personalities. The committee was charged with preparing three general assemblies that brought together intellectuals interested in the process. Around 600 such individuals took part in the assemblies.

The views underpinning the new narrative for Europe are laid down in the declaration 'The mind and body of Europe' (11), which was adopted in Berlin on 1 March.

ENDNOTES

(1) European People's Party (EPP), Progressive Alliance of Socialists and Democrats (S&D), European Conservatives and Reformists (ECR), Alliance of Liberals and Democrats for Europe (ALDE), European United Left/Nordic Green Left (GUE/NGL), The Greens/European Free Alliance (Greens/EFA), Europe of Freedom and Direct Democracy (EFDD).

(2) http://ec.europa.eu/priorities/docs/pg_en.pdf

(3) European Council conclusions, 26 and 27 June 2014 (http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/143478.pdf).

(4) Commission communication — Commission work programme 2015: a new start (COM(2014) 910).

(5) http://ec.europa.eu/economy_finance/articles/governance/pdf/20140331_report_en.pdf

(6) Commission communication — A blueprint for a deep and genuine economic and monetary union: launching a European debate (COM(2012) 777).

(7) European Council conclusions, 18 December 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/146411.pdf).

(8) http://ec.europa.eu/debate-future-europe/index_en.htm

(9) Greece, Portugal (until June 2014) and Cyprus.

(10) Commission decision on adopting the 2014 annual work programme on contracts for the pilot project 'New narrative for Europe' serving as financing decision (C(2014) 132).
Commission decision on adopting the 2013 annual work programme on contracts for the pilot project 'New narrative for Europe' serving as financing decision (C(2013) 289).
A pilot project is an action falling within the competences of the Union that does not need a basic act to be implemented. Pilot projects are actions of an experimental nature that are designed to test the feasibility and usefulness of future actions undertaken by the Union. They can be implemented for not more than 2 consecutive years.

(11) http://ec.europa.eu/debate-future-europe/new-narrative/pdf/declaration_en.pdf

PHOTO CREDITS

European Union: pages 6, 10, 12, 13, 14, 15, 17, 23, 25
European Union/Shimera/Etienne Ansotte: page 21

CHAPTER 2

More steps towards economic, fiscal and banking union

The year 2014 was one of progress. Portugal followed the example of Ireland in making sufficient economic and structural progress to leave its financial assistance programme. Most of the other Member States also made progress in terms of reducing or consolidating their budget deficits and economic reforms. A banking union for the euro area, but open to all Member States, was created to strengthen oversight of the euro area's financial sector, including a safety mechanism in case financial institutions face serious problems. These laws apply specifically to the euro area, which requires its own specific rules due to its common currency. As part of these rules, in November the Single Supervisory Mechanism (SSM) became responsible for overseeing the banking system in the euro area, with particular emphasis on the largest banks.

Latvia joined the euro area at the start of 2014, and Lithuania followed on 1 January 2015, becoming the 19th Member State to use the euro as its currency.

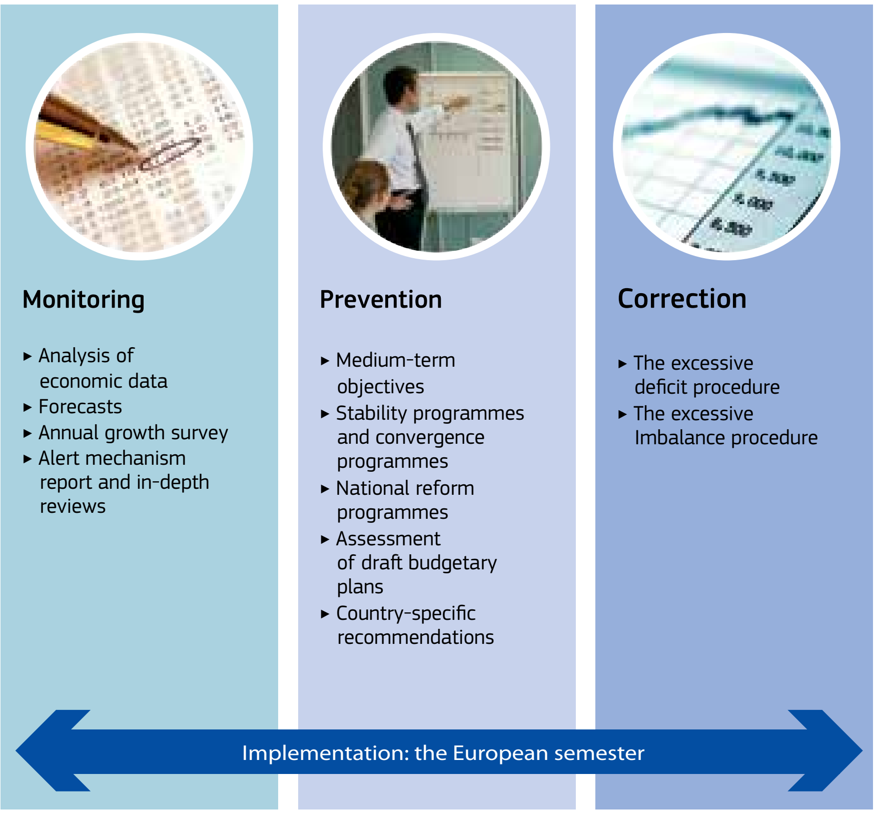
Also, in the fight against tax fraud, progress was made through an agreement on the exchange of information on taxation.

The brand new headquarters of the European Central Bank in Frankfurt-am-Main, Germany.

Enhancing European economic governance and reinforcing Europe's growth agenda

The European Union's economic governance framework is designed to detect, prevent and correct problematic economic trends such as excessive debt, real estate bubbles or current account imbalances, which can stunt growth and put economies at risk.

THE EU'S ECONOMIC GOVERNANCE



Monitoring

- Analysis of economic data
- Forecasts
- Annual growth survey
- Alert mechanism report and in-depth reviews

Prevention

- Medium-term objectives
- Stability programmes and convergence programmes
- National reform programmes
- Assessment of draft budgetary plans
- Country-specific recommendations

Correction

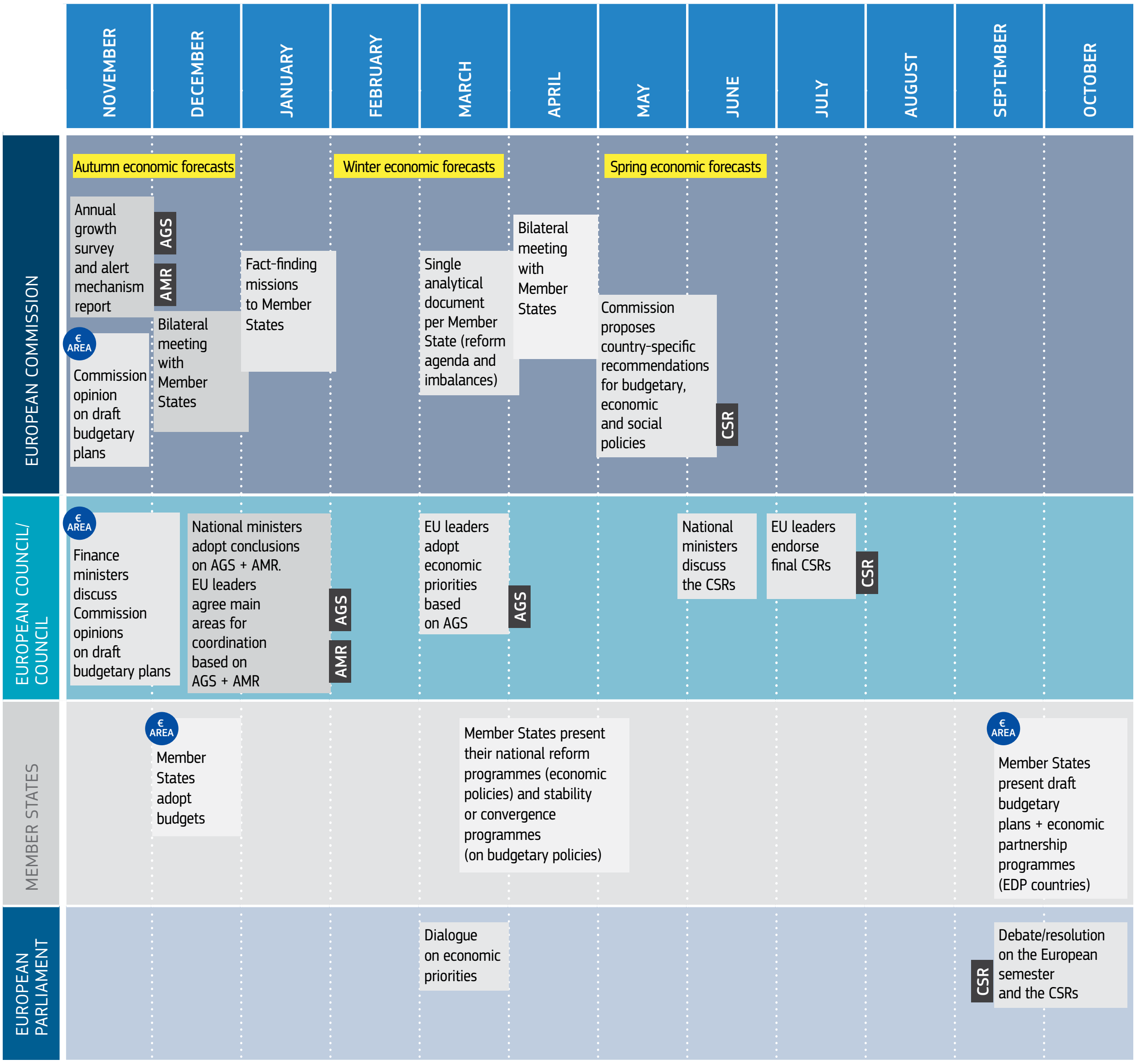
- The excessive deficit procedure
- The excessive Imbalance procedure

Implementation: the European semester

The European semester

The European semester is the EU's annual cycle of economic and social policy coordination, which entered its 4th year in 2014. Each year the European Commission analyses the fiscal and structural reform policies of every Member State, provides guidance and recommendations and monitors their implementation. The Commission's recommendations, following a thorough process of debate among the Member States, are first endorsed for implementation by the Heads of State or Government meeting as the European Council and then formally adopted by the national ministers meeting in the Council of the European Union, after which Member States implement the policies they have agreed. Proposals to streamline its operation were put forward by the Commission at the end of 2014, notably on possible areas for improvement concerning the transparency and complexity of policymaking and their impact on growth, imbalances and convergence. The Commission plans to discuss these with the European Parliament and the Council in 2015.

THE EUROPEAN SEMESTER: A PARTNERSHIP BETWEEN THE EU AND THE MEMBER STATES



	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER
EUROPEAN COMMISSION	Autumn economic forecasts Annual growth survey and alert mechanism report AGS AMR € AREA Commission opinion on draft budgetary plans	Bilateral meeting with Member States	Fact-finding missions to Member States	Winter economic forecasts	Single analytical document per Member State (reform agenda and imbalances)	Bilateral meeting with Member States	Spring economic forecasts Commission proposes country-specific recommendations for budgetary, economic and social policies CSR					
EUROPEAN COUNCIL/ COUNCIL	€ AREA Finance ministers discuss Commission opinions on draft budgetary plans	National ministers adopt conclusions on AGS + AMR. EU leaders agree main areas for coordination based on AGS + AMR AGS AMR			EU leaders adopt economic priorities based on AGS AGS			National ministers discuss the CSRs	EU leaders endorse final CSRs CSR			
MEMBER STATES		€ AREA Member States adopt budgets			Member States present their national reform programmes (economic policies) and stability or convergence programmes (on budgetary policies)						€ AREA Member States present draft budgetary plans + economic partnership programmes (EDP countries)	
EUROPEAN PARLIAMENT					Dialogue on economic priorities						CSR Debate/resolution on the European semester and the CSRs	

AGS: annual growth survey.
AMR: alert mechanism report.
CSR: country-specific recommendations.
EDP: excessive deficit procedure.

Annual growth survey 2014

The annual growth survey marks the start of the European semester yearly cycle. It sets out the most important EU priorities for the coming year to boost growth and job creation. The Parliament plays an important role in this process via the so-called economic dialogue. Member States made progress on each of the five priorities that were identified by the Commission in 2013 and remained broadly similar for 2014 (1). Progress can be summarised under the following headings.

Fiscal consolidation

Substantial progress has been made and the average budget deficit in the EU and the euro area should decrease further this year, to 3.0 % and 2.6 % respectively. Both the EU and the euro area are thus in full respect of the Stability and Growth Pact for the first time since the crisis when the deficit peaked at almost 7 % of gross domestic product (GDP) in 2009. However, debt levels are still high and will have peaked in 2014/15 before starting to decline. Early action allowed Member States to slow the pace of consolidation and to focus more on improving the quality of public expenditure and modernising public administration at all levels. Countries with more fiscal room for manoeuvre ought to stimulate private investment and consumption, while long-term investment in education, research and innovation, transport, energy and broadband networks, as well as climate protection, should be protected from budget cuts. Taxes should be shifted from labour to consumption, property or pollution.

Restoring lending

Progress has been made to repair the financial sector and market tensions have eased considerably since mid 2012. The EU's efforts to build a banking union will strengthen banks' ability to manage risks in the future. However, more needs to be done in the short term to reduce high levels of private debt (for instance by introducing or improving corporate and personal insolvency regimes), to prepare banks for new capital requirements and stress tests and to ease companies' access to finance. Following the bank stress tests in 2014, the ECB became the single supervisor in November. With the adoption of the Single Resolution Mechanism (SRM) regulation (2) in July the two pillars of the banking union are now in place.

Growth and competitiveness

A significant rebalancing effort is under way across Europe as a result of the crisis, with a shift towards more export-led growth. However, progress is insufficient when it comes to opening up product and services markets to competition, particularly as regards the energy market and regulated professions. Research systems also need to be modernised.

Employment and social developments

Progress has been made by Member States in modernising their labour markets and, over time, this should help to integrate more people into the workforce. The focus should be on increasing active support and training for the unemployed — including by improving public employment services and introducing youth guarantees — and on modernising education systems. Member States also need to monitor wages so that they support both competitiveness and domestic demand, and should ensure that social protection systems reach the most vulnerable.

The joint employment report, which accompanies the annual growth survey, analyses employment and social trends and challenges, as well as presenting the policy responses deployed by Member States to improve employment and social performance. It also contains the scoreboard of key employment and social indicators introduced to strengthen the social dimension of economic and monetary union by gaining a better understanding of the labour market and social developments at risk.

Public administration

Several Member States are looking to make their public sectors more efficient, including by improving cooperation between different layers of government. The focus should be on shifting public services online and reducing red tape.

The annual growth survey for 2014 also made recommendations on how to deepen the European semester. To strengthen national ownership of the EU's country-specific recommendations Member States should involve national parliaments, social partners and citizens more in the process to ensure key reforms are understood and accepted. Euro-area Member States should devote more time to coordinating major reforms, particularly in labour and product markets, before they are adopted at national level. And Member States need to better implement the country-specific recommendations they receive from the Commission each spring.

Country-specific recommendations

In June the Commission proposed a series of economic policy recommendations (3) to individual Member States to strengthen the recovery that began a year ago. The recommendations are based on detailed analyses of each country's situation and provide guidance on how to boost growth, increase competitiveness and create jobs in 2014–15.

For 2014 the emphasis shifted from addressing the urgent problems caused by the crisis to strengthening the conditions for sustainable growth and employment in a post-crisis economy.

The 2014 recommendations were made in respect of 26 countries (excluding Greece and Cyprus, which were implementing economic adjustment programmes). They reflect progress made since the 2013 round of recommendations, which has yielded positive results. Nevertheless, further structural reforms of the Union's economies need to continue, specifically:

- to tackle high unemployment, inequality and poverty;
- to shift to more job-friendly taxation;
- to boost private investment;
- to make the economies more competitive;
- to bring down debt.

The 2014 package of country-specific recommendations was adopted by the Council in July.

OVERVIEW OF EU COUNTRY-SPECIFIC RECOMMENDATIONS FOR 2014–15

	PUBLIC FINANCES				FINANCIAL SECTOR		STRUCTURAL REFORMS					EMPLOYMENT AND SOCIAL POLICIES					
	Sound public finances	Pension and health systems	Fiscal framework	Taxation	Banking and access to finance	Housing market	Network industries	Competition in service sector	Public administration and smart regulation	R & D and innovation	Resource efficiency	Labour market participation	Active labour market policy	Wage-setting mechanisms	Labour market segmentation	Education and training	Poverty and social inclusion
BELGIUM	●	●	●	●			●	●		●	●	●	●	●		●	
BULGARIA	●	●	●	●			●		●			●	●	●		●	●
CZECH REPUBLIC	●	●	●	●				●	●	●	●	●	●			●	
DENMARK	●							●					●			●	
GERMANY	●	●	●	●	●		●	●	●			●	●	●	●	●	
ESTONIA	●		●				●		●	●	●	●	●			●	
IRELAND	●	●		●	●			●	●			●	●			●	●
SPAIN	●	●	●	●	●		●	●	●	●			●	●	●	●	●
FRANCE	●	●		●			●	●	●	●			●		●	●	
CROATIA	●	●	●	●	●				●			●	●	●	●	●	●
ITALY	●		●	●	●		●	●	●			●	●	●	●	●	●
LATVIA	●			●			●		●	●	●		●			●	●
LITHUANIA	●	●	●	●			●		●		●	●	●			●	●
LUXEMBOURG	●	●	●	●						●	●	●	●	●		●	
HUNGARY	●		●	●	●		●	●	●		●		●		●	●	●
MALTA	●	●	●	●	●		●		●			●				●	
NETHERLANDS	●	●		●		●						●		●	●		
AUSTRIA	●	●	●	●	●			●	●			●	●			●	
POLAND	●	●	●	●			●	●	●	●	●	●	●		●	●	●
PORTUGAL	●	●	●	●	●	●	●	●	●			●	●	●	●	●	●
ROMANIA	●	●		●			●		●		●	●	●	●		●	●
SLOVENIA	●	●	●		●			●	●			●	●	●	●	●	
SLOVAKIA	●	●	●	●			●		●	●		●	●			●	
FINLAND	●	●					●	●	●	●		●	●			●	
SWEDEN	●			●		●							●			●	
UNITED KINGDOM	●			●	●	●	●						●			●	●

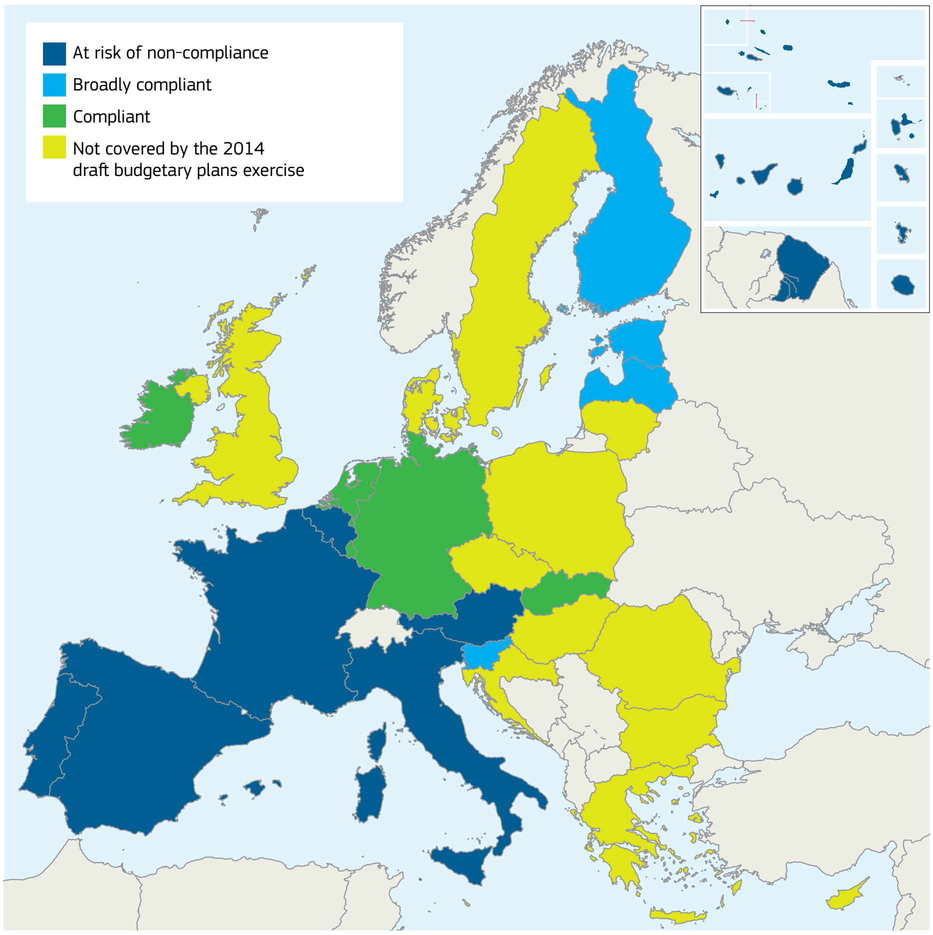
Note: Country-specific recommendations for 2014–15 proposed by the Commission on 2 June 2014. Cyprus and Greece should implement commitments under EU/IMF financial assistance programmes. Recommendations for Portugal are conditioned by exit from the programme.
More information at: http://ec.europa.eu/europe2020/index_en.htm

Assessment of euro-area draft budget plans

Euro-area governments are required by European economic governance rules (4) (the 'two-pack') to submit their draft budgetary plans for the following year to the Commission by mid October. This is to allow the coordination of fiscal policies among Member States sharing the euro as their currency, and because economic policy is recognised by the Treaty on the Functioning of the European Union as 'a matter of common concern'. The Commission then provides two assessments: an opinion on each Member State's plan, and an overall assessment of the budgetary situation and prospects for the euro area as a whole. Nonetheless, euro-area Member States retain full competence in respect of their national budgets.

COMPLIANCE OF NATIONAL DRAFT BUDGETARY PLANS WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT

Each year the Member States that share the euro as their currency submit draft budgetary plans to the European Commission. The Commission assesses the plans to ensure that economic policy among these states is coordinated and that they all respect the EU's economic governance rules. The draft budgetary plans are graded as either compliant, partially compliant or at risk of non-compliance.



The Commission completed its assessment of 16 of the euro-area states' draft budgetary plans for 2015, focusing on their compliance with the provisions of the Stability and Growth Pact. For five countries (Germany, Ireland, Luxembourg, the Netherlands and Slovakia) the draft budgetary plans were found to be compliant with the pact, while for four countries (Estonia, Latvia, Slovenia and Finland) the plans were found to be broadly compliant. For seven countries (Belgium, Spain, France, Italy, Malta, Austria and Portugal) the Commission's opinions pointed to a risk of non-compliance. The Commission asked the latter two groups of countries to take the necessary measures within the national budgetary process to ensure that the 2015 budget is compliant with the pact.

In some cases, the risk of non-compliance had implications for possible steps under the excessive deficit procedure. In the cases of Belgium, France and Italy, the Commission decided to re-examine the situation in March 2015. This will be done in the light of the finalisation of the budget laws and the expected specification of the structural reform programme announced by the national authorities in their letters to the Commission in November 2014. These three Member States have committed at the highest level of government to adopting and implementing growth-enhancing structural reforms by early 2015. These are expected to have an impact on the sustainability of public finances over the medium term.

Early detection of economic risks

The macroeconomic imbalances procedure (MIP) provides for analysis of the 28 Member States' economies every year. This allows major risks to be identified, with early corrective action recommended. For Member States benefiting from financial assistance, this surveillance takes place in the context of their programmes. In 2014 this concerned Greece, Cyprus, Portugal and Romania.

The Commission published its conclusions from in-depth reviews of 17 Member States' economies in 2014, as part of the European semester. It noted that the economic recovery was gaining ground but that challenges remain. Among the challenges identified are the large external liabilities in some economies; persistent large current account surpluses reflecting subdued domestic demand in a few countries; and cost competitiveness for the countries that used to register the largest current account deficits and those experiencing large losses in export market shares. The Commission found that 14 of the Member States examined were experiencing imbalances, and in three of these countries (Croatia, Italy and Slovenia) these were considered to be excessive. Member States need to continue to address these imbalances in order to bring down the high levels of unemployment in many parts of Europe. With regard to fiscal consolidation, the autumn economic forecasts confirmed in November that the reduction in general government deficits is set to continue. The deficit-to-GDP ratios in both the EU and the euro area were seen as decreasing further in 2014, albeit more slowly than in 2013. These ratios are expected to peak in 2015 at 88.3 % and 94.8 % respectively.

As a follow-up, in November the Commission published its annual alert mechanism report (AMR) (5) initiating the fourth annual MIP round, which in 2015 will continue by taking an in-depth look at 16 Member States.

The AMR includes a set of auxiliary indicators that are useful for the interpretation of the scoreboard of indicators. Since 2013 the auxiliary indicators have also covered a number of social indicators, because their analysis should help foster a better understanding of the social costs of imbalances in their different guises, as well as of the required adjustment. These social indicators refer, for example, to the rate of people at risk of poverty and social exclusion or the share of persons (as percentage of the total population) who are living in households with very low work intensity.

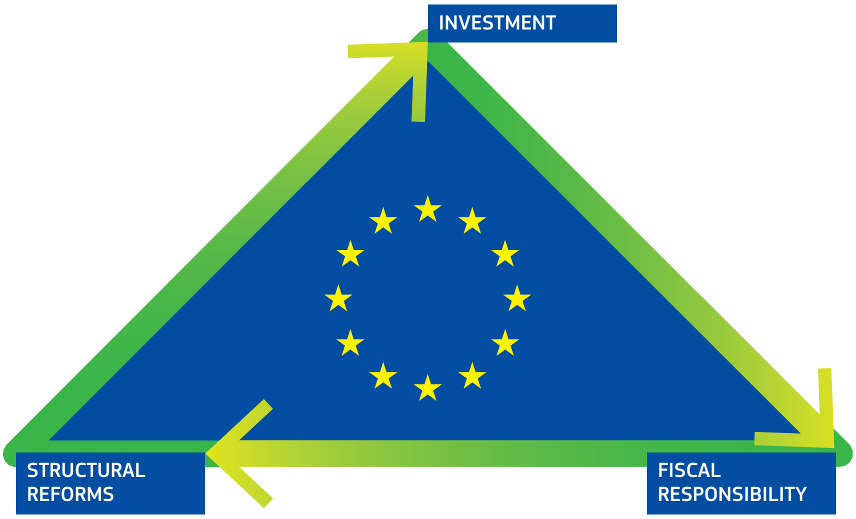
Economic priorities beyond 2014

Annual growth survey 2015

Valdis Dombrovskis, Commission Vice-President responsible for the Euro and Social Dialogue since 1 November, at the press conference on the EU's annual growth survey 2015. Berlaymont building, Brussels, Belgium, 28 November.

The annual growth survey 2015 (6), published by the Commission in November 2014, focused on putting Europe firmly back on a path of sustainable job creation and economic growth. The survey builds on the momentum created by the arrival of a new Commission, with an ambitious agenda for jobs, growth, fairness and democratic change. As part of this approach, the Commission recommended pursuing an economic and social policy based on three main pillars: a boost to investment, a renewed commitment to structural reforms and the pursuit of fiscal responsibility.

THE SO-CALLED VIRTUOUS TRIANGLE, WHICH EMBODIES THE UNDERLYING RATIONALE OF THE COMMISSION'S INVESTMENT PLAN FOR EUROPE



Streamlining the semester

The Commission also proposed to streamline and reinforce the European semester by giving it a sharper focus and a more political role based on the three pillars of the annual growth survey. A more focused European semester should strengthen the social market economy and increase the effectiveness of economic policy coordination at EU level through increased accountability and improved ownership on the part of all actors, including social partners. The new economic policy cycle will also simplify the procedure and reduce the reporting requirements of Member States while making the process more open and multilateral.

Joint press conference on the autumn economic forecasts for 2014–16 by Jyrki Katainen, European Commission Vice-President responsible for Jobs, Growth, Investment and Competitiveness (left), and Pierre Moscovici, Commissioner for Economic and Financial Affairs and Taxation and Customs (right), both in office since 1 November, on the autumn economic forecasts for 2014–16. Brussels, Belgium, 4 November.

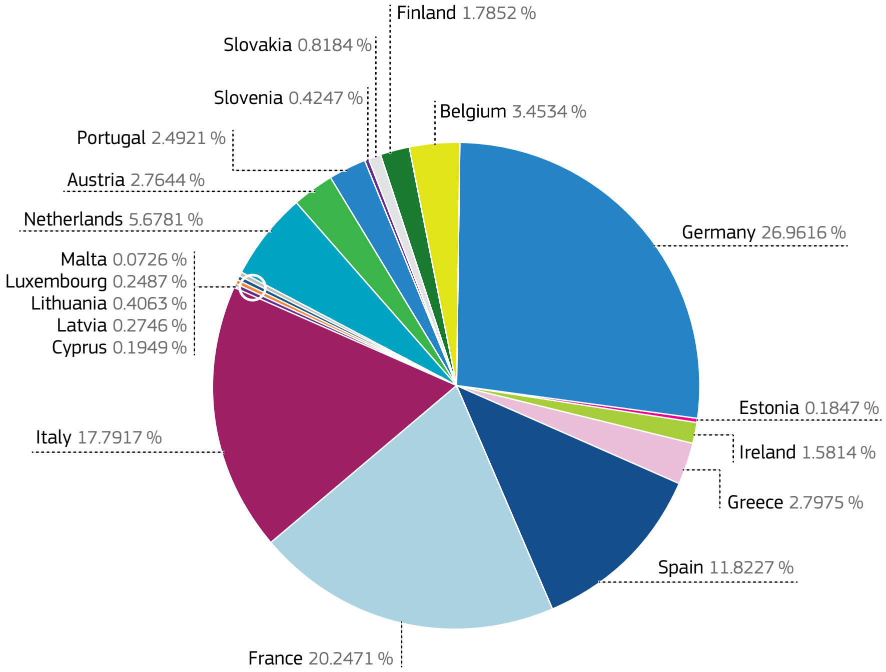
European Stability Mechanism

The European Stability Mechanism (ESM) is the permanent crisis resolution mechanism for the countries of the euro area. The ESM issues debt instruments in order to finance loans and other forms of financial assistance for euro-area Member States.

The decision leading to the creation of the ESM was taken by the European Council in December 2010, and the euro-area Member States signed an intergovernmental treaty establishing the ESM in February 2012. The ESM was then inaugurated on 8 October 2012. Latvia, which joined the euro area in January 2014, became the 18th member of the ESM in March.

The ESM is an intergovernmental organisation under public international law, based in Luxembourg. It has a total subscribed capital of €701.9 billion, with paid-in capital (€80.2 billion) and committed callable capital (€621.7 billion). It has a maximum lending capacity of €500 billion, and its shareholders are all of the euro-area Member States.

CAPITAL CONTRIBUTIONS OF ESM MEMBER STATES



Latvia joined the euro area in 2014; Lithuania follows in 2015 as the 19th euro-area Member State

Despite many doomsayers, the euro area continued to stabilise and welcome new members in 2014. Latvia became the 18th euro-area country on 1 January. Latvia's changeover proceeded smoothly and successfully, and was monitored at regular intervals in a Commission 'Flash Eurobarometer' survey until dual circulation ended on 14 January. On that day, more than 9 out of 10 cash payments in shops were made in euros only. This momentum of changeover to the euro was continued when the Council took the necessary decision for the adoption of the euro by Lithuania from 1 January 2015 (7), making the country the 19th member of the euro area. The Council set the permanent conversion rate at 3.45280 Lithuanian litas to the euro. This corresponded to the prevailing central rate of the litas in the EU's exchange rate mechanism. The decision, taken on 23 July 2014, followed overwhelming endorsement by the Parliament on 16 July and by the European Council during its meeting of 26 and 27 June, based on recommendations by the Commission and the ECB.

Rimantas Šadžius, Lithuanian Minister for Finance, at an event to celebrate the enlargement of the euro area to include Lithuania as from 1 January 2015. Brussels, Belgium, 23 July.

The euro area of 338 million Europeans — stronger together with the euro

More than 10 years after the introduction of euro banknotes and coins, the Eurosystem has started issuing a second series of banknotes, known as the Europa series. The series incorporates a portrait of Europa — a figure from Greek mythology and the origin of the name of the continent — in the hologram and the watermark.

A new €10 note entered circulation on 23 September. It is the second banknote of the Europa series and was launched after the new €5 note. The ECB took several measures to further support the adaptation of banknote-handling machines by making the new €10 banknote available to the industry well ahead of its launch and by intensifying cooperation with all relevant stakeholders. This contributed to the smooth introduction of the new banknote.

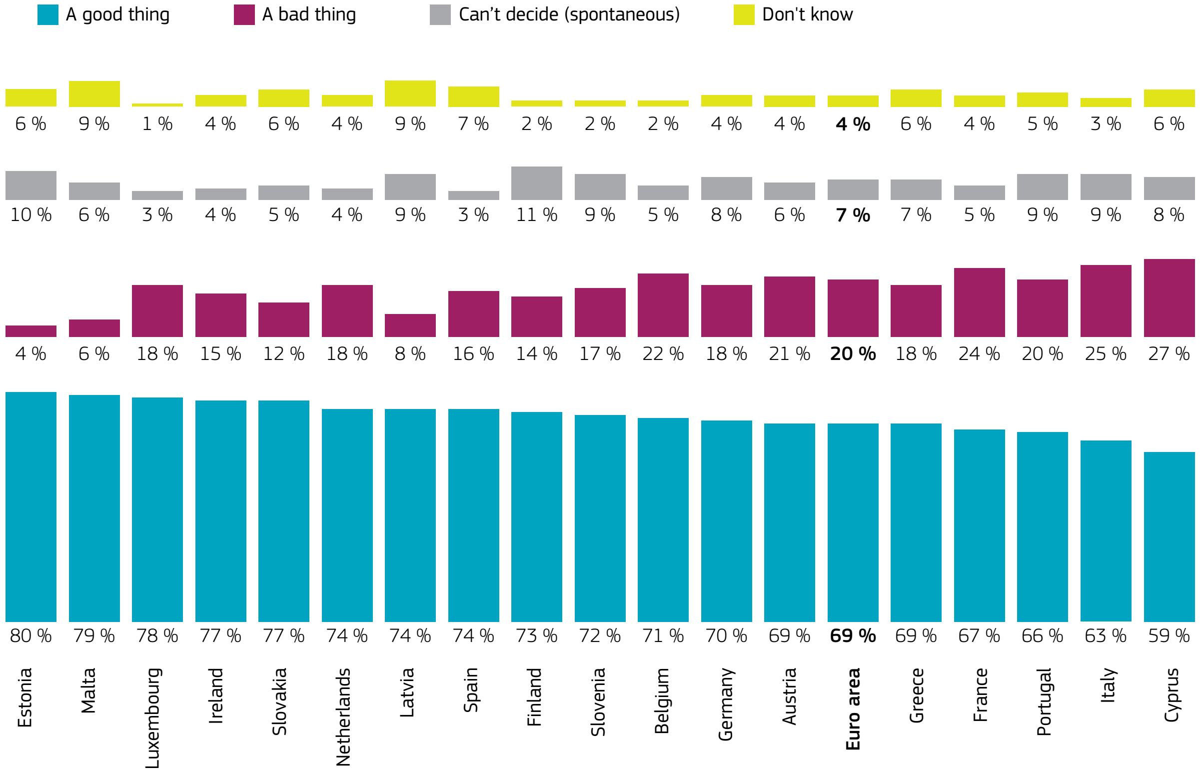
For further information on the protection of the euro against counterfeiting (8) see Chapter 4.

Eurobarometer survey results: euro-area Member States, October

A large majority of respondents across the euro area, some 69%, also see the euro as good for the EU. While a majority of respondents agree in every country, there are nevertheless significant differences between the euro-area Member States.

PUBLIC OPINION ON THE EURO

Attitudes to the euro: responses from members of the public in euro-area Member States to the question ‘Generally speaking, do you think that … having the euro is a good or a bad thing for the EU?’



Financial assistance: details of programmes

European financial assistance mechanisms provide support to EU Member States in difficulty and thereby preserve the financial stability of the EU and the euro area. Financial assistance is linked to macroeconomic conditionality. The adjustment programmes that have been initiated and followed have brought substantial benefits to the Member States concerned in terms of stability, growth, structural reforms leading to competitiveness gains and, in the case of those that have successfully exited programmes, a return to normal lending conditions in capital markets.

Greece

Since May 2010 the euro-area Member States and the International Monetary Fund (IMF) have been providing financial support to Greece through an economic adjustment programme in the context of a sharp deterioration in its 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 and job creation.

The release of each disbursement to Greece under each financial facility must be approved by both the Eurogroup and the European Financial Stability Facility (EFSF) Board, and by the IMF's Executive Board, respectively. Prior to this decision, the Commission, the ECB and IMF staff conduct joint review missions to Greece in order to monitor compliance with the terms and conditions of the programme. In 2014 the fifth instalment of the financial support programme amounted to €9.9 billion in total from the EFSF and the IMF, and was provided in several tranches in the period from July to August. Following the favourable attitude expressed by the Eurogroup on 8 December, on 9 December Greece officially requested a 2-month technical extension of the programme, as well as an enhanced conditions credit line under the ESM once the programme definitively expires. The Eurogroup welcomed the recent positive developments in the Greek economy and the progress made by the Greek authorities in addressing the outstanding issues in order to conclude the fifth review.

DISBURSEMENTS UNDER THE GREEK ADJUSTMENT PROGRAMMES (BILLION €)

Past disbursements					
1st programme	Euro-area Member States		IMF		Total
1st disbursement	18 May 2010	14.5	12 May 2010	5.5	20.0
2nd disbursement	13 September 2010	6.5	14 September 2010	2.5	9.0
3rd disbursement	19 January 2011	6.5	21 December 2010	2.5	9.0
4th disbursement	16 March 2011	10.9	16 March 2011	4.1	15.0
5th disbursement	15 July 2011	8.7	13 July 2011	3.3	12.0
6th disbursement	14 December 2011	5.8	7 December 2011	2.2	8.0
1st programme — Total disbursements		**52.9**		**20.1**	**73.0**

2nd programme		EFSF (1)		IMF		Total
1st disbursement	1st tranche (2)	12 March, 10 April and 25 April 2012	29.7	19 March 2012	1.649	
	2nd tranche (3)	12 March, 10 April and 25 April 2012	4.9			
	3rd tranche	19 March 2012	5.9			
	4th tranche	10 April 2012	3.3			
	5th tranche (4)	19 April 2012	25.0			
	6th tranche	10 May 2012	4.2			
	7th tranche	28 June 2012	1.0			
	Total		**74.0**			
2nd disbursement	1st tranche (5)	17 and 19 December 2012	34.3	16 January 2013	3.24	
	2nd tranche	31 January 2013	2.0			
	3rd tranche	28 February 2013	2.8			
	4th tranche	3 May 2013	2.8			
	5th tranche (6)	31 May 2013	7.2			
	Total		**49.1**			
3rd disbursement	1st tranche	17 May 2013	4.2	6 June 2013	1.73	
	2nd tranche	25 June 2013	3.3			
	Total		**7.5**			
4th disbursement	1st tranche	31 July 2013	2.5	2 August 2013	1.71	
	2nd tranche	18 December 2013	0.5			
	Total		**3.0**			
5th disbursement	1st tranche	28 April 2014	6.3	5 June 2014	3.41	
	2nd tranche	9 July 2014	1.0			
	3rd tranche	14 August 2014	1.0			
	Total		**8.3**			
2nd programme — Total disbursements up to November 2014			**141.9**		**11.74**	**153.6**
1st programme and 2nd programme — Total disbursements up to November 2014			**194.8**		**31.8**	**226.6**

Please note that some figures have been rounded, and the totals therefore may not represent the exact sums contained in the rows and columns.

(1) This table does not include €35.0 billion of EFSF notes handed over to the ECB on 7 March 2012 as collateral, so that the ECB continues to accept selective default-rated Greek government bonds in monetary financing activities. EFSF notes were released by the ECB on 25 July 2012.

(2) Sweetener PSI, EFSF notes.

(3) Accrued interest PSI, EFSF notes.

(4) Bank recapitalisation, EFSF notes.

(5) Includes bank recapitalisation.

(6) Bank recapitalisation, EFSF notes.

Portugal

In June Portugal successfully exited its 3-year economic adjustment programme as planned and without a pre-arranged precautionary credit facility. The programme included the implementation of an ambitious reform agenda and contributed to regaining economic growth and restoring investor confidence in the sovereign. The Portuguese government decided to exit the programme without disbursement of the full amount of assistance, foregoing the final instalment of the EU/IMF loan.

A staff mission by the Commission, the ECB and the IMF under the (non-concluded) 12th and final review of the economic adjustment programme ended in May. The overall conclusion of the final mission was that, in the face of challenging circumstances, programme implementation over the past 3 years was broadly successful in significantly improving public finances, stabilising the financial sector and bringing the economy back onto the path towards recovery.

During the previous 3 years, Portugal's external current account moved from a large deficit into surplus, the budget deficit was more than halved and access to sovereign debt markets improved markedly. Moreover, Portugal experienced a moderate economic recovery, based on improved competitiveness, financial stability and sounder public finances, with unemployment declining.

Portugal is now under post-programme surveillance (PPS) until at least 75 % of the financial assistance received has been repaid. The objective of PPS is ultimately to measure Portugal's capacity to repay its outstanding loans to the European Financial Stabilisation Mechanism (EFSM) and EFSF. Under PPS, the Commission, in liaison with the ECB, will launch regular review missions to the Member State in question to analyse economic, fiscal and financial developments, and report semi-annual assessments that may recommend further measures, when necessary.

DISBURSEMENT FIGURES FOR PORTUGAL (BILLION €)

Programme review	Date	Instalment (global)	EFSM (billion €)	EFSF (billion €)	IMF (billion €)	Total	Approximate disbursement date
Approval	Q2 2011	1	6.5	5.9	6.3	18.7	June 2011
1st	Q3 2011	2	7.6	—	4.0	11.6	September 2011
2nd	Q4 2011	3	1.5	3.7	2.9	8.1	December 2011
3rd	Q1 2012	4	4.5	5.2	5.2	14.9	April 2012
4th	Q2 2012	5	—	2.6	1.5	4.1	July 2012
5th	Q3 2012	6	2.0	0.8	1.5	4.3	October 2012
6th	Q4 2012	7	—	0.8	0.8	1.6	January 2013
7th	Q1 2013	8	—	2.1	0.7	2.8	April 2013
8th	Q2 2013	9	—	1.8	1.0	2.8	November 2013
9th	Q3 2013		—	1.9	0.9	2.8	
10th	Q4 2013	10	1.8	—	0.9	2.7	February 2014
11th	Q1 2014	11	—	1.2	0.9	2.5	April 2014
		12	0.4	—			November 2014
12th	Q2 2014	—	1.7 (cancelled)		0.9 (cancelled)	2.6 (cancelled)	
Total			**24.3**	**26**	**26.6**	**76.9**	

Please note that some figures have been rounded, and the totals therefore may not represent the exact sums contained in the rows and columns.

Cyprus

Following a request by Cyprus in June 2012, the Commission, the ECB and the IMF agreed an economic adjustment programme with the Cypriot authorities in April 2013. The programme is 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.

Following a fourth progress review, Cyprus's programme remained on track despite significant challenges that are still to be addressed. The fiscal outcome of the first quarter of 2014 exceeded estimates by a considerable margin, reflecting better-than-projected revenue performance and prudent budget execution. Progress was made with the recapitalisation and consolidation of the cooperative credit sector, and banks were advancing with their restructuring plans. This has allowed for the significant freeing-up of domestic payment restrictions, in line with the government's roadmap. The authorities have also taken steps toward implementing their ambitious structural reform agenda.

The last mission to take place in 2014 was the fifth review mission in July. The substantial deferral in the conclusion of this mission was due to the delayed adoption of an effective foreclosure law. Following the annulment of a set of bills that would have rendered the new foreclosure law ineffective the review mission was concluded, and the disbursement of €350 million from the ESM took place in mid December.

DISBURSEMENT FIGURES FOR CYPRUS (BILLION €)

Review	Date (1)	ESM	IMF	Total
— (2)	—	2.0	0.1	2.1
— (2)	—	1.0	—	1.0
1st	Q4 2013	1.5	0.1	1.6
2nd	Q1 2014	0.1	0.1	0.2
3rd	Q2 2014	0.2	0.1	0.2
4th	Q3 2014	0.6	0.1	0.7
5th (3)	Q1 2015	0.4	0.1	0.4
6th	Q2 2015	—	—	—
7th	Q3 2015	—	—	—
8th	Q4 2015	—	—	—
9th	Q1 2016	—	—	—
10th	Q2 2016	—	—	—
Total disbursements		**5.7**	**0.5**	**6.2**

Please note that some figures have been rounded, and the totals therefore may not represent the exact sums contained in the rows and columns.

(1) Refers to the period prefinanced through official funds.

(2) The first two disbursements were provided at the inception of the programme, ahead of the reviews.

(3) While the ESM's disbursement related to the 5th review took place in December 2014, that of the IMF has been postponed.

Spain

Spain's financial sector programme formally drew to a successful conclusion at the end of January after 18 months in operation.

The programme achieved its twin objectives of repairing and reforming the Spanish financial sector and, in so doing, helped to create a sound basis for economic recovery.

The Spanish financial markets have stabilised, banks have increased liquidity and their solvency position remains comfortable, deposits are rising, access to funding markets is improving and the restructuring of banks is well under way. Moreover, the governance, regulatory and supervisory framework of the banking sector has been significantly strengthened so as to ensure that the irresponsible practices that led to the crisis in the first place should not be repeated.

Nonetheless, the challenges facing Spain remain considerable. Structural reforms, fiscal consolidation and efforts to reduce the still very high unemployment rate must continue.

The recent economic and financial developments confirm the positive trends of stabilisation that have been unfolding over the last 2 years. However, it will be important to remain vigilant, as the overall economic situation remains fragile and the large imbalances from the pre-crisis period and the related policy challenges in the labour market and beyond are still substantial. Full, timely and effective implementation of the reform agenda, and its further strengthening where needed, is paramount and often requires joint delivery by various tiers of government, as well as the close monitoring of outcomes from the reforms.

Following the exit from the programme, the monitoring of the Spanish economy and its financial sector continues in the context of PPS.

In response to its request in June 2012, Spain received financial assistance amounting to €41.3 billion from euro-area Member States via the EFSF. The assistance was subsequently taken over by the ESM.

Ireland

From 2011 until the end of 2013 the EU and the IMF provided financial assistance to Ireland. In December 2013 Ireland successfully completed the financial assistance programme, with the vast majority of policy conditions under the programme substantially met and investor confidence restored for the sovereign and the banks.

Ireland is now subject to PPS until at least 75 % of the financial assistance received has been repaid.

Overall, the outlook for Ireland has continued to improve since the conclusion of the EU/IMF-supported programme, but important challenges remain. Against the backdrop of a general decline of sovereign yields, demand for Irish assets from private investors is high as the authorities are resuming normal market borrowing. The economic recovery and the decline in headline budget deficits continue, while structural and financial sector reforms advance. Nonetheless, high public and private sector indebtedness weighs on the speed of the recovery, especially with regard to private consumption.

Romanian precautionary balance-of-payments programme

The precautionary balance-of-payments programme will run for 24 months (until the end of September 2015) and is composed of precautionary assistance from the European Union of up to €2 billion and from the IMF of up to SDR 1.75 billion (9) (around €2 billion), supported by a new standby arrangement. In addition, the World Bank will continue to provide support to the Romanian economy.

Teams from the Commission and the IMF visited Romania in June to hold discussions for the first review of Romania's precautionary balance-of-payments programme with the EU and for the third review under the IMF standby arrangement. A new review mission is planned for early 2015. In the meantime, a Romanian ministerial delegation visited Brussels in September to discuss the status of policy implementation in key areas of the programme and the government's plans for the second 2014 budget rectification, adopted at the end of September. In addition, a technical fiscal visit, consisting of Commission and IMF staff, visited Romania to discuss the 2015 budget. Romania's economy has continued to recover and is expected to grow by 2.6 % in 2014. Fiscal imbalances have been reduced and the current account deficit has remained low, but a number of structural challenges remain a potential drag on productivity and growth.

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

Launch of the first pillar of the banking union takes economic and monetary union to the next stage

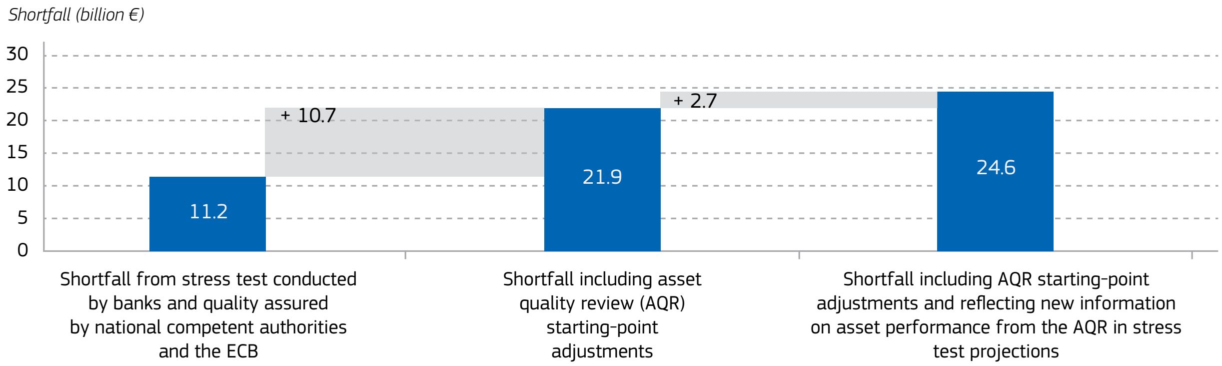
On 4 November 2014 the ECB assumed responsibility for the supervision of the banking system in the euro area. The ECB now directly supervises 120 significant banks and, within the SSM, also has indirect responsibility for roughly 3 500 smaller institutions.

The day-to-day supervision encompasses overall interaction with banks and constant oversight of their activities. The ECB is also tasked with granting and withdrawing banking licences and approving the acquisition of qualified holdings. Depending on a bank's risk profile assessment, the ECB may also impose a wide range of supervisory measures. ECB banking supervision will analyse the risks and vulnerabilities in the financial sector as a whole.

The development of the ECB's banking supervision tasks is seen as the biggest leap forward in European financial integration since the introduction of the single currency in 1999. The aim is to sever the financial link between Member States and their banks, create a supervisory culture with a European, rather than a national, focus and promote the single market by reducing the fragmentation of the financial system caused by the global financial crisis of 2007–08.

Before the launch of the SSM, the ECB and the national competent authorities conducted a comprehensive assessment of the 130 largest banks in the euro area, representing €22 trillion, or 82 % of all bank assets. This unprecedented health check aimed at identifying weaknesses in the banking system and obliged the banks to repair them and to enhance transparency regarding the condition of the banks, and thereby restore confidence in the banking system. The exercise had two components: an asset quality review led by the ECB and a stress test undertaken together with the European Banking Authority (EBA) for the EU as a whole.

CAPITAL NEEDS AFTER THE ECB'S HEALTH CHECK



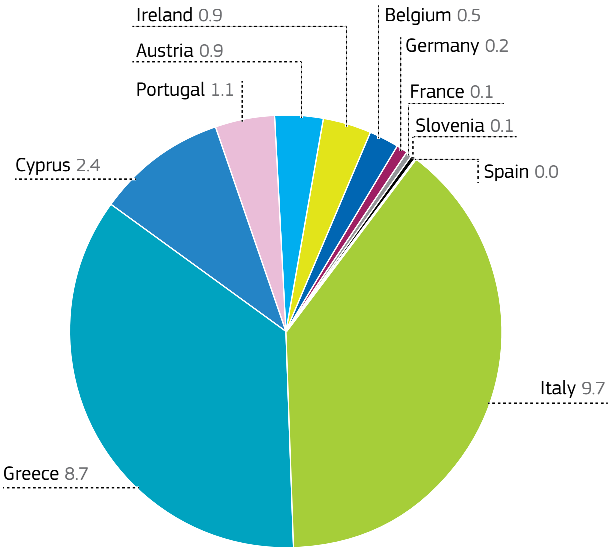
More than 6000 experts from 19 countries were involved in the comprehensive assessment. They examined 800 individual portfolios, analysed more than 119000 debtors in detail and evaluated 170000 collateral items and more than 5000 securities.

Information originally provided by the participating banks was challenged by experts from the ECB and the national supervisors, supported by external advisers. The results of the assessment were approved — following a dialogue with the banks — by the Supervisory Board of the ECB (which had been established in early 2014) and by the ECB's Governing Council.

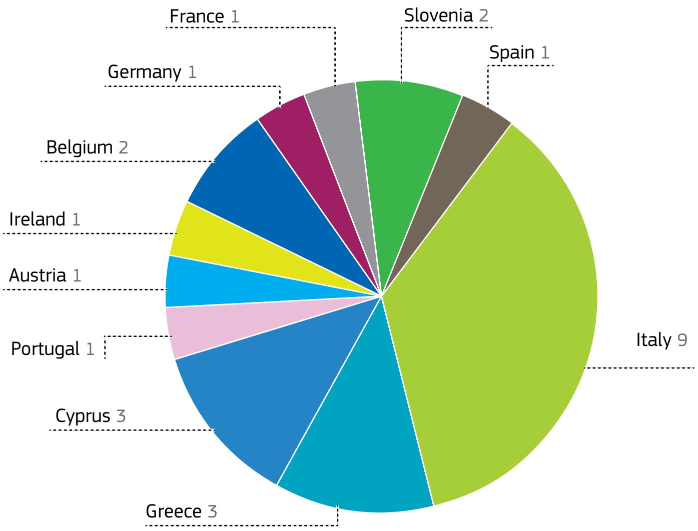
The comprehensive assessment detected a capital shortfall of around €25 billion at 25 participating banks. An additional €37 billion of banks' assets needed to be adjusted but did not generate capital shortfall as the banks concerned had a sufficient capital buffer.

COMPREHENSIVE ASSESSMENT OF THE CAPITAL SHORTFALL BY COUNTRY OF PARTICIPATING BANKS

BY AMOUNT OF SHORTFALL (BILLION €)



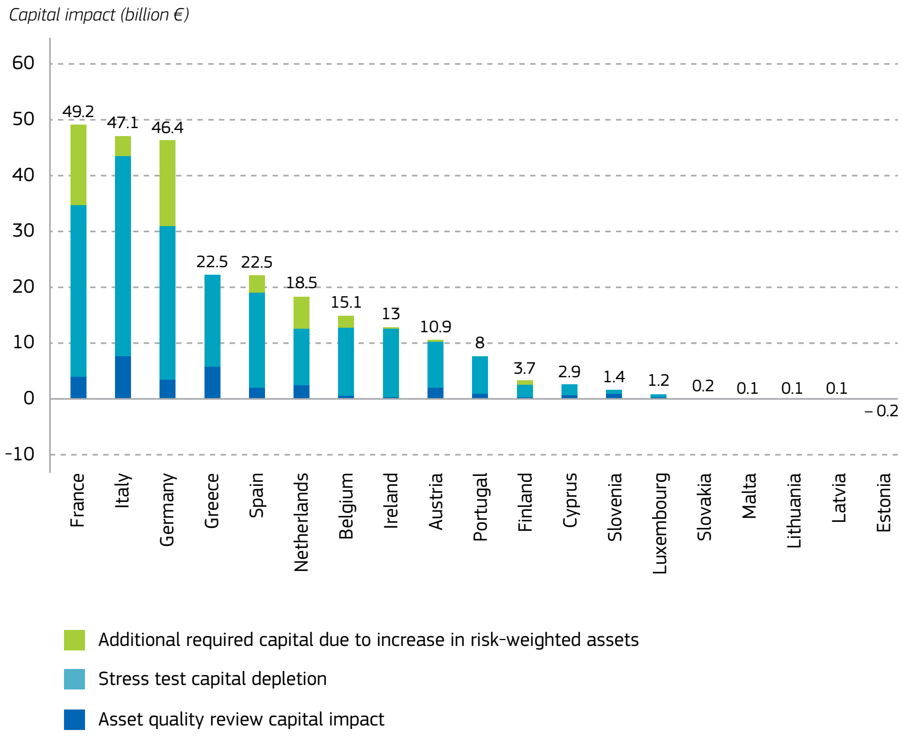
BY NUMBER OF BANKS WITH SHORTFALL



Some of the banks assessed had already improved their common equity tier 1 (CET1) ratio in 2013; others had raised new capital or strengthened their capital base in the course of 2014. Of the 25 banks with a capital gap in the comprehensive assessment, 12 had already raised about €15 billion in new capital. The remaining gap of about €10 billion must be addressed in the first half of 2015. Since July 2013 the 30 largest participating banks alone had strengthened their balance sheets by about €200 billion, including raising capital of approximately €60 billion.

The comprehensive assessment was an important milestone towards banking union. During their checks on the quality of assets, a significant quantity of additional non-performing exposures (NPEs) was identified, mostly consisting of credits exposed to the risk of late repayment. NPE stocks increased by €135.9 billion to a total of €879 billion. Collateral such as real estate, machinery and ships was revalued and risk provisions had to be increased.

IMPACT OF STRESS TESTS



The stress test that went alongside the asset quality review was conducted together with the EBA. The participating banks were subject to two scenarios: a baseline scenario taking into account the growth projections by the Commission; and an adverse scenario assuming that an outside shock would cause a severe economic crisis in the euro area, with economic activity shrinking over 3 years, including by about 5 % in the first 2 years alone.

Under the adverse scenario, banks would lose parts of their income and suffer high losses from non-performing loans. Whereas the overall capitalisation of the participating banks would increase slightly under the baseline scenario, it would shrink by 3 percentage points from 11.4 % to 8.4 % CET1 under the adverse scenario. Banks were required to maintain a minimum CET1 ratio of 5.5 % under the adverse stress test scenario, against a minimum CET1 ratio of 8 % under the baseline scenario.

Strengthening the financial sector

In addition to the new banking supervision role on the part of the ECB, the Commission has also pursued a number of initiatives to create a safer and sounder financial sector for the single market. These initiatives — which include stronger prudential requirements for banks, improved depositor protection and rules for managing failing banks — form a single rulebook for all financial actors in the 28 Member States of the European Union. The single rulebook is the foundation on which the banking union stands.

As the financial and economic crisis evolved it became clear that, for those countries that shared the euro and were even more interdependent, a deeper integration of the banking system was needed. That is why, on the basis of the Commission roadmap for the creation of a banking union ([10]), the EU institutions agreed to establish a Single Supervisory Mechanism (SSM) and a Single Resolution Mechanism (SRM) for banks. Banking union applies to countries in the euro area. Non-euro-area countries can also join. In 2014 the SSM became fully operational, with the ECB as a supervisor.

The Single Resolution Mechanism

The SRM will complement the SSM and will ensure that — notwithstanding stronger supervision — if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently, with minimal cost to taxpayers and the real economy. The SRM will apply to all banks in the euro area and other Member States that opt to participate in the banking union.

The division of powers of the Single Resolution Board and national resolution authorities broadly follows the division of supervisory powers between the ECB and national supervisors in the context of the SSM. The decision to resolve a failing bank will in most cases start with the ECB notifying the board, the Commission and the relevant national resolution authorities that a bank is failing. Following the process provided for by the legislation, the resolution scheme will then be implemented by the national resolution authorities, in accordance with national law including relevant provisions transposing the bank recovery and resolution directive ([11]).

The SRM regulation was adopted on 15 July and entered into force on 19 August. The SRM will apply from 1 January 2016, except for the resolution planning powers of the Single Resolution Board, which apply as of 1 January 2015.

Common recovery and resolution tools: the bank recovery and resolution directive

The bank recovery and resolution directive is the single rulebook for the resolution of banks and large investment firms in all EU Member States. It harmonises and upgrades the tools for dealing with bank crises across the EU. Banks will be required to prepare recovery plans to overcome financial distress, while authorities will lay out plans to resolve failed banks in a way that preserves their most critical functions and prevents taxpayers having to bail them out. Authorities are granted a set of powers to intervene in the operations of banks to avoid them failing. If they do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a clearly defined set of rules.

National resolution funds are set up by the legislation, to be replaced for euro-area Member States by the Single Resolution Fund as of 2016. Precise arrangements are laid out for how the home and host authorities of banking groups are to cooperate in all stages of cross-border resolution, from resolution planning to resolution itself, with a significant role for the EBA to coordinate and mediate in case of disagreements.

Strengthening deposit guarantee schemes

The directive on deposit guarantee schemes (12) ensures that depositors will continue to benefit from a guaranteed coverage of €100 000 in case of bankruptcy, backed by funds to be collected in advance from the banking sector. For the first time since the introduction of deposit guarantee schemes in 1994 there are financing requirements for such schemes in the directive. In principle, the target level for *ex ante* funds for deposit guarantee schemes is 0.8 % of covered deposits (i.e. about € 55 billion), to be collected from banks over a 10-year period.

In addition, access to the guaranteed amount will be easier and faster. Repayment deadlines will be reduced gradually from the current 20 working days to 7 working days in 2024.

These new rules will benefit all EU citizens. Not only will their savings be better protected, but they will also have the choice of the best savings products available in any EU country without worrying that they are not protected. The new directive will require better information to be provided to depositors to ensure that they are aware of how their deposits are protected by the guarantee schemes.

Follow-up to the Green Paper on long-term financing of the EU economy

The economic and financial crisis has affected the ability of the financial sector to channel funds into the real economy, in particular into long-term investment. Europe has always relied heavily on banks financing the real economy (two thirds of funding comes from banks, compared to one third in the United States). As banks are deleveraging there is less funding available to all sectors of the economy — for example less than one third of Greek and Dutch SMEs and only around half of Spanish and Italian SMEs got the full amount of credit they applied for in 2013.

It is essential to act to restore the conditions for sustainable growth and investment, and in part that means finding new ways to channel funds into long-term investment. Following the consultations under the umbrella of its Green Paper on the long-term financing of the European economy of March 2013 (13), the Commission proposed a package of measures in 2014. These included a communication on the long-term financing of the economy (14), a legislative proposal for new rules for occupational pension funds (15) and a communication on crowdfunding (16). The communication on long-term financing builds on the responses to the consultation and on the debate in international forums such as the G20 and the Organisation for Economic Cooperation and Development (OECD). It identifies specific measures the EU can take to promote long-term finance.

New rules to strengthen statutory audit quality across the EU

In June new rules to improve the quality of statutory audit across the European Union entered into force. The reform of the EU statutory audit market is another step towards restoring the confidence of investors in financial information.

The revised directive (17) includes measures to strengthen the independence of statutory auditors, make the audit report more informative and strengthen audit supervision throughout the Union. Member States have 2 years to implement the directive.

A new regulation (18) introduces stricter requirements on the statutory audits of public-interest entities, such as listed companies, credit institutions and insurance undertakings, to reduce the risk of excessive familiarity between statutory auditors and their clients, encourage professional scepticism and limit conflicts of interest. The regulation will become directly applicable in mid 2016 to ensure that, by the time of its application, every Member State will have put in place the provisions necessary to comply with the above directive.

New legislative framework for markets in financial instruments

Jonathan Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union since 1 November, delivering a speech at the high-level conference 'Finance for growth — Towards a capital markets union'. Brussels, Belgium, 6 November.

In June the directive on markets in financial instruments (19) and the regulation on markets in financial instruments (20) were published. Member States have 2 years to transpose the new rules, which will be applicable starting January 2017. The new framework aims to make financial markets more efficient, resilient and transparent; introduces a market structure that closes loopholes; ensures that trading, whenever appropriate, takes place via regulated platforms; introduces rules on high-frequency trading; improves the transparency and oversight of financial markets, including derivatives markets; and addresses the issue of excessive price volatility in commodity derivatives markets.

The new framework will improve conditions for competition in the trading and clearing of financial instruments. Building on the rules already in place, the revised directive also strengthens the protection of investors by introducing robust organisational and conduct requirements and by strengthening the role of management bodies. The new framework also increases the role and supervisory powers of regulators and establishes powers to prohibit or restrict the marketing and distribution of certain products in well-defined circumstances. A harmonised regime for granting access to EU professional markets for firms from non-EU countries, based on an equivalence assessment of non-EU jurisdictions by the Commission, is being introduced.

New framework on market abuse

The regulation on market abuse (21) and the directive on criminal sanctions for market abuse (22) were adopted in 2014. The market abuse regulation will enter into force in July 2016. Member States have 2 years to transpose the market abuse directive into their national law. The new rules on market abuse update and strengthen the existing framework to ensure market integrity and investor protection provided by the existing market abuse directive, which will now be repealed.

The market abuse regulation ensures that the Union's legislation keeps pace with market developments such as the growth of new trading platforms, over-the-counter trading and new technology such as high-frequency trading; strengthens the fight against market abuse across commodity and related derivative markets; explicitly bans the manipulation of benchmarks (such as LIBOR); reinforces the investigative and administrative sanctioning powers of regulators; and ensures a single rulebook while reducing, where possible, the administrative burdens on SMEs.

The directive on criminal sanctions complements the regulation by requiring all Member States to criminalise the serious offences of insider dealing, unlawful disclosure of information and market manipulation, including the manipulation of benchmarks, and to ensure that they are subject to effective, proportionate and dissuasive criminal sanctions. To this end, the directive sets levels of criminal penalties: a maximum penalty of at least 4 years' imprisonment for insider dealing and market manipulation and of at least 2 years' imprisonment for unlawful disclosure of inside information.

Corporate financial and non-financial reporting

As part of the responsible business package, the accounting directives in existence since 1978 and 1983 respectively were revised and merged in 2013 with a view to reducing the administrative burden for small companies, thus making EU legislation better adapted to the present and future needs of preparers and users of financial statements.

The directive ([23]) also introduces a new obligation for large extractive and logging companies to report the payments they make to governments (where appropriate on a project basis). This will provide civil society in resource-rich countries with the information needed to hold governments to account for any income made through the exploitation of natural resources. In order to avoid undue administrative burden for EU companies, the directive comes with an equivalence mechanism on non-EU-country systems, on which the Commission consulted the public in mid 2014.

Consumer protection in financial services

Key information for investors

In April the Parliament endorsed the Commission's 2012 proposal introducing a key information document (24) (a simple document giving key facts to investors in a clear and understandable manner) covering not only collective investment schemes but also other 'packaged' investment products offered by banks or insurance companies.

The introduction of the key information document is a response to myriad problems that retail investors faced in the past. For example, a consumer ombudsman in one Member State recently found 12-year subordinated notes being sold to the very elderly. The risks involved in exiting these investments were not fully explained. In another example, a study for a consumer affairs ministry in one Member State suggested that up to 50–80 % of consumers wish to terminate long-term investments prematurely, indicating investments were made that were not suited to their investment or savings needs. At the EU-wide level, a mystery shopping exercise by the Commission indicated that up to 60 % of investment sales could be considered unsuitable or not in the best interest of the consumer.

Payments account directive

The directive on the transparency and comparability of payment account fees, payment account switching and access to a basic payment account (25) is a major step towards a real single market for retail financial services, bringing numerous benefits to EU citizens. By providing for a right to a basic payment account irrespective of a citizen's place of residence or financial situation, the obstacles faced by many in accessing basic banking services across borders are removed. The directive also substantially improves the transparency of bank account fees and makes it easier to switch a bank account from one bank to another.

The mortgage credit directive

The mortgage credit directive (26) was adopted on 4 February. This directive aims at creating a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans. Member States will have to transpose its provisions into national law by March 2016.

The directive increases the level of consumer protection substantially and empowers the consumer to shop around for the most suitable mortgage offer. By making creditworthiness assessment tests compulsory it encourages responsible lending across Europe. In the long run, the 'passporting' regime for credit intermediaries should lead to more competition and consumer choice in the single market.

Improved tax policy coordination

Financial transaction tax under enhanced cooperation

Discussions continued in 2014 on the Commission's proposal to establish enhanced cooperation between 11 Member States to apply a financial transaction tax (FTT) ([27]). This followed a request in 2013 by those countries for enhanced cooperation to apply in this regard. The participating countries are Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. The final text must be adopted by unanimous agreement of the participating countries, although all Member States can participate in the discussion.

The United Kingdom had brought before the Court of Justice of the European Union an action for annulment of the decision authorising enhanced cooperation. The action was dismissed by the Court at the end of April 2014.

The objectives of the initial proposal are retained, namely: harmonising the features of the FTT in the participating Member States; enabling the financial sector to make a fair and substantial contribution to tax revenues; and complementing regulatory and supervisory measures by creating a disincentive to transactions that do not enhance the efficiency of financial markets. The political guidelines of the new President of the Commission, Jean-Claude Juncker ([28]), underline the need to work towards the adoption of a financial transaction tax.

Toolbox to fight against tax fraud and tax evasion

The G20 has endorsed the global standard for the automatic exchange of information to reinforce the fight against tax evasion and improve tax transparency worldwide. In October, at a meeting in Berlin, Germany, of the OECD Global Forum on Transparency and Information Exchange for Tax Purposes, 89 jurisdictions, including all EU Member States, committed to implementing the global standard, with the first exchanges starting from 2017 for early adopters or 2018 for others. This new global standard was developed by the OECD, with strong support and input from the EU.

At the G20 Summit in Brisbane, Australia, leaders endorsed the base erosion and profit sharing initiative of the OECD ([29]), which tackles issues such as the importance of transparency in countering harmful tax practices and the taxation of profits generated online by Internet companies. Leaders committed to completing this work by the end of 2015.

The President of the Commission called for the automatic exchange of taxpayer-specific rulings. This call was supported by the German Chancellor, Angela Merkel, the French President, François Hollande, the Spanish Prime Minister, Mariano Rajoy, the Italian Prime Minister, Matteo Renzi, and the South Korean President, Park Geun-hye. The appeal succeeded in securing a stronger emphasis in the final communiqué on the transparency of taxpayer-specific rulings.

In December the directive on administrative cooperation (30) was amended so as to implement automatic information exchange within the EU in line with the global standard and the implementation timeline of the early adopters. This builds on the adoption in March of a revised savings directive (31), which broadened the EU rules on the automatic exchange of information on savings income.

In addition, the Commission is well advanced in negotiating agreements with the five European countries with which the EU currently has savings agreements (Andorra, Liechtenstein, Monaco, San Marino and Switzerland), so as to provide for the automatic exchange of information between EU Member States and these countries in line with the global standard.

In June the Council agreed to close a major tax loophole for corporate groups, with an amendment to EU tax rules in order to prevent the double non-taxation of corporate groups deriving from hybrid loan arrangements — financial instruments that have characteristics of both debt and equity (32).

The aim is to close a loophole that currently allows corporate groups to exploit mismatches between national tax rules so as to avoid paying tax on some types of profits distributed within the group. In December the rules were further reinforced by an anti-abuse rule excluding artificial tax schemes from their application.

THE EU'S TOOLBOX FOR FIGHTING TAX FRAUD AND TAX EVASION

	ACTION/TOOL	WHAT THE COMMISSION HAS DONE	NEXT STEPS
NATIONAL LEVEL	> Reduce shadow economy. > Combat tax evasion and fraud. > Improve tax administration.	In the context of the European semester the Commission addressed country-specific recommendations (CSRs) on tax governance to the Member States.	Member States to implement the CSRs addressed to them. Next CSRs in June 2015.

	ACTION/TOOL	WHAT THE COMMISSION HAS DONE	NEXT STEPS
EU LEVEL	EU savings taxation directive.	The Commission proposed closing loopholes in 2008. Adopted by the Council in March 2014.	Implementation will take into account developments concerning the directive on administrative cooperation.
	Action plan to further strengthen the fight against evasion and avoidance.	The Commission made a proposal in December 2012.	Ongoing implementation by the Commission and the Member States.
	Recommendations on aggressive tax planning and good governance in taxation.	The Commission made recommendations in 2012 and set up the good governance platform in June 2013 to monitor implementation.	Member States to implement. Platform work ongoing.
	Framework on anti-money laundering and fund transfers.	The Commission proposed an update in February 2013.	The Parliament and the Council to adopt the proposal.
	EU accounting rules, including a system of country-by-country reporting.		Adopted — the Member States to implement.
	Administrative cooperation directive in the field of direct taxation.	Proposal to extend the automatic exchange of information to interest, dividends, other income, gross proceeds and account balances from 2017, on top of the five categories exchanged from 2015 — the Council reached political agreement in October 2014.	The Member States to implement.
	EU savings agreement with Andorra, Liechtenstein, Monaco, San Marino and Switzerland.	The Commission asked the Council for a negotiations mandate in 2011. Granted by the Economic and Financial Affairs Council in May 2013.	Commission negotiations with five non-EU countries ongoing; the target was to conclude negotiations by the end of 2014.
	Automatic exchange of information on tax rulings.	Decision in November 2014 to set up such exchanges between Member States.	The Commission to table a proposal.
	Tax state aid cases.	The Commission sent requests for information to seven Member States and launched four investigations.	The Commission to conclude the investigations in 2015.
	Directive on mutual assistance for the recovery of taxes.		In force since 2010.
	Regulation on administrative cooperation in the field of VAT.		In force since 2012.
	VAT reverse charge directive.	Commission proposal from 2009 partially adopted in 2010.	In force since 2013.
	Quick Reaction Mechanism to fight VAT fraud.	Commission proposal in July 2012.	In force since 2013.
	Regulation on administrative cooperation in the field of excise duties.	Proposal to extend the automatic exchange of information between Member States, to support the computerisation of exchanges and to provide a distributed database of economic operation authorisations.	Council regulation in force since 2012. Implementing regulation on economic operator authorisations in force since 2013. Two further implementing regulations under preparation.

	ACTION/TOOL	NEXT STEPS
GLOBAL ACTION	Automatic information exchange as international standard.	Adopted by 90 jurisdictions, including all Member States.
	Assistance to developing countries.	> The EU to continue to assist developing countries to build up robust tax administrations. > Cooperation with other international and national organisations and the promotion of participation of partner countries in international tax discussions and regional organisation of tax administrations. > Largest contributor to two IMF topical trust funds, one on tax policy and administration and one on managing natural resource wealth. > Cooperation in tripartite initiative with the World Bank and OECD to enhance capacity regarding transfer pricing.
	Tackling tax havens and aggressive tax planning.	Finalising EU actions that can be extended for use in the OECD BEPS (base erosion and profit shifting action plan) in 2014–15

Cutting red tape for business

In February the Parliament endorsed the Commission's proposal for a standard VAT return (33) by a large majority. The standard VAT return is one of the Commission's key proposals to cut red tape for business and improve tax compliance in the EU.

A new standard VAT return, which could cut costs for EU businesses by up to €15 billion a year, provides for a uniform set of requirements for businesses when filing their VAT returns, regardless of the Member State in which they do it. The standard VAT return, which will replace national VAT returns, will ensure that businesses are asked for the same basic information, within the same deadlines, across the EU. Given that simpler procedures are easier to comply with and easier to enforce, the proposal should also help to improve VAT compliance and increase public revenues.

Taxation of the digital economy

In May the Commission received the final report of the High-Level Expert Group on Taxation of the Digital Economy (34). This independent group was asked to examine key issues related to taxing the digital economy in the EU and to present ideas on the best approach to various challenges and opportunities in this field.

The experts' report covers taxation issues linked to the digital economy in the broadest sense, looking at indirect (VAT) and direct (corporate) taxation, as well as wider issues on how tax policy can help maximise the opportunities that the digital economy offers.

The following are among the main conclusions of the report.

- The digital economy does not require a separate tax regime. Current rules may need to be adapted to respond to the digitisation of the economy.
- Digitisation greatly facilitates cross-border business. Removing barriers to the single market, including tax barriers, and creating a more favourable business environment through neutral, simplified and coordinated tax rules is therefore more important than ever.
- The upcoming move to a destination-based VAT system for digital services is commended, along with the simplification that the mini one-stop shop will bring for businesses. The report recommends that this could be further expanded to all goods and services (in business-to-consumer transactions) in the future.
- To ensure neutrality and provide a level playing field for EU businesses, the group recommends the removal of the VAT exemption for small consignments from non-EU countries. This would be supported by a one-stop shop and a fast-track customs procedure.
- In the area of corporate taxation, the G20/OECD base erosion and profit shifting project will be fundamental to tackling tax avoidance and aggressive tax planning globally. The report strongly recommends that Member States take a common position to ensure a favourable outcome for the entire EU.

ENDNOTES

(1) Commission communication — Annual growth survey 2014 (COM(2013) 800).

(2) Regulation (EU) No 806/2014 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 Resolution Fund (OJ L 225, 30.7.2014).

(3) http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

(4) 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).

(5) Commission report — Alert mechanism report 2014 (COM(2013) 790).

(6) Commission communication — Annual growth survey 2015 (COM(2014) 902).

(7) Decision 2014/509/EU on the adoption by Lithuania of the euro on 1 January 2015 (OJ L 228, 31.7.2014).

(8) Directive 2014/62/EU on the protection of the euro and other currencies against counterfeiting by criminal law (OJ L 151, 21.5.2014).

(9) The SDR (special drawing right) is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of four key international currencies, and SDRs can be exchanged for freely usable currencies. The SDR basket consists of the euro, Japanese yen, pound sterling and US dollar. The value of the SDR in terms of the US dollar is determined daily and posted on the IMF's website. It is calculated as the sum of specific amounts of the four basket currencies valued in US dollars, on the basis of exchange rates quoted at noon each day in the London market.
See also: http://www.imf.org/external/np/exr/facts/sdr.htm

(10) Commission communication — A roadmap towards a banking union (COM(2012) 510).

(11) Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (OJ L 173, 12.6.2014).

(12) Directive 2014/49/EU on deposit guarantee schemes (OJ L 173, 12.6.2014).

(13) Commission Green Paper — Long-term financing of the European economy (COM(2013) 150).

(14) Commission communication on long-term financing of the European economy (COM(2014) 168).

(15) Proposal for a directive on the activities and supervision of institutions for occupational retirement provision (COM(2014) 167).

(16) Commission communication — Unleashing the potential of crowdfunding in the European Union (COM(2014) 172).

(17) Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (OJ L 158, 27.5.2014).

(18) Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities (OJ L 158, 27.5.2014).

(19) Directive 2014/65/EU on markets in financial instruments (OJ L 173, 12.6.2014).

(20) Regulation (EU) No 600/2014 on markets in financial instruments (OJ L 173, 12.6.2014).

(21) Regulation (EU) No 596/2014 on market abuse (market abuse regulation) (OJ L 173, 12.6.2014).

(22) Directive 2014/57/EU on criminal sanctions for market abuse (market abuse directive) (OJ L 173, 12.6.2014).

(23) Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (OJ L 182, 29.6.2013).

(24) Proposal for a regulation on key information documents for investment products (COM(2012) 352).

(25) Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (OJ L 257, 28.8.2014).

(26) Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property (OJ L 60, 28.2.2014).

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

(28) http://ec.europa.eu/priorities/docs/pg_en.pdf

(29) http://www.oecd.org/tax/beps.htm

(30) Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 359, 16.12.2014).

(31) Directive 2014/48/EU amending Directive 2003/48/EC on taxation of savings income in the form of interest payments (OJ L 111, 15.4.2014).

(32) Directive 2014/86/EU amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (OJ L 219, 25.7.2014).

(33) 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).

(34) http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/good_governance_matters/digital/report_digital_economy.pdf

PHOTO CREDITS

European Central Bank/Robert Metsch: page 28
European Union: pages 38, 39, 41, 56

CHAPTER 3

Underpinning economic recovery, growth and job creation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In 2014 the financial foundations for a more robust recovery were established. The year marked the start of the 2014–20 multiannual financial framework (MFF), the European Union's multiannual budget, which covers a new set of programmes to finance Europe's priorities for the next 7 years. While this is a more focused budget, with the expectation of leveraging more at EU level for less expenditure, future-oriented areas like research (+ 30 %), education (+ 40 %) and climate change (+ 250 %) all benefited from substantial increases in funding compared to 2007–13.

One of the major innovations of the MFF is the Connecting Europe Facility for the trans-European networks in the fields of transport, energy and telecommunications, with a budget of more than €33 billion in the period to 2020. This facility should help create interconnected, high-performing and environmentally sustainable networks across Europe, thereby contributing to economic growth and social and territorial cohesion within the Union.

Furthermore, in November, the new Commission launched a €315 billion investment plan to help Europe to grow further and get more people into work. The proposed measures could add between €330 billion and €410 billion to EU gross domestic product (GDP) over the next 3 years and create up to 1.3 million new jobs as part of a major push for the economy.

Martin Schulz, President of the European Parliament (centre), Jean-Claude Juncker, President of the European Commission since 1 November (left), and Werner Hoyer, President of the European Investment Bank (right), at the joint press conference following the presentation in the Parliament of the Commission's investment plan to boost growth and jobs. Strasbourg, France, 26 November.

The EU budget 2014–20 — investing in the future

The 2014–20 MFF, the European Union's budget, brings in a whole new set of programmes that cover Europe's priorities for the next 7 years: research and innovation (Horizon 2020); connecting the transport, energy and IT infrastructure of all Member States (Connecting Europe Facility); education (Erasmus+); job opportunities for young people (youth employment initiative); and the competitiveness of Europe's businesses (COSME), to name but a few.

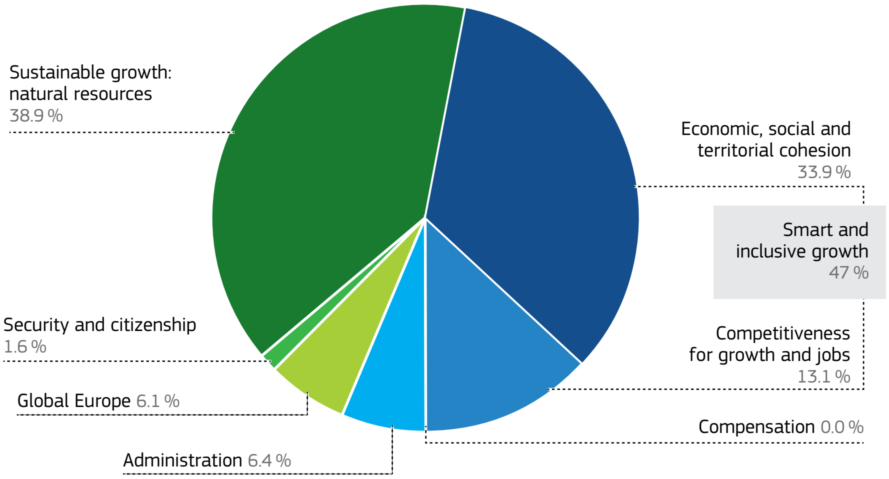
In a nutshell, the next financial period will see Europe do more — especially in these key areas — with less, as for the first time the budget for the period will be lower than previous ones.

MULTIANNUAL FINANCIAL FRAMEWORK (EU-28) ADJUSTED FOR 2015 AND FOR A TRANSFER BETWEEN PILLARS WITHIN HEADING 2 (FIRST TRANCHE) (MILLION € — 2011 PRICES)

Commitment appropriations	2014	2015	2016	2017	2018	2019	2020	Total 2014–20
1. Smart and inclusive growth	**60 283**	**61 725**	**62 771**	**64 238**	**65 528**	**67 214**	**69 004**	**450 763**
1a. Competitiveness for growth and jobs	15 605	16 321	16 726	17 693	18 490	19 700	21 079	125 614
1b. Economic, social and territorial cohesion	44 678	45 404	46 045	46 545	47 038	47 514	47 925	325 149
2. Sustainable growth: natural resources, of which:	**55 883**	**55 060**	**54 261**	**53 448**	**52 466**	**51 503**	**50 558**	**373 179**
Market-related expenditure and direct payments	41 254	40 938	40 418	39 834	39 076	38 332	37 602	277 454
3. Security and citizenship	**2 053**	**2 075**	**2 154**	**2 232**	**2 312**	**2 391**	**2 469**	**15 686**
4. Global Europe	**7 854**	**8 083**	**8 281**	**8 375**	**8 553**	**8 764**	**8 794**	**58 704**
5. Administration, of which:	**8 218**	**8 385**	**8 589**	**8 807**	**9 007**	**9 206**	**9 417**	**61 629**
Administrative expenditure of the institutions	6 649	6 791	6 955	7 110	7 278	7 425	7 590	49 798
6. Compensation	**27**	**0**	**0**	**0**	**0**	**0**	**0**	**27**
Total commitment appropriations	**134 318**	**135 328**	**136 056**	**137 100**	**137 866**	**139 078**	**140 242**	**959 988**
As a percentage of GNI	1.03 %	1.02 %	1.00 %	1.00 %	0.99 %	0.98 %	0.98 %	1.00 %
Total payment appropriations	**128 030**	**131 095**	**131 046**	**126 777**	**129 778**	**130 893**	**130 781**	**908 400**
As a percentage of GNI	0.98 %	0.98 %	0.97 %	0.92 %	0.93 %	0.93 %	0.91 %	0.95 %
Margin available	0.25 %	0.25 %	0.26 %	0.31 %	0.30 %	0.30 %	0.32 %	0.28 %
Own resources ceiling as a percentage of GNI	1.23 %	1.23 %	1.23 %	1.23 %	1.23 %	1.23 %	1.23 %	1.23 %

For the period 2014–20 the MFF provides a maximum amount of €960 billion for commitment appropriations and €908 billion for payment appropriations. The MFF is divided into six headings corresponding to different areas of EU activities.

MULTIANNUAL FINANCIAL FRAMEWORK 2014–20 — OVERVIEW



The MFF is a vital tool for the Union to invest in what matters most for citizens: secure jobs and a thriving, competitive and sustainable economy. It supports a healthy environment and helps make Europe a safer place, provides financial solidarity with those who need it most and ensures that the EU promotes its values and interests in a globalised world. In doing so it complements national efforts by concentrating on matters that can best be dealt with together at European level. It is a budget for the future of the EU's citizens. The new financial framework ensures that Europe's ambition to relaunch its economy is underpinned by real money and focuses on the right priorities and results from the start of 2014 to the end of 2020.

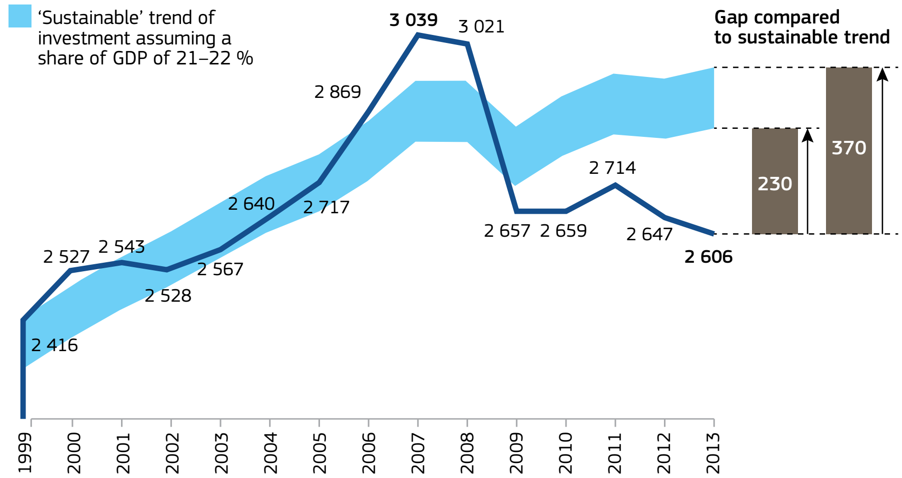
Investment plan launched to boost growth and jobs

On 26 November the Commission launched a €315 billion investment plan to get Europe growing again and get more people into work.

Taken as a whole, the proposed measures could add between €330 billion and €410 billion to EU GDP over the 3 years from 2015 to 2017 and create up to 1.3 million new jobs, as part of a major push to boost growth and jobs.

THE ‘INVESTMENT GAP’ IN EUROPE

Real gross fixed capital formation, EU-28, 2013 prices, billion €



There is no common EU definition of mid-cap companies. While SMEs are defined as having fewer than 250 employees, mid-caps are broadly said to have between 250 and 3 000 employees.

The plan was endorsed by the European Council at its meeting in December (1), and called on all actors to have the plan operational by mid 2015. It will consist of three main strands, set out below.

Mobilising additional finance for investment

The investment plan will unlock public and private investment in the real economy of at least €315 billion over the next 3 years (2015–17). At a time when public resources are scarce while financial liquidity exists in financial institutions and in the bank accounts of individuals and corporations, ready to be used, the challenge is to break the vicious circle of underconfidence and underinvestment. The investment plan provides for the smart mobilisation of public and private sources of finance, where every euro of public money is used to generate additional private investment without creating new debt.

A new European Fund for Strategic Investments (EFSI) will be set up in partnership with the European Investment Bank (EIB). It will be built on a guarantee of €16 billion from the EU budget, combined with €5 billion committed by the EIB. Based on prudent estimates from historical experience, the multiplier effect of the EFSI will be 1:15. In other words, for every public euro that is mobilised through the EFSI, €15 of total investment that would not have happened otherwise is generated.

The focus of the EFSI is to invest in infrastructure, notably broadband and energy networks; transport infrastructure in industrial centres; education, research and innovation; renewable energy; and SMEs and middle capitalisation companies (mid-caps).

EUROPEAN FUND FOR STRATEGIC INVESTMENTS IN FIGURES

EFSI	Risk-bearing capacity	Multiplier (averaged)	Investment in the real economy
Long-term investments	€16 billion		€240 billion
SMEs and mid-caps	€5 billion	15	€75 billion
Total	**€21 billion**		**€315 billion**

Establishing the EFSI within the existing structure of the EIB Group will facilitate its rapid implementation in spring 2015. It has the potential to mobilise over €315 billion in additional finance over the period 2015–17. The objective is that the EFSI should be operational by mid 2015.

In addition, this investment will be complemented by maximising the leverage of the European Structural and Investment Funds (ESIFs) for 2014–20, using loans, equity and guarantees rather than traditional grants. This will increase the leverage ratio to between 1:3 and 1:4. By doubling the amount of innovative financial instruments and using the leverage effect thus created, between €20 billion and €35 billion in terms of additional investments in the real economy could be mobilised between 2015 and 2017.

A credible project pipeline coupled with technical assistance to channel the money where it is needed

The investment plan will enable finance to reach the real economy through the creation of a transparent pipeline identifying viable projects at EU level and providing the necessary technical assistance to support independent project selection and structuring, along with the use of more innovative financial instruments.

Member States have provided the joint Commission–EIB task force established in September with lists of projects identified according to three criteria:

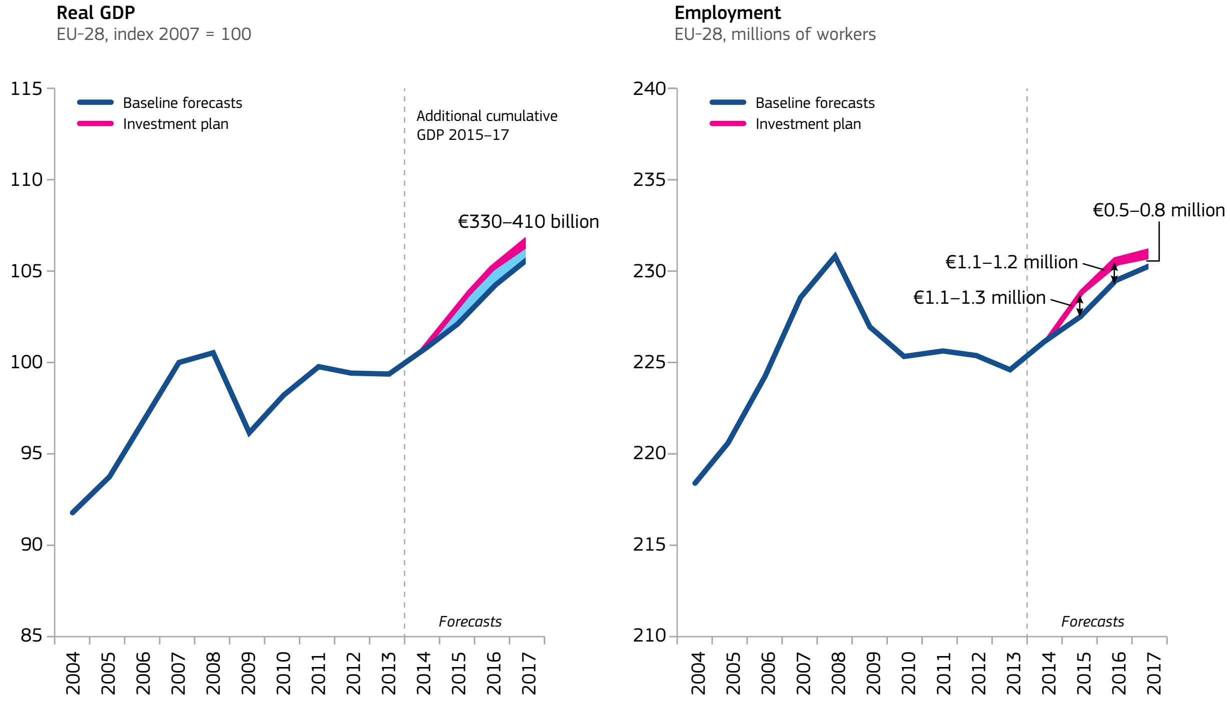
- EU added-value projects in support of EU objectives;
- economic viability and value-prioritising projects with high socioeconomic returns;
- projects that can start at the latest within the next 3 years, i.e. with a reasonable expectation for capital expenditure in the 2015–17 period.

In addition, listed projects should have the potential to leverage other sources of funding. They should also be of reasonable size and scalability (differentiating by sector/subsector).

The Commission and the EIB will launch a major programme of technical assistance to identify projects and to help make them more attractive to private investors.

The Commission/EIB task force released its report, including the list of identified projects, in December.

THE POTENTIAL OF THE INVESTMENT PLAN



Source: DG Economic and Financial Affairs, annual macroeconomic database.

A roadmap to tackle barriers to investment

The investment plan contains a roadmap to remove sector-specific regulations that hamper investment.

To improve the business environment and financing conditions, the plan will focus on measures in the financial sector, for example the creation of a capital markets union, to provide an enhanced supply of capital to SMEs and long-term projects.

Priority will be given to removing the significant regulatory and non-regulatory barriers that remain across all the important infrastructure sectors, including energy, telecoms, digital infrastructure and transport, as well as barriers in services and product markets. In December, in its 2015 work programme [2], the Commission proposed a priority list of initiatives specifically linked to the investment plan.

Jyrki Katainen, Commission Vice-President responsible for Jobs, Growth, Investment and Competitiveness, Jean-Claude Juncker, President of the European Commission (both in office since 1 November), Martin Schulz, President of the European Parliament, Werner Hoyer, President of the European Investment Bank, and Margaritis Schinas, Chief Spokesperson of the European Commission (from left to right) announce the €315 billion investment plan at a joint press conference at the European Parliament. Strasbourg, France, 26 November.

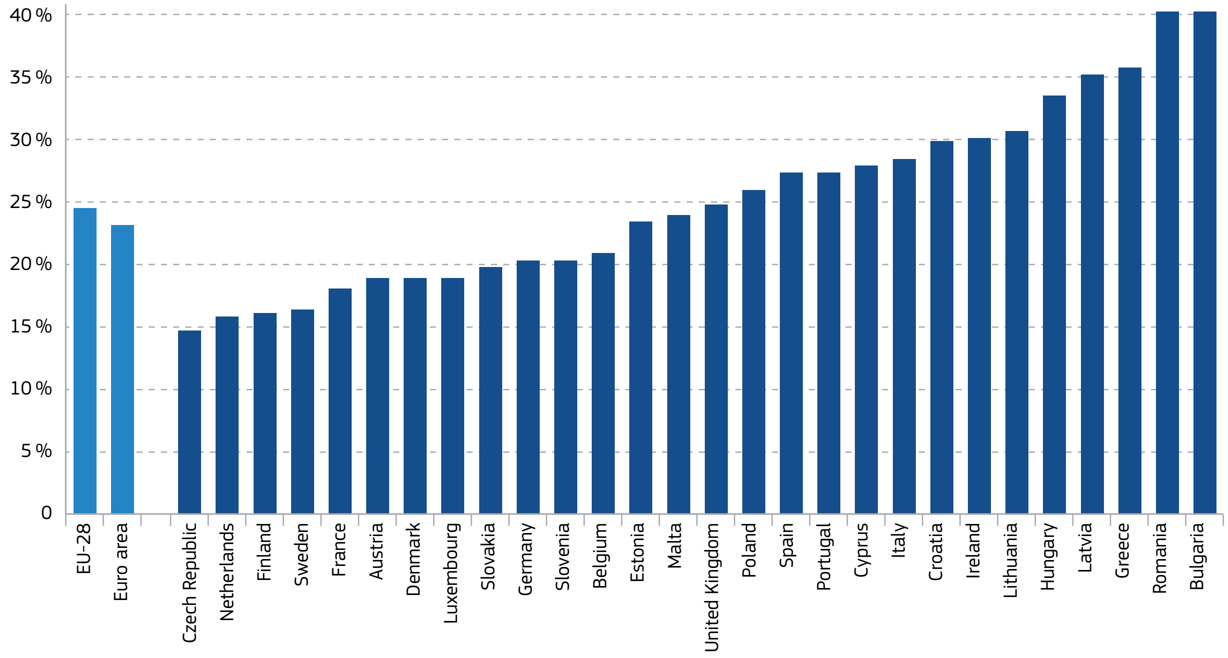
EU policies for growth and employment

Employment and social inclusion

The EU continued to make progress in implementing much-needed structural labour market and social reforms. In the field of employment and social affairs the European Commission called on Member States to ensure the urgent implementation of the youth guarantee. Member States were urged to take steps to combat youth unemployment through active labour market policies, the reinforcement of public employment services (PES) and support for training and apprenticeship schemes, as well as the segmentation of labour markets, which can negatively affect the employment prospects of young workers and early school leavers. The strengthening of the coordination of European employment and social policies was also encouraged to reinforce the monitoring of employment and social developments.

PEOPLE AT RISK OF POVERTY OR SOCIAL EXCLUSION, 2013

EU-28 and euro area — estimates; Ireland — 2012 data.



Source: Eurostat.

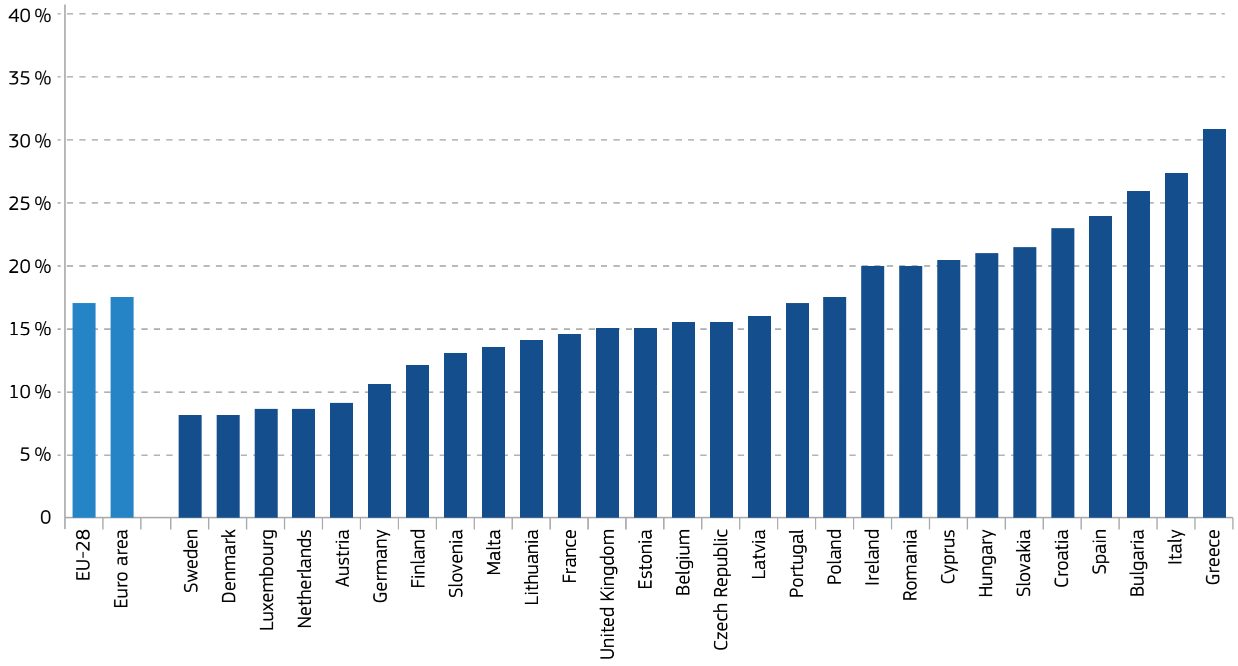
A new scoreboard of key employment and social indicators was adopted in 2014 and incorporated into the joint employment report (³) to help with the early detection of challenges at Member State level that may have an EU-wide spillover effect. This mechanism will help provide a timely policy response and a focus on stricter multilateral surveillance.

Youth guarantee

The youth guarantee (4) seeks to ensure that Member States offer all young people up to the age of 25 a quality job, continued education, an apprenticeship or a traineeship within 4 months of leaving formal education or becoming unemployed. The youth guarantee is one of the most crucial and urgent structural reforms that Member States must introduce to address youth unemployment and to improve school-to-work transitions. Implementation began during the course of 2014.

All EU Member States have presented national youth guarantee implementation plans, and their implementation is now starting, taking into account the Commission's overall assessment of each plan. Delivering on the objectives of a youth guarantee requires strategic reforms in the Member States to achieve more successful transitions from education to the labour market. Strengthening the capacity of PES, reforming education and training systems, reinforcing partnerships for reaching out to inactive young people not registered with an employment service and delivering quality offers are among the key challenges for Member States. This is reflected in the Commission's analyses of all EU Member States and the country-specific recommendations for 18 Member States, eight of which specifically require more decisive action to implement the youth guarantee.

YOUNG PEOPLE (AGED 15–34) NOT IN EDUCATION, EMPLOYMENT OR TRAINING (NEET RATE), 2013



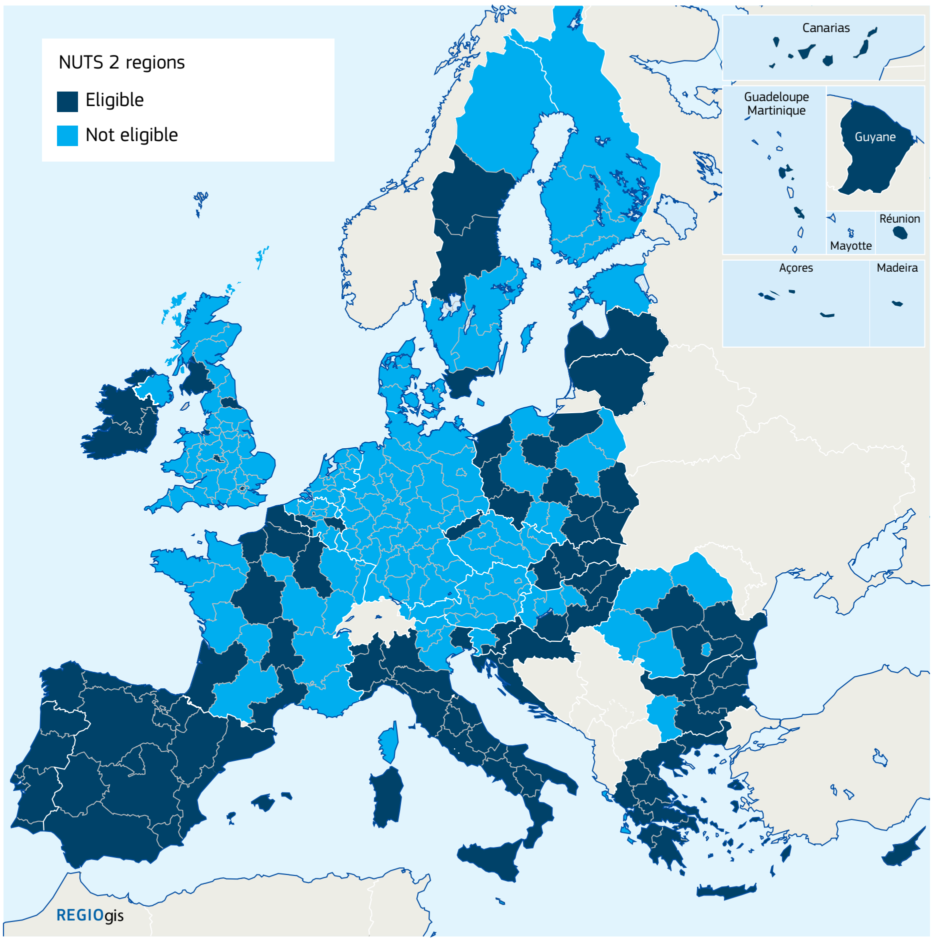
Source: Eurostat.

With a view to reducing youth unemployment levels, Member States receive funding from the European Social Fund (ESF) (currently €12 billion annually) and from the youth employment initiative (€6.4 billion for 2014–20). The ESF has provided targeted support for youth employment since long before the crisis, and has been vital in tackling the more recent rise in youth unemployment, with 68 % of its budget going towards projects that can benefit young people. To make the youth guarantee a reality, however, Member States also need to prioritise youth-specific measures in their national budgets.

Youth employment initiative

The youth employment initiative (5) supports young people not in employment, education or training (NEETs) in the regions of the Union that had a youth unemployment rate above 25% in 2012 by integrating them into the labour market. It will amplify the support provided by the ESF for the implementation of the youth guarantee by funding activities that directly help NEETs, such as job provision, traineeships and apprenticeships, and business start-up support.

THE YOUTH EMPLOYMENT INITIATIVE — TARGETED SUPPORT FOR REGIONS MOST HIT BY YOUTH UNEMPLOYMENT



Map of the regions eligible and not eligible for the youth employment initiative. The initiative will allow the financing of concrete projects and actions and will ensure that the level of support for each young person is sufficient to make a real difference in parts of Europe where the challenges are most acute.

Sources: Eurostat, DG Employment, Social Affairs and Inclusion.

Quality framework for traineeships

In parallel, the Commission is developing a number of EU-level tools to help Member States to tackle youth unemployment. On the basis of a Commission proposal, in March the Council of the European Union adopted a quality framework for traineeships (6) so as 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 quality framework 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.

European Social Fund

The ESF (7) plays a fundamental role in supporting Member States' investment in human capital and thereby strengthening the competitiveness of the European economy as it emerges from the crisis. Every year the ESF assists over 15 million people by helping them to upgrade their skills, facilitating their integration into the labour market, combating social exclusion and poverty and enhancing the efficiency of public administrations. It will make more than €80 billion available to Member States in the 2014–20 period to help millions of Europeans improve their lives by learning new skills and finding better jobs.

European Globalisation Adjustment Fund

The European Globalisation Adjustment Fund (EGF) provides support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation, such as when a large company shuts down or production is moved outside the EU, or as a result of the global economic and financial crisis. It has a new regulation (8) in place for 2014–20 that broadens the categories of workers eligible to benefit from the fund. Thus, in addition to trade-related globalisation, global financial and economic crises are now also included as intervention criteria. Where regions of high youth unemployment are affected, Member States can, under certain conditions, also include NEETs as beneficiaries of EGF measures.

EUROPEAN GLOBALISATION ADJUSTMENT FUND

Overview of applications received in 2014

No	Member State	Case	Content	Application date	Member State amount (million €)	EGF amount (million €)	Beneficiaries (number of people)
EGF/2014/001	Greece	Nutriart	Food products	5.2.2014	4.1	6.1	1 013
EGF/2014/002	Netherlands	Gelderland and Overijssel	Construction of buildings	20.2.2014	1.1	1.6	475
EGF/2014/003	Spain	Aragon	Food and beverage service activities	21.2.2014	0.6	1.0	280
EGF/2014/004	Spain	Comunidad Valenciana metal	Metalworking industry	25.3.2014	0.7	1.0	300
EGF/2014/005	France	GAD	Slaughterhouse	6.6.2014	0.6	0.9	760
EGF/2014/006	France	PSA	Automotive	25.4.2014	8.5	12.7	2 357
EGF/2014/007	Ireland	Andersen Ireland	Jewellery	16.5.2014	1.0	1.5	276
EGF/2014/008	Finland	STX Rauma	Shipbuilding	27.5.2014	1.0	1.4	565
EGF/2014/009	Greece	Sprider Stores	Retail trade	6.6.2014	4.9	7.3	1 311
EGF/2014/010	Italy	Whirlpool	Domestic appliances	18.6.2014	1.3	1.9	608
EGF/2014/011	Belgium	Caterpillar	Machinery and equipment	22.7.2014	0.8	1.2	630
EGF/2014/012	Belgium	ArcelorMittal	Basic metals	22.7.2014	1.1	1.6	910
EGF/2014/013	Greece	Odyssefs Fokas	Retail trade	29.7.2014	4.3	6.4	1 100
EGF/2014/014	Germany	Aleo Solar	Manufacture of computer, electronic and optical products	29.7.2014	0.7	1.1	476
EGF/2014/015	Greece	Attica Publishing Services	Information and communication	4.9.2014	2.5	3.7	705
EGF/2014/016	Ireland	Lufthansa Technik	Repair and installation of machinery and equipment	19.9.2014	1.7	2.5	450
EGF/2014/017	France	Mory-Ducros	Transport and warehouse	6.10.2014	4.4	6.6	2 721
EGF/2014/018	Greece	Attica Broadcasting	Programming and broadcasting activities	4.9.2014	3.4	5.0	928
Total					**42.4**	**63.7**	**15 865**

In addition to financial support, the EU's quality framework for anticipation of change and restructuring (⁹) offers guidance on socially responsible change management practices to companies, workers, social partners and public administrations. The framework seeks to serve as a reference tool for businesses, trade unions and governments to help with better planning and investment in human capital, while at the same time minimising the social impacts of change.

Social investment package

The social investment package (SIP) (10) provided guidance to Member States on how to modernise their welfare systems to reach the Europe 2020 target of removing the risk of poverty and social exclusion for 20 million people. The SIP points the way forward in confronting structural challenges to the EU's welfare systems due to ageing societies, a shrinking working-age population and the need for more competitiveness in a globalised world. Policy reforms are required for early investment to prevent risks from increasing, to boost people's skills and capacities for participation in society and the economy and to achieve better social outcomes through more targeted spending on social policy. Progress in implementing the SIP has been made by some Member States.

The programme for employment and social innovation

Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, in office since 1 November, at the fourth Annual Convention of the European Platform against Poverty and Social Exclusion. Brussels, Belgium, 20 November.

The programme for employment and social innovation (EaSI) (11) is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. It is also a vehicle for promoting innovative and pilot projects at Member State level that can be tailored to the reality of each Member State.

The EaSI integrates and extends the coverage of three existing programmes: Progress (the programme for employment and social solidarity), EURES (European employment services) and the European Progress Microfinance Facility. It will enable the Commission to increase policy coherence and the impact of its instruments, which have common objectives, thus contributing to the Europe 2020 strategy for jobs and growth.

Fund for European Aid to the Most Deprived

The regulation on the new Fund for European Aid to the Most Deprived (FEAD) (12) was adopted in March. The fund gives Member States valuable support in their efforts to help Europe's most vulnerable people, who have been worst affected by the ongoing economic and social crisis. In real terms, over €3.8 billion has been allocated to the fund over the 2014–20 period. Member States are responsible for covering 15 % of the costs of their national programmes, with the remaining 85 % coming from the fund.

EURES reform

Set up in 1993, the European Employment Services (EURES) is a cooperation network between the Commission and the PES of the EU Member States, plus Iceland, Liechtenstein and Norway, and other partner organisations. It has more than 850 advisers who are in daily contact with jobseekers and employers across Europe.

A regulatory overhaul was proposed in 2014 (13) to improve the functioning of the network. The aim is to address imbalances in labour markets by increasing the exchange of information on job vacancies and CVs available throughout the EU, delivering a more accurate match between job vacancies and jobseekers, enabling the participation of a wider pool of labour market actors in EURES's activities (notably private employment services) and providing better-targeted mobility support services to employers and jobseekers.

Decision on public employment services

National PES have a crucial role to play in helping unemployed people in Europe to get a job. A decision ([14]) on ways to improve cooperation between European PES entered into force in June and established a new operating and governing structure for the Network of European PES as of September.

Directive on supplementary pension rights

The new directive ([15]) adopted in 2014 improved the protection of mobile workers' supplementary pension rights by removing certain obstacles to free movement, such as the requirement for very long periods of employment to accrue pension rights or the risk of the rights not being sufficiently protected after leaving a pension scheme.

Directive to improve enforcement of workers' rights

The Parliament and the Council adopted a new directive ([16]) to ensure the better application at national level of EU citizens' right to work in another Member State. The new rules, proposed by the Commission in April 2013, aim to bridge the gap between rights and reality and will make it easier for people working or looking for a job in another country to exercise their rights in practice. Member States have 2 years to implement the directive at national level. This directive provides, inter alia, that one or more bodies at national level will have responsibility for advising and providing support and assistance to EU workers, including jobseekers.

Posting directive

The Council has adopted new measures to better enforce EU rules currently in force on the posting of workers. The posting of workers enforcement directive ([17]) provides safeguards for posted workers' rights in practice and strengthens the legal framework for service providers. The directive helps to ensure that these rules are better applied in practice, especially in some sectors such as construction and road haulage where, for example, so-called letter-box companies (without any real economic activity in their home country) have been using false posting to circumvent national rules on social security and labour conditions. It also improves the protection of posted workers' rights by preventing fraud, especially in subcontracting chains where posted workers' rights are sometimes not respected.

Practical guide on the 'habitual residence test'

The Commission and the Member States worked together to clarify the 'habitual residence test' ([18]) to help national administrations apply EU rules on the coordination of social security for EU citizens and their families.

Education and training

Erasmus+

One of the highlights of the year was the launch and implementation of Erasmus+ (19), the new EU programme for education, training, youth and sport.

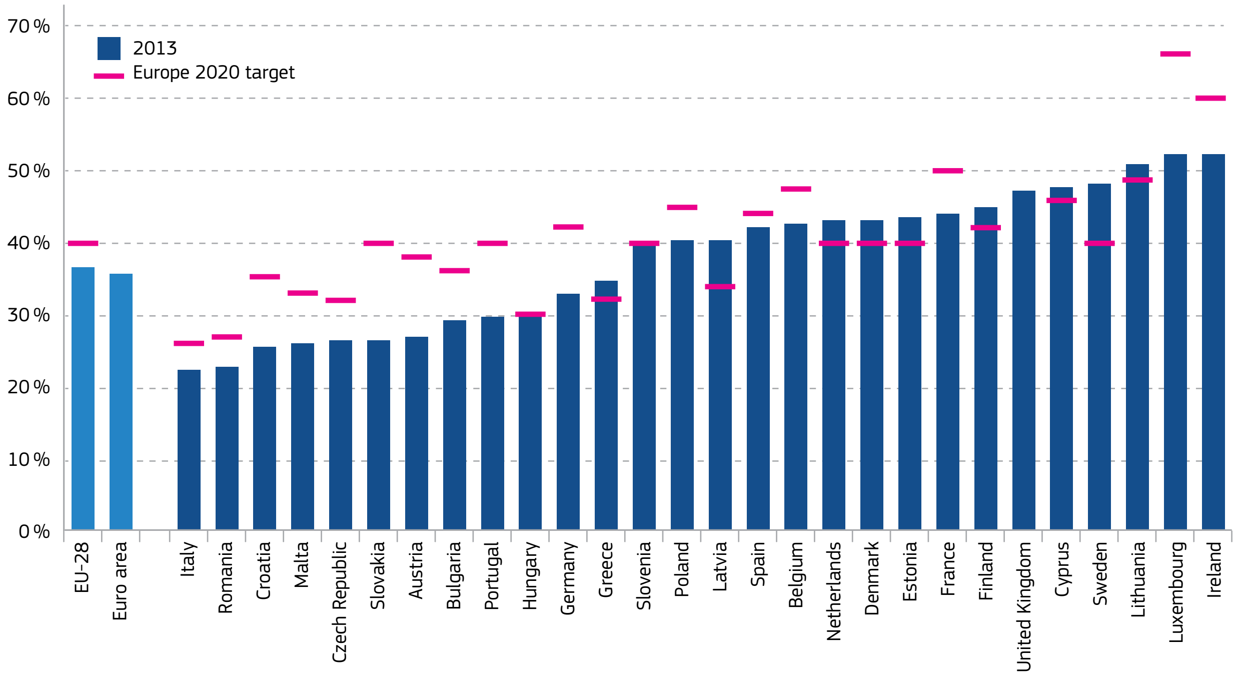
The programme integrates and expands previous funding streams for education, training, youth, Jean Monnet activities and sport, including the new master's student loan guarantee facility and the international dimension of higher education and youth cooperation. It will have a 40 % increase in its budget for the 2014–20 period compared with the last budgetary period, up to well over €16 billion.

The new programme cuts red tape and introduces simplified procedures.

Educational performance

The European Union's track record in respect of educational performance continued to improve, as evidenced by data published in 2014. There has been a strong expansion in the attainment of tertiary education, from 23.6 % in 2002 to 36.9 % in 2013 (target for 2020: at least 40 %). The share of early school leavers has been decreasing slowly but steadily, from 17 % in 2002 to 12 % in 2013 (target for 2020: below 10 %). Fifteen Member States have already met or exceeded their 2020 national targets for at least one of these two indicators of educational performance. Six of these Member States — Denmark, Cyprus, Latvia, Lithuania, Slovenia and Sweden — have already achieved or surpassed both targets.

SHARE OF POPULATION AGED 30–34 HAVING COMPLETED TERTIARY EDUCATION, 2013



No national target for the United Kingdom. The national target for Germany includes post-secondary non-tertiary education (International Standard Classification of Education 1997 (ISCED97 4)) and for Austria post-secondary non-tertiary education with programmes designed to provide direct access to the first stage of tertiary education (ISCED97 4A).

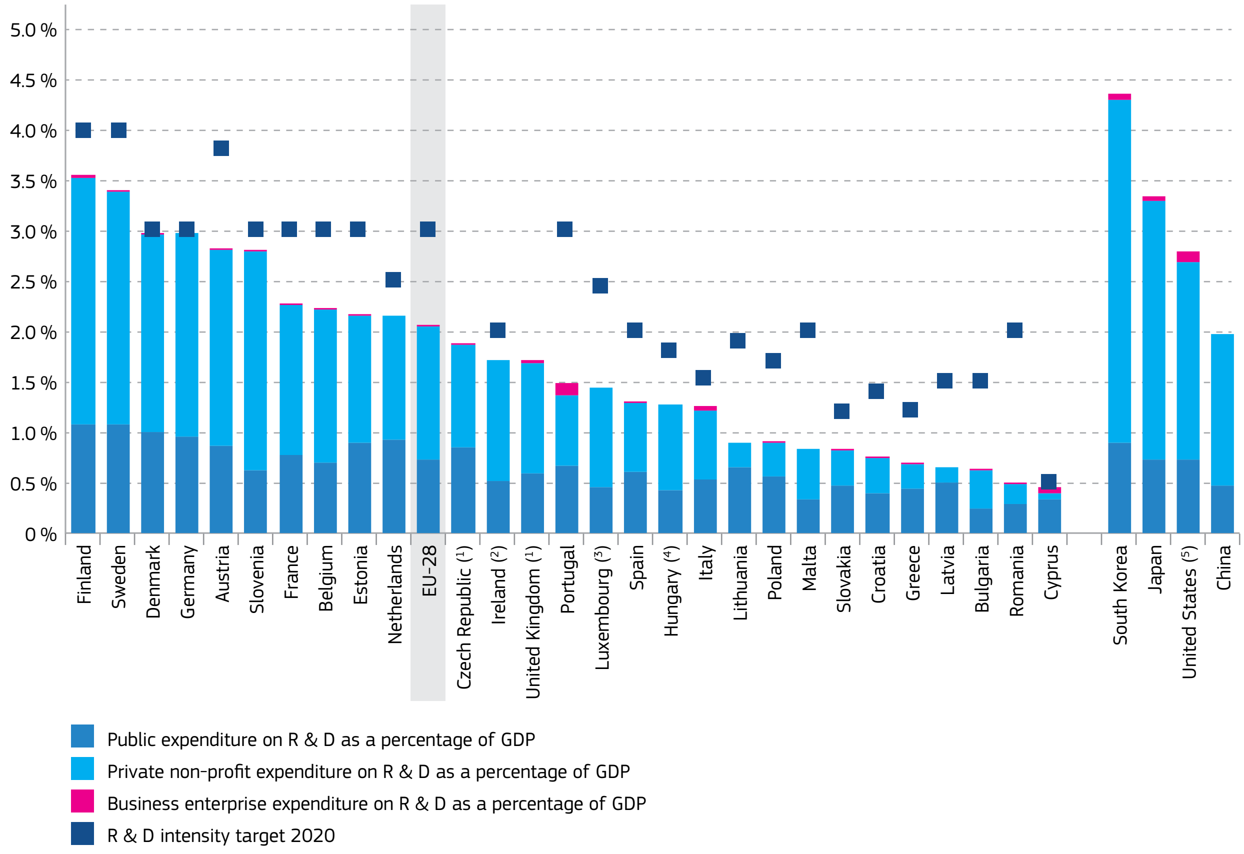
Source: Eurostat.

Research, innovation and science

Horizon 2020: the EU framework programme for research and innovation

Horizon 2020 ([20]) is the biggest EU research and innovation programme ever. It will lead to more breakthroughs, discoveries and world firsts by coupling research to innovation so as to take great ideas from the lab to the market. It is bringing together scientists and industry to boost growth and jobs and find solutions to big challenges, including climate change, energy security and health. The research and the innovations that follow will help improve lives, protect the environment and make European industry more sustainable and competitive. The programme is open to researchers from all over the world. It fosters their careers in Europe, structures their research training and promotes worldwide and cross-sector mobility, notably through the Marie Skłodowska-Curie actions. Almost €80 billion in funding is available from 2014 to 2020, most of it distributed across three priorities: excellent science, industrial leadership and tackling societal challenges. The rules and procedures are greatly simplified.

R & D INTENSITY BROKEN DOWN BY SECTOR AND BY COUNTRY, 2012, AND R & D INTENSITY TARGETS FOR 2020



(¹) Czech Republic, United Kingdom: no R & D intensity targets have been set; for the Czech Republic a target of 1 % is available only for the public sector.
(²) Ireland: the R & D intensity target is 2.5 % of GNP, which is estimated to be equivalent to 2.0 % of GDP
(³) Luxembourg: the R & D intensity target is between 2.30 % and 2.60 % of GDP (2.45 % was assumed).
(⁴) Hungary: the R & D intensity target breakdown does not add up to total R & D intensity.
(⁵) United States: (i) most or all capital expenditure is not included; (ii) government expenditure on R & D refers to federal or central government only.

Data: Eurostat, OECD, Member States.
Source: DG Research and Innovation — Unit for the Analysis and Monitoring of National Research Policies.

Since 2014 the European Institute of Innovation and Technology (EIT) has been an integral part of Horizon 2020, with a total budget of €2.7 billion. Through its knowledge and innovation communities (KICs) the EIT brings together more than 500 leading partners from business, higher education and research to spur innovation and entrepreneurship across Europe. In 2014 the EIT focused its efforts on consolidating and fostering economic growth, as well as the impact of the first three KICs addressing climate change, information and communications technology (ICT) and sustainable energy challenges.

EU–industry partnerships for innovation

Eleven partnerships with industry and Member States, worth more than €23 billion, will be launched under Horizon 2020 as part of the EU's innovation investment package. The EU's contribution of €9 billion will unlock €10 billion in investment from the private sector and €4 billion from Member States. Most of the funding will go to joint technology initiatives.

EU companies must boost investment in research and development to remain globally competitive

Investment in R & D by companies based in the EU grew by 2.6 % in 2013, despite the unfavourable economic environment. However, this growth has slowed in comparison to the previous year's 6.8 %. It is also below the 2013 world average (4.9 %) and lags behind companies based in Japan (5.5 %) and the United States (5 %).

Carlos Moedas, Commissioner for Research, Science and Innovation, in office since 1 November, presenting the 2014 EU industrial R & D investment scoreboard. Berlaymont building, Brussels, Belgium, 4 December.

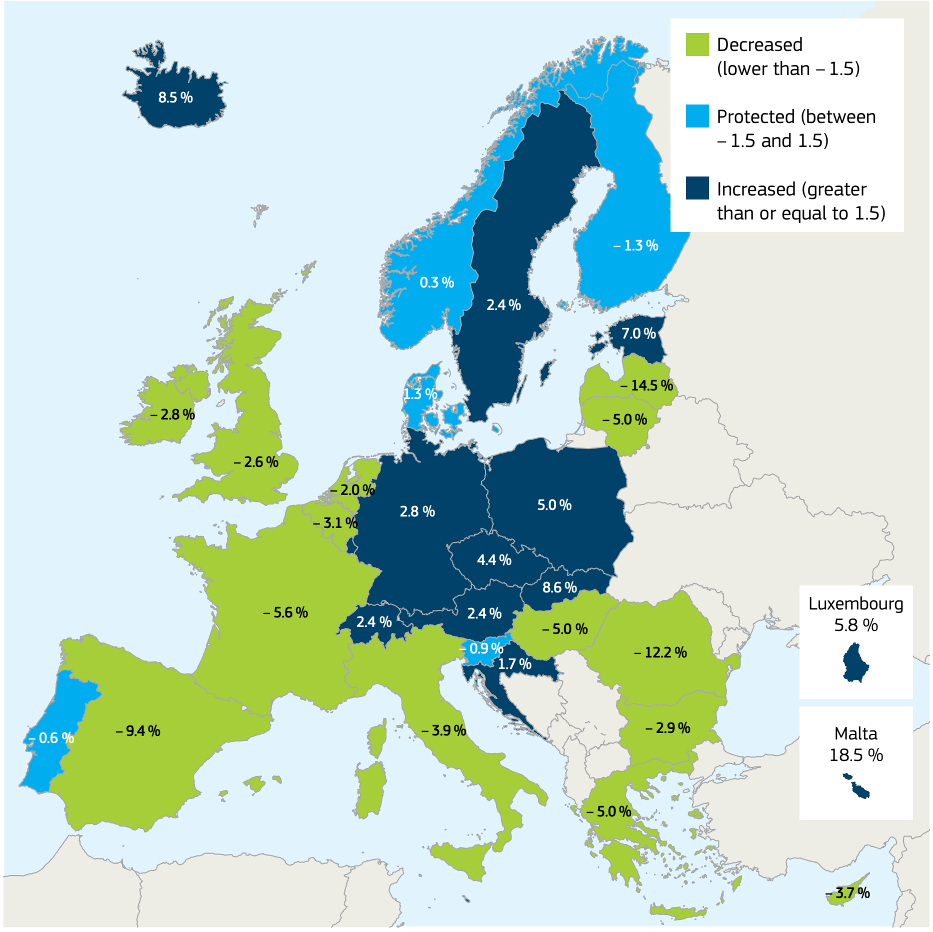
These results were published in the Commission's 2014 EU industrial R & D investment scoreboard (21), which analyses the top 2 500 companies worldwide, representing about 90 % of total business R & D expenditure. The data show that the 633 EU-based companies invested €162.4 billion in 2013, whereas the 804 US-based companies invested €193.7 billion and the 387 from Japan invested €85.6 billion.

New financial instruments for research and innovation

The Commission and the EIB Group launched a new generation of EU financial instruments and advisory services in June (22) to help innovative firms access finance more easily. Over the next 7 years it is expected that the 'InnovFin — EU finance for innovators' initiative (23) will make available more than €24 billion of financing for research and innovation by small, medium-sized and large companies and for research infrastructure.

TOTAL GOVERNMENT BUDGET APPROPRIATIONS OR OUTLAYS FOR RESEARCH AND DEVELOPMENT AS A PERCENTAGE OF TOTAL GENERAL GOVERNMENT EXPENDITURE

Annual average growth rate, 2008–12 (¹)



(¹) Croatia 2009–12, Switzerland 2008–10.

Data: Eurostat, DG Economic and Financial Affairs.
Source: DG Research and Innovation — Unit for the Analysis and Monitoring of National Research Policies.

The Commission highlights the impact of research and innovation on growth

In June the Commission published a communication (²⁴) to highlight the importance of research and innovation investments and reforms for economic recovery in the European Union. The communication also made proposals to help Member States maximise the impact of their spending at a time when many countries face budget constraints. The communication highlights three key areas of reform:

- improving the quality of strategy development and the policymaking process, bringing together activities for both research and innovation and underpinned by a stable multiannual budget that strategically focuses resources;
- improving the quality of research and innovation programmes, including cutting red tape and more competitive allocating of funding;
- improving the quality of public institutions performing research and innovation, including through new partnerships with industry.

Joint undertakings in electronics and robotics

The Commission launched transformative multi-billion euro partnerships to give Europe the global lead in the following fields.

- Electronics: ECSEL (Electronic Components and Systems for European Leadership) ([25]) is designed to boost Europe's electronics design and manufacturing capabilities. This initiative is the core of the electronics strategy for Europe ([26]), which aims to mobilise €100 billion in private investments and create 250 000 jobs in Europe by 2020.
- Robotics: SPARC (the Partnership for Robotics in Europe) ([27]) is the EU's industrial policy effort to strengthen Europe's position in the global robotics market, which amounts to €22 billion and is expected to grow to more than €60 billion by 2020. This initiative is expected to create over 240 000 jobs in Europe and to increase Europe's share of the global market to 42 % (a boost of €4 billion per year). The Commission will invest €700 million and euRobotics ([28]) €2.1 billion.

Big data

The Commission and Europe's data industry have signed a memorandum of understanding that commits them to invest in a public–private partnership (PPP) to strengthen the data sector and put Europe at the forefront of the global data race. The EU has earmarked over €500 million of investment from Horizon 2020 over 5 years (2016–20), which private partners are expected to match at least four times over. The PPP, due to start on 1 January 2015, is one of the first outcomes of the Commission's recent policy and action plan to accelerate the development of Europe's data-driven economy ([29]). Mastering big data could mean up to 30 % of the global data market for European suppliers, 100 000 new data-related jobs in Europe by 2020, 10 % better healthcare outcomes and more productive industrial machinery.

European research area

The European research area (ERA) progress report ([30]) published by the Commission in September assesses progress made on the ERA priorities in Member States and some associate countries. There is a new dimension to the 2014 report in that it presents the new ERA-related policies introduced by Member States and assesses the degree to which they are being implemented.

There are many ways of implementing the ERA, but it is most effective when there is a national framework in place. This is why the Commission continues to support and encourage Member States and research stakeholders when implementing ERA reforms and key actions as part of the European semester process.

Nobel prizes abound for EU-funded researchers

No fewer than four out of the six Nobel Prize categories featured one or more EU-funded researchers in 2014.

The Nobel Prize in Chemistry was shared by an EU-funded chemist, Professor Stefan W. Hell, who was awarded a post-doctoral individual fellowship in 1996 for this project under the fourth framework programme (1994–98).

The Nobel Memorial Prize in Economic Sciences was awarded to Professor Jean Tirole for his work on examining competition and analysing how large companies should be regulated to prevent monopolistic behaviour and protect consumers. Professor Tirole received a 5-year European Research Council (ERC) advanced grant in 2009.

For the Nobel Prize in Physics there was a collaboration between prize-winner Dr Hiroshi Amano and the Marie Curie Initial Training Network project 'Hybrid photonics where different classes of emitting materials are combined in nanostructures to produce energy-efficient lighting devices', in 2011.

One half of the Nobel Prize in Physiology or Medicine was awarded to John O'Keefe and the other half jointly to May-Britt Moser and Edvard I. Moser for their discovery of cells that constitute a positioning system in the brain. Both May-Britt Moser and Edvard Moser are recipients of ERC grants, and all three have participated in EU-funded research projects.

European Union Contest for Young Scientists

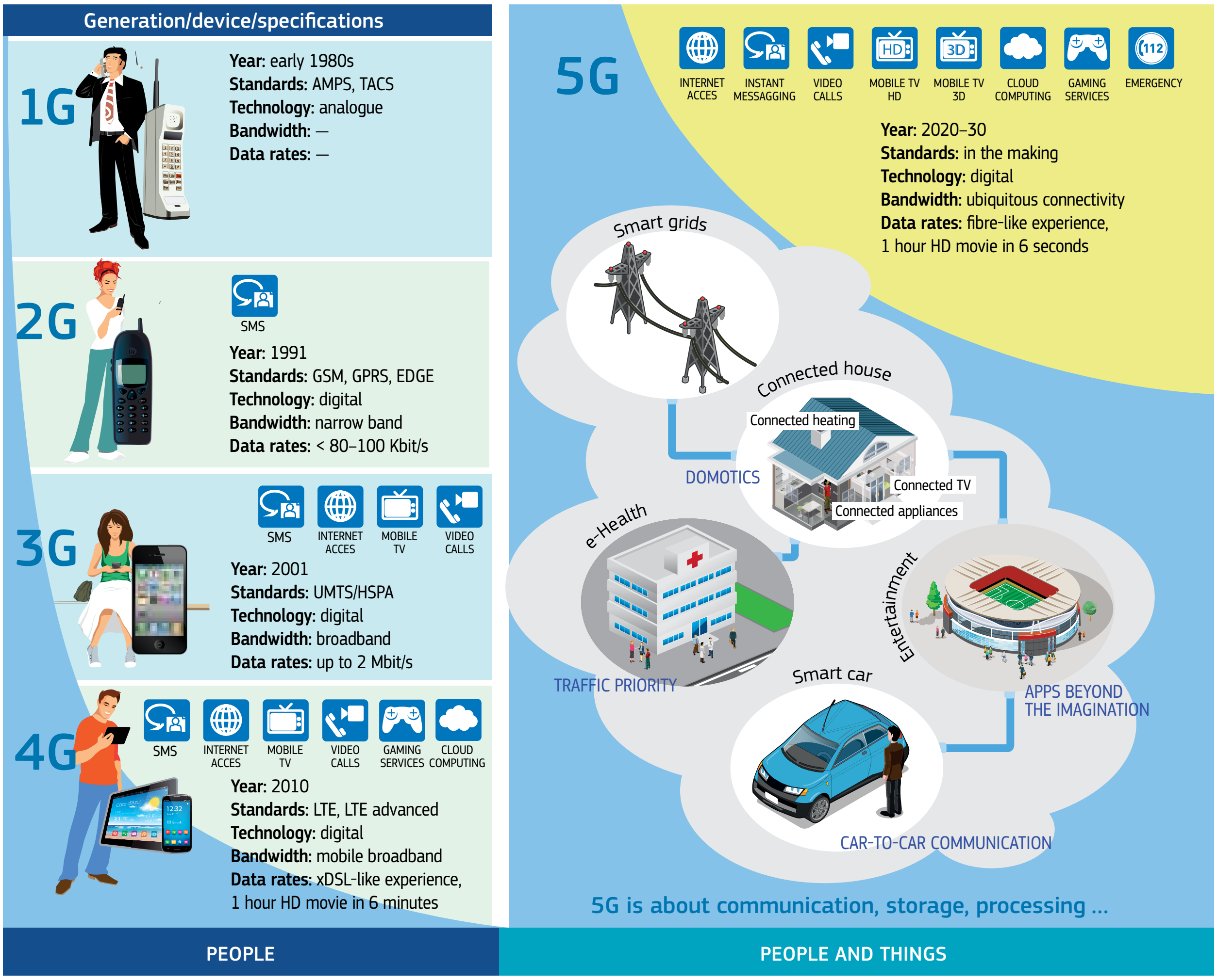
The 2014 edition of the European Union Contest for Young Scientists took place in Warsaw, Poland, in September 2014.

This year the contest included 77 projects from a plethora of scientific fields (biology, chemistry, computing, engineering, the environment, materials, mathematics, medicine, physics and social sciences). Some 110 young scientists (41 girls and 69 boys) from 36 countries participated in this, the 26th contest. Prizes included a week at the Commission's in-house science service, the Joint Research Centre (JRC), visiting the laboratories and working with the scientists.

5G

In June the Commission and South Korea signed a landmark agreement on 5G mobile technology. This is new network technology and infrastructure that will bring the capacities needed to cope with the massive growth in the use of communication and wireless technologies by humans and by machines. 5G won't just be faster, it will bring about new functionalities and applications with high social and economic value. The two parties agreed to work towards a global definition of 5G and to cooperate in 5G research. They also agreed on the need for a harmonised radio spectrum to ensure global interoperability and on the preparation of global standards for 5G.

MOBILE COMMUNICATIONS: FROM 1G TO 5G



Generation/device/specifications

1G

Year: early 1980s
Standards: AMPS, TACS
Technology: analogue
Bandwidth: —
Data rates: —

2G

Year: 1991
Standards: GSM, GPRS, EDGE
Technology: digital
Bandwidth: narrow band
Data rates: < 80–100 Kbit/s

3G

Year: 2001
Standards: UMTS/HSPA
Technology: digital
Bandwidth: broadband
Data rates: up to 2 Mbit/s

4G

Year: 2010
Standards: LTE, LTE advanced
Technology: digital
Bandwidth: mobile broadband
Data rates: xDSL-like experience,
1 hour HD movie in 6 minutes

5G

Year: 2020–30
Standards: in the making
Technology: digital
Bandwidth: ubiquitous connectivity
Data rates: fibre-like experience,
1 hour HD movie in 6 seconds

5G is about communication, storage, processing …

PEOPLE

PEOPLE AND THINGS

Source: European Commission.

European Business Awards for the Environment

DONIA, a runner-up project in the business and biodiversity category of the European Business Awards for the Environment, uses a smartphone application to allow yacht captains to position their boats so as to avoid anchoring in seagrass beds. This helps to conserve *Posidonia oceanica*, a key part of the ecosystem in the Mediterranean Sea.

Growing numbers of businesses realise that protecting the environment is vital to Europe's competitiveness. The biennial European Business Awards for the Environment recognise these pioneers, singling out business leaders and companies at the forefront of eco-innovation in five categories.

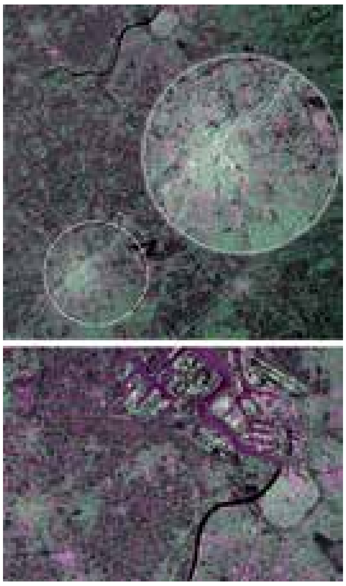
Space programmes

The launch in April of a Copernicus satellite was a major milestone for the EU's Earth observation programme (31). Thanks to Sentinel 1A, the first of a constellation of satellites, data will be provided to enable considerable progress in improving maritime security, climate change monitoring and providing support in emergency and crisis situations. For example, the Copernicus emergency management service was able to provide maps to help respond to flood damage in Bulgaria and forest fires in Sweden and information to help mitigate the risk of oil spills during the removal of the wrecked *Costa Concordia* ship in Italy.

Industrial policy and small and medium-sized enterprises

Industrial policy plan

The key message of the industrial policy communication (32) was a call for Member States to recognise the central importance of industry for creating jobs and growth and to mainstream industry-related competitiveness concerns across all policy areas. The Commission also called on the Parliament and the Council to adopt proposals on energy, transport, space and digital communications networks, as well as to implement and enforce legislation to complete the internal market. Industrial modernisation ought to be pursued by investing in innovation, resource efficiency, new technologies, skills and access to finance, accelerated by the use of dedicated EU funds. The communication promotes a more business-friendly Europe through actions to simplify the legislative framework and to improve the efficiency of public administration at EU, national and regional levels. Easier access to non-EU markets through the harmonisation of international standards, open public procurement, patent protection and economic diplomacy are also key issues. In response, the March European Council (33) acknowledged the need for mainstreaming industry competitiveness concerns.



Some of the first images from the new Copernicus Earth observation satellite. The zoom above shows Brussels, Belgium. The zoom below focuses on the city of Antwerp, while colour differences provide information on the current of the river Scheldt: the rising tide in the estuary is shown in purple, while the normal course of the river is dark blue.

Green action plan for small and medium-sized enterprises

The Commission has adopted a green action plan for SMEs (34), recognising the significant extra employment potential offered by SMEs focusing on activities that favour a better environment while generating increased growth. The action plan presents a series of SME-oriented actions proposed at European level to help exploit the business and employment opportunities that the transition to a green economy offers, notably by improving the resource efficiency of European SMEs, supporting green entrepreneurship, exploiting the opportunities provided by greener value chains and facilitating market access for green SMEs.

SME representatives at a business-to-business networking event in La Louvière, Wallonia, Belgium, on 18 February.

Defence industry roadmap

The Commission has adopted a detailed roadmap (35) with concrete actions and timelines for the areas defined in the July 2013 proposals on the defence and security sector. It includes a broad variety of actions from different policies, including the internal market, exploiting the dual-use potential of research and reinforcing innovation, the development of capabilities, space and defence industries, the application of EU energy policies and support instruments in the defence sector and maximising access to non-EU markets.

Cutting red tape in the internal market

The Parliament voted in favour of the Commission proposal (36) to make the internal market leaner for eight industry sectors, i.e. lifts, electrical and electronic equipment, simple pressure vessels, non-automatic weighing instruments, measuring instruments, explosives for civil uses, equipment used in explosive atmospheres and products which cause electromagnetic disturbances. The initiative is part of a general effort to align industrial product rules to a common set of principles, thus avoiding sectoral fragmentation and conflicting or overlapping requirements for products governed by more than one piece of legislation. More coherent rules across all product sectors will lower compliance costs for businesses, especially SMEs.

Pharmaceutical sector strategy

The EU pharmaceutical industry is of strategic importance for the European economy due to its status as a long-term worldwide growth market, its annual output of €220 billion, its approximately 800 000 employees and the EU's position as the world's major trader in medicinal products. The Commission has launched a public exchange of views to help formulate policy to strengthen the competitiveness of the industry. Major policy areas for the future include setting priorities for new therapies, fostering public–private cooperation, facilitating the availability of specific medicines (like orphan drugs or biosimilars), fostering ethics, improving access to medicines worldwide and reinforcing the presence of the European pharmaceutical industry globally.

Circular economy — green growth

In July the Commission made proposals ([37]) to put Europe on the path towards a more circular economy and boost recycling in the Member States. The new vision is for a circular economy in which value-maximising reuse, repair and recycling become the norm, so that waste from one process becomes a resource in another.

The new Commission plans to withdraw the package in order to replace it in 2015 with a more ambitious proposal to promote a circular economy.

More financing for small and medium-sized enterprises

SMEs in Europe can now access to up to €25 billion of additional finance as a result of an agreement between the Commission and the European Investment Fund (EIF). The agreement paves the way for the EIF to provide equity and debt financing for SMEs under the COSME programme. Thanks to the €1.3 billion allocated in the COSME budget for SME financing, it will be possible for SMEs to mobilise up to €25 billion from financial intermediaries via leverage effects. This is an important part of the EU's response to overcome the well-known difficulties that SMEs face in obtaining access to credit.

Regional and cohesion policy

The Union's regional policy is underpinned by two major funds.

- The ERDF co-finances investments and operates in all Member States; this fund is heavily concentrated in the regions with the lowest GDP per head.
- The Cohesion Fund co-finances transport and environment projects in Member States with a gross national product of less than 90 % of the EU average.

In total these funds (including the ESF), which comprise the EU's cohesion policy, are worth €351.8 million (in current prices) for the period between 2014 and 2020. They represent a major investment from the Union's budget in developing infrastructure, generating growth and supporting employment.

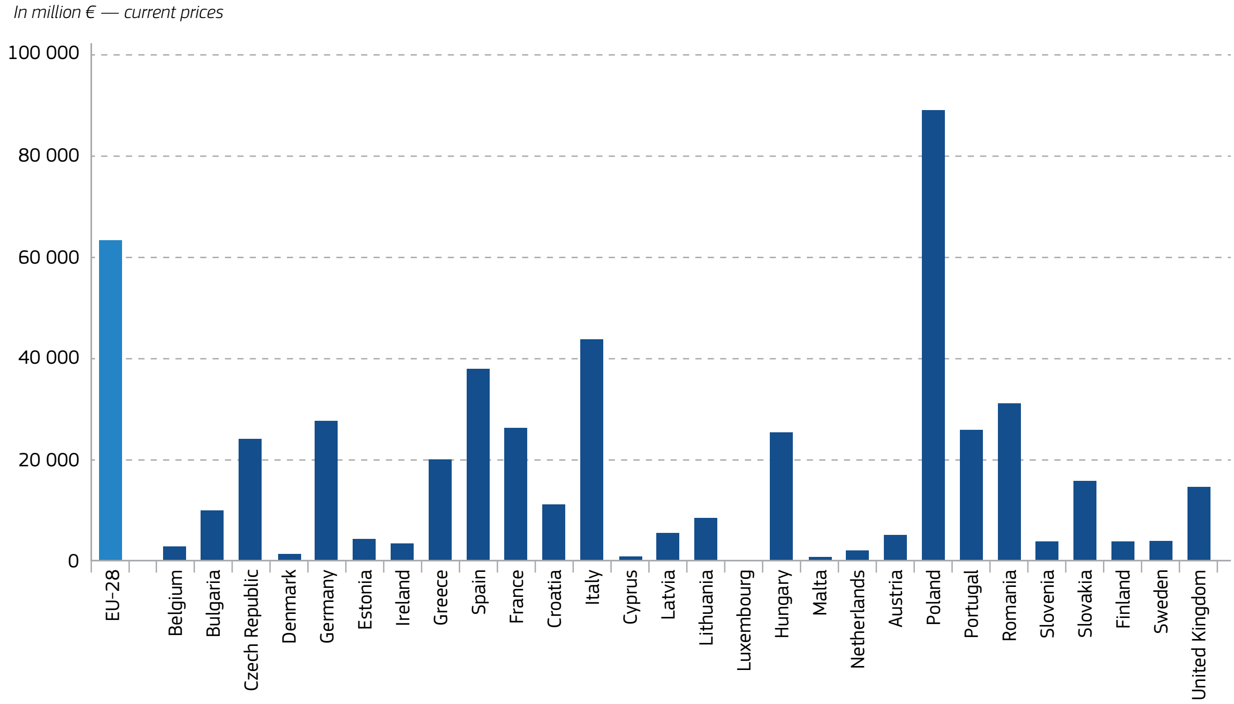
Corina Crețu, Commissioner for Regional Policy, in office since 1 November, attending the 104th plenary session of the Committee of the Regions, held in Brussels, Belgium, on 4 December. She confirmed that the new European Fund for Strategic Investments will complement cohesion funding.

Partnership agreements

Partnership agreements (38) submitted by individual EU countries and approved by the Commission set out the national authorities' plans on how to use funding from the ESIFs between 2014 and 2020. They outline each country's strategic goals and investment priorities, linking them to the overall aims of the Europe 2020 strategy for smart, sustainable and inclusive growth (39). Partnership agreements require both the Member State and the Commission to collaborate and coordinate with a view to maximising the impact of the EU's investment. All 28 partnership agreements were adopted by early November. In total, more than €453 billion will be invested by the Member States.

PARTNERSHIP AGREEMENTS — TOTAL EUROPEAN STRUCTURAL AND INVESTMENT FUNDS BREAKDOWN PER MEMBER STATE

Breakdown by category of allocations subject to transfers between categories at the request of the Member States



Note: Totals excluding the transfers to the Connecting Europe Facility and the Fund for European Aid to the Most Deprived.

Almost 200 of the 310 expected investment for growth and jobs programmes (under the ERDF, the ESF and the Cohesion Fund) have been adopted. The operational programmes are designed by the Member States and regional authorities and then discussed with and approved by the Commission.

Solidarity Fund

In June the revised EU Solidarity Fund regulation (40) entered into force. Its main objective is to facilitate faster and simpler use of the fund. The new legislation will lead to more rapid aid payments, in particular through the introduction of advance payments upon request. This will allow for faster reaction and swifter presence in areas affected by disasters.

EU–EIB project bond initiative

The project bond initiative is a joint initiative by the Commission and the EIB. Its objective is to stimulate capital market financing for large-scale infrastructure projects in the sectors of transport (trans-European transport network — TEN-T), energy (trans-European energy network — TEN-E) and ICT. It is estimated that the European Union's infrastructure investment requirements in order to meet the Europe 2020 objectives in these sectors could be as much as €2 trillion.

The project bond initiative is designed to enable the promoters of eligible infrastructure projects, usually PPPs, to attract additional private finance from institutional investors such as insurance companies and pension funds.

The third project bond — first greenfield project bond transaction

Financing for the A11 motorway project in Belgium was successfully concluded in March. The project is both the first greenfield PPP project and the first transport deal supported under the project bond initiative. It entails the construction of a 13 km two-lane highway that will connect the N31 at Bruges to the N49 at Knokke, and approximately 90 civil structures, including three tunnels, a 1 km-long viaduct and two twin drawbridges. Construction began in March and is scheduled to take 3 years. It is being financed through a €578 million project bond and an equity participation of €80 million.

The fourth project bond — first telecommunication transaction

The first project bond-financed transaction in the broadband sector was signed in July 2014. The project promoter is Axione Infrastructures, a French infrastructure company that holds 12 long-term concession agreements with local authorities to design, roll out, finance, operate, maintain and provide wholesale broadband network services to Internet service providers in rural France under the public initiative networks framework.

The fifth project bond — first transaction in Germany

In August the financing of the extension of the A7 motorway in Germany received support from the project bond initiative. The 65 km-long motorway section between Bordesholm and Hamburg will be widened from four to six lanes. This will ease traffic bottlenecks on the main road linking Denmark and Germany. The works are expected to last 4 years, up to 2018, and will be carried out without suspending traffic. Bond financing of €429 million was raised for the project, with the support of €89 million of project bond credit enhancement backed by the Commission and the EIB.

Justice for growth

The effectiveness of national justice systems is crucial for establishing an attractive business environment and for achieving sustainable growth. For this reason, improving the quality, independence and efficiency of the justice system is a priority for the European semester, the yearly exercise of economic policy coordination. In 2014, following a proposal from the Commission ([41]), the Council addressed country-specific recommendations in the area of justice to 12 Member States as part of the European semester ([42]). Implementing and reaping the benefits of structural justice reforms takes time and it is important that these efforts are pursued with determination.

Insolvency law reform

At the end of 2014 the European Union agreed on modernised rules for cross-border insolvencies that would help foster a rescue and recovery culture in Europe and help boost entrepreneurship, growth and job creation in the EU in a difficult economic climate. The modernised insolvency regulation ([43]) will make cross-border insolvency proceedings more efficient and effective. In addition, in March 2014 the Commission adopted a recommendation on a new approach to business failure and insolvency ([44]). The recommendation asks Member States to allow businesses to address their financial difficulties at an early stage and to help them restructure their business, shifting the focus away from liquidation while protecting the right of creditors to get their money back. Every year in the EU cross-border insolvency proceedings affect an estimated 50 000 companies, putting 1.7 million jobs at risk. About one in four bankruptcies in the EU have a cross-border element.

Interconnection of insolvency registers

The modernised European insolvency laws (see above) would make it obligatory (48 months after adoption) for Member States to publish key information on insolvency proceedings in electronic insolvency registers. In July the Commission launched a pilot project with seven Member States for the EU-wide interconnection of national insolvency registers, with other Member States expected to join at a later stage.

European account preservation order

In May the Council adopted new rules ([45]) to make it easier for creditors to recover claims with a cross-border element. The objective is to help SMEs recover cross-border debt (about 1 million SMEs in Europe face problems with cross-border debt).

Common European sales law

The proposed common European sales law (46) seeks to contribute to economic growth by reducing contract-law obstacles between Member States and increasing consumers' trust in cross-border trade, in particular for the digital single market. At the end of 2014 the Commission announced its intention to present a modified proposal in 2015 in order to fully unleash the potential of e-commerce in the digital single market.

EU justice scoreboard

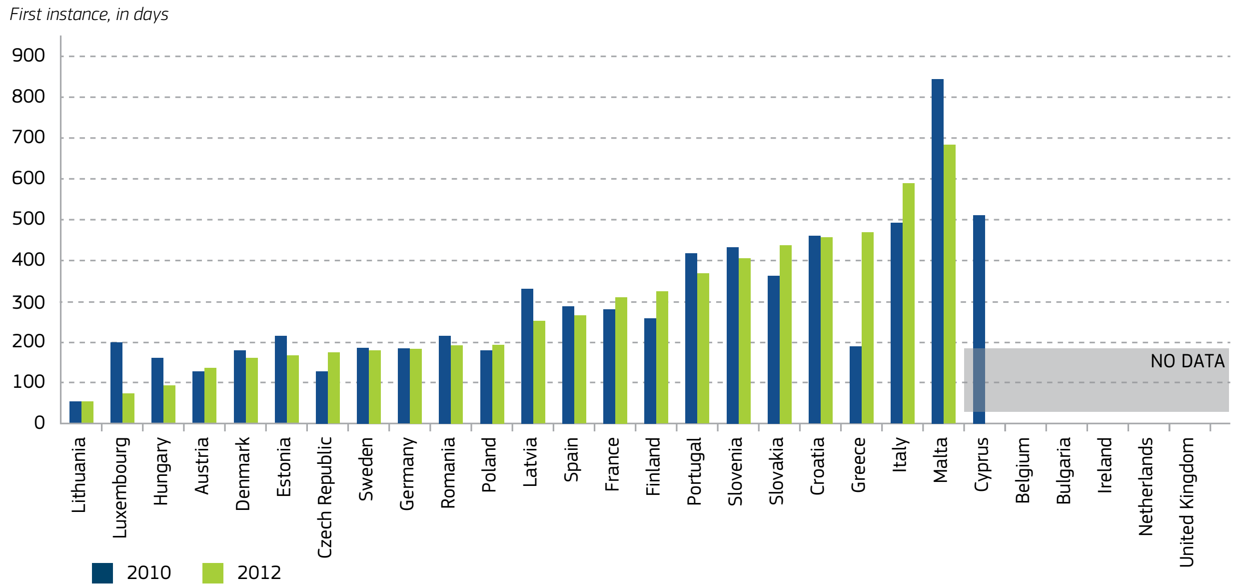
The EU justice scoreboard (47), an information tool that presents objective, reliable and comparable data on the justice systems in the Member States, was in its second year in 2014. Its objective is to promote the quality, independence and efficiency of justice systems in the European Union. Improving the effectiveness of national justice systems contributes to restoring economic growth in the Union and is crucial for the implementation of EU law and for the strengthening of mutual trust.

The 2014 scoreboard looks at the same indicators as in 2013, while also drawing on some additional sources of information, as shown below.

- Efficiency of justice systems: indicators include the length of proceedings, the clearance rate and the number of pending cases.

TIME NEEDED TO RESOLVE LITIGIOUS CIVIL AND COMMERCIAL CASES

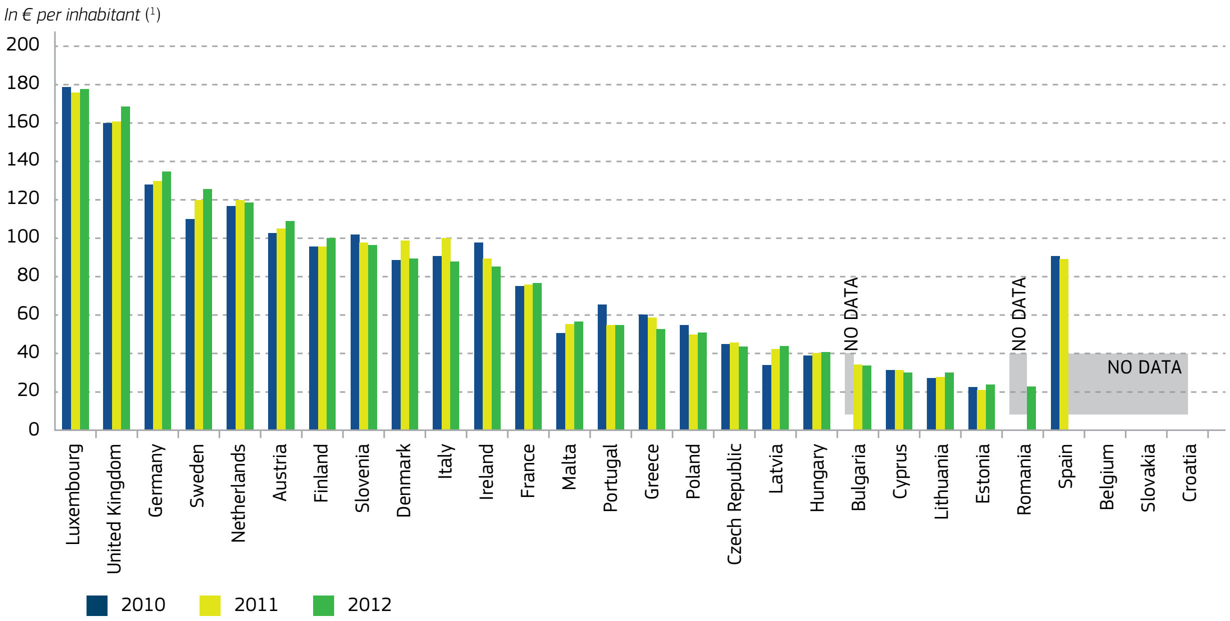
In accordance with the methodology of the European Commission for the Efficiency of Justice, litigious civil (and commercial) cases concern disputes between parties, for example disputes regarding contracts. The length of proceedings expresses the time (in days) needed to resolve a case in court, that is the time taken by the court to reach a decision at first instance. The 'disposition time' indicator is the number of unresolved cases divided by the number of resolved cases at the end of a year multiplied by 365 days.



Source: CEPEJ study.

- Quality: indicators include the compulsory training of judges, the monitoring and evaluation of court activities, the budget and human resources allocated to courts and the availability of ICT and of alternative dispute resolution methods.

GENERAL GOVERNMENT TOTAL EXPENDITURE ON LAW COURTS



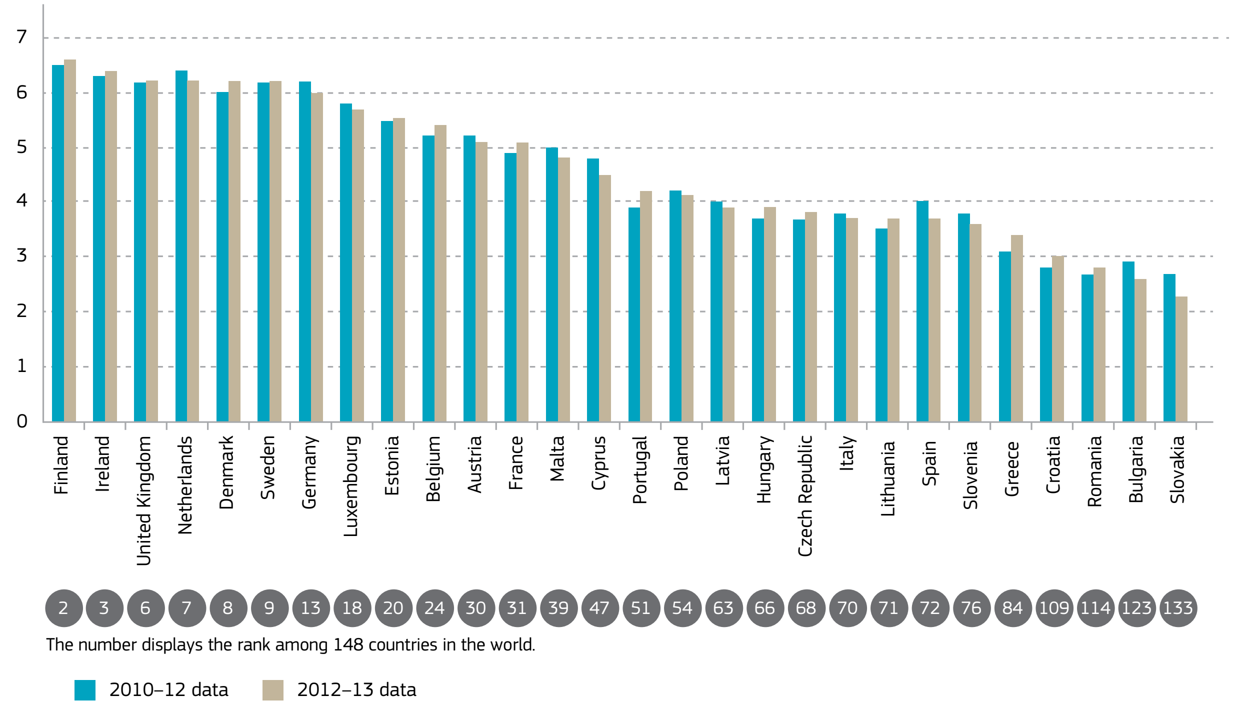
(1) This figure presents general government total (actual) expenditure on courts.

Source: Eurostat.

- Independence: the scoreboard presents data on the perceived independence of the justice system. In addition, the 2014 scoreboard provides the first general comparative overview of how national justice systems are organised to protect judicial independence in certain types of situation in which it may be at risk. It looks, for example, at legal safeguards against the transfer or dismissal of judges.

PERCEIVED JUDICIAL INDEPENDENCE

The World Economic Forum indicator is based on survey answers to the question 'To what extent is the judiciary in your country independent from the influences of members of government, citizens or firms?' Responses came from a representative sample of firms in all countries representing the main sectors of the economy (agriculture, manufacturing industry, non-manufacturing industry and services).



Higher value means better perception.

The number displays the rank among 148 countries in the world.

Source: World Economic Forum.

Consumer protection

Entry into force of the consumer rights directive

The new EU consumer rights directive (48), which has applied in all Member States since June, strengthens consumer rights by giving consumers the same rights across the EU while striking the right balance between consumer protection and business competitiveness. The directive provides for a complete set of rules for distance (including online) and off-premises contracts (such as contracts concluded at the consumer's doorstep). More detailed rules on information and on the right to withdraw are laid down for such contracts. In addition, the directive provides for specific rules protecting consumers against cost traps and pre-ticked boxes on the Internet, and bans charges for helplines and excessive surcharges for the use of credit cards. On the date of application the Commission issued a guidance document to help enforcement authorities and businesses to apply the directive. A model for the provision of information for digital products, to guide industry on how to display information (notably in relation to the interoperability and functionality of digital content), was annexed to this document.

Consumer rights awareness campaign, 2014.

In-app purchases

Major platforms selling online and mobile games have changed their commercial practices as a result of common enforcement action under the consumer protection cooperation regulation (49). This action increased the transparency of pre-sales information for consumers, in particular as regards the availability of in-app purchases in mobile and online games; put in place measures against direct exhortations to children to make purchases within such games; clarified payment terms and settings to reduce the risk of inadvertent purchases; and improved the possibility for consumers to contact traders. The action raised consumer awareness about the risks of in-app purchases within 'free' apps.

Tenth anniversary of RAPEX

For 10 years the EU's Rapid Alert System for Non-food Dangerous Products (RAPEX) has guarded consumers against unsafe non-food products. It links the Member States, the European Economic Area countries and the Commission, and its role is to rapidly disseminate information on dangerous products and national enforcement actions taken. This results in the earlier identification and earlier removal from EU markets of products that pose a danger to consumers. Since its establishment, RAPEX has undergone a continued and steady expansion in terms of alerts received and follow-up actions undertaken in response to such alerts. From around 200 notifications 10 years ago, RAPEX now receives and distributes more than 2000 notifications on a yearly basis.

Passenger rights

The European regulations on passenger rights (50) are among the most visible and well-known consumer protection rules in Europe. The ongoing revision of air passenger rights aims at fine-tuning and clarifying these rights and ensuring their better application and enforcement. In February the Parliament expressed its support for these key objectives in its first-reading opinion (51). In particular, the Parliament backed proposals (52) to strengthen the monitoring of airlines and to give passengers more out-of-court means to enforce their rights when their travel plans are disrupted. The proposal continues to be discussed in the Council.

'EU stop fakes' campaign

To inform citizens about the dangers to health and the economy of buying fake products, the Commission intensified its 'EU stop fakes' campaign (53) in 2014. Considerable progress was made in gaining the attention of high-level experts and policymakers, as well as the general public.

Safety of children's toys

The limit values for certain chemicals in children's toys were changed. This was part of the Commission's efforts to improve the safety of toys and, at the same time, seek to cut red tape for the toy sector where possible. The amendments introduced limit values for bisphenol A and Tris (54), and extended an existing exemption for nickel.

Product safety and market surveillance

In 2014 the Parliament approved a Commission proposal (55) for new rules to improve the safety of consumer products circulating in the EU's internal market, including those imported from outside the EU, and also to step up market surveillance concerning all non-food products.

An open and fair internal market

Reinforcing the internal market

Internal market for industrial products

The Commission has issued a call to the Parliament, the Council and the Member States to adopt and/or enforce those initiatives related to the integration and completion of the internal market that are currently suffering delays (56). These initiatives mainly relate to the integration of networks such as transport, energy and ICT. The Commission took stock of recent developments in the field of legislation on industrial products and set out a broader vision for the decade ahead. One important issue is how to deal with the technological and societal challenges of the 21st century while taking into account European industry's demand for periods of regulatory stability without any major overhaul of the rules. In the short term the Commission decided to focus its efforts on strengthening enforcement mechanisms.

Public procurement

New improved rules in force

The revised public procurement directives (57) and the new directive on the award of concessions (58) entered into force in April. These directives constitute one of the 12 priorities of the Single Market Act I.

The new rules have three main objectives: simplification, flexibility and legal certainty. Through this reform, public authorities can optimise their use of public procurement, which, at nearly 19 % of European GDP, is a key driver of the economy. Thus the simplification and greater flexibility of procedures and their adaptation to better serve other public-sector policies, along with the possibility of the best quality–price ratio (value for money), will make public procurement more efficient and more strategic, respecting the principles of transparency and competition to the benefit of both public purchasers and economic operators. The rules on concessions will create a common framework for a major tool of public management in Europe, thus contributing to the conditions set out for stimulating investment in major public services of the future.

E-invoicing

The Commission's proposal to modernise EU rules on e-invoicing in public procurement was adopted by the Council in April, and the new directive (59) entered into force in May.

The benefits of the directive are numerous: it will contribute to eliminating barriers to cross-border public procurement by ensuring interoperability between national e-invoicing systems, which ultimately will result in a better-functioning single market; it will mean faster payments and new business opportunities for suppliers; and it will further reduce the cost and complexity of public procurement in Europe.

In practice the directive calls for the development of a new European standard for electronic invoicing. Provided that the e-invoices sent by a company are compliant with the forthcoming European standard on e-invoicing in public procurement, they will ultimately be accepted by all public authorities throughout Europe.

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 adoption of e-invoicing in public procurement alone across the EU could generate savings of up to €2.3 billion a year.

Michel Barnier, Commissioner for Internal Market and Services until 31 October, introduces the Commission's package of measures aimed at improving the corporate governance of around 10 000 companies listed on the stock exchanges of Member States. Brussels, Belgium, 9 April.

Revision of the shareholder rights directive

Corporate governance and company law are essential to ensure that companies are well governed and sustainable in the long term and therefore have an important role to play in the long-term financing of the European economy.

In April the Commission adopted measures to improve the corporate governance of around 10 000 companies listed on Europe's stock exchanges. These will contribute to the competitiveness and long-term sustainability of these companies. Other proposals will also provide cost-efficient company law solutions for SMEs that operate across borders.

The proposal (60) to revise the existing shareholder rights directive (61) tackles corporate governance shortcomings relating to listed companies and their boards, shareholders (institutional investors and asset managers), intermediaries and proxy advisers (i.e. firms providing services to shareholders, notably voting advice). Too often, as the financial crisis showed, shareholders supported managers' excessive short-term risk-taking and did not closely monitor the companies in which they invested.

The proposal would both make it easier for shareholders to use their existing rights over companies and enhance those rights where necessary. This would help to ensure that shareholders would be more engaged, would hold the management of the company more to account and would act in the long-term interests of the company. A longer-term perspective creates better operating conditions for listed companies and improves their competitiveness.

Commission recommendation on the quality of corporate governance reporting ('comply or explain' principle)

The recommendation (62) aims at improving corporate governance reporting by listed companies in general. Most corporate governance is soft law. It is therefore essential that the 'comply or explain' approach, whereby a company that chooses to depart from the applicable corporate governance code must give reasons for the departure, works well. This approach offers companies an important degree of flexibility, as it recognises that, in certain circumstances, non-compliance with some recommendations might correspond better to the company's interest than 100 % compliance with the code. However, companies that depart from the applicable corporate governance code often fail to provide appropriate explanations for the departure, which makes it more difficult for investors to take informed investment decisions.

Elżbieta Bieńkowska, Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs, in conversation with Tibor Navracsics, Commissioner for Education, Culture, Youth and Sport, both in office since 1 November, at the weekly meeting of the College in the Berlaymont building, Brussels, Belgium, on 12 November.

Single-member companies directive

Today, SMEs face too many obstacles that hamper their economic activities within the single market. From the perspective of company law, they often find it costly and difficult to do business across borders. Only a small number of SMEs (2 %) invest in and establish subsidiaries abroad.

The proposed directive on single-member private limited liability companies (63) tackles these obstacles as it would standardise requirements for the creation of companies with a single shareholder. It would remove the burdensome process of registering subsidiaries and make it easier for SMEs to operate across the EU.

Internal transport market

Connecting Europe Facility

One of the major innovations of the budgetary period from 2014 to 2020 is the creation of the Connecting Europe Facility for the trans-European networks in the fields of transport, energy and telecommunications, with a budget of more than €33 billion over 7 years.

Out of an allocation of €33.2 billion, some €26.2 billion (including €11.3 billion to be transferred from the Cohesion Fund) is allocated to the transport sector, €5.8 billion to the energy sector and €1.1 billion to the telecommunications sector. Additional investment from private and public sources may be leveraged through the use of innovative financial instruments such as project bonds.

In the transport domain, the first call for projects (with an envelope of €11.9 billion) was published in September (64). The new transport infrastructure policy (TEN-T) aims to close the gaps between Member States' transport networks, remove bottlenecks that still hamper the smooth functioning of the internal market and overcome technical barriers such as incompatible standards for railway traffic. It promotes and strengthens seamless transport chains for passengers and freight while keeping up with future technological trends.

Progress on the fourth railway package

The Commission's biannual report on the European rail market (65), adopted in mid June, showed that the rail sector is growing. The report also highlights that open competition and increased public tendering deliver better services for passengers and better value for taxpayers. In order to address rising traffic demand, congestion, fuel security and decarbonisation the Commission is working to improve the technical compatibility of Europe's varying rail infrastructure, including differing gauge widths, electrification standards and signalling systems. So far, different technical specifications in these areas have made it more difficult and more costly to run a train from one country to another.

In 2014 the Transport Council reached a political agreement on the technical pillar of the fourth railway package (66), a comprehensive package of measures to deliver better quality and more choice in railway services in Europe, including interoperability and safety directives and a new set of rules for the European Railway Agency. The Parliament adopted its first reading of the whole package, empowering the agency with new tasks such as the issuing of safety certificates and vehicle authorisations valid throughout the EU (67).

This will contribute to increasing economies of scale and to decreasing administrative costs and procedures for railway undertakings. Discussions have started in the Council on the political pillar of the package, which aims at the completion of the European railways internal market.

A train leaving the terminal of the Channel Tunnel in Folkestone, United Kingdom, en route to Calais, France.

Air transport: single European sky and SESAR

The single European sky is a flagship EU initiative aiming to triple airspace capacity while halving air traffic management (ATM) costs and reducing the environmental impact of flights. In 2014 the Parliament voted to support, strengthen and push forward the single European sky 2+ initiative (68) as a key move to accelerate the implementation of the single European sky (69).

During the year the Commission also adopted the first set of essential changes for the modernisation of European ATM, known as the pilot common project. It is the first of the SESAR (single European sky ATM research) projects on improvements in air traffic to and from airports, the increase in the flexibility of aircraft to fly more efficient routes, the enhanced sharing of more precise information among all actors and better coordination with the military. In December the Commission also signed a new partnership agreement, involving major ATM stakeholders (70). Airlines, airport operators and air navigation service providers will receive up to €3 billion in EU funding in order to implement common projects and modernise Europe's ATM system. The agreement with the SESAR Deployment Alliance consortium aims to enhance the performance of Europe's ATM systems in order to manage more flights in a safer and less costly manner, while reducing the environmental impact of each flight.

British Airways airplanes at their gate at the new Terminal 5 at Heathrow airport, United Kingdom.

Member States will now have to take this important issue forward and to deliver a truly efficient air traffic system in Europe. Under the single European sky legislation, national air traffic control organisations should work together in nine regional airspace blocks (functional airspace blocks) to improve efficiency, cut costs and reduce emissions. The set-up of these common airspace blocks is arranged around traffic flows rather than state boundaries, which leads to improvements in performance. In April the Commission formally requested that Belgium, Germany, France, Luxembourg and the Netherlands improve their airspace block. These blocks are a crucial step towards a more efficient, less costly and less polluting aviation system in Europe.

At the same time, the goal of the SESAR 2020 programme is to continue developing and validating the new technologies and operational procedures for better-performing ATM in Europe.

In April the Commission called for tough standards to regulate civil drones (71). Civil drones are increasingly being used in Europe, in countries such as France, Sweden and the United Kingdom, in different sectors and under a fragmented regulatory framework. Basic national safety rules apply, but the rules differ across the EU and a number of key safeguards are not addressed in a coherent way. The Commission has announced the setting of tough new standards to regulate the operations of civil drones (or remotely piloted aircraft systems) to cover safety, security, privacy, data protection, insurance and liability.

Road transport

The road cabotage report

In April the Commission adopted the report on the state of the road haulage market in the EU (72). The report concluded that while some progress has been made, removing the remaining restrictions to access to national road markets would help the European economy and improve the environment. In addition, EU rules on road haulage should be clarified and simplified. Social rules must be better applied in road transport if the sector is to attract new drivers and to be able to handle the expected future demand for freight transport.

Lorry weights and dimensions

In April the Parliament adopted its first-reading position for new EU rules for safer and greener lorries (73). Two months later the transport ministers reached a political agreement on the issue. The new rules will allow manufacturers to develop more aerodynamic lorries, which will reduce fuel consumption by 7–10 %, cut greenhouse gas emissions and enhance the safety of vulnerable road users such as cyclists.

Approval of clean power for transport

In April the Parliament gave its final approval to new EU rules to ensure the build-up of alternative refuelling points across Europe (74), with common standards for their design and use, including a common plug for recharging electric vehicles. They set out the legal framework for the harmonised mass-market deployment of alternative fuels, thus overcoming the patchwork approach that characterised past attempts to promote these fuels.

Sea transport

The Union information and exchange system

The Union information and exchange system, called SafeSeaNet (75), links maritime and other related authorities from across Europe via a centralised European platform for maritime data exchange (hosted by the European Maritime Safety Agency). SafeSeaNet provides an overview of maritime surveillance and awareness, tracking and monitoring vessels. It covers all European coastal waters and tracks 12 000 ships per day, enabling early identification of high-risk vessels, earlier precautionary actions and risk mitigation, and improved emergency response to incidents or pollution, including search and rescue operations and decision-making with regard to places of refuge for ships.

The SafeSeaNet system is being further enhanced to provide integrated maritime services supporting operations in border control, piracy and law enforcement, and at the same time as a tool for improving the competitiveness of shipping (transport and trade facilitation) and contributing to safe and efficient intermodal connections, allowing for an integrated transport chain to facilitate the movement of persons and goods across the Union and beyond.

‘Blue belt’ and administrative simplification

The ‘blue belt’ initiative (76), a key action of the Single Market Act II, calls for the establishment of a true single market for maritime transport by no longer subjecting EU goods transported between EU seaports to administrative and customs formalities that apply to goods arriving from overseas ports. This would reduce the administrative burden for shipping, stimulate its competitiveness and create a level playing field with other modes of transport. In March a simplification of the existing scheme for regular shipping services entered into force. The Commission is working on the development of a harmonised electronic cargo manifest (e-manifest) for the speedier processing of EU goods in EU ports.

The first EU transport scoreboard

For the Transport Business Summit in March the Commission published a scoreboard on transport in the EU for the first time (77). It compares Member State performance in 22 transport-related categories and highlights for most of these categories the top five and bottom five performers. The aim of this first EU transport scoreboard is to give a snapshot of the diversity of performance by Member States in transport matters and to help them identify shortcomings and define priorities for investment and policies.

EU TRANSPORT SCOREBOARD

Member State performance for selected indicator(s)

	ROAD SINGLE MARKET	RAIL — SINGLE MARKET FREIGHT (PERCENTAGE)	RAIL — SINGLE MARKET PASSENGER (PERCENTAGE)	MARITIME SINGLE MARKET	AIR SINGLE MARKET	ROAD INFRASTRUCTURE	RAIL INFRASTRUCTURE	MARITIME INFRASTRUCTURE	AIR INFRASTRUCTURE	ROAD ENVIRONMENTAL IMPACT	RAIL ENVIRONMENTAL IMPACT	ROAD SAFETY	RAIL SAFETY	ROAD INFRINGEMENTS	RAIL INFRINGEMENTS	MARITIME INFRINGEMENTS	AIR INFRINGEMENTS	OTHER PENDING INFRINGEMENTS
BELGIUM	2.25	13.39	0.6	3.70	0.12	158.9	4.96	6.28	5.97	127.9	85.5	65	0.34	2	3	0	5	2
BULGARIA	3	36.50	0	0.06	—	62.5	3.05	3.92	4.19	149.2	70.3	82	2.33	1	2	0	2	0
CZECH REPUBLIC	2.25	13.66	2.94		2.87	70.9	4.59	4.42	5.76	140.8	34.0	63	0.57	1	2	0	4	2
DENMARK	1.5	27	10	15.56	0.43	204.8	4.47	5.68	5.64	117	23.6	32	0.29	1	1	1	2	1
GERMANY	1.5	28.60	10	3.33	0.00	159.9	5.72	5.85	6.08	141.5	59.2	41	0.29	0	1	1	4	1
ESTONIA	2.25	30	56	0.27	2.92	86.2	3.56	5.60	4.14	150.1	16.7	61	2.00	0	1	1	1	1
IRELAND	1.5	0	0	2.10	0.75	196.4	4.05	5.19	5.55	124.8	2.7	42	0	2	0	0	3	0
GREECE	3.25	0	0	25.62	0.00	107.1	2.73	4.49	5.26	121.1	17.1	81	1.44	1	2	2	6	1
SPAIN	2.25	16.75	0	36.04	1.00	310.9	5.88	5.78	6.04	128.6	60.6	37	0.29	1	4	2	7	1
FRANCE	3	32	0	17.28	0.48	180.0	6.29	5.41	6.06	124.4	54.2	50	0.23	1	3	1	3	4
CROATIA	n/a	—	—	1.12	n/a	293.3	3.10	4.30	4.37	n/a	36.1	86	2.11	—	—	—	—	
ITALY	4.25	24.10	8.30	83.23	0.00	112.3	4.24	4.28	4.35	126.2	71.1	58	0.34	1	2	3	4	4
CYPRUS	n/a	n/a	n/a	0	n/a	298.1	n/a	4.84	5.28	144.5	n/a	53	n/a	1	n/a	0	2	2
LATVIA	n/a	22.60	11.70	0.23	n/a	n/a	4.18	5.10	5.39	151.9	13.4	86	1.38	0	2	1	0	1
LITHUANIA	n/a	0	0		n/a	102.9	4.67	5.13	4.32	144.2	6.9	85	1.90	2	2	1	1	0
LUXEMBOURG	—	—	—		—	289.6	5.03	5.40	5.59	137	95.3	87	0	2	1	0	2	1
HUNGARY	2	31.80	2.90		0.00	152.6	3.56	3.92	3.94	146.9	38.3	59	1.42	0	2	0	4	1
MALTA	n/a	n/a	n/a		n/a	n/a	n/a	5.77	5.75	121.5	n/a	54	n/a	0	n/a	0	2	1
NETHERLANDS	2.25	36	5	1.78	0.18	158.9	5.48	6.79	6.46	118.5	75.2	—	0.41	0	0	0	2	1
AUSTRIA	1.5	17.60	5.70		0.00	204.4	5.22	4.72	5.40	135.6	70.9	54	0.68	2	2	1	2	2
POLAND	—	32.93	51.40	0.83	—	27.8	2.56	3.68	3.91	141.9	60.5	87	2.24	1	4	0	4	1
PORTUGAL	2.25	—	—	5.83	3.00	259.6	4.44	5.18	5.62	117.6	64.1	62	1.07	4	3	0	5	4
ROMANIA	n/a	53.68	20.61	0.06	n/a	17.4	2.33	3.00	3.36	139	37.4	92	2.86	1	2	0	1	1
SLOVENIA	2.25	—	—		3.55	373.6	3.24	5.09	4.33	133.4	41.4	61	0.59	2	3	0	1	1
SLOVAKIA	1.5	11.76	0		0.00	77.6	4.35	3.69	3.23	140.9	43.9	42	2.48	1	1	0	2	1
FINLAND	1.5	0	0	5.92	1.68	146.3	5.87	6.38	6.22	139.1	53.4	48	0.29	0	2	0	2	2
SWEDEN	1.5	—	—	16.84	0.64	202.5	4.57	5.82	5.73	135.4	73.6	28	0.23	1	0	0	2	0
UNITED KINGDOM	1.5	53.60	90.20	65.26	0.00	58.0	5.01	5.68	5.61	132.9	34.1	29	0.10	1	1	1	2	2
EU	n/a	28	21	n/a	n/a	141.5	4.35	5.05	5.13	132.2	53.5	52	1.00	29	46	15	75	38

🟫 High performer 🟩 Low performer 🟦 EU

Internal energy market

Progress made

An integrated market is the basis for the cost-efficient decarbonisation of Europe's energy systems. A competitive and integrated internal market is the key form of insurance regarding a high level of security of its gas supply.

At its October meeting (78) the European Council underlined the fundamental importance of a fully functioning and connected internal energy market and stressed that all efforts must be mobilised to achieve its completion as a matter of urgency.

Substantial progress has been made in completing the internal energy market according to the Commission's communication (79) on the subject adopted in October. Energy market integration in the EU has delivered many positive results already: consumers have more choice when it comes to picking an energy supplier; wholesale electricity prices declined by one third and wholesale gas prices remained stable between 2008 and 2012; and cross-border trade in gas and electricity between EU countries has increased.

Günther Oettinger, Commissioner for Energy until 31 October, presents the European energy security strategy, which aims at putting in place a comprehensive plan to strengthen security of supply. Brussels, Belgium, 28 May.

In order to reap the full benefits more investment is needed in strategic cross-border infrastructure, as well as in developing smart grids for electricity. Common and transparent rules on how the energy grids are used need to be put in place to enable the proper functioning of the internal energy market.

Energy markets can only function when they are well connected. The Commission's work in 2014 was focused on the implementation of projects of common interest, as well as on the definition of key security-of-supply infrastructure projects.

Under the Connecting Europe Facility a total of €5.85 billion has been allocated to support trans-European energy infrastructure for the period 2014–20. In November the Commission allocated €647 million to key energy infrastructure. The money will go to the 34 actions selected after a call for proposals under the facility. Carrying the label 'projects of common interest', these actions benefit from faster and more efficient permit-granting procedures and improved regulatory treatment.

Of the 34 grants given, 16 are in the natural gas sector and 18 in the electricity sector. A number of the projects supported were also identified as key security-of-supply projects in the European energy security strategy of 28 May (80).

Maroš Šefčovič, Commission Vice-President for Energy Union since 1 November, receives Maria van der Hoeven, Executive Director of the International Energy Agency (IEA), who presents him with the report 'Energy policies of IEA countries — European Union 2014 review'. Berlaymont building, Brussels, Belgium, 1 December.

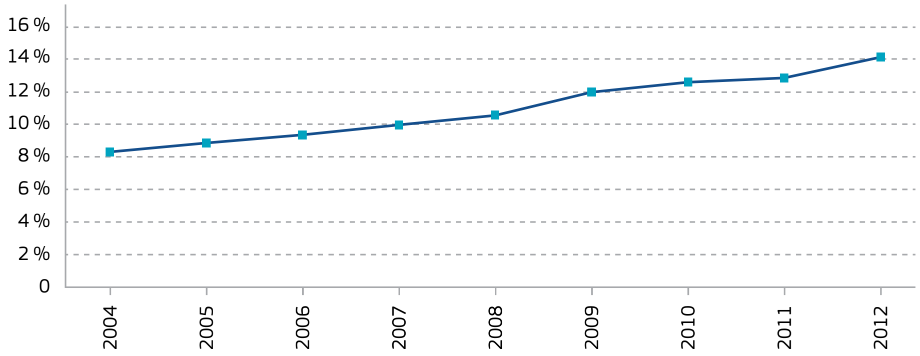
A fully functioning and integrated internal energy market is also instrumental for achieving energy security and the EU's long-term policy objectives in a cost-effective way. This is one of the key messages of the communication adopted by the Commission in May at the request of the European Council.

The October European Council also asked the Commission, supported by the Member States, to take urgent measures in order to ensure the achievement of a minimum target of 10 % electricity interconnection by 2020. The European Council also set an aspirational objective of arriving at a target of 15 % electricity interconnection by 2030, tasking the Commission with reporting regularly on progress towards this objective. According to the conclusions both targets will be attained via the implementation of projects of common interest (81).

2030 framework for climate and energy

In January the Commission presented a new EU framework on climate and energy for 2030 (82). The proposal provides for a reduction in greenhouse gas emissions of 40 % below the 1990 level, an EU-wide binding target for renewable energy of at least 27 % of total consumption, renewed ambitions for energy efficiency policies, a new governance system and a new set of indicators to ensure competitive, affordable and secure energy.

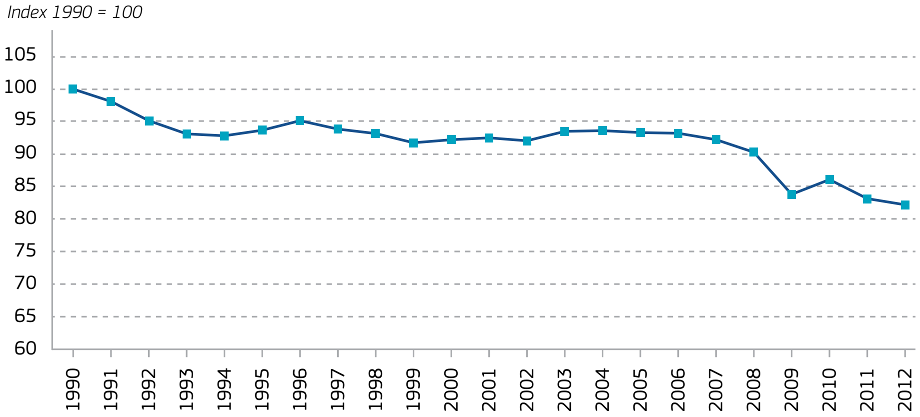
SHARE OF RENEWABLE ENERGY IN GROSS FINAL ENERGY CONSUMPTION, EU-28, 2004–12



Source: Eurostat.

Based on these policy proposals, the European Council reached an agreement in October on the headline targets and the architecture for the 2030 climate and energy policy framework (83). It endorsed a binding EU target of at least a 40 % domestic reduction in greenhouse gas emissions by 2030, compared to 1990; a binding EU target of at least 27 % renewable energy used at EU level; and an indicative energy efficiency increase of at least 27 %, to be reviewed by 2020 having in mind an EU level of 30 % for 2030.

GREENHOUSE GAS EMISSIONS, EU-28, 1990–2012



Total emissions, including international aviation, but excluding emissions from land use, land use change and forestry.

Source: Eurostat.

These targets will increase the security of the EU's energy supplies, help reduce its dependency on imported fossil fuels and make it more competitive overall. The decision confirms the European Union's position as a world leader in the fight against climate change. The agreed greenhouse gas target will be the EU's contribution to the global climate change agreement due to be concluded in Paris, France, in 2015 (84).

Energy union

The European Council agreed on the strategic agenda of the European Union for the next 5 years at its summit in June (85). The strategic agenda is based on five overarching priorities, one of which is 'an energy union with a forward-looking climate policy'. These strategic orientations were reaffirmed by the incoming Commission President, Jean-Claude Juncker, in his political guidelines for the new Commission (86), and the December European Council (87) called upon the Commission to present its strategy well ahead of the March 2015 summit. The new Commission has started work on developing proposals for a European energy union.

Telecoms and the digital single market

Roaming prices have been reduced by the EU by up to 50 %

On 1 July the EU cut the price caps for data downloads by more than half, from 45 cents per megabyte to 20 cents per megabyte (excluding VAT). It became even cheaper to use maps, watch videos, check e-mails and update social networks while travelling across the EU. Since caps on data roaming were introduced, data consumption has risen dramatically. Roaming charges were at their peak when the EU started to take action in 2007. The results are a 80–90 % drop in prices for roaming services in 2014 compared to 2007.

DATA ROAMING

From 1 July 2014 at 20 cents per megabyte (without VAT), for €1 you can:

Günther Oettinger, Commissioner for Digital Economy and Society since 1 November, at a press conference in the Berlaymont building in Brussels, Belgium, on 2 December.

New EU rules to cut Internet costs

A new directive aimed at reducing the cost of installing high-speed Internet connections by 30 % (88) entered into force in June.

This new legislation will help realise the goals of the digital agenda. By 2020 all EU citizens should have access to the Internet at a speed of at least 30 megabits per second.

Commission cuts number of regulated telecommunications markets in Europe

Under EU telecommunications rules the Commission adopts and regularly reviews the recommendation on relevant product and service markets (89). In October the Commission, in agreement with Member States, decided that two telecommunications markets should no longer be subject to regulation in Europe, and that two more should be redefined to reflect market and technology developments.

The two liberated markets are the retail market for access to fixed telephony and the wholesale market for fixed-call origination. The Commission will also redefine two broadband markets in order to limit regulatory burdens to what is strictly necessary for competitive broadband access and investment.

Andrus Ansip, Commission Vice-President responsible for the Digital Single Market, in discussion with Věra Jourová, Commissioner for Justice, Consumers and Gender Equality, both in office since 1 November, at the weekly meeting of the College in the Berlaymont building, Brussels, Belgium, on 10 December.

EU rules on electronic ID and trust services enter into force

EU CODE WEEK

Some 100 000 children, parents and teachers from 38 countries took part in the EU Code Week from 11 to 17 October. The aim was to make coding and computer programing more visible and to demystify these skills.

The eIDAS regulation (90) enables the use of electronic identification means and trust services (i.e. electronic signatures, electronic seals, time stamping, registered electronic delivery and website authentication) by citizens, businesses and public administrations to access online services or manage electronic transactions. Citizens will be able to carry out secure cross-border electronic transactions and take full advantage of their rights across the EU, from enrolment in a foreign university to access to electronic health records. This will reduce red tape for businesses, for example by enabling them to participate electronically in public calls for tenders across the EU.

The regulation entered into force in September. After the adoption of relevant implementing acts (expected by mid 2015) Member States may voluntarily recognise notified e-identification from the other Member States. The rules for trust services will apply from 1 July 2016. The mandatory mutual recognition of eIDs will apply from mid 2018.

Intellectual and industrial property rights

Protection of intellectual property rights

Today's globalised economy relies increasingly on knowledge-based industries, which resisted the crisis well and are growing strongly. The number of new European patent registrations and registered Community trademarks and designs more than doubled between 2003 and 2012. But the high numbers of infringements of intellectual property rights (IPR) can harm this positive trend. In 2012 alone, EU border control agencies registered 90 000 cases of goods suspected of infringing IPR (compared to fewer than 27 000 in 2005). The Organisation for Economic Cooperation and Development estimates that the annual loss to the world economy from IPR infringements is around €200 billion.

That is why, since the beginning of 2014, a new regulation ([91]) has governed the customs enforcement of IPR for goods crossing EU borders. Among other things, the regulation provides for the early destruction of suspect goods and simplified procedures for small consignments so as to alleviate burdens on customs authorities and rights holders, notably in the context of booming Internet sales. In July the Commission adopted two communications — an action plan to address infringements of IPR in the EU ([92]) and a strategy for the protection and enforcement of IPR in non-EU countries ([93]). The action plan sets out a number of actions to focus the EU's IPR enforcement policy on commercial-scale infringements (the so-called follow-the-money approach). The strategy setting out an international approach examines recent changes and presents ways to improve the Commission's current means of action to promote enhanced IPR standards in non-EU countries and to stem the trade in IPR-infringing goods.

Collective rights management

In February the European Union adopted the new directive on collective rights management and multi-territorial licensing of rights in musical works for online uses ([94]).

The directive aims to improve the functioning of collective management organisations, which act as intermediaries between copyright and related rights holders in a variety of industries such as music, books and films, and the service providers intending to use their works.

It provides for rules on the governance and transparency of collective management organisations and ensures that rights holders have a say in the management of their rights. It also contains rules to facilitate multi-territorial licensing by collective management organisations of authors' rights in musical works for online use. It will contribute to online service providers being able to offer a large amount of musical works in several territories with a single licence. The adoption of this directive is therefore a key event for the achievement of the digital single market.

The Commission is now working closely with the Member States to make sure the provisions of the directive are enacted in national law by 10 April 2016.

Gambling

In July the Commission adopted a recommendation on online gambling services (95). It encourages Member States to pursue a high level of protection for consumers, players and minors through the adoption of principles for online gambling services and for the responsible advertising and sponsorship of those services.

Antitrust policy

In 2014 the Commission adopted six antitrust decisions under Regulation (EC) No 1/2003 (96).

Prohibition decisions under Article 7 of the regulation

- OPCOM (97) — The Commission fined S.C. OPCOM S.A. just over €1 million for abusing its dominant position in the Romanian market for facilitating electricity spot trading. OPCOM operates the only power exchange in Romania. The Commission found that OPCOM discriminated against EU-based electricity traders from outside Romania for over 5 years.
- Motorola (98) — The Commission adopted a decision finding that Motorola Mobility's seeking and enforcement of an injunction against Apple before a German court on the basis of a smartphone standard essential patent (SEP) constitutes an abuse of a dominant position, in view of the particular circumstances in which the injunction was used. The Commission ordered Motorola to eliminate the negative effects resulting from it.
- Servier (99) — The Commission fined the French pharmaceutical company Servier and five producers of generic medicines — namely, Niche/Unichem, Matrix (now part of Mylan), Teva, Krka and Lupin — for concluding a series of deals all aimed at protecting Servier's bestselling blood pressure medicine, perindopril, from price competition by generics in the EU. The fines totalled €427.7 million. Through a technology acquisition and a series of patent settlements with generic rivals, Servier implemented a strategy to exclude competitors and delay the entry of cheaper generic medicines to the detriment of public budgets and patients.
- Slovak Telekom (100) — The Commission imposed a fine of €38.8 million on Slovak Telekom a.s. and its parent company, Deutsche Telekom AG, for having pursued an abusive strategy to shut out competitors from the Slovak market for broadband services for more than 5 years. Deutsche Telekom also received an additional fine of €31 million to ensure sufficient deterrence, as well as to sanction its repeated abusive behaviour, as it had already been fined in 2003 for a margin squeeze in broadband markets in Germany.

Commitment decisions under Article 9 of the regulation

- Visa (101) — The Commission accepted and made legally binding the commitments offered by Visa Europe to cut its multilateral interchange fees for credit card payments significantly, to 0.3 % of the value of the transaction (a reduction of about 40–60 %) and to reform its rules in order to facilitate cross-border competition.

- Samsung (102) — According to Samsung's commitments, made legally binding by the Commission, Samsung will not seek injunctions in Europe on the basis of its SEPs for smartphones and tablets against licensees who sign up to a specified licensing framework. Under this framework, any dispute over what are fair, reasonable and non-discriminatory terms for the SEPs in question will be determined by a court or, if both parties agree, by an arbitrator. The commitments thus provide a 'safe harbour' for all potential licensees of the relevant Samsung SEPs. Indeed, potential licensees that sign up to the licensing framework will be protected against SEP-based injunctions by Samsung.
- The Commission also sent a statement of objections to Bulgarian Energy Holding for suspected abuse of dominance on the Bulgarian wholesale electricity market (103).

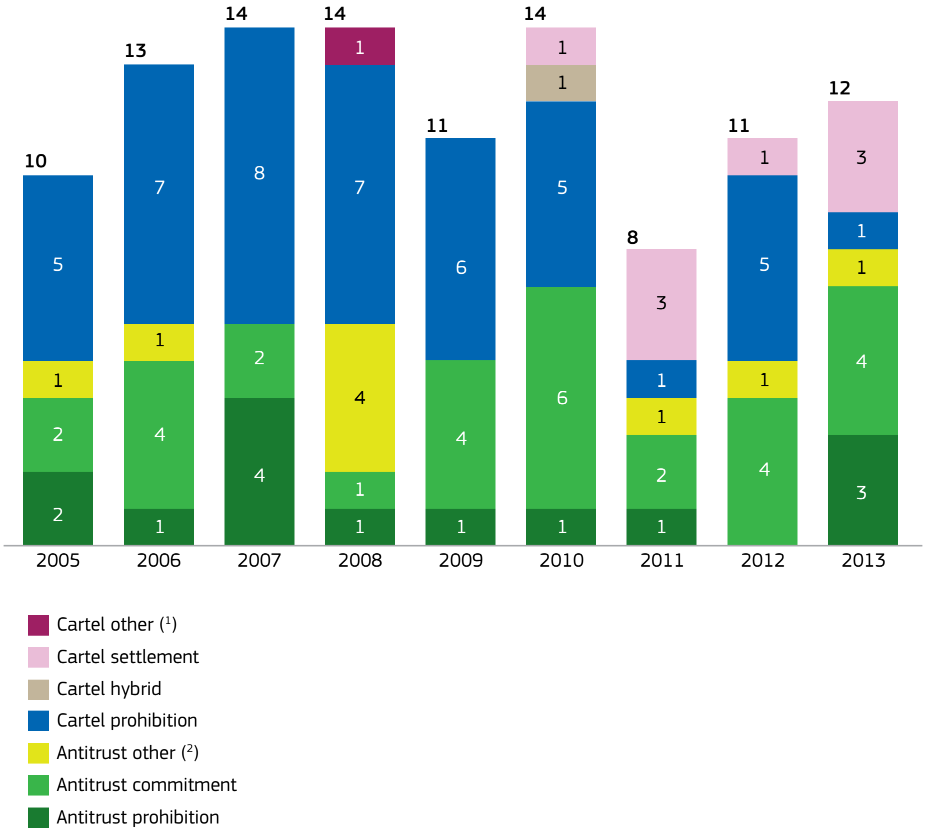
Damages directive

EU antitrust rules are enforced not only by the Commission and national competition authorities (public enforcement), but also by national courts when they protect subjective rights under Articles 101 and 102 of the Treaty on the Functioning of the European Union, for example by awarding damages to consumers and companies harmed by infringements of these rules (private enforcement). The Court of Justice of the European Union has stated that the full effectiveness of EU antitrust rules would be put at risk if individuals could not claim damages for harm caused by infringements of these rules. However, due to procedural obstacles and legal uncertainty, only a few victims currently obtain compensation in practice. Moreover national rules diverge widely, and as a result the chances for victims to obtain compensation depend greatly on which Member State they happen to live in. Only around 25 % of infringement decisions adopted by the Commission between 2006 and 2012 have been followed by private damages claims. The majority of these actions have been brought in a handful of Member States only.

On 26 November the directive on antitrust damages actions (104) was adopted by the Parliament and the Council. The adoption of the directive took place following a Commission proposal of June 2013 (105).

The directive introduces rules to assist victims of infringements of the EU competition rules to effectively exercise their right to full compensation. These rules, for example, allow victims easier access to evidence, provide for sufficiently long limitation periods and introduce the power of the judge to estimate the harm suffered. The directive also regulates the interaction between public and private enforcement of competition law, thus ensuring overall effective enforcement of the EU competition rules. In this regard, it ensures that victims claiming compensation can take advantage of the public enforcement of competition law, for example by relying on the decision of a national competition authority as irrefutable proof of the infringement before courts in the same Member State. It also ensures that the effectiveness of public enforcement is not hampered by private enforcement, especially in relation to leniency programmes, which are an essential tool in the discovery and sanctioning of cartels. Leniency statements can thus never be disclosed in actions for damages and there are certain (conditional) limitations of joint and several liability accorded to immunity recipients.

NUMBER OF INTERVENTIONS IN ANTITRUST AND CARTEL CASES, 2005–13



(1) Rejection of complaint.
(2) Rejection of complaint, procedural infringement, penalty payment.

Source: DG Competition.

Cartels

The Commission issued 10 cartel decisions and imposed fines of almost €1.7 billion.

- The Commission found that the four major producers of flexible polyurethane foam — Vita, Carpenter, Recticel and Eurofoam — had participated in a cartel, and imposed fines totalling €114 million. Flexible polyurethane foam is mainly used in household furniture such as mattresses or sofas, as well as in the automotive sector (106).
- In a cartel settlement case, the Commission imposed fines totalling €5.97 million on the two leading European spot power exchanges — EPEX Spot (EPEX) and Nord Pool Spot (NPS) — for having agreed not to compete with one another for their spot electricity trading services in the European Economic Area (EEA). Power exchanges are organised markets for trading electricity. Spot trading means trading in the short run, such as within the same day or for the next day. NPS and EPEX received a fine reduction of 10 % each for agreeing to settle the case with the Commission (107).

- In another settlement case, the Commission found that Lutèce, Prochamp and Bonduelle participated in a cartel to coordinate prices and allocate customers of canned mushrooms in Europe for more than a year, and imposed fines totalling €32.2 million. Lutèce was not fined as it benefited from immunity under the Commission's 2006 leniency notice for revealing the existence of the cartel to the Commission. Prochamp benefited from fine reductions. Since all three undertakings agreed to settle the case with the Commission, their fines were further reduced by 10% (108).
- Another cartel settlement involved producers of car and truck bearings. Two European companies — SKF and Schaeffler — and four Japanese companies — JTEKT, NSK, NFC and NTN, with its French subsidiary NTN-SNR — were fined €953 million for operating a cartel in the market for automotive bearings. Automotive bearings are used by car, truck and car-part manufacturers to reduce friction between moving parts inside vehicles (109).
- The Commission fined Ervin, Winoa, Metalltechnik Schmidt and Eisenwerk Würth a total of €30.7 million for participating in a cartel to coordinate prices for steel abrasives in Europe for over 6 years. Steel abrasives are loose steel particles used for cleaning or enhancing metal surfaces in the steel, automotive, metallurgy and petrochemical industries. They are also used for cutting hard stones such as granite and marble. Ervin was not fined as it benefited from immunity for revealing the existence of the cartel to the Commission. Since all four undertakings agreed to settle the case, their fines were reduced by 10% (110).
- The Commission found that 11 producers of underground and submarine high voltage power cables — ABB, Nexans, Prysmian (previously Pirelli), J-Power Systems (previously Sumitomo Electric and Hitachi Metals), Viscas (previously Furukawa Electric and Fujikura), EXSYM (previously SWCC Showa and Mitsubishi Cable), Brugg, NKT, Silec (previously Safran), LS Cable and Taihan — operated a cartel, and imposed fines totalling €301.6 million. Such cables are typically used to connect generation capacity to the electricity grid or to interconnect power grids in different countries (111).

- The Commission fined producers of smart card chips €138 million for a smart card chips cartel. Infineon, Philips, Samsung and Renesas (at the time a joint venture of Hitachi and Mitsubishi) coordinated their market behaviour regarding smart card chips in the EEA. Renesas benefited from full immunity under the Commission's 2006 leniency notice for revealing the existence of the cartel (112).
- In another settlement case, the Commission found that two international banks — Royal Bank of Scotland (RBS) and JP Morgan — participated in an illegal bilateral cartel aimed at influencing the Swiss franc LIBOR benchmark interest rate between March 2008 and July 2009. RBS received immunity from fines for revealing the existence of the cartel, and JP Morgan was fined €61.6 million after benefiting from a reduction for its cooperation with the investigation under the Commission's leniency notice, as well as a 10 % reduction for agreeing to settle the case with the Commission (113).
- Also, four international banks — RBS, UBS, JP Morgan and Crédit Suisse — were found to have operated a cartel on bid-ask spreads of Swiss franc interest rate derivatives in the EEA. The Commission imposed fines worth a total of €32.3 million. RBS received immunity from fines for revealing the existence of the cartel to the Commission. UBS and JP Morgan received reductions of their fines for cooperating with the investigation under the leniency notice. All four banks received a 10 % reduction for agreeing to settle the case (114).
- The final settlement case of the year involved five envelope producers — Bong (Sweden), GPV and Hamelin (France), Mayer-Kuvert (Germany) and Tompla (Spain) — who were fined over €19.4 million for fixing prices and allocating customers of certain types of envelopes (115).

The Commission sent statements of objection to companies suspected of involvement in a euro interest rate derivatives cartel (116) and yen interest rate derivatives cartels (117). Three other statements of objections related to cooperation on a new refrigerant used in car air-conditioning systems (118), price collusion on steel abrasives (119) and price collusion among heavy- and medium-duty truck producers (120).

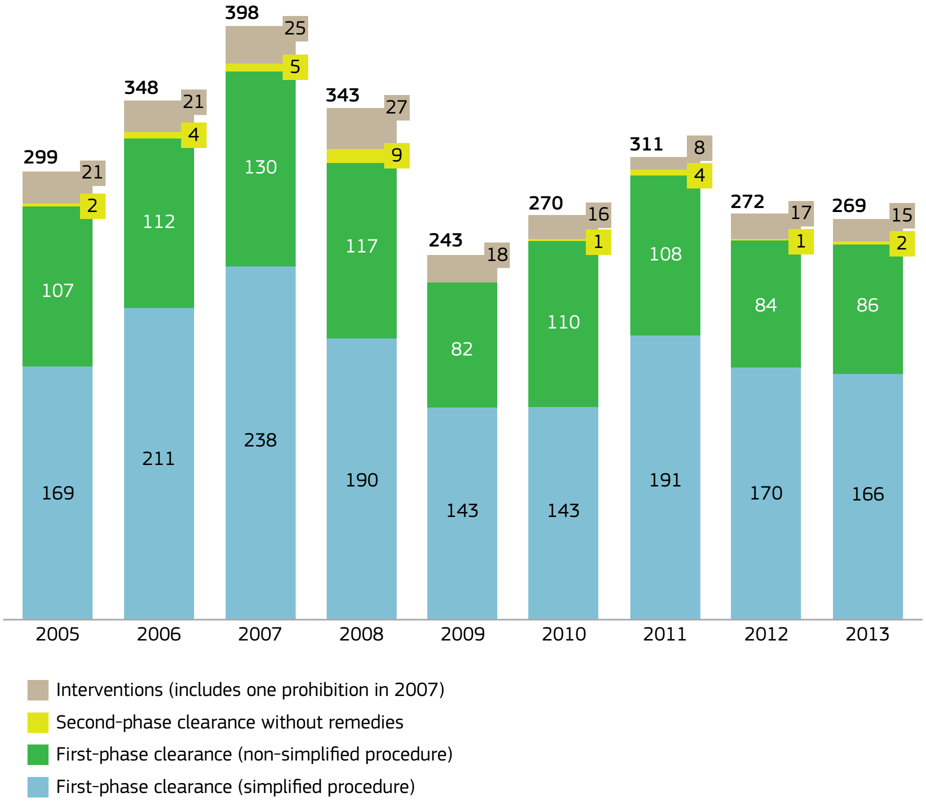
Unannounced inspections took place in the automotive exhaust systems (121) and biofuel (122) sectors.

Mergers

After successfully implementing the simplification package (123) as of January 2014, which effectively increased the number of simplified cases to nearly 70 % and facilitated merger notifications for companies, the Commission issued a White Paper on possible reform of the EU merger regulation in July (124). The proposals aim to make EU merger control more comprehensive by allowing the Commission to deal better with non-controlling minority shareholdings that may affect competition, while keeping the system simple and less burdensome for companies. At the same time, the White Paper also proposes to make case referrals between Member States and the Commission simpler and faster and to cut red tape to streamline procedures.

During 2014, 145 mergers were notified to the Commission and 123 cases were cleared unconditionally. Three mergers were cleared with commitments in phase I, and a further two with commitments in phase II (125).

NUMBER OF MERGER DECISIONS, 2005–13



Source: DG Competition.

Mergers that were cleared unconditionally in first-phase investigation included, among others, the acquisition of Dalkia's operations in France by EDF and the merger of two international advertising and communication groups, Publicis and Omnicom. One case was cleared without conditions after a second-phase investigation — Holcim's acquisition of Cemex's regional activities in building materials, mostly in western Germany.

Examples of mergers cleared with remedies include two mergers in the chemical sector: the creation of a joint venture between Solvay and INEOS in the polyvinyl chloride (PVC) sector (126), subject to divestment of multiple plants; and the acquisition by Huntsman of titanium dioxide assets of Rockwood (127), also subject to divestments. There were two cases in the mobile telephony sector: the acquisition of the German mobile telecommunications business E-Plus by Telefónica Deutschland (128); and the acquisition of Telefónica Ireland's mobile telecommunications business (O_2 Ireland) by Hutchison 3G (129), both subject to commitment packages ensuring competition in the respective markets. Other mergers cleared with remedies were the acquisition of chemical company DuPont's glass laminating solutions/vinyls business by rival Kuraray (130); the acquisition of Spanish metal food cans producer Mivisa by rival Crown (131); the acquisition of Dutch cable TV operator Ziggo by Liberty Global (132); the acquisition of carbon steel producer Rautaruukki of Finland by Swedish rival SSAB (133); the merger of banana suppliers Chiquita Brands International and Fyffes (134); the merger between shipping companies Hapag Lloyd and Compañia Sudamericana de Vapores (135); the acquisition of an Ireland-based manufacturer of medical devices, Covidien, by US firm Medtronic (136); Etihad's acquisition of joint control over Alitalia (137); the acquisition of part of Honeywell's friction material business by rival Federal-Mogul (138); and the creation of an aerospace and defence joint venture between Airbus and Safran (139), all subject to divestitures.

The Commission also issued a procedural infringement decision, imposing a fine of €20 million for breach of the standstill obligation by Marine Harvest, which prematurely implemented its acquisition of Morpol (140).

State aid

In 2014 the Commission completed the ambitious reform of the state aid control rules launched by the Commission's communication on state aid modernisation (141) in 2012. During 2014 the Commission adopted the following guidelines and regulations:

- risk finance guidelines (142);
- aviation guidelines (143);
- an R & D & I framework (144);
- energy and environmental protection guidelines (145);
- a general block exemption regulation (146);
- important projects of common European interest (IPCEI) (147);
- rescue and restructuring guidelines for non-financial undertakings (148).

Margrethe Vestager, Commissioner for Competition since 1 November, at the press conference on action taken against a suspected truck manufacturers' cartel in breach of EU antitrust rules. Berlaymont building, Brussels, Belgium, 20 November.

The revised and simplified package of rules fosters growth and competitiveness by reducing red tape and allowing Member States to quickly implement 'good aid' measures in support of economic recovery and the Europe 2020 objectives. The revised and enlarged general block exemption regulation is the cornerstone of reform. It represents the main legal framework that allows Member States to grant aid without providing prior notification to the Commission. Its scope has been increased both vertically, by increasing notification thresholds and maximum aid intensities, and horizontally, through the inclusion of new aid categories. When the characteristics of 'good aid' cannot be clearly identified in advance, the Commission will continue to assess proposed aid measures under a series of revised and consolidated thematic guidelines.

Also in 2014 the Commission opened in-depth investigations into possible state aid granted through tax rulings to Apple in Ireland, Starbucks in the Netherlands and Fiat Finance & Trade and Amazon in Luxembourg. The tax rulings deal with transfer prices between entities of the same group. Transfer prices — the prices charged in transactions between entities of the same group — determine the basis on which a company is taxed in a given jurisdiction. By over- or underpricing certain goods or services provided to group members, companies are able to shift their profits from high-tax jurisdictions to low-tax jurisdictions. This reduces the global tax burden of the companies and erodes the tax bases in EU Member States. In all cases the Commission has raised doubts as to whether the tax authorities had agreed to transfer pricing arrangements that may not comply with arm's-length principles (i.e. arrangements reflecting market prices). If certain companies were allowed to apply transfer prices that do not correspond to market conditions, the tax authorities concerned would be granting a selective advantage to those companies.

Enhanced administrative efficiency

Regulatory fitness and performance programme

In order to ensure that the EU's policy objectives are reached at least cost, the Commission continued its regulatory fitness and performance programme (REFIT) in 2014, screening the entire stock of EU legislation to identify burdens, inconsistencies and ineffective measures. As a result the Commission identified nearly 200 actions to simplify and reduce regulatory burdens, to withdraw or repeal legislation that is no longer necessary and to evaluate policy areas in order to ensure they are fit for purpose. These actions were brought together in a comprehensive scoreboard (149) allowing for a transparent dialogue on progress in delivery and for comments and suggestions by stakeholders.

With REFIT, the Commission also focuses EU law on issues that are best dealt with at European level. The implementation of the REFIT programme in 2014 achieved significant results. For instance, public procurement rules were simplified to save companies up to 20 % of procurement costs through e-procurement. The introduction of full electronic VAT invoicing and a new EU unitary patent are important cost-savers for businesses. Small companies benefit for instance from a simplified system of financial reporting and from a substantial reduction of registration fees for chemicals.

Further proposals are pending decisions by the legislator, such as the standard EU VAT declaration (150), while others are under preparation by the Commission, such as the integration of business statistics. In 2014 the Commission withdrew 53 proposals that remained pending in legislative procedure without a positive outlook to allow for a fresh start in the political debate on the issues concerned.

The High-Level Group on Administrative Burdens was set up in 2007 to advise the Commission on the implementation of the action programme for reducing administrative burdens in the European Union. It was chaired by Edmund Stoiber, former Prime Minister of Bavaria, and consisted of 15 members selected on the basis of their expertise in better regulation. The group's mandate was extended in 2010 and 2012 and ended on 31 October 2014, when it issued its final report. Overall, it adopted more than 45 opinions and reports, presenting to the Commission several hundred suggestions on how to reduce administrative burdens and outlining best practices in the Member States on implementing EU legislation in the least burdensome way. The total administrative burden reduction potential of all recommendations made by the group is estimated to exceed €41 billion annually.

Consultation on guidelines

Creating a simpler regulatory environment for businesses and citizens across Europe demands that EU institutions, Member States and stakeholders in business and civil society work together and play their part in exercising shared responsibility for better regulation. To this end the Commission is constantly improving its smart regulation toolbox. In 2014, public consultations were held on the revision of the impact assessment guidelines (151), stakeholder consultation guidelines (152) and evaluation policy guidelines (153). The results of these consultations will help shape the smart regulation policy in the next Commission's legislative mandate.

The contribution of trade to economic growth

Trade has become an important means of achieving growth and creating jobs for the EU's economy. During the crisis period the positive contribution to the growth of net exports softened the recession considerably, while domestic demand components, both public and private, remained weak. Exports of goods and services beyond the EU remain strong — €1 738 billion and €678 billion respectively in 2013 — giving it an overall positive trade balance of €226.8 billion in exports of goods and services. The EU benefits very significantly from globalisation and is well placed to gain even more from growth in trade. Moreover, the contribution of trade to growth is only likely to increase in the future, as 90 % of global economic growth in the next 10 to 15 years is expected to be generated outside Europe, and the EU needs to consolidate its trade and investment links with the new centres of global growth. In the long term, opening up the economy to trade and investment is also a major source of productivity gains and private investment, two components which the EU badly needs.

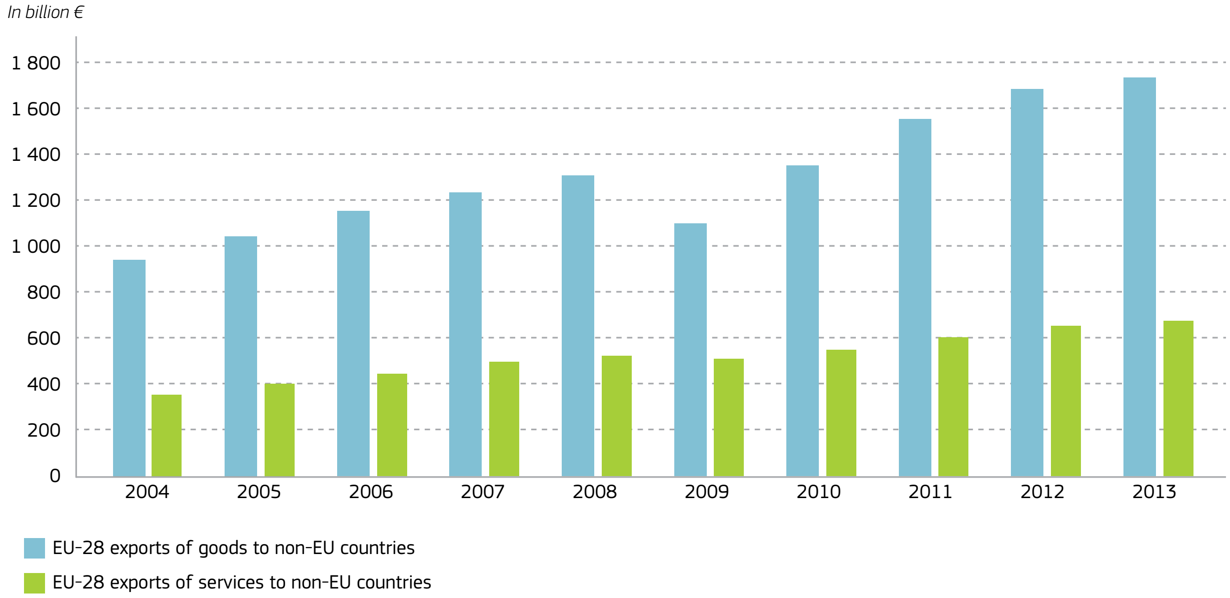
The core objective of the EU's common trade policy is to maintain and, where necessary, reinvent Europe's place in global supply chains. While manufacturing in the EU remains of pivotal importance, it has to be acknowledged that in many sectors countries are less able to make products on their own. Trade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

The EU's trade policy agenda can intensify these forces. It is estimated that the current bilateral trade agenda could boost Member States' GDP by more than 2 %, or €250 billion, and support an increase of more than 2 million trade-related jobs across the EU, on top of the more than 30 million already supported by exports.

In 2014 the EU pursued its ambitious agenda of bilateral trade negotiations in line with the 'global Europe' policy. It moved forward towards deep and comprehensive free trade agreements with key trade partners such as Japan and the United States. In September the President of the Commission and the Prime Minister of Canada, Stephen Harper, announced the end of negotiations on an EU–Canada comprehensive economic and trade agreement. This free trade agreement will remove over 99 % of tariffs between the two economies and create sizeable new market-access opportunities in services and investment. 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 a year.

Negotiations with Ecuador and with three regional groupings of countries in west Africa, east Africa and southern Africa were also completed. Negotiations for a free trade agreement with Singapore were concluded, and those for an agreement with Vietnam could be finished in early 2015.

EXPORTS OF GOODS AND SERVICES TO NON-EU COUNTRIES



Transatlantic trade and investment partnership

The EU–United States trade relationship is already the biggest in the world. Every day goods and services worth €2 billion are traded between them, so every trade barrier that is removed could result in significant economic gains. The transatlantic trade and investment partnership currently 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. 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 that want to sell their products on both markets. Reducing the impact of these differences on trade could give a dramatic boost to EU–United States trade without in any way affecting Europe's high standards of consumer, health, environmental and labour protection.

Cecilia Malmström, Commissioner for Trade since 1 November, with Michael Froman, US Trade Representative, in the course of her visit to Washington, USA, on 8 December to take stock of ongoing negotiations on the transatlantic trade and investment partnership.

Multilateral trade

The EU continued its work in multilateral trade forums such as the World Trade Organisation (WTO) in Geneva, Switzerland, following the success of the ninth WTO Ministerial Meeting held in Bali, Indonesia in December 2013. Agreement among WTO members towards the end of 2014 meant that the implementation of the Trade Facilitation Agreement finally got under way, allowing work to resume on a work programme to conclude the Doha round of negotiations.

The EU also continued advancing trade liberalisation through plurilateral sectoral initiatives, notably the review of the information technology agreement and negotiations for a trade in services agreement.

The EU has been a long-standing advocate for removing tariff and non-tariff barriers to trade in environmental goods and services in the WTO, as well as in its bilateral and regional free trade agreement negotiations. In July the EU, together with 13 other WTO members, formally opened plurilateral negotiations in the WTO on liberalisation of the trade in 'green goods'.

EU and China sign landmark mutual recognition agreement and intensify their customs cooperation

EU and Chinese trusted traders will enjoy lower costs, simplified procedures and greater predictability in their activities thanks to a mutual recognition agreement signed in May. Under the agreement the EU and China commit themselves to recognising each other's certified safe traders, thereby allowing these companies to benefit from faster controls and reduced administration for customs clearance. Mutual recognition of trusted traders also allows customs services to focus their resources on real risk areas, thereby improving supply-chain security on both sides. The EU is the first trading partner to enter into such an agreement with China, having already signed similar deals with Japan (2011) and the United States (2012).

In parallel, with China being the main source of exports to the EU that infringe IPR (two thirds of all articles detained in 2012), a new action plan concerning EU–China customs cooperation on IPR (2014–17) was also signed in May to combat IPR infringements at source and throughout the supply chain.

Agricultural policy and fisheries and maritime policies

Agriculture

The new common agricultural policy

New policy framework at EU level for agriculture: common agriculture policy 2014–20
The common agricultural policy (CAP) is Europe's answer to the need for a decent standard of living for 12 million farmers and a stable, varied and safe food supply for its 500 million citizens. It has three main objectives: viable food production, sustainable management of natural resources and climate action, and balanced territorial development.

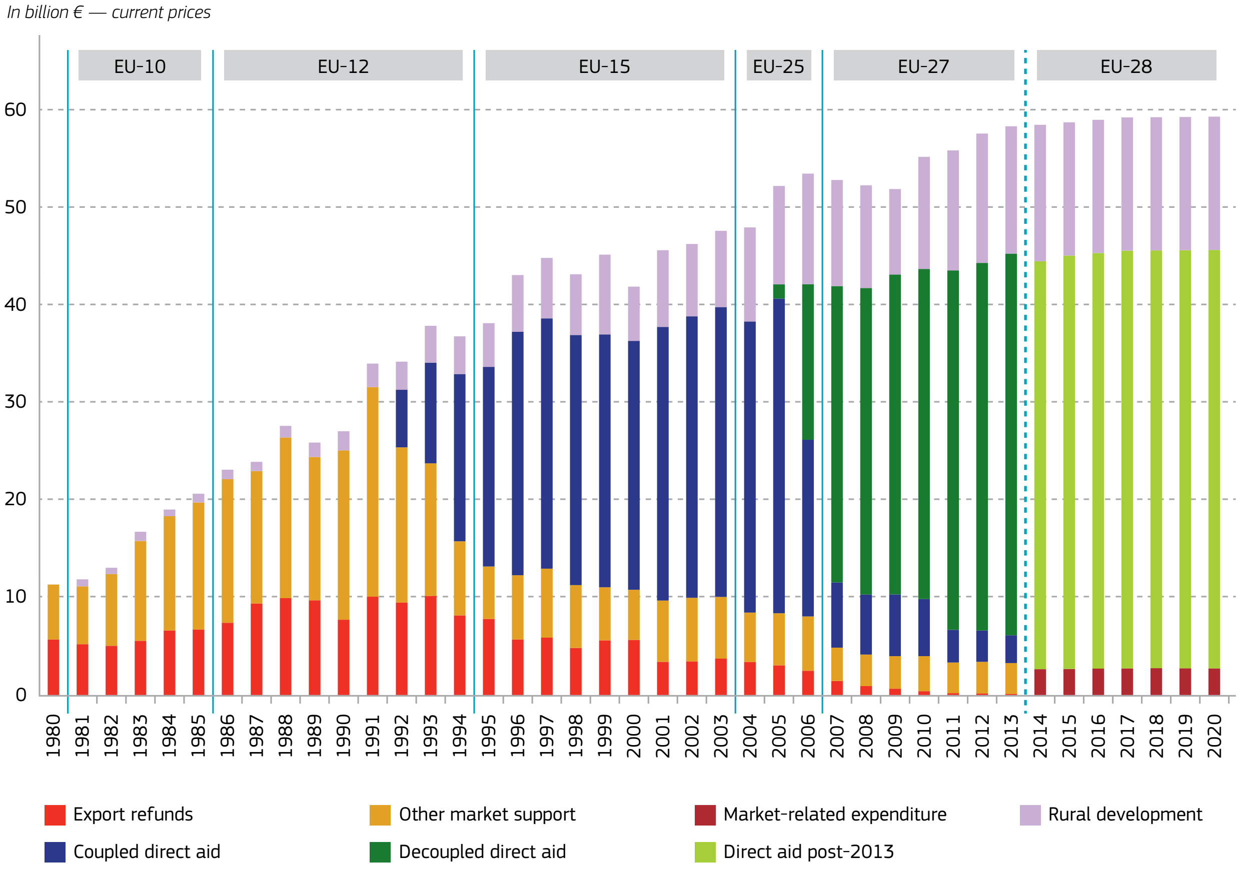
THE COMMON AGRICULTURE POLICY REFORM PROCESS

April–June 2010	Public debate (EU citizens and organisations)
November 2010	Commission communication 'The CAP towards 2020'
October 2011	Commission legal proposals on the CAP
2011–13	Discussions in the Parliament and the Council
June 2013	**Political agreement on the CAP reform between the Parliament, the Council and the Commission**
2013	Finalisation of the legislative phase
2014	Approval of delegated and implementing acts
1 January 2015	**Full entry into force of the new CAP**

2014: a crucial year for effective and efficient implementation
Between 2011 and 2013 the legal architecture and orientations of the CAP were revised (154). Some of these revisions entered into force on 1 January, while the rest will be applicable as from 1 January 2015. This made 2014 not only a transitional year, but also a crucial one with regard to an effective and efficient implementation. In 2014 three important processes were undertaken in order to ensure an effective and efficient implementation, set out below.

- First, further detailed rules relating to the implementation of the CAP reform were finalised and will round off the new policy framework at EU level.
- Second, Member States could take advantage of the opportunities offered by the new CAP to adapt the direct payment instruments to their specific agricultural, socioeconomic and climatic conditions while respecting the common EU objectives. For this purpose some of the notification obligations regarding the policy choices of Member States have been reinforced, and the Commission has allocated specific resources to support them in their implementation of the reformed direct payments system.
- Third, the programming and project cycle of the new rural development policy was prepared. The Commission adopted partnership agreements and analysed national and/or regional rural development programmes with a view to their final adoption.

THE PATH OF COMMON AGRICULTURE POLICY EXPENDITURE BY CALENDAR YEAR



Source: DG Agriculture and Rural Development.

Crisis management

In August Russia decided to ban imports of certain agricultural products from the EU (along with Australia, Canada, Norway and the United States). With a view to stabilising markets, the Commission responded (155) with specific market support measures for perishable fruit and vegetables and the dairy sector, as well as additional support for promotion programmes. It continued to monitor market developments in close cooperation with Member States and relevant stakeholders.

A new impetus for simplification

The reduction of the administrative burden and the cutting of red tape for farmers and operators is a top priority for the new Commission, aimed at enhancing their competitiveness. Within this framework, at the end of 2014 a screening exercise was launched on subsidiarity and the simplification of the entire agricultural *acquis*. This exercise should result in the identification of areas and elements that can be simplified or that, in line with the subsidiarity principle, would be better left to the Member States. This work will continue in 2015. With a view to ensuring legal certainty and predictability, simplification actions will concentrate on those elements that can be changed within the current policy framework resulting from the 2013 reform.

Specific 2014 priorities

Promotion policy

The Parliament and the Council adopted the reform of the promotion of agricultural products (156). This new regulation will enter into force on 1 December 2015.

The new promotion policy, which benefits from a more substantial budget and will in the future be implemented with the support of an executive agency, is intended to act as a key to open up new markets and raise the profile of Union agricultural products both at domestic level and in non-EU countries. 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 farmers to provide quality products, based on a genuine strategy established at EU level.

Quality policy

EU policy on the quality of agricultural products and foodstuffs aims at informing consumers about product characteristics and farming attributes. Building a good reputation for EU agriculture helps to sustain the competitiveness and profitability of farmers and the food-processing industry.

Following the entry into force of revised legislation in 2013 (157), the Commission presented rules in 2014 (158) for using the term 'mountain product' for food products coming from mountainous areas. This is an optional quality term aimed at highlighting to consumers that there is an important added value to mountain products.

To encourage operators to protect products whose quality, characteristics or reputation are due to their geographical origin, the Commission clarified and simplified applications for protecting names as designations of origin (PDO) or geographical indications (PGI) for foodstuffs (159). The JRC is currently developing scientific methods to safeguard the authenticity of European products and fight against food fraud.

Phil Hogan, Commissioner for Agriculture and Rural Development since 1 November, at the press conference to announce the adoption of the first three of 118 rural development programmes aimed at improving the competitiveness of the EU farming sector. Berlaymont building, Brussels, Belgium, 12 December.

Dairy

In the coming years EU agriculture will take a major step towards greater market orientation: the abolition of the remaining production constraints, including the end of the system of milk quotas in 2015.

In June 2014 a report was published on the development of the dairy market situation and the operation of the 2012 'milk package' (160). It describes the rather positive outlook for the dairy market, takes stock of the implementation of the provisions and possibilities of the 'milk package' and outlines further considerations in view of the end of the quota system in 2015. The Milk Market Observatory was also created, bringing together all the main experts in the milk supply chain with a view to enhancing transparency in the development of the market.

Agricultural research, development and innovation

Agriculture is changing and so is the know-how influencing the entire primary production and processing chain. This makes innovative farming practices a crucial factor for the competitiveness and sustainability of Europe's agriculture and forestry sectors.

In order to foster progress on such practices throughout the Union, the EU will support multinational agricultural research and innovation projects (161) under its research and innovation framework, Horizon 2020 (162). A substantial sum of almost €4 billion is devoted to research into food security; sustainable agriculture and forestry; the marine world, maritime affairs and inland waterways; and the bioeconomy.

New state aid instruments for agriculture

On 25 June the Commission adopted a new framework of state aid rules for the agricultural and forestry sectors for the period 2014–20 (163). The revised state aid criteria are part of the Commission's state aid modernisation initiative, aimed at fostering growth and competitiveness in the EU. They also go hand in hand with the reformed CAP, and more particularly with the new rural development policy.

Maritime affairs and fisheries

Maritime spatial planning

In coastal and maritime areas many activities compete for the same space and resources: fishing grounds, aquaculture farms and marine protected areas exist alongside maritime infrastructure such as cables, pipelines, shipping lanes and oil, gas and wind installations. These maritime sectors, coupled with those closer to the shore such as coastal tourism, offer opportunities for innovation, sustainable growth and employment, which all contribute to the Europe 2020 objectives.

The new directive on maritime spatial planning (164), adopted in 2014, seeks to avoid potential conflicts between these different sea-based activities and to create a stable investment environment, thereby contributing to sustainable growth. The directive sets out minimum requirements for the drawing up of national maritime spatial plans. These plans will identify all existing human activities, taking into account land–sea interactions, and the best and most cost-effective way of managing them.

Maritime security

The seas and oceans connect Europe to its partners across the globe, and just like the rest of the world the EU depends on seas and oceans for free trade, transport, tourism, ecological diversity and economic development. But none of this can be achieved without making the seas safe from the threats which inevitably exist in such a vast and open space.

Against this backdrop the Commission launched its maritime security strategy (165), adopted by the Council in June (166), with over 20 specific actions to promote closer cooperation between Member States and EU agencies when it comes to securing citizens' safety from seaborne perils. An action plan implementing this strategy was adopted in December by the Council (167).

Karmenu Vella, Commissioner for the Environment, Maritime Affairs and Fisheries since 1 November, at the launch conference of the 'EU strategy for the Adriatic and Ionian region', held in Brussels, Belgium, on 18 November.

A key element of the strategy is the availability and the sharing of information between all the different players involved in monitoring the seas and responding to any threats or incidents. In 2014 the Commission paved the way for a maritime common information sharing environment (CISE) ([168]), which improves and encourages information sharing between authorities involved in maritime surveillance, from coastguards and navies to port authorities, fisheries control services, customs authorities and environment monitoring and control bodies. Through the use of state-of-the-art technology, the CISE will integrate existing surveillance systems and networks and make them interoperable.

Ocean energy

Recognising that exploiting ocean energy would set the EU further on track to becoming a low-carbon economy, the Commission adopted an action plan to boost the ocean energy sector ([169]). The strategy reflects the fact that ocean energy could help to balance the output of other renewable energy sources, such as wind energy and solar energy, to ensure a steady aggregate supply of renewable energy to the grid. It also holds the potential to create new, high-quality jobs, particularly in Europe's coastal areas, which often suffer from high unemployment. That is why it was highlighted as one of the key sectors in the Commission's blue growth strategy ([170]).

Marine current turbine in Strangford Lough, off the Northern Irish coast, United Kingdom, generating 1.2 megawatts of energy from the tide.

Fisheries

The focus of 2014 was on building on the reform of the common fisheries policy (CFP) and its sustainability principle, at home and abroad, and making sure that the necessary investment could be made to achieve those objectives. A milestone of the implementation of the CFP is the obligation to land all catches as of 1 January 2015. In October the Commission adopted a series of discard plans (171), which cover all pelagic fisheries in EU waters and fisheries in the Baltic Sea.

European Maritime and Fisheries Fund — investing in a sustainable future

In 2014 the European Maritime and Fisheries Fund (172), the funding arm of the reformed CFP and the integrated maritime policy, was formally adopted. The fund is part of the MFF for the 2014–20 programming period. Its budget of €6.4 billion will contribute to sustainable and competitive fisheries and aquaculture, to a consistent framework for the policy and to a balanced and inclusive territorial development of fisheries and aquaculture areas.

Stepping up the fight against illegal fishing

Illegal, unreported and unregulated (IUU) fishing depletes fish stocks, destroys marine habitats, distorts competition, puts honest fishers at an unfair disadvantage and weakens coastal communities, particularly in developing countries.

In 2014 the EU showed that it would not tolerate illegal fishing and continued to make its mark internationally in that regard. In March the Council adopted the Commission's proposal to list Belize, Cambodia and Guinea as non-cooperative countries in the fight against IUU fishing. In practice this means that fisheries products caught by fishing vessels flying the flag of these countries cannot be imported into the EU while the countries remain listed. The decision also entails a fishing ban for EU vessels in these countries' waters, whilst joint fishing operations and fisheries agreements with these countries are also prohibited.

In June the Commission also warned Papua New Guinea and the Philippines that they risked being identified as non-cooperating countries. The decision does not yet entail any measures affecting trade and the Commission has drawn up an action plan for each country to address their shortcomings. In October the Commission proposed a ban on imports of fisheries products from Sri Lanka to tackle the commercial benefits stemming from illegal fishing. In contrast, the Commission confirmed that Belize, Fiji, Panama, Togo and Vanuatu, which had received warnings at the same time as Sri Lanka, have successfully taken measures to tackle illegal fishing and were removed from the list of non-cooperative countries. In December the Commission warned Saint Kitts and Nevis, Saint Vincent and the Grenadines, the Solomon Islands and Tuvalu that they risk being identified as non-cooperating countries.

Poster of the 'Inseparable' campaign, led by the European Commission to promote sustainable fishing.

The EU budget

The 2014 EU budget

First budget in line with the multiannual financial framework 2014–20

The MFF 2014–20 entered into force on 1 January 2014 and the new generation of funding programmes was launched ([173]). In line with the tighter budgetary stance at national level, this new multiannual framework provides for lower ceilings for both commitments and payments, with a yearly profile that imposes a particularly sharp reduction in the first years of the new financial period.

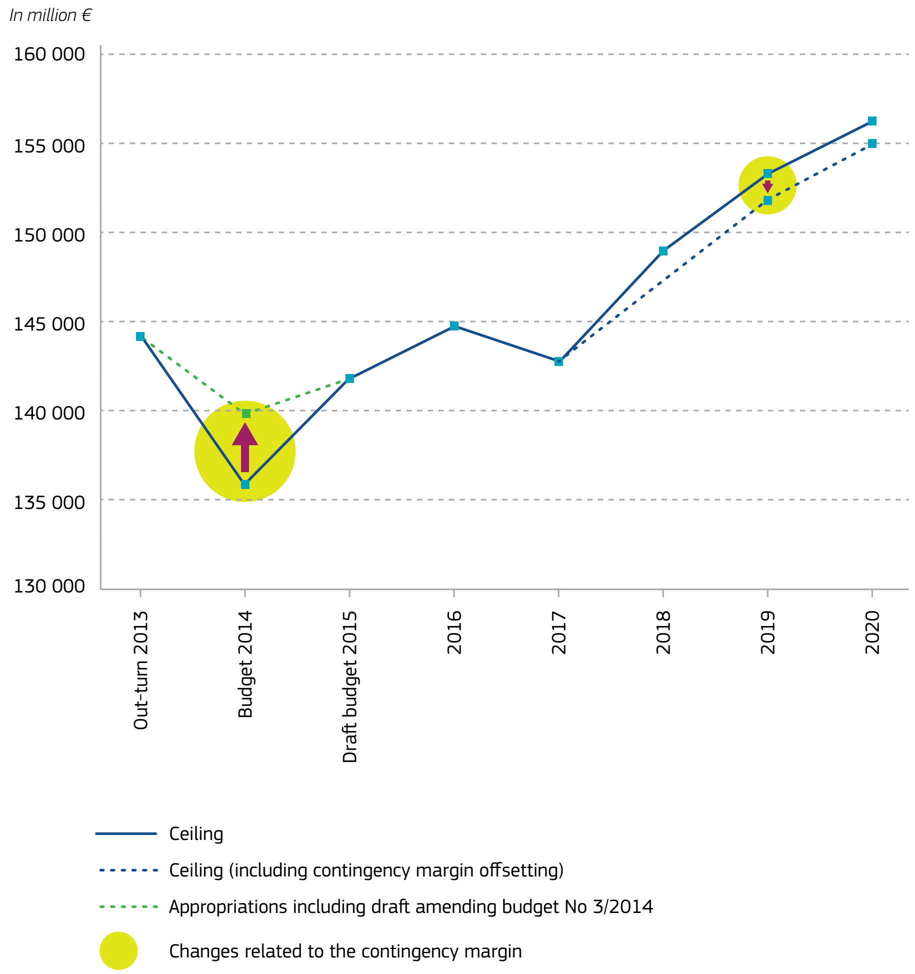
Consequently, the 2014 budget started from a level of commitments and payments that was significantly lower than the final 2013 budget, with a reduction of 6 % for both. Within this tighter budgetary stance the allocation of resources becomes even more relevant in order to maximise the impact of the EU budget in terms of growth and jobs. In this vein, during 2014 the Commission continued to consider support for those activities that correspond to the priorities of the Europe 2020 strategy to be its top priority. Examples of this shift are programmes such as the youth employment initiative, or the different instruments to help SMEs and to support Europe's researchers.

The 2014 budget also took into account events that demonstrated the need for stronger action at the European level in the global arena. The EU budget has provided the funding needed to respond to the humanitarian and security challenges in the EU's neighbourhood, for example via the reinforcement of budgetary lines on migration and border controls to respond to the crisis linked to illegal immigration across the Mediterranean, the mobilisation of additional resources for the protection of civilians in Iraq and Syria, the containment of the spread of Ebola in west Africa and the delivery of food aid to face the famine in South Sudan. Moreover, the EU budget has also responded to the challenges of the political situation in Ukraine via a combination of grants, macrofinancial loans and technical assistance.

In order to be able to honour its past and current obligations, during 2014 the Commission proposed an amending budget for an extra €4.7 billion in payment appropriations, including in particular the mobilisation of the contingency margin in order to use one of the most important elements of flexibility in the new MFF to allocate payment appropriations as needed within the 7-year period without exceeding the maximum ceilings agreed. The amending budget — together with the other amending budgets corresponding to the revenue side — was adopted by the Parliament and the Council on 17 December at a level of €3.5 billion, of which €2.8 billion plus €350 million from other special instruments concerns the mobilisation of the contingency margin.

The following figure shows the frontloading of the 2014 EU budget through the use of the contingency margin, as well as the overall reprofiling effect of the ceiling for payments over the 2014–20 period. It also illustrates the exceptionally low ceiling of payments in 2014, which could not entirely accommodate the actual additional needs that had emerged since February 2013, when the profile of the MFF 2014–20 was first determined.

EVOLUTION OF PAYMENTS



The revenue side of the 2014 budget

The new own resources legislative package ([174]) was formally adopted by the Council in May. Before becoming effective, the new own resources decision ([175]) has to be ratified by the Member States. This procedure is not expected to be finished before the beginning of 2016, at which time the decision will enter into force with retroactive effect as of January 2014. This means that for 2014 the revenue side of the EU budget was still governed by the own resources decision of 2007 ([176]). The present implementing legislation will also remain valid until the new own resources decision enters into force.

The 2014 budget was marked by a comparatively high level of additional 'other revenue' (i.e. revenue other than own resources), which reached €5.5 billion. A large portion of this amount came from fines and penalty payments in the realm of competition policy. The appropriations to be covered by own resources in 2014 decreased by 8.5 % compared to the 2013 budget and the 'remainder to be financed by the additional resource (GNI-based own resource)' decreased from €110.8 billion to €94.6 billion, which means that Member States saw their contributions decrease by 14.6 % compared to the 2013 budget.

The 2014 annual adjustments of the VAT and gross national income (GNI) balances resulted in exceptionally high additional amounts to be paid by some Member States to the EU budget. Member States made corrections to their GNI data which included recalculations dating back to 2002, and even to 1995 for one Member State. These caused changes to the amounts of GNI-based contributions to the EU budget. There was no overall increase in the EU budget as a result of these updates, yet for some Member States the sums were exceptionally high. In order to respond to this specific situation the Commission proposed a change to the current legislation ([177]) that would allow payments to be deferred in such exceptional situations. Once adopted by the Council, the amended regulation will apply retroactively.

Evaluation of the EU budgets for 2012 and 2013

In April the Parliament granted discharge to the Commission by an overwhelming majority for the implementation of the 2012 budget. This decision concluded a period of several months in which both arms of the budgetary authority (the Parliament and the Council), as well as the Court of Auditors, scrutinised how the resources from the 2012 budget were used. The Commission agreed with the Parliament's assessment that, under shared management, the Member States have an essential responsibility to establish and maintain reliable management and control systems. The Commission declared it would implement a series of actions and measures related to the issues identified by the budget authority, which mainly consist in the better application of regulations and rules by Member States' authorities, in developing and implementing stronger control and audit strategies for the 2014–20 period and in protecting the EU budget from expenditure incurred in breach of law.

In November the Court of Auditors published its report on the implementation of the budget concerning the financial year 2013 ([178]). In this report the Court stated that, in 2013, the overall quantified error rate for EU spending was 4.7 %. This, in a year when a record amount of payments were made, was slightly lower than the error rate in 2012 (4.8 %).

The Commission considers that this error rate has to be considered against the background of its multiannual corrections. In 2013 the Commission corrected or recovered €3.4 billion, which represents 2.3 % of all payments made that year. These figures show that a considerable portion of the expenditure incurred in breach of the law is likely to be corrected and recovered in the years to come, and at the latest by closure of the related measures.

In September 2014 the Commission published a communication ([179]) detailing all the measures taken to protect the EU budget and their impact up to the end of 2013. It shows the Commission's active role in and firm commitment to ensuring that the EU budget is protected. Over the last 5 years (2009–13) the average amount of financial corrections and recoveries was €2.9 billion per year (2.2 % of all payments, on average).

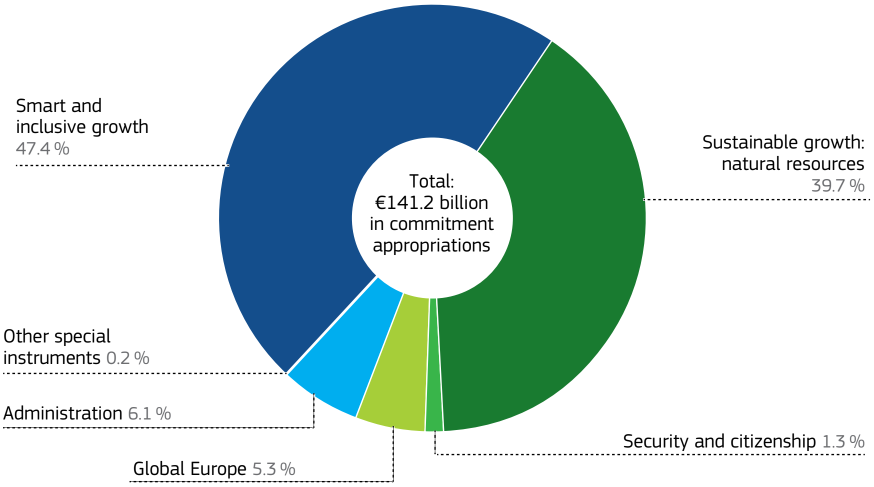
New provisions have been put in place to further reduce the risk of errors under the MFF 2014–20. The corrective measures have become tougher, the indicators for performance have been improved and the rules for beneficiaries are simpler. The result should be the even better delivery of the EU budget for its citizens.

Kristalina Georgieva, European Commission Vice-President for Budget and Human Resources since 1 November, gives a press conference to present the draft EU budget for 2015. Berlaymont building, Brussels, Belgium, 2 December.

The EU budget for 2015

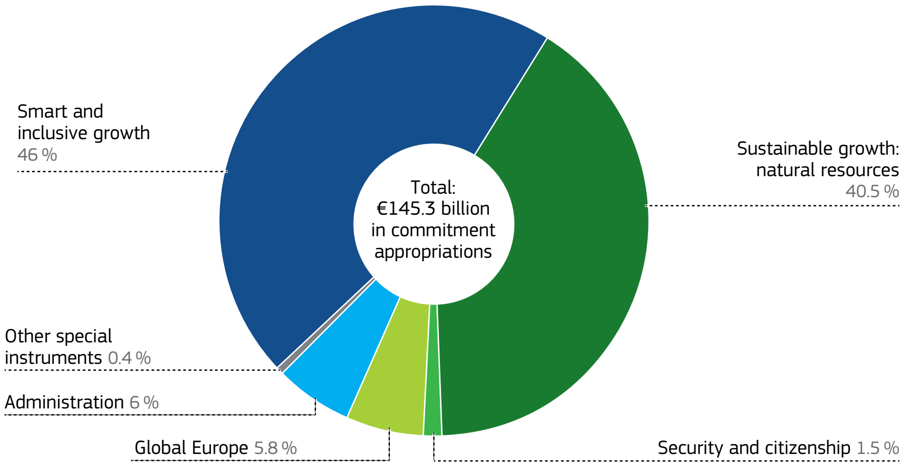
The EU budget for 2015 was adopted in December. It amounts to €145 321.5 million in commitment appropriations and €141 214 million in payment appropriations. Although this is in line with the fiscal discipline enshrined by the MFF, it slightly increases the total commitments and payments by 1.84 % and 1.57 % respectively in comparison with 2014. The reinforcement is focused in particular on those policies that favour competitiveness and economic convergence, thus contributing to growth and jobs, as well as those budget lines that allow the EU to address crises, especially in its neighbourhood. It also reflects the Europe 2020 strategy and the 10 priority policy areas set out in the political guidelines of the new Commission, such as boosting jobs, growth and investment, connecting the digital single market, increasing the resilience of the energy supply while fighting against global warming, securing the EU's borders and having a stronger union when it comes to foreign policy.

EU BUDGET 2015 — PAYMENTS



Source: European Commission.

EU BUDGET 2015 — COMMITMENTS



Please note that some figures have been rounded, and the graph totals therefore may not represent their exact sum.

Source: European Commission.

The 2015 budget amounts to around 1 % of the combined GNI of all Member States. It reflects the need to pay the bills derived from the implementation of the past programming period as well as the launch of the new programmes. It also takes into account major present and future international issues such as the Ukraine crisis or the need to strengthen the EU's energy security by refocusing its scarce resources.

Finally, the budget for 2015 also reflects the process of reducing the operating cost of the EU institutions. Total costs remain stable at around 4.8 % of the total budget and, for the third consecutive year, the Commission will apply a 1 % reduction of its staff levels in order to implement the 5 % staff reduction over 5 years that was agreed within the framework of the MFF and applies to all EU institutions and bodies.

ENDNOTES

(1) European Council conclusions, 18 December 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/146411.pdf).

(2) Commission communication — Commission work programme 2015: a new start (COM(2014) 910).

(3) Commission report — Draft joint employment report from the Commission and the Council accompanying the communication from the Commission on the annual growth survey 2015 (COM(2014) 906).

(4) Proposal for a recommendation on establishing a youth guarantee (COM(2012) 729).
See also: http://ec.europa.eu/social/main.jsp?catId=1079&langId=en

(5) Commission communication — Youth employment initiative (COM(2013) 144).

(6) Proposal for a recommendation on a quality framework for traineeships (COM(2013) 857).

(7) Regulation (EU) No 1304/2013 on the European Social Fund (OJ L 347, 20.12.2013).

(8) Regulation (EU) No 1309/2013 on the European Globalisation Adjustment Fund (2014–20) (OJ L 347, 20.12.2013).

(9) Commission communication — EU quality framework for anticipation of change and restructuring (COM(2013) 882).

(10) Commission communication — Towards social investment for growth and cohesion — including implementing the European Social Fund 2014–20 (COM(2013) 83).
Commission recommendation — Investing in children: breaking the cycle of disadvantage (C(2013) 778).

(11) Regulation (EU) No 1296/2013 on a European Union programme for employment and social innovation (EaSI) (OJ L 347, 20.12.2013).

(12) Regulation (EU) No 223/2014 on the Fund for European Aid to the Most Deprived (OJ L 72, 12.3.2014).

(13) Proposal for a regulation on a European network of employment services, workers' access to mobility services and the further integration of labour markets (COM(2014) 6).

(14) Decision No 573/2014 on enhanced cooperation between public employment services (PES) (OJ L 159, 28.5.2014).

(15) Directive 2014/50/EU on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights (OJ L 128, 30.4.2014).

(16) Directive 2014/54/EU on measures facilitating the exercise of rights conferred on workers in the context of freedom of movement for workers (OJ L 128, 30.4.2014).

(17) Directive 2014/67/EU on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (OJ L 159, 28.5.2014).

(18) For further information see the 'Free movement' section in Chapter 4.

(19) http://ec.europa.eu/programmes/erasmus-plus/index_en.htm

(20) Decision 2013/743/EU establishing the specific programme implementing Horizon 2020 — the framework programme for research and innovation (2014–20) (OJ L 347, 20.12.2013).
See also: http://ec.europa.eu/programmes/horizon2020

(21) http://iri.jrc.ec.europa.eu/scoreboard14.html

(22) http://europa.eu/rapid/press-release_IP-14-670_en.htm

(23) http://www.eib.org/products/blending/innovfin/index.htm

(24) Commission communication — Research and innovation as sources of renewed growth (COM(2014) 339).

(25) http://ec.europa.eu/digital-agenda/en/time-ecsel

(26) http://ec.europa.eu/digital-agenda/en/electronics-strategy-europe

(27) http://sparc-robotics.eu

(28) http://www.eu-robotics.net

(29) Commission communication — Towards a thriving data-driven economy (COM(2014) 442).

(30) Commission communication — European research area: progress report 2014 (COM(2014) 575).

(31) Copernicus is the European programme for the establishment of a European capacity for Earth observation.

(32) Commission communication — For a European industrial renaissance (COM(2014) 14).

(33) European Council conclusions, 20 and 21 March 2014 (http://register.consilium.europa.eu/doc/srv?l=EN&t=PDF&gc=true&sc=false&f=ST%207%202014%20INIT).

(34) Commission communication — Green action plan for SMEs: enabling SMEs to turn environmental challenges into business opportunities (COM(2014) 440).

(35) Commission report — A new deal for European defence: implementation roadmap for communication COM(2013) 542: Towards a more competitive and efficient defence and security sector (COM(2014) 387).

(36) http://ec.europa.eu/enterprise/policies/single-market-goods/internal-market-for-products/new-legislative-framework/index_en.htm

(37) The list of proposals is available at: http://ec.europa.eu/environment/circular-economy

(38) http://ec.europa.eu/contracts_grants/agreements/index_en.htm

(39) Commission communication — Europe 2020: a strategy for smart, sustainable and inclusive growth (COM(2010) 2020).
See also: http://ec.europa.eu/europe2020/index_en.htm

(40) Regulation (EU) No 661/2014 amending Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund (OJ L 189, 27.6.2014).
See also: http://ec.europa.eu/regional_policy/thefunds/solidarity/index_en.cfm

(41) Recommendation for a recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro (COM(2014) 401).
Commission document — Assessment of the 2014 national reform programmes and stability programmes for the euro area (SWD(2014) 401).

(42) http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm
European Council conclusions, 26 and 27 June 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/143478.pdf).

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

(44) Commission recommendation on a new approach to business failure and insolvency (C(2014) 1500).

(45) Regulation (EU) No 655/2014 establishing a European account preservation order procedure to facilitate cross-border debt recovery in civil and commercial matters (OJ L 189, 27.6.2014).

(46) Commission communication — A common European sales law to facilitate cross-border transactions in the single market (COM(2011) 636).

(47) Commission communication — The 2014 EU justice scoreboard (COM(2014) 155).

(48) Directive 2011/83/EU on consumer rights (OJ L 304, 22.11.2011).

(49) Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (OJ L 364, 9.12.2004).

(50) http://ec.europa.eu/transport/passenger-rights

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(173) Altogether, more than 45 legal instruments for multiannual operational programmes were adopted in 2013 and 2014.

(174) http://ec.europa.eu/budget/mff/figures/index_en.cfm#ownresources

(175) Decision 2014/335/EU, Euratom on the system of own resources of the European Union (OJ L 168, 7.6.2014).

(176) Decision 2007/436 EC, Euratom on the system of the European Communities’ own resources (OJ L 163, 23.6.2007).
Own resources decisions are conceived in principle to cover the same period as and to be complementary to the respective MFF. The legislative proposals are devised and negotiated as a package. However, the own resources decision does not have an expiry date and continues to be valid until a new decision enters into force.

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CHAPTER 4

Towards a Europe of citizens, rights, justice and security


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In May, European citizens exercised their right to vote in the European elections, the first under the provisions of the Lisbon Treaty, which enhanced the role of citizens as political actors in the EU.

During the year the Commission set out an EU framework to strengthen the rule of law and outlined its vision for the future of EU justice and home affairs policies.

The year in review also represented a significant step forward in reinforcing citizens' fundamental right in respect of the protection of their personal data including considerable progress on data protection reform and a landmark ruling by the Court of Justice of the European Union on the 'right to be forgotten'.

Moreover, 2014 marked the integration of the former 'third-pillar *acquis*' on police and judicial cooperation in criminal matters into normal EU procedures.

On 15 May Eurovision made history by broadcasting for the first time ever a 90-minute live debate between the candidates of the five major political groups for the post of president of the European Commission.

Fundamental rights

The Charter of Fundamental Rights of the European Union

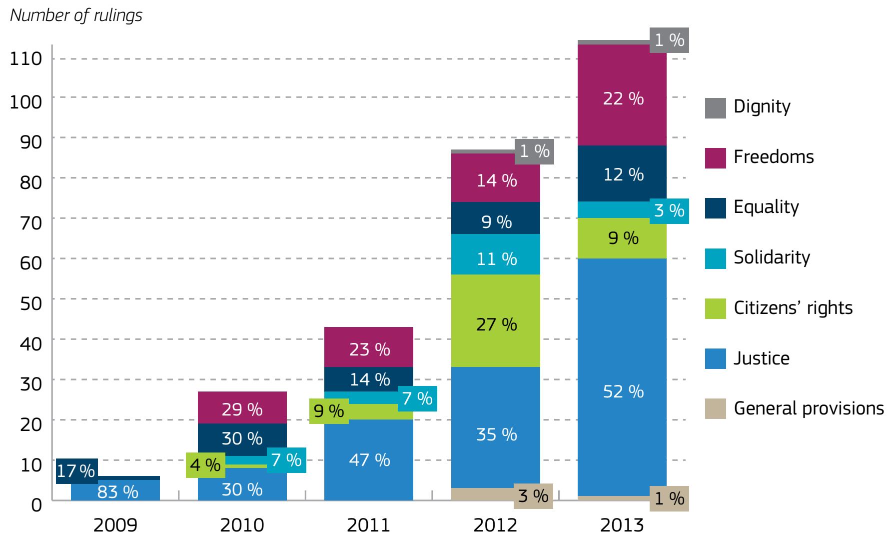
The 2013 European Commission report on the application of the Charter of Fundamental Rights of the European Union (1) highlighted the role of the Court of Justice in implementing the charter, especially as regards the most recent development of its case-law on the charter's applicability in Member States. The report also gives an account of how the EU institutions respected and promoted fundamental rights, under the scrutiny of the Court, in all their initiatives, including developing new legislation and policies, and enforcement actions.

In covering the full range of charter provisions on an annual basis, the report aims to track where progress is being made, where further efforts are still necessary and where new concerns arise.

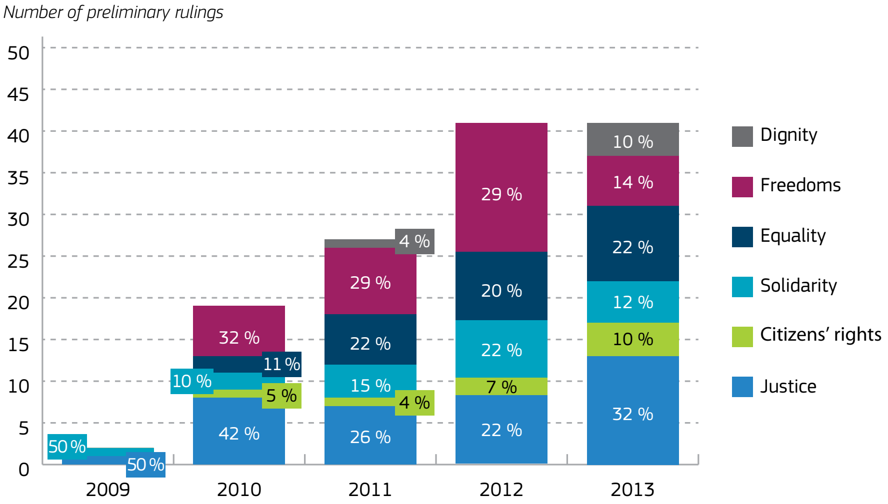
The 2013 report found that the importance and prominence of the charter continues to rise, as shown below.

- The Court of Justice has been increasingly applying the charter in its decisions. In 2013, 114 decisions quoted the charter, almost three times the number in 2011.
- National courts have also increasingly referred to the charter when addressing questions to the Court of Justice (preliminary rulings). In 2012 such references rose by 65 % compared to 2011, from 27 to 41. In 2013 the number of referrals remained at 41.
- National judges are more and more aware of the charter's impact and seek guidance from the Court of Justice.
- The number of complaints by citizens referring to the charter has also increased considerably. During 2013 the Commission received almost 4 000 letters from citizens concerning fundamental rights issues. Of these, 69 % concerned situations where the charter could apply.

OVERVIEW OF COURT OF JUSTICE CASE-LAW THAT DIRECTLY QUOTES THE CHARTER OF FUNDAMENTAL RIGHTS OF THE EUROPEAN UNION OR MENTIONS IT IN ITS REASONING



REQUESTS FOR PRELIMINARY RULINGS THAT MENTION THE CHARTER



EU accession to the European Convention on Human Rights

The Treaty of Lisbon imposes an obligation on the EU to accede to the European Convention on Human Rights (ECHR). In April 2013 the draft agreement on the EU's accession to the ECHR was finalised. As a next step, the Commission asked the Court of Justice to give its opinion on the draft agreement. The Court of Justice delivered its opinion in December 2014, concluding that, regarding a certain number of points, the draft agreement was not compatible with the EU treaties. The Commission is analysing the opinion with a view to taking the appropriate next steps.

Frans Timmermans, Commission First Vice-President responsible for Better Regulation, Interinstitutional Relations, the Rule of Law and the Charter of Fundamental Rights (right), in conversation with Maroš Šefčovič, Commissioner for Energy Union (left), both in office since 1 November, at the College meeting of 3 December. Berlaymont building, Brussels, Belgium.

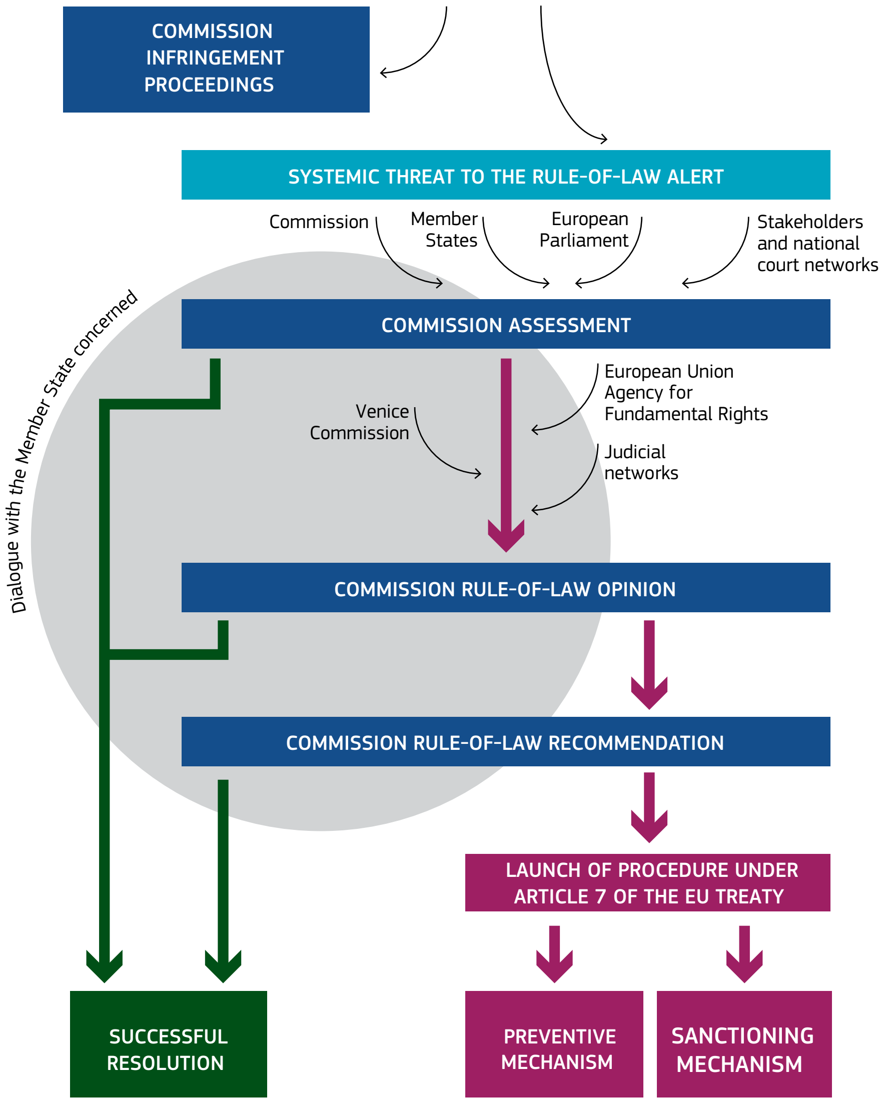
New EU framework to strengthen the rule of law

The Commission adopted a new framework for addressing systemic threats to the rule of law (²) in any of the EU's 28 Member States. The new rule-of-law framework is complementary to infringement procedures — when EU law has been breached — and to the procedure set out in Article 7 of the Lisbon Treaty, which, at its most severe, allows for the suspension of voting rights in case of a 'serious and persistent breach' of EU values by a Member State.

Viviane Reding, Commission Vice-President responsible for Justice, Fundamental Rights and Citizenship until 1 July, presenting the new framework for addressing systemic threats to the rule of law in any of the EU's Member States. Brussels, Belgium, 11 March.

The new framework establishes an early warning tool, facilitating the Commission's entry into a political dialogue with the Member State concerned to prevent any emerging systemic threat to the rule of law from escalating in such a way as to develop into a situation covered by Article 7. If no solution is found within the new rule-of-law framework, this article will remain the last resort to resolve a crisis and ensure compliance with EU values. The new framework does not constitute or claim new competencies for the Commission but makes transparent how the Commission exercises its role under the treaties.

A RULE-OF-LAW FRAMEWORK FOR THE EUROPEAN UNION



The EU agenda for the rights of the child

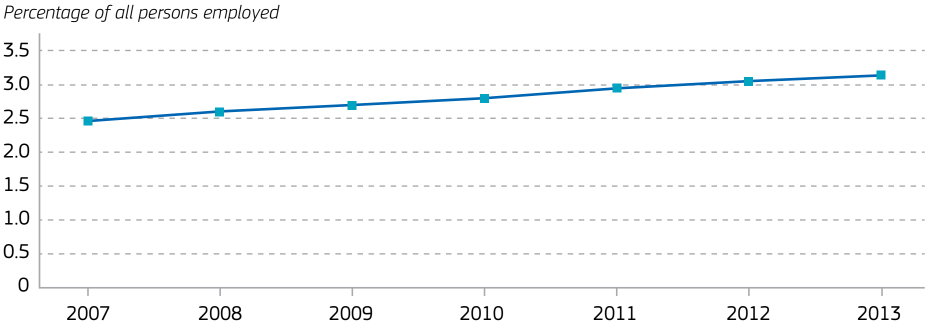
The implementation of the EU agenda for the rights of the child (³) was successfully concluded in 2014. The agenda aims at reinforcing the full commitment of the EU — as enshrined in the Treaty of Lisbon and the Charter of Fundamental Rights — to promoting, protecting and fulfilling the rights of the child in all relevant EU policies and initiatives. It includes 11 concrete actions. The preliminary evaluation of the EU agenda led to Council conclusions adopted in December 2014 (⁴) to mark the 25th anniversary of the UN Convention on the Rights of the Child.

Free movement

Study on the impact of free movement

An independent study on the impact of the right to move freely within the EU (⁵) found that citizens go to other EU countries mainly for job opportunities. The study focused on six European cities, chosen for the multinational composition of their population: Barcelona (Spain), Dublin (Ireland), Hamburg (Germany), Lille (France), Prague (Czech Republic) and Turin (Italy).

EU CITIZENS AGED 15–64 LIVING AND WORKING IN AN EU MEMBER STATE OTHER THAN THEIR OWN, EU-28, 2007–13



Source: Eurostat.

The main findings of the study are as follows.

- EU citizens move mainly because of job opportunities and are, on average, younger and more economically active than the local population in the cities examined.
- The inflow of younger, working-age EU citizens in the selected cities is helping to address the demographic challenges of an ageing population and a shrinking labour force.
- They are also helping to fill gaps in the labour market, either by taking up mainly low-skilled jobs (as in Hamburg and Turin), contributing to the growth of new sectors (such as information and communications technology in Dublin) or helping create new business ventures (as in Hamburg and Turin).

Implementation of the five-point action plan on free movement

At the end of 2013 the Commission presented five initiatives to make a difference to the free movement of people, so as to benefit citizens, growth and employment in the EU, as laid down in its communication on the free movement of EU citizens and their families (⁶). In 2014 a number of initiatives were taken to implement them.

Handbook on alleged marriages of convenience between EU citizens and non-EU nationals in the context of EU law on the free movement of EU citizens

This handbook (⁷) was adopted in September to support Member States in addressing this phenomenon, the extent of which varies significantly between Member States. The guidance in the handbook should allow the national authorities to effectively tackle marriages of convenience, basing themselves on the same factual and legal criteria throughout the Union, while safeguarding the right of EU citizens to free movement.

Practical guide on the 'habitual residence test'
The Commission and the Member States have worked together to clarify the 'habitual residence test', to help national administrations apply EU rules on the coordination of social security for EU citizens and their families. The purpose of this guide ([8]) is to help national and local authorities to apply EU free movement rules effectively, to combat abuses and to use available funds on the ground to promote social inclusion.

Helping authorities meet social inclusion challenges
Between 2014 and 2020 each Member State must allocate at least 20 % of its European Social Fund budget to promoting social inclusion. In addition, to make sure funding focuses on where it is needed and is used effectively, the Commission worked closely with Member States in the course of the year on partnership agreements and operational programmes.

Mayors' conference
Over 100 mayors and representatives of local authorities from around Europe met in Brussels in February to discuss the challenges and opportunities regarding the free movement of citizens in the European Union. The aim of the conference was to help local authorities pool ideas and share best practices in implementing free-movement rules. The mayors also addressed social inclusion challenges related to free movement that arise at local level. In October a follow-up in the form of a practical workshop on the use of EU funds and best practices for the inclusion of EU citizens was organised during the Open Days 2014 ([9]).

Helping local authorities apply EU free-movement rules on the ground
The Commission is developing, in cooperation with Member States, an elearning tool designed to improve local authorities' knowledge of EU citizens' free-movement rights and to assist them in giving effect to these rights.

The fight against discrimination

Tackling the gender pay gap (recommendation on pay transparency)

The Commission promotes and facilitates the effective application of the principle of equal pay and assists Member States and other stakeholders in finding the right approaches to reducing the persisting gender pay gap.

In 2014 the Commission adopted a recommendation ([10]) asking Member States to improve pay transparency for women and men in a bid to tackle discrimination and close the gender gap.

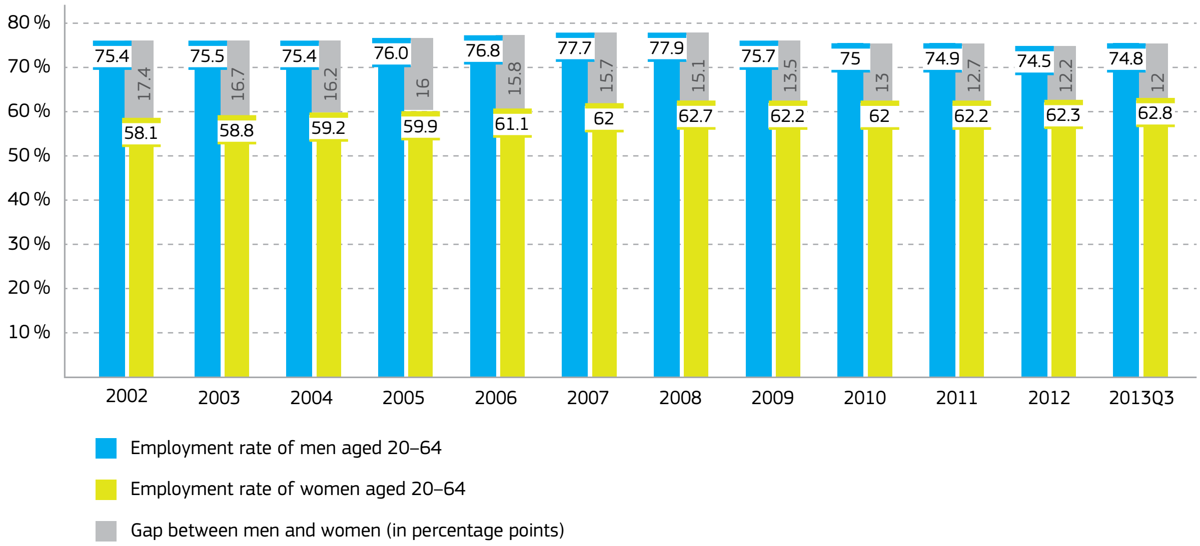
The pay gap — the average difference between women's and men's hourly earnings across the entire economy — has barely moved in recent years and is stagnating, at 16.4 %, across the European Union.

Greater transparency in pay is an important part of tackling the pay gap. The Commission recommends that Member States improve wage transparency through a 'toolbox' of measures, including allowing employees to request information on pay, reporting by companies, pay audits for large firms and including equal pay in collective bargaining. Member States will need to report back to the Commission on what action they have taken to implement the recommendations by the end of 2015.

Equality between women and men

The annual report on equality between women and men (11) shows how the EU's actions have contributed towards accelerating progress towards genuine gender equality. It reveals that gender gaps have shrunk significantly in recent years but that progress is uneven among the Member States, and the discrepancies continue to exist in different areas, with challenges remaining. Gender-based violence, which is a brutal form of discrimination and a violation of victims' fundamental rights, is persistent. In Europe, one in three women suffers physical and/or sexual violence at least once in her life.

EU-28 MALE AND FEMALE EMPLOYMENT RATE (IN PER CENT) AND GENDER GAP IN EMPLOYMENT RATE, PEOPLE AGED 20–64, 2002–2013Q3



Note: 2013Q3 means data from the third quarter of 2013.
Some figures have been rounded and the totals therefore may not represent the exact sums of the totals.

Source: Eurostat, labour force survey.

Combating discrimination on the grounds of ethnicity, age, sexual orientation, gender identity and religion/belief

The race equality directive (12) and employment equality directive (13) are designed to combat discrimination and are now national law in all 28 Member States. Nonetheless, the 2014 report on their implementation (14) highlighted that national authorities still need to make sure they provide effective protection to victims of discrimination on the ground. Key challenges include a lack of public awareness of rights, as well as under-reporting of discrimination cases. One of the priorities of the new Commission since taking office on 1 November has been to pursue negotiations on a horizontal anti-discrimination directive, which would ban discrimination in all areas in which the EU has jurisdiction.

Framework decision on racism and xenophobia

In 2008 the Member States unanimously adopted the framework decision on combating racism and xenophobia through criminal law (15), yet national laws in a number of countries remain inadequate. The framework decision aims to combat racist and xenophobic hate speech and hate crime, and requires Member States to define as criminal offences the public incitement to violence or hatred on grounds of race, colour, religion, descent or national or ethnic origin. The Commission report (16) published in 2014 found that most Member States had not correctly implemented EU rules designed to tackle racist and xenophobic hate crimes.

The Commission continued to engage in dialogues with Member States during 2014 with a view to ensuring the full and correct transposition of the framework decision into national law, giving due consideration to the Charter of Fundamental Rights and, in particular, to freedom of expression and association.

Implementation of the national Roma integration strategies

The 2014 annual report (17) assessed the progress made by Member States in all key areas of Roma inclusion, through information provided by each country, non-governmental organisations (NGOs), international organisations and the European Union Agency for Fundamental Rights.

European Roma Summit

This summit was held in April in Brussels and took stock of progress made on Roma inclusion in the European Union since the previous Roma summit in 2010. Around 500 representatives of EU institutions, national authorities, international organisations, civil society organisations, including Roma, and local authorities were invited to express their views on how to deliver further on the implementation of the EU framework for national Roma integration strategies. Going local on Roma inclusion both in the EU, as well as in enlargement countries, was the central focus of the summit.

Promoting the rights of persons with disabilities

First EU report on the implementation of the UN Convention on the Rights of Persons with Disabilities

The Commission published its first report (18) in June on how the EU is giving effect to the UN Convention on the Rights of Persons with Disabilities (19). This convention is the first international legally binding instrument setting minimum standards for a range of civil, political, social, economic and cultural rights for people with disabilities around the world.

The report shows that the ratification of the convention has had tangible impacts on the ground in the EU. The new directives on public procurement (20), adopted in 2014, ensure that accessibility for persons with disabilities is taken into account in most procurement procedures.

Ratified by the EU in 2011, the convention is also the first comprehensive human rights accord to which the EU has become a party. All 28 Member States have signed the convention and 25 of these have ratified it, while the remaining three (Ireland, the Netherlands and Finland) are progressing towards ratification.

The 2014–20 regulatory framework for the European Structural and Investment Funds (21) contains new, reinforced provisions and criteria to make sure that investments are effectively used to promote equality, non-discrimination, social inclusion and accessibility for persons with disabilities.

2015 Access City Award

The Swedish city of Borås was the winner of the 2015 Access City Award, which was presented in December 2014 in Brussels on the occasion of the International Day of Persons with Disabilities. Helsinki (Finland) won the second prize and the third prize was awarded to Ljubljana (Slovenia).

The Access City Award was launched in 2010 to raise awareness of disability and promote accessibility initiatives in European cities with more than 50 000 inhabitants. It is organised by the Commission in partnership with the European Disability Forum. It recognises and celebrates cities for their efforts to make it easier for people with disabilities and older people to gain access to public areas, public transport and communication technologies.

The laureates at the 2015 Access City Awards ceremony, with the representative from Borås, Sweden, the winner of the award, holding the prize. Brussels, Belgium, 3 December.

Data protection

The year 2014 was a significant one in reinforcing citizens' fundamental right to the protection of personal data. Considerable progress was achieved on data protection reform, the Court of Justice issued a landmark ruling on the 'right to be forgotten' and the EU–United States negotiations for a data protection umbrella agreement for law enforcement purposes advanced steadily.

Data protection reform

The Commission proposed a reform of the EU's data protection rules in January 2012 ([22]) to strengthen online privacy rights and boost Europe's digital economy. Following good progress in 2014 the modernisation of the EU's data protection rules has advanced considerably.

The European Parliament adopted its position at the first reading on 12 March. On three chapters of the regulation the Council agreed on a 'partial general approach': the territorial scope of the regulation and its Chapter V on international transfers (Council of 5 and 6 June); Chapter IV on the obligations of controllers and processors (Council of 9 and 10 October); and on flexibility for the public sector and specific processing operations (Council of 4 and 5 December). Final adoption of the reform package is expected to take place in 2015.

Court of Justice ruling on the 'right to be forgotten'

Case C-131/12 ([23]), *Google Spain and Google* — Under Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and the free movement of such data ([24]), the operator of the search engine is, in certain circumstances, obliged to remove links to webpages that are published by third parties and contain information relating to a person from the list of results displayed following a search made on the basis of that person's name. Inasmuch as the removal of links from the list of results could, depending on the information at issue, have effects upon the legitimate interest of Internet users potentially interested in having access to that information, a fair balance should be sought in particular between that interest and the data subject's fundamental rights, in particular the right to privacy and the right to protection of personal data. In response to the question of whether the directive enables the data subject to request that links to web pages be removed from such a list of results on the grounds that they wish the information appearing on those pages relating to them personally to be 'forgotten' after a certain time, the Court held that, if it is found, following a request by the data subject, that the inclusion of those links in the list is, at this point in time, incompatible with the directive, the links and information in the list of results must be erased.

The Court clarified that search engines are controllers of personal data, and search engines, such as Google, cannot therefore escape their responsibilities under European law when handling personal data. The 2012 Commission proposals for EU data protection reform ([25]) introduced an explicit right to be forgotten.

EU–United States umbrella agreement

Since March 2011 the Commission has been negotiating an international framework agreement with the United States government (the data protection umbrella agreement) in order to protect personal data transferred between the EU and the United States for law enforcement purposes.

The goal of the EU in the umbrella negotiations is to make sure that citizens' fundamental right to the protection of their personal data is upheld when their data are transferred to and processed in the United States within the framework of police and judicial cooperation.

In June the Commission met with counterparts from the United States in Athens, Greece, where it was announced that the United States administration will work with Congress to adopt legislation ensuring that citizens of EU Member States have the same right to judicial redress as United States citizens for privacy cases.

Citizenship

The electoral right of Union citizens

European Parliament elections 2014

The May 2014 European Parliament elections were the first under the provisions of the Lisbon Treaty, which enhances the role of citizens as political actors in the EU. The treaty 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.

The main building of the European Parliament from the river Ill in Strasbourg, France.

In an effort to make the European democratic process more transparent, to offer voters a choice between meaningful political options and to encourage greater ownership by EU voters, the Commission published a communication (26) and a recommendation (27) addressed to the Member States and to the political parties at national and European levels, calling for stronger links between citizens and the EU. Ahead of the May elections, on 27 March, the Commission produced a report on the implementation of this recommendation (28), which included the following points.

- Before and during elections, national political parties should make clear to which European political party they are affiliated.
- 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.
- Member States should agree on a common day for the European elections.

The report concluded that the recommendations were generally well received by the actors involved. It also highlighted the role that civil society played as a valuable multiplier to inform citizens about the new democratic impetus to the elections and underlined its contribution to sparking a European debate ahead of the elections and to putting Europe at the heart of national debates across the EU.

Citizens' initiatives

The first European citizens' initiative, 'Right2water' (29), having gathered the necessary support (at least 1 million signatories overall and minimum thresholds in at least seven Member States), sought to ensure that all EU citizens enjoy the right to water and sanitation, to exclude water supply and the management of water resources from internal market rules and liberalisation and to increase the Commission's efforts to achieve universal access to water and sanitation around the world. The Commission, in its March communication replying to the initiative (30), set out concrete steps and new actions in areas of direct relevance to the initiative and its goals. Follow-up actions (31) are progressively being implemented by the Commission; for example it ran a public consultation (32) on the drinking water directive (33) between June and September.

In May the Commission replied to the second European citizens' initiative, 'One of us' (34). After having carefully examined their request, the Commission decided not to submit a legislative proposal, given that Member States and the Parliament had only recently discussed and decided on EU policy in this regard. The 'One of us' initiative had asked the EU to end the financing of activities that presuppose the destruction of human embryos, in particular in the areas of research, development aid and public health. The Commission concluded that the existing funding framework is the appropriate one.

As part of the examination process, the organisers of each of these initiatives had the opportunity to present their proposals during a meeting with the Commission's representatives and during a public hearing in the Parliament.

Dialogue with churches, religions and philosophical and non-confessional organisations

The Commission 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 years.

The year marked the 10th anniversary of the annual high-level meeting between the Presidents of the Parliament, the Council and the Commission and religious leaders, which took place in June.

László Surján, Vice-President of the European Parliament (right), Herman Van Rompuy, President of the European Council (left), and José Manuel Barroso, President of the European Commission until 31 October (centre), receive around 20 senior representatives from the Christian, Muslim, Jewish, Hindu and Sikh communities in Brussels, Belgium, on 10 June.

Ethics and sciences

The Commission coordinated activities in 2014 to strengthen the ethical dimension in EU policymaking on science and new technologies. The European Group on Ethics (EGE), the independent, multidisciplinary body that advises the Commission on ethical aspects of science and new technologies, continued to provide high-quality and timely policy guidance. The EGE adopted, in May 2014, an opinion on the ethics of security and surveillance technologies ([35]).

The Commission consolidated and expanded its activities to forge international cooperation on ethics in science and technologies. The annual European Commission International Dialogue on Bioethics (IDB) provided a platform of mutual learning between the presidents of national ethics councils from Member States and non-EU-country partners across all continents. Alongside the 2014 IDB on the ethics of citizens' involvement and health, the Commission laid the groundwork for new and emerging bi-regional dialogues, including the Latin America–EU Dialogue, which took place in June, and the EU–African Union Dialogue, which took place in October.

The ongoing endeavour to strengthen global cooperation on ethics is key to placing Europe at the forefront in developing the norms and principles underpinning developments in science and technology. Rooting technological and scientific innovation in a strong ethical foundation will be increasingly important in order to instil and engender public trust in a context of rapid technological transformation.

Justice and home affairs — end of the transitional period and new powers for the EU institutions

The year marked the end of the 5-year transitional period for the former ‘third pillar’ *acquis* on police cooperation and judicial cooperation in criminal matters.

The Lisbon Treaty integrated the former measures on police cooperation and judicial cooperation in criminal matters into EU competence. The 5-year transitional period was provided for by Protocol 36 of the treaty, and at the end of it — on 1 December 2014 — all instruments on police cooperation and judicial cooperation in criminal matters that had not been amended by new acts adopted under the Lisbon Treaty would become subject to the jurisdiction of the Court of Justice and the full enforcement powers of the Commission.

Thus, as of 1 December, a national court of a Member State participating in a measure related to police cooperation and judicial cooperation in criminal matters may (and a court of last instance must) request that the Court of Justice give preliminary rulings in case of doubts about the correct interpretation or application of such legal instruments. Furthermore, the Commission is able to launch infringement proceedings against those Member States that have not implemented or have not correctly implemented EU law on police cooperation and judicial cooperation in criminal matters, and the Court of Justice has achieved full competence over these areas.

In accordance with the specific provisions of Protocol 36, the United Kingdom opted out of former police cooperation and judicial cooperation in criminal matters measures as of 1 December. However, the United Kingdom has opted back into, and continues to participate in, 35 measures in this field (29 non-Schengen and six Schengen acts), including the European Arrest Warrant (36).

Justice

Towards a true European area of justice: strengthening trust, mobility and growth

In March 2014 the Commission outlined its vision for the future of EU justice policy (37). The Commission's objective for the future is to make further progress towards a fully functioning common European area of justice based on trust, mobility and growth by 2020.

The European Council's strategic guidelines for the area of freedom, security and justice

In further developing the area of freedom, security and justice in the coming years, it will be crucial to ensure the protection and promotion of fundamental rights, including data protection, whilst addressing security concerns, including in relations with non-EU countries, and to adopt a strong EU general data protection framework by 2015.

Criminal justice

Fair trial rights

The directive on the right to information in criminal proceedings (38) reached the transposition deadline in June. In substance, the directive sets out the rights of which an accused person has to be informed during criminal proceedings.

Suspects or accused persons must be informed, orally or in writing, about the following minimum procedural rights in order to allow for those rights to be exercised effectively:

- the right of access to a lawyer;
- any entitlement to free legal advice;
- the right to be informed about the accusation;
- the right to interpretation and translation for those who do not understand the language of the proceedings;
- the right to remain silent.

Information should be provided in simple and accessible language, taking into account any particular needs of vulnerable suspects or vulnerable accused persons.

Arrested persons must also be informed of their procedural rights in writing, through a document drafted in easily comprehensible language, whether they ask for it or not. This so-called letter of rights, in addition to the rights mentioned above, will contain information on:

- the right of access to case materials;
- the right to have consular authorities and one other person (such as a family member or employer) informed;
- the right to access urgent medical assistance;
- the right to know the maximum number of hours or days suspects or accused persons may be deprived of liberty before being brought before a judicial authority;
- the possibility to challenge the lawfulness of the arrest.

Persons arrested in execution of a European Arrest Warrant also have a right to be presented with a letter of rights. This document explains to them the right to be informed about the content of the European Arrest Warrant, the right to be assisted by a lawyer, the right to interpretation and translation if they do not speak or understand the language, the possibility to consent to surrender and the right to be heard by a judicial authority in cases of non-consent.

Detention

In February the Commission issued a report ([39]) on the implementation by the Member States of the framework decisions on the mutual recognition of judicial decisions on custodial sentences or measures involving deprivation of liberty, on probation decisions and alternative sanctions and on supervision measures as an alternative to provisional detention ([40]). The report concludes that the level of implementation is unsatisfactory. The partial and incomplete transposition of the framework decisions hampers the application of the principle of mutual recognition in the area of criminal justice.

Victims' rights

The correct national implementation and application of the directive establishing minimum standards on the rights, support and protection of victims of crime ([41]) will strengthen victims' rights in criminal proceedings in the EU. Therefore, the Commission issued a guidance document ([42]), the purpose of which is to facilitate the effective and timely transposition of the directive by Member States and to assist them to have a common understanding of its provisions.

Protection of the euro against counterfeiting

The new directive on the protection of the euro and other currencies against counterfeiting by criminal law ([43]) came into force in May. The Member States, with the exception of Denmark and the United Kingdom, which do not participate in this directive, have to transpose it into national law by May 2016.

The new measure provides added value to the current framework with respect to the following issues.

- It sets levels for criminal penalties in Member States — a penalty of at least 8 years' imprisonment for production and at least 5 years for distribution of fake notes and coins.
- It ensures that effective investigative tools are available to facilitate cross-border investigations, such as those used for organised crime.
- It ensures that national analysis centres can analyse seized forgeries earlier during judicial proceedings, which will improve detection of counterfeit euros and prevent their circulation.
- It improves knowledge about counterfeiting offences, as Member States are required to collect certain data on judicial proceedings and transmit these data to the Commission.

European Public Prosecutor's Office

In mid 2013 the Commission made a proposal for a regulation on the establishment of the European Public Prosecutor's Office (EPPO) (44). The EPPO is conceived of as a body to carry out Union-wide criminal investigations and prosecutions on allegations of fraud detrimental to the EU's financial interests. It is considered an essential tool to improve the fight against criminals who defraud EU taxpayers.

Significant progress was made in discussions on this topic over the course of 2014. The Parliament adopted an interim report in March. There are still divergences between the views of the Member States on the structure and powers of the EPPO. Discussions will continue in 2015.

Drug policy

The drug package proposed in September 2013 consists of a regulation on a quicker mechanism to exchange information, assess risk and introduce market restrictions on new psychoactive substances (45) and a directive on minimum criminal sanctions for trafficking in the most harmful of such new drugs (46). It aims at making EU action on new psychoactive substances quicker, more effective and more proportionate, with restrictive measures attuned to the level of risk that each new psychoactive substance poses.

In April 2014 the Parliament concluded its first reading of the legislative proposals. It fully backed the main features of the Commission's proposals, endorsing and further strengthening its approach towards quicker and smarter action to address new drugs. Negotiations in the Council are ongoing.

In 2014 four new psychoactive substances (25I-NBOMe, AH-7921, MDPV and methoxetamine) (47) were banned across the EU, in application of the decision on the information exchange, risk-assessment and control of new psychoactive substances (48).

Justice programme and rights, equality and citizenship programme

The year saw the launch of the justice programme and the rights, equality and citizenship programme.

The new programmes are designed to support future priorities in the areas of justice, fundamental rights and equality. In particular they should cater for funding needs resulting from the strategic guidelines for EU justice policy adopted by the June 2014 European Council ([49]). The new programmes should help to address the three key challenges identified by the Commission in its communication on a future EU justice policy ([50]): enhancing mutual trust, facilitating mobility and contributing to economic growth. They will also support the implementation of current and future initiatives on gender equality, people with disabilities, anti-discrimination and Roma.

The financial programmes will also fund judicial training, information and communications technology solutions for courts and the ejustice portal; facilitate the implementation of EU law and of future legislation such as the data protection package; support the rights of the child; and raise awareness about EU citizens' rights.

When implementing the new programmes, the Commission aims to simplify the procedures for applicants and beneficiaries and to report more fully on the results achieved, both to the public and to the other EU institutions.

International aspects of justice policy

The Commission continued to promote judicial reform in neighbouring countries (notably EU candidate countries) and to maintain relations with the main international organisation in the area of justice, the Hague Conference on Private International Law, as well as to take 'adequacy' decisions on data protection. In other areas the key aim is to mainstream justice priorities into the broader EU external policy, for example in trade negotiations or in development projects.

In 2014 the EU approved the 2007 Hague Convention on the International Recovery of Child Support and Other Forms of Family Maintenance, which entered into force in all Member States on 1 August, establishing a system to facilitate the recovery of maintenance claims worldwide.

The Commission continued to be engaged in various bilateral negotiations for trade or political cooperation agreements. These negotiations address key aspects such as data protection standards, consular protection abroad for 'unrepresented' citizens, accessibility for disabled people, the rule of law and judicial cooperation. In the fight against serious crime, with regard to the exchange of evidence and/or the extradition of criminals, the EU has concluded agreements with Iceland, Japan, Norway and the United States.

Home affairs

An open and secure Europe: making it happen

The policy orientation from the Commission (51) provided a strategic vision on the future home affairs priorities after the Stockholm programme 2010–14, which focused on the full implementation of legislation and the ability to respond to future opportunities and challenges. On the basis of this orientation, the June 2014 European Council set out its strategic guidelines for the future of home affairs policy (52).

Migration and asylum

A significant amount of policy guidance was published across a range of important areas of migration and asylum policies. These included a communication on EU return policy (53). The communication reiterates the conviction that, for the sake of a comprehensive migration policy, an effective and humane return policy that respects fundamental rights is paramount, and further efforts are needed to implement EU legislation evenly in this field throughout the Union.

Further policy guidance was set out in the communication on guidance for the application of the directive on the right to family reunification (54). It provides guidelines for Member States on the correct and meaningful application of the family reunification directive (55) to achieve an effective EU-wide regime in this field and to fight against possible abuses.

The first implementation reports on the EU blue card directive (56) and the employer sanctions directive (57) were adopted. The reports focus respectively on the way EU rules are applied by Member States in allowing highly skilled non-EU nationals to come and work in the EU using the blue card and on the sanctions against employers who hire non-EU workers on an irregular basis.

Having adopted the new package of instruments forming the second generation of the common European asylum system in 2013 (58), mainly with an operational deadline of July 2015, the year was primarily focused on implementation issues. The Commission and the European Asylum Support Office (EASO) held several meetings with Member States to assist them with the correct implementation of the new legislation.

A boat packed with migrants rescued by the Italian coast guard in the central Mediterranean Sea.

In June 2014 the Commission proposed (59) that the Dublin III regulation be amended in order to clarify the rules for determining which EU Member State is responsible for examining an asylum application made by an unaccompanied minor who has no family members in the territory of the Member States. The Court of Justice had previously been called upon (60) to interpret a provision of the Dublin II regulation on this topic, which was not clear on whether the EU Member State responsible should be the one where the minor lodged his/her first application or that where the minor lodged his/her most recent application and is present. The Court decided that, as a rule, the EU Member State responsible should be the one where the minor lodged his/her more recent application and is present. In its proposal, the Commission has codified this ruling and ensured that all loopholes in the determination of responsibility for applications made by unaccompanied minors are covered, with due respect for the best interests of the child. The Commission's proposal is currently being negotiated in the Parliament and the Council.

The Commission and EASO have continued to provide support to EU Member States on asylum, most notably Bulgaria, Greece, Italy and Cyprus, through special support plans to increase reception capacity and improve the quality and speed of asylum decisions.

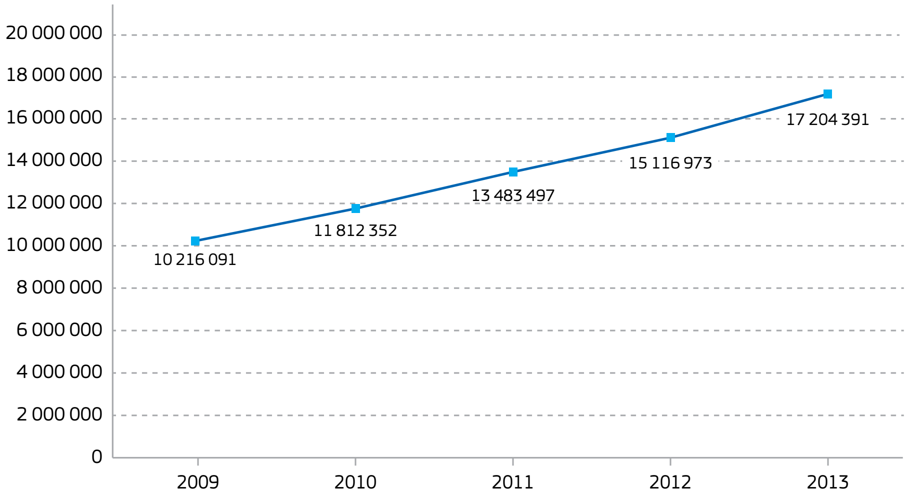
Response to migratory and asylum pressure

The Commission has effectively supported Mediterranean countries confronted with increasing migratory and asylum flows within the framework of the work carried out by the Task Force Mediterranean, and more generally via the existing financial and logistical support tools. Concrete steps include more effective and flexible funding for migration, asylum and borders in order to help EU Member States cope with the increased pressure. Operational support to assist them in preventing the death of migrants in the Mediterranean has also been provided, for example via the Triton operation to assist Italy, coordinated by the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex). With a monthly budget of €2.9 million, Triton is the biggest maritime operation ever coordinated by the agency. Operational support is also being provided through the implementation of the European Border Surveillance System (Eurosur), which allows for more efficient search and rescue operations. In the field of asylum, EASO is carrying out programmes in support of Member States, and EU funding aims at stimulating and supporting additional efforts and commitments in the field of resettlement (i.e. taking refugees directly from refugee camps outside Europe and bringing them safely into the EU) by making available a lump sum of €10 000 per resettled refugee. Concrete progress has also been made in the field of cooperation and dialogue with migrants' countries of origin and transit. For instance, mobility partnerships have been concluded with Jordan, Morocco and Tunisia, and a readmission agreement with Turkey has recently entered into force. Moreover, the EU–Horn of Africa migration route initiative was launched, paving the way for practical cooperation with the relevant authorities charged with combating smuggling and trafficking in human beings in the Horn of Africa and in Mediterranean countries of origin and transit.

Borders and visas

Among the many initiatives covering visa policy was the proposal for a recasting of the Union's visa code (61) together with a proposal for a new type of Schengen visa — the touring visa (62) — for travelling in the Schengen area for up to 1 year. Both proposals aim at facilitating legitimate travel, taking into account the economic impacts of visa policy and its contribution to economic growth, while maintaining a high level of security. The recasting of the visa code aims, in particular, at providing facilitation for known, regular travellers on the basis of objective criteria, thus reducing the discretionary power of EU Member States' consulates. In addition, negotiations on visa waiver agreements were opened in November with 16 small Caribbean and Pacific island nations, as well as with the United Arab Emirates. The Commission also adopted reports assessing whether Colombia and Peru fulfil the relevant criteria, with a view to negotiating visa waiver agreements with these two countries.

VISA APPLICATIONS AT SCHENGEN AREA CONSULATES, 2009–13



Source: DG Migration and Home Affairs.

The new regulation establishing rules for the surveillance of the external sea borders in the context of operations coordinated by Frontex (63) was adopted in May. It regulates maritime surveillance operations coordinated by Frontex and improves coordination measures in search and rescue situations that arise during these operations so as to ensure the protection and safety of migrants' lives. It provides clear rules on detection, interception, search and rescue and disembarkation, and it strengthens the protection of fundamental rights, in particular the principle of *non-refoulement* (64).

A close-up view showing the 'Flir' (night vision) equipment fitted on a Cypriot police helicopter at the airport in Larnaka, Cyprus. This equipment is financed by the European Commission as part of the SOLID project under the External Borders Fund.

Organised crime, police cooperation and terrorism

In January the Commission adopted a communication (65) that identified 10 areas in which the EU and its Member States could reinforce their actions to prevent all types of extremism that leads to violence, regardless of who inspires it. The proposed measures include the creation of a Radicalisation Awareness Network Centre of Excellence, the development of training for frontline anti-radicalisation practitioners, financial support for projects making use of modern communication tools, including social media, to counter terrorist propaganda, and programmes facilitating abandoning the use of violence to achieve political goals and the underlying ideologies.

Fighting corruption

In February the Commission launched the first-ever EU-wide anti-corruption report (66). This report analysed the situation in each EU Member State — what anti-corruption measures are in place, which ones are working well, what could be improved and how. In addition, the report described corruption-related trends across the EU and focused on how Member States deal with corruption in public procurement. The report showed how both the nature and the level of corruption, and the effectiveness of measures taken to fight it, vary from one Member State to another. It also demonstrated that corruption deserves greater attention in all Member States — they have taken many initiatives in recent years, but the results are uneven and more should be done to prevent and punish corruption. Corruption is estimated to cost the European economy around €120 billion per year.

Court of Justice ruling on the Data Retention Directive

In its ruling of April 2014 (67) the Court of Justice declared that the 2006 data retention directive (68) was invalid. The Court took the view that the directive did not meet the principle of proportionality and should have provided more safeguards to protect fundamental rights in respect of private life and the protection of personal data. The Court also considered that data retention serves, under clear and precise conditions, a legitimate and general interest, namely the fight against serious crime and the protection of public security. The Commission has committed to carefully assessing the verdict and its impacts. The Commission also announced that it will take its work forward in light of progress made in relation to the revision of the eprivacy directive (69), taking into account the negotiations on the reform of the EU data protection regulatory framework.

The ruling is also important as it recognises, for the first time since the Charter of Fundamental Rights became binding, that Article 6 of the charter lays down the right of any person not only to liberty, but also to security. This consideration played an important role in the Court's analysis of the directive and of data retention as a security instrument.

The directive on the freezing and confiscation of criminal assets in the European Union (70) was agreed in April. It is designed to improve law enforcement and the means available to judicial authorities to recover illegal profits. It provides authorities with a wider scope of action, such as the ability to confiscate assets that have been transferred to third parties or assets that are not linked to a specific crime but that clearly result from the convicted person's criminal activities.

In May the Commission adopted a communication on a new EU approach to the detection and mitigation of chemical, biological, radiological, nuclear and explosives (CBRN-E) risks (71). It proposes the facilitation of practical cooperation for the detection and mitigation of such risks at EU level, including working with the industry, operators of facilities handling CBRN-E materials and other stakeholders. The document contains a set of 30 actions to be implemented as soon as possible by different Commission services, in cooperation with Member States.

In June the Council adopted a decision on the rules and procedures for the implementation of the solidarity clause (Article 222 of the Treaty on the Functioning of the European Union) (72). The solidarity clause provides for the Union and its Member States to act jointly in assisting another Member State that is the object of a terrorist attack or the victim of a natural or man-made disaster. Invoking the solidarity clause is a prerogative of the EU Member State affected. While relying on existing instruments and structures, the decision provides for close cooperation on the part of all relevant actors at Member State and EU level, who will work hand in hand for a rapid, effective and coherent response.

In September the Commission published its report on the implementation of the framework decision on combating terrorism (73). The 2008 revision of the framework decision had introduced three new offences (public provocation, recruitment and training for terrorism). All EU Member States have notified the Commission about their transposition measures, with the exception of Ireland and Greece.

ARETE 2014 — major crisis response field exercise

On 20 November the Commission organised a field exercise near Antwerp, Belgium, which simulated a complex chemical and terrorism situation, including hostage-taking. Law enforcement special intervention units and civil protection modules were activated to detect, identify and decontaminate chemicals, to ensure medical triage and evacuation and to secure and stabilise the threat.

Around 200 civil protection experts and 150 special intervention units from several EU Member States participated in this exercise, together with around 400 role-players and directing staff.

The exercise aimed at improving Member States' capability to deal with major crises and to better coordinate with each other. At the same time the exercise also tested the coordination between different Commission crisis management instruments in order to respond to disasters in a faster and more efficient manner.

Trafficking in human beings

Guardianship for children deprived of parental care

The handbook *Guardianship for children deprived of parental care — A handbook to reinforce guardianship systems to cater for the specific needs of child victims of trafficking* (74) was produced jointly by the Commission and the European Union Agency for Fundamental Rights. It provides guidelines for officials and guardians on how better to cater for the needs of child trafficking victims and to protect their rights.


Guardianship for children deprived of parental care

The handbook on guardianship for child victims of trafficking was published on 30 June.

Eradication of trafficking in human beings

The mid-term report on the EU strategy towards the eradication of trafficking in human beings 2012–16 (75) was published in October, ahead of the eighth EU Anti-Trafficking Day. This report was accompanied by the second statistical working paper on trafficking in human beings (76), which covers the period 2010–12. Some of its main findings show that:

- 30 146 victims were registered in the 28 EU Member States over the 3 years from 2010 to 2012;
- 80 % of registered victims were female;
- 16 % of registered victims were children.

Non-EU-national victims of trafficking in human beings

The second communication (77) on the application of the directive on temporary residence permits for non-EU-national victims of trafficking in human beings who cooperate with the competent authorities was also published in October. This communication takes stock of the steps that have been taken at EU and national levels to ensure the full implementation of this directive and sets out actions in the medium term to further improve it.

International aspects of home affairs policy

As of 28 April, visa-free travel entered into force for the citizens of Moldova (78). Following a successful visa liberalisation dialogue, this country was transferred to the list of non-EU countries whose nationals are exempt from the visa requirement, which means that its citizens who hold a biometric passport no longer need a visa to travel to the Schengen area.

In 2014 the readmission and visa facilitation agreements with Armenia (79) (1 January), Azerbaijan (80) (1 September) and Cape Verde (81) (1 December) entered into force, along with the readmission agreement with Turkey (82) (1 October). The readmission agreements establish the obligations and procedures to be followed for taking back irregular migrants. The visa facilitation agreements provide citizens with easier and cheaper access to short-stay visas, allowing them to travel to and freely throughout most EU Member States.

Mobility partnerships were established with Tunisia (83) and Jordan (84). These provide a framework for enhanced and tailor-made policy dialogue and operational cooperation with the partner countries in a wide range of fields related to migration and mobility.

In November a regional dialogue process was launched with countries along the east African migratory route. The process will be underpinned by concrete projects and sufficient financial means. It will initially focus on trafficking in human beings and the smuggling of migrants.

On 12 and 13 November Dimitris Avramopoulos, the Commissioner for Migration, Home Affairs and Citizenship, participated in the EU–US Justice and Home Affairs Ministerial Meeting in Washington DC, United States.

Dimitris Avramopoulos, Commissioner for Migration, Home Affairs and Citizenship since 1 November (left), with Eric Holder, US Attorney General (right), at the bilateral meeting of EU justice and home affairs ministers and their United States counterparts, held in Washington DC, United States, on 13 November.

Easing citizens' everyday concerns

Citizens' health

Third health programme

The third health programme 2014–20, adopted in March, seeks to pursue four overarching objectives: to promote health, prevent diseases and foster supportive environments for healthy lifestyles taking into account the 'health in all policies' principle; to protect people living in the EU from serious cross-border health threats; to contribute to innovative, efficient and sustainable health systems; and to facilitate access to better and safer healthcare for Union citizens. The programme is implemented by means of annual work plans that set out priority areas and the criteria for funding actions. The first work plan was adopted in May and focused on actions to support promotion of good health and prevention of diseases. The total budget for the programme is €449.4 million.

Ebola epidemic

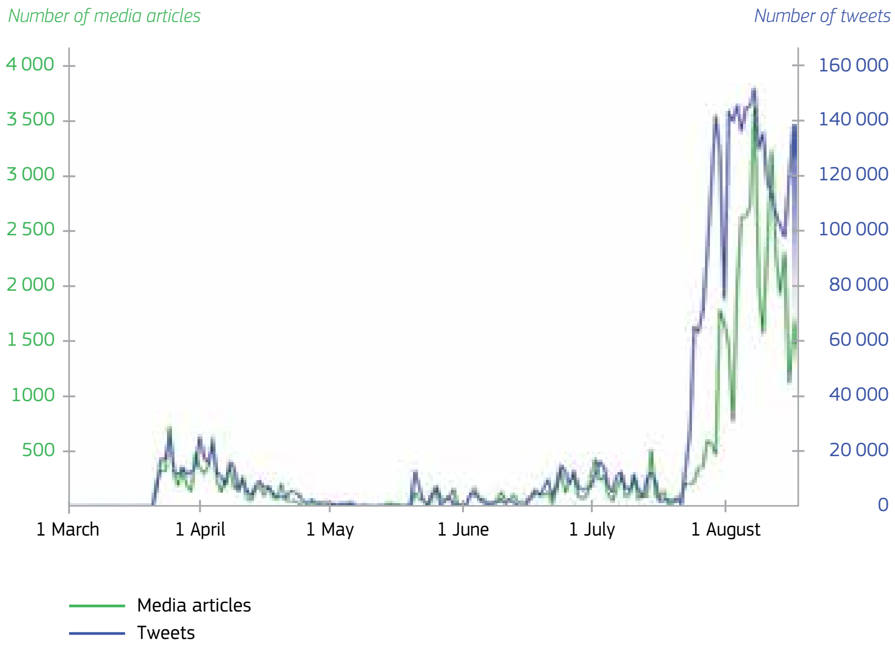
Upon confirmation in March of the Ebola epidemic in west Africa, the Commission immediately began to coordinate information sharing, preparedness and risk management with the Member States through the EU Health Security Committee, with the support of the European Centre for Disease Prevention and Control and in cooperation with the World Health Organisation (WHO). The Health Security Committee activated networks for secure hospital facilities and high-security laboratories so as to share diagnosis and treatment capacity, and undertook work on procedures for handling Ebola patients identified during a flight and on the preparedness of health systems for treating Ebola patients. The Commission fostered consultations on national measures at entry points to the EU, particularly with regard to direct connections at airports and ports, launched a network enabling the rapid exchange of information on the treatment and prevention of Ebola, prepared the joint procurement of personal protective equipment and assessed exit screening at the airports of the affected countries.

New Commission makes further commitments in the fight against Ebola

The October European Council, on the basis of a proposal from the Commission President-elect, Jean-Claude Juncker, appointed the incoming Commissioner for Humanitarian Aid and Crisis Management, Christos Stylianides, as the EU's Ebola Response Coordinator. Having visited affected areas in west Africa in November, together with Vytenis Andriukaitis, Commissioner for Health and Food Safety, Commissioner Stylianides submitted his first report (85) to the December European Council. The report gives an overview of the situation in the affected countries as well as the gaps and needs that have been identified. It also outlines the next steps in the fight against Ebola: ensuring better regional cooperation and a flexible response adapted to the needs on the ground, building strong bridges between humanitarian and development aid and, above all, mobilising more medical teams.

PEAKS IN EBOLA REPORTING IN 2014

A screenshot from MediSys showing the number of news reports on Ebola from March to August. The system clearly identifies a peak in mid March corresponding to the first reports from Guinea, as well as a surge at the end of July, when the deteriorating situation in Guinea, Liberia and Sierra Leone was widely discussed in the news media.



Through its Medical Information System (MediSys) the Commission's in-house science service, the Joint Research Centre (JRC), helped to enhance epidemic intelligence throughout the Ebola outbreak. It first identified reports on an unknown disease in Guinea in March and further reports about deaths caused by 'viral haemorrhagic fever' reported 4 days later in the same country. Since then the system has been used to track Ebola-related news around the world. The system's data feed into the WHO's Hazard Detection and Risk Assessment System, also developed by the JRC. It helps with the early identification of internationally spreading diseases and proved very useful for the WHO's response to the Ebola outbreak.

Clinical trials

The clinical trials regulation ([86]) was adopted in April and will enter into force in 2016. This will ensure that the rules for conducting clinical trials are identical throughout the EU. The regulation aims to create an environment that is favourable for conducting clinical trials with the highest standards of patient safety in all EU Member States. The main characteristics of the new regulation are a streamlined application procedure via a single entry point — the EU portal; a single set of documents to be prepared and submitted; a harmonised procedure for the assessment of applications for clinical trials; and strictly defined deadlines for the assessment of clinical trial applications.

Vaccines

Also in April the Commission adopted a decision on a joint procurement agreement that provides the framework for EU countries to procure pandemic vaccines and other medical countermeasures as a group, within the scope of the decision on serious cross-border health threats (87). So far 20 Member States have signed the agreement. Joint procurement aims to ensure that pandemic vaccines and medicines are available in sufficient quantities and at a reasonable price should a cross-border health threat emerge. The mechanism will benefit all Member States that decide to participate in a specific procurement procedure.

New pharmacy app

In June the Commission introduced a logo that will allow patients to identify authorised online pharmacies providing authentic medicines. The logo appears on the websites of legally operating online pharmacies in the EU and links to the national competent authority websites where all legally operating online pharmacies in their respective countries will be listed.

Common logo for online pharmacies, which will come into effect from 1 July 2015.

Tobacco

In April the Parliament and the Council adopted the revised tobacco products directive (88), which entered into force in May, with transposition for most of its provisions required by May 2016. This new law strengthens the rules on how tobacco products are manufactured, produced and presented in the internal market and introduces rules for certain tobacco-related products. For example, the law states that packages of cigarettes should feature picture and text warnings on both sides and prohibits characterising flavours. Such rules should help to deter young people from experimenting with, and becoming addicted to, tobacco. The revision is expected to lead to a 2 % drop in consumption of tobacco over a period of 5 years. This is roughly equivalent to 2.4 million fewer smokers in the EU.

Health systems

In April the Commission adopted a communication on effective, accessible and resilient health systems (89), laying out an agenda for making the EU's health systems fit to face the current challenges and pressures. It highlights a number of initiatives the EU can develop and build upon to help Member States ensure that citizens' aspirations regarding high-quality care can be met. The focus will be on methods and tools that will allow Member States to achieve greater effectiveness, accessibility and resilience in their health systems, in line with the reform recommendations addressed to them in the context of the European semester.

Europe and Africa double research to tackle infectious diseases

The EU and Africa have doubled their research efforts to develop new and better medicines for poverty-related diseases affecting sub-Saharan Africa, such as AIDS, tuberculosis, malaria, hookworms and Ebola.

Building on the success of the first programme, the second European and developing countries clinical trials partnership programme (EDCTP2) will work with a budget of €2 billion over the next 10 years to fight infectious diseases in developing countries. For this, the EU will contribute €683 million from Horizon 2020, its research and innovation programme, and around €1.5 billion will come from Member States. EDCTP2 heralds a new era of cooperation between Europe and Africa in medical research, with countries from both continents working as equal partners.

Progress made on addressing cancer, rare diseases, dementia and patient safety

The Commission published a number of reports on the state of progress in tackling some important diseases and conditions on which action is foreseen in related Council recommendations and Commission communications. Notable among these were the reports on action to address cancer (90), rare diseases (91) and Alzheimer's disease and other forms of dementia (92). In June the Commission published a package (93) highlighting how it and the Member States are addressing the challenge of patient safety and the related progress made since 2012. This shows that while all EU Member States have established policies on patient safety, more efforts are needed to translate policies into practice in healthcare settings.

Food and feed safety

In May a new legal basis establishing a modernised and simplified financial framework covering the whole food chain area was adopted (94). Providing for a budget of some €1.9 million for the 2014–20 period, the legislation covers the implementation of veterinary and phytosanitary programmes and of emergency measures.

In September the Commission adopted two proposals on veterinary medicinal products (95) and medicated feed (96) aimed at improving the health of animals, fostering innovation and tackling antimicrobial resistance in the EU. In particular, the proposal on veterinary medicinal products has the objective of making more medicines available in the EU to treat and prevent diseases in animals. These proposals ensure an appropriate EU standard of product quality and safety, whilst also paving the way for better treatments for diseased animals. The proposed rules will benefit animals — including aquatic species — their holders, pet owners, veterinarians and businesses, as well as the pharmaceutical and feed industries in the EU.

Also in September discussions started in the Parliament on the basis of the position adopted by the Council as regards a proposal that would allow Member States to restrict or ban the cultivation on their territory of genetically modified organisms (GMOs), authorised at EU level, on grounds other than risks to health or the environment (97). This proposal was agreed by the co-legislators in December. The agreement means that Member States' long-standing calls to have the final say on whether or not GMOs can be cultivated on their territory have finally been answered. Following endorsement by the Parliament and the Council, the agreement will allow the Member States to start exercising their capacity to decide on GMO cultivation as from spring 2015.

In December, Regulation (EU) No 1169/2011 on the provision of food information to consumers (98) came into application, with the exception of the requirements relating to nutrition labelling, which will apply as of December 2016. The regulation establishes a general framework for the provision of food information, which puts consumers first. It builds upon and strengthens the existing food labelling provisions in the EU to allow consumers to make informed choices and to make safe use of food, while at the same time ensuring the smooth functioning of the internal market.

In September the EU agreed to tighten the rules on horse passports in the wake of the horse meat scandal of 2013. This revised regulation, to be formally adopted in early 2015, provides a more reliable and safer system for the registration and identification of horses in the EU.

Climate action and energy

2030 framework for climate and energy policies

Based on Commission proposals made in January (99), the EU Heads of State or Government agreed in October the headline targets and the architecture for the EU framework on climate and energy until 2030. The 2030 framework aims to build a competitive and secure energy system to increase the security of the EU's energy supplies, reduce its dependence on energy imports, create new opportunities for growth and jobs and ensure the energy system becomes more sustainable.

A centrepiece of the framework is the binding target to reduce EU domestic greenhouse gas emissions by at least 40 % below the 1990 level by 2030. This target will ensure that the EU is on a cost-effective track towards meeting its objective of cutting emissions by 80–95 % below 1990 levels by 2050, in the context of necessary reductions by developed countries as a group.

The European Council also endorsed the objective of increasing the share of renewable energy to at least 27 % of the EU's energy consumption by 2030, and an indicative energy efficiency target of 27 %, to be reviewed in 2020, having in mind a 30 % target.

At least 20 % of EU budget allocated to climate action

The EU has agreed that at least 20 % of its budget for 2014–20 — as much as €180 billion — should be spent on climate change-related action. Actions to reduce emissions and to adapt to the impacts of climate change will be integrated into all major EU spending programmes, in particular cohesion policy, energy, transport, research and innovation and the common agricultural policy. The EU's development policy will also contribute to achieving the 20 % overall commitment. An estimated €1.7 billion will be made available in 2014–15 alone to help developing countries finance climate-related projects.

A particular effort is being made to mainstream climate action into the European Structural and Investment Funds. The concerned funds include the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. These funds constitute about 43 % of the budget of the Union for the period 2014–20.

€1 billion to kick-start 19 clean energy projects

In July the Commission awarded €1 billion of funding to 19 projects to fight climate change. The funding comes from revenues resulting from the sale of emission allowances in the EU emissions trading system (EU ETS). The funding will be used to demonstrate technologies that will help to scale up production from renewable energy sources across the EU and those that can remove and store carbon emissions. Projects awarded co-financing cover a range of technologies, such as bioenergy, concentrated solar power, geothermal power, photovoltaics, wind power, ocean energy, smart grids and carbon capture and storage.

LIFE — climate action subprogramme

The new LIFE climate action subprogramme will provide €864 million in co-financing between 2014 and 2020 for projects dedicated to climate action. The co-funding will support public authorities, non-profit organisations and private actors in implementing small-scale low-carbon and adaptation technologies and new methods and approaches.

The programme focuses on three priority areas:

- mitigation — reducing greenhouse gas emissions;
- adaptation — increasing resilience to climate change, with a particular focus on urban adaptation in the first programming period;
- governance and information — increasing awareness, communication, cooperation and dissemination of information on mitigation and adaptation issues.

Funding will be available for pilot, demonstration, best-practice and capacity-building projects. A new type of project — the integrated project — will be introduced to support the integration of climate action across sectors at regional level.

Two new financial instruments have also been developed in cooperation with the European Investment Bank: the Natural Capital Financing Facility, to help finance projects promoting the preservation of natural capital, biodiversity and climate adaptation; and the Private Finance for Energy Efficiency Instrument, which will help financial intermediaries provide loans to private investors and small municipalities or other public bodies for energy efficiency investments.

Action to address the surplus of emission allowances in the EU emissions trading system

Since 2009 the EU ETS has experienced a growing surplus of allowances compared to emissions, which has significantly weakened the carbon price signal. This imbalance needs to be addressed to ensure that the EU ETS will play its central role in meeting more demanding emission reduction targets in future phases in a cost-effective manner.

The Commission took action on two fronts, as detailed below.

- Backloading of auction volumes in phase 3: as a short-term measure, the Commission has postponed the auctioning of 900 million allowances from 2013–15 to 2019–20. Backloading can rebalance supply and demand in the short term and limit the further weakening of the price signal without any significant impact on competitiveness.
- Proposal for a market stability reserve: a lasting solution to the imbalance between supply and demand requires a structural reform of the EU ETS. The Commission has proposed to establish a market stability reserve (100) at the beginning of the next trading period in 2021. The reserve would both address the existing surplus of emission allowances and improve the system's resilience to major shocks in the future by adjusting the supply of allowances to be auctioned. The legislative proposal put forward in January 2014 requires approval by the Parliament and the Council to become law.

Setting 2020 CO_2 emission targets for cars and light commercial vehicles

Passenger cars and vans (light commercial vehicles) account for some three quarters of road transport carbon dioxide (CO_2) emissions. Building on its 2007 strategy (101), the EU has adopted binding CO_2 targets for passenger cars of 95 g/km (102), applicable to 95 % of the new car fleet in 2020, and of 147 g/km for vans (103).

Strategy to curb CO_2 emissions from trucks, buses and coaches

Trucks, buses and coaches produce about a quarter of CO_2 emissions from road transport in the EU and some 5 % of the EU's total greenhouse gas emissions. The Commission has therefore set out a strategy to reduce fuel consumption and CO_2 emissions from these heavy-duty vehicles (HDVs) over the coming years (104). Without action, HDV emissions in the period 2030–50 are projected to remain close to the current levels.

The strategy focuses on short-term action to certify, report and monitor HDV emissions, which is an essential first step towards reducing them. The Commission has also developed a computer simulation tool, VECTO, to estimate CO_2 emissions from new vehicles.

Mayors Adapt initiative

As major centres of population and infrastructure, cities are particularly vulnerable to extreme weather events and the effects of climate change, and thus play a key role in implementing measures to mitigate and adapt to a changing climate.

Mayors Adapt — the Covenant of Mayors Initiative on Climate Change Adaptation (105) was set up by the Commission to inspire cities to take action to adapt to climate change. Cities signing up to the initiative commit to contributing to the overall aim of the EU adaptation strategy and creating a more climate-resilient Europe. This means developing local adaptation strategies and/or integrating adaptation to climate change into relevant existing plans.

Participating local authorities benefit from support for local activities to tackle climate change, a platform for cooperation and greater public awareness about adaptation and the measures that need to be taken. More than 100 European cities have already joined the initiative.

New regulation on F-gases

To control emissions from fluorinated greenhouse gases (F-gases), including hydrofluorocarbons (HFCs), the European Union has adopted a new F-gas regulation (106), which entered into force in January 2015.

The regulation introduces a phase-down measure that successively reduces the amounts of HFCs that can be sold in the EU and bans the use of F-gases in some new equipment, such as fridges and air conditioners. It also improves the prevention of leaks from equipment containing F-gases.

Thanks to the new regulation the EU's F-gas emissions will be cut by two thirds by 2030 compared with current levels. It is also meant to inspire others to take action. A number of countries are already developing similar approaches, and discussions on a global agreement to reduce the consumption and production of HFCs are ongoing.

Eco-design and energy labelling

In 2014 the Commission adopted eco-design and energy labelling measures for power and distribution transformers, ventilation units and domestic cooking appliances such as ovens, hobs and range hoods. When combined with previous measures (around 40 in total) they will result in estimated energy savings of 166 million tonnes of oil equivalent per year by 2020 — about the annual primary energy consumption of Italy. For consumers this equates to savings of €465 each per year on their household energy bills.

Nuclear safety

The EU promotes the highest safety standards for all types of civilian nuclear activities, including power generation, waste storage, research and medical uses.

In order to keep nuclear installations safe and to enhance European leadership on nuclear safety worldwide, the EU amended the 2009 nuclear safety directive in July 2014 (107). The revision of the nuclear safety directive builds on the lessons learned from the Fukushima nuclear accident in March 2011 and the nuclear stress tests, and is based on the latest international standards. It strengthens the independence and powers of national regulators.

For the first time, Euratom legislation sets out a clear nuclear safety objective to further reduce safety risks. It will introduce a system of European peer reviews to be carried out at least every 6 years. The revised directive also enhances transparency, in particular through better public information on the safety of nuclear installations.

Environment

LIFE — environment subprogramme

Environment and nature conservation projects around the EU will receive more funds than ever before. The new LIFE multiannual work programme for 2014–17 will provide €1.3 billion under the subprogramme for the environment. In 2014, 225 new LIFE projects were financed, with a total budget of €589 million, of which LIFE provided €283 million. These projects, involving private companies, NGOs and public authorities, will contribute to policy implementation in key areas such as nature and biodiversity conservation, waste, and air and water quality (108).

The 2014 call for proposals was launched with a budget of €239 million for the environment subprogramme. Inter alia, it will finance a new category of LIFE projects — integrated projects — that will implement key plans or strategies required by EU environmental legislation on a large territorial scale.

Shale gas recommendation

The potential of shale gas is raising hopes in some parts of Europe, but is also a source of some concern. In January the Commission responded to calls for action by establishing minimum principles (109) that Member States are invited to follow in order to address environmental and health concerns connected to fracking — the high-volume hydraulic fracturing technique used to extract shale gas — while providing operators and investors with the business certainty they need.

Member States are invited to apply these principles within 6 months and, starting from December 2014, to inform the Commission each year about the measures they have put in place to apply them. The Commission will monitor the application of the recommendation with a publicly available scoreboard (110) that will compare the situation in the various Member States and will provide a basis for a broader review of the effectiveness of the approach set out in the recommendation in 2015.

The European Green Capital for 2014 was Copenhagen, Denmark, which was recognised for its commitment to sustainable urban living and for its efforts to become a green, smart and carbon-neutral city by 2025. The photo shows youngsters diving into the harbour bath at Islands Brygge.

Natura 2000 Awards

In May the first Natura 2000 Awards (111) recognised excellence in site management, showcasing the value of the network for local communities and economies. The Conservation Award went to a project to save the imperial eagle in Sakar, Bulgaria. Thanks to the work of the project team and the cooperation between conservationists and private companies, the local population of this globally threatened species has been brought back from the brink of extinction. By working with energy companies to insulate dangerous power lines and bury overhead cables, the project successfully eliminated the risk of electrocution, a serious problem facing this bird of prey.

Project to save the imperial eagle in Sakar, Bulgaria.

June 2014: Green Week

Green Week in 2014 was dedicated to the circular economy, resource efficiency and waste. Communities, NGOs, public authorities and businesses gathered for 3 days to debate and exchange experience and best practice needed for the transition from a linear to a circular economy.

'Generation awake' campaign

The campaign aims to make consumers aware of the consequences their consumption patterns have on natural resources, illustrating the benefits if they choose to act differently. It centres on a fully interactive website (112) available in all 24 official EU languages, on which cartoon characters show the environmental impact of everyday purchasing decisions.

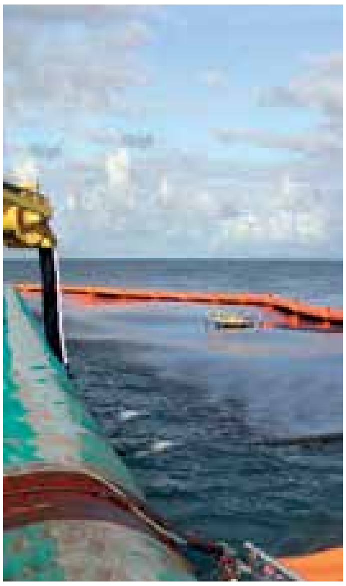
Since its launch in October 2011, the campaign website has been visited over 750 000 times, the videos have been viewed by over 4.5 million people and the Facebook page (113) has attracted close to 100 000 fans.

In October the film *The awakeners*, promoting messages about waste as a resource, won the Golden Dolphin in the 'Environmental issues and concerns' category of the Cannes Corporate Media and TV Awards.

Oil pollution response by the European Maritime Safety Agency

A financial package of €160.5 million for a period of 7 years (2014–20) was agreed for the European Maritime Safety Agency to allow continued action to combat marine pollution (114). The funds are intended to maintain an EU-wide network of specialised anti-pollution vessels, which will strengthen the ability of those operated by the Member States to respond to oil pollution. This 'EU reserve for disasters' system, which the agency places at the disposal of Member States affected by a major spill, comprises equipment for recovering pollutants from the sea (e.g. sweeping arms).

In parallel, the EU funds will continue supporting the system of satellite imaging that has been developed to detect ship-source pollution in close to real time (CleanSeaNet (115) and that underpins efforts by the Member States to prevent illegal discharges and accidental spillages of oil (116).



The French vessel *Ailette* performing an anti-oil pollution operation in the Atlantic.

Transport

Urban mobility

Over 70 % of the EU population live and work in urban areas and good access to urban destinations is crucial. The increasing demand for urban mobility and transport has exposed cities to serious problems with congestion, poor air quality and traffic accidents. In December 2013 the Commission presented an urban mobility package ([117]) proposing more decisive and better-coordinated action on urban mobility at EU level and in the Member States. To reinforce the continuing exchange between Member States and the Commission, an Expert Group on Urban Mobility was established. Issues like urban mobility planning, road safety, access regulations, logistics and the deployment of intelligent transport systems will be addressed.

European Mobility Week

European Mobility Week is an annual campaign on sustainable urban mobility, organised with the support of the Commission. The aim of the campaign, which runs from 16 to 22 September every year, is to encourage local authorities to introduce and promote sustainable transport measures and to invite their citizens to try out alternatives to car use. The theme for 2014 was 'Our streets, our choice' ([118]), focusing on improving life quality.

Road

Legislation on cross-border offences

The directive on cross-border exchange of information on road safety-related traffic offences ([119]) sets up a procedure for the exchange of information between Member States in relation to eight road traffic offences: speeding, non-use of a seat-belt, failing to stop at a red traffic light, drink-driving, driving under the influence of drugs, failing to wear a crash helmet, use of a forbidden lane and illegally using a mobile telephone. The Member States may thus access each other's national data concerning vehicle registration in order to determine the person liable for the offence. The Court of Justice concluded that the directive is a measure to improve transport safety and should therefore have been adopted on that basis.

Following this judgment, in July the Commission proposed modified legislation ([120]) to allow EU Member States to exchange information on drivers who commit traffic offences abroad, including the four 'big killers' that cause 75 % of road fatalities: speeding, not stopping at traffic lights, failure to use seatbelts and drink driving.

The roadworthiness package

The roadworthiness package was adopted in April by the Parliament and the Council. It consists of directives on periodic roadworthiness tests (121), technical roadside inspections for commercial vehicles (122) and vehicle registration documents (123). Key elements of the new directives include improving the quality of vehicle tests by setting common minimum standards for equipment, training of inspectors and assessment of deficiencies, as well as rendering electronic safety components (such as anti-lock braking systems, electronic stability control and airbags) subject to mandatory testing. Clamping down on mileage fraud is supported by registered mileage readings, while compulsory EU-wide testing for heavy motorbikes is introduced unless a Member State achieves equivalent road safety enhancement by other means. Furthermore, checking that cargo is correctly secured is an important new element for roadside inspections of goods vehicles of more than 3.5 tonnes. The administrative burden for both road transport operators and roadside inspection authorities will be reduced by targeted vehicle selection based on risk rating.

eCall

In June 2013 the Commission adopted a proposal for a regulation mandating the eCall in-vehicle system for all new models of cars and vans (124). This proposal forms part of a set of legal acts intended to ensure the deployment of the automatic emergency call service across the EU. The purpose of eCall is to ensure a swift response by the emergency services to serious road accidents. This will contribute significantly to bringing down the number of casualties and to reducing the severity of injuries suffered in road accidents. The system would automatically dial 112 — Europe’s single emergency number. It is estimated that eCall can speed up emergency response times by 40 % in urban areas and 50 % in the countryside and can reduce the number of fatalities by at least 4 % and the number of severe injuries by 6 %. The legislative process for the emergency centres was concluded in April 2014 (125).

In May the Council adopted a decision (126) to introduce the mandatory eCall system. The Parliament and the Council reached an agreement on all pending issues of the type-approval proposal regarding the eCall in-vehicle system on 1 December. The deal will require all new car models to be equipped with eCall technology from 31 March 2018.

Vehicle noise

A Commission proposal on vehicle noise (127) has been approved by the Parliament and the Council. It aims to reduce vehicle noise nuisance by 25 %. In parallel it is proposed that electric and hybrid electric vehicles be fitted with minimum sound-generating devices to make them more easily detectible and hence avoid accidents.

'Going abroad' app

Logo of the new smartphone app 'Going abroad'.

The Commission has released a new smartphone app, 'Going Abroad', including important road safety information for all EU countries in 22 languages. The app covers information about the topics that carry the biggest risk for accidents, including speed and alcohol limits, traffic lights and the use of mobile phones. It also informs users about obligations to wear seat belts in cars and safety helmets on bikes and motorbikes.

Maritime

European Sustainable Shipping Forum

The European Sustainable Shipping Forum (ESSF) was established in order to advance the efforts made through the sustainable waterborne transport toolbox (128) towards a cost-efficient and coherent implementation of the provisions of the directive on the sulphur content of marine fuels (129). It will also help to address the environmental sustainability challenges confronting the EU maritime transport sector. The ESSF provides a platform for structural dialogue, the exchange of technical knowledge, cooperation and coordination between the Commission, Member States, European Free Trade Association countries and relevant maritime industry stakeholders.

Approval of the marine equipment directive

The Parliament adopted the Commission's proposed new directive on marine equipment (130). Better rules on marine equipment in the EU will result in safer journeys for ships and their crew, less red tape for Member States, reduced costs for business and the increased competitiveness of EU industry.

Aviation

Aviation security: easing restrictions on liquids at EU airports

In January measures were taken to ease the current restrictions on liquids at EU airports (131). For passengers, the change concerns duty-free liquids bought at airports outside the EU, or on board non-EU air carriers. Provided these duty-free liquids are packed in the security bag issued at the time of purchase, passengers may transfer with it at an EU airport onto a connecting flight. Until now, such duty-free liquids, as a general rule, had been confiscated.

Air safety: occurrences in civil aviation

The new rules on occurrences will help prevent aircraft accidents. With the regulation on the reporting, analysis and follow-up of occurrences in civil aviation (132), relevant information on aviation safety incidents will be collected, allowing for a thorough analysis and adoption of necessary action with a view to preventing accidents from occurring. The rules also provide for the increased exchange of information between Member States and with the European Aviation Safety Agency.

Rail

The Shift2Rail joint undertaking (133) is a public–private partnership under the Horizon 2020 programme. It sets out to increase the reliability of rail services by as much as 50 %, to double railway capacity and thereby reduce congestion and CO_2 emissions, and to retain Europe's leadership in the global rail market. Over the next 7 years, €920 million is available for this initiative. Shift2Rail was approved by the Parliament in April and adopted by the Council in June.

Handshake between Violeta Bulc, Commissioner for Transport since 1 November, (centre), and an officer of the SNCF (France's state-owned national railway), in the presence of Guillaume Pepy, Chairman of the SNCF (second from left), in the course of her visit to Paris Gare du Nord, Europe's busiest railway station by total passenger numbers, on 9 December.

Culture, youth and media

'Creative Europe' programme

The new 'Creative Europe' programme was launched with a budget of €1.46 billion (134) over the next 7 years — 9% more than previous levels. The programme seeks to provide a boost for the cultural and creative sectors, which are a major source of growth and jobs, particularly among the young, and expects to support at least 250 000 artists and cultural professionals, 2 000 cinemas, 800 films and 4 500 book translations (135). The programme also provides for a new financial instrument in the form of a guarantee facility for the cultural and creative sectors, to facilitate their access to bank loans.

European Capitals of Culture

Riga (Latvia) and Umeå (Sweden) were the European Capitals of Culture in 2014. In parallel, during the year, the proposal made by the Commission in 2012 for a decision of the Parliament and of the Council on the European Capitals of Culture for the years 2020 to 2033 was adopted (136). In addition, in May the city of Leeuwarden (Netherlands) was designated by the Council as a European Capital of Culture for 2018, further to a recommendation from the Commission (137).

Riga, Latvia, one of the European Capitals of Culture 2014.

European Heritage Label

The new European Heritage Label (138) — a 2011 EU initiative, building on a 2006 intergovernmental initiative, that aims to raise awareness of sites that have played a significant role in the history, culture and development of the EU — was awarded in 2014 to four sites out of 38 proposals pre-selected by Member States that participate in this initiative. The sites are: Carnuntum Archaeological Park (139), a Roman reconstructed city quarter in Bad Deutsch-Altenburg, Austria; the medieval Great Guild Hall (140) in Tallinn, Estonia; the 100-year-old Peace Palace (141) in The Hague, the Netherlands; and Kamp Westerbork (142), a World War II Nazi transit camp at Hooghalen, also in the Netherlands.

Tibor Navracsics, Commisioner for Education, Culture, Youth and Sport since 1 November (left), awards the European Prize for Literature 2014 to the Bulgarian writer Milen Ruskov, during a ceremony held at the Concert Noble building in Brussels, Belgium on 18 November.

Film awards

Awards for films funded through the ‘Creative Europe’ MEDIA subprogramme included the Oscar for Best Foreign Language Film won by the Italian film *La grande bellezza* (‘The great beauty’), directed by Paolo Sorrentino. Four of the five movies nominated for Best Foreign Language Film at the Oscars were supported by the ‘Creative Europe’ programme. Nearly 30 films supported by MEDIA programme funds, including four in the main competition, were selected for the official programme of the Berlin International Film Festival in 2014. Of the 21 films supported by ‘Creative Europe’ at the Cannes Festival, three won awards, while the EU’s Prix MEDIA was awarded to Bosnian film director Danis Tanović in May (143).

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CHAPTER 5

Towards a stronger role for the EU in the world

The European Union played a significant role in 2014 in international efforts to solve major crises in Iraq, Syria and Ukraine, as well as an escalation of the Israeli–Palestinian conflict. The EU also underwent a change of leadership. For the Union's diplomatic service, this saw Federica Mogherini starting her mandate on 1 November as the Union's High Representative for Foreign Affairs and Security Policy and Vice-President of the Commission (HR/VP), building on the work of the former HR/VP, Catherine Ashton.

The year started with the intensification of the crisis in Ukraine, leading to Russia's illegal annexation of Crimea, which resulted in several rounds of sanctions in which the EU was a key player. The Union showed strong support for Ukraine throughout the crisis and during the country's presidential elections and the formation of a new government. It continued its commitment in Ukraine as evidenced by its €11 billion support programme for its eastern neighbour, as well as the signing of the historic association agreement and provisions for a deep and comprehensive free trade area.

The year was also important due to the ongoing talks on Iran's nuclear programme. Based on the strong commitment by all sides to reach a mutually agreed long-term comprehensive solution, multiple rounds of negotiations and meetings were been held with a view to a lasting settlement.

In mid 2014 the world saw the rise of the so-called Islamic State of Iraq and the Levant (Daesh (1)). The EU attaches great importance to fighting this group and participates actively in the Global Coalition to Counter ISIL.

Significant progress was made on many other external relations fronts, including trade, development and advancing strategic partnerships, human rights and humanitarian aid.

In the space of 2 weeks in February, Médecins Sans Frontières teams, with aid from the EU, helped the Guinean Ministry of Health vaccinate 500 000 children, aged 6 months to 10 years, against measles in the capital Conakry, where the outbreak occurred.

The European neighbourhood

European neighbourhood policy

The EU's neighbourhood experienced a year of multiple crises, as well as important steps forward with some of the countries covered by the European neighbourhood policy (ENP). Events in Ukraine have brought Europe's political realities into focus. Inside and outside Syria, millions of people have fled and remain in dire need of assistance. Major hostilities in Gaza have shattered livelihoods and devastated already fragile infrastructure. In this difficult context the EU has maintained a high level of engagement, in which the instruments offered by the ENP have played a central part.

The ENP remains the basis for establishing an area of prosperity with the EU's neighbours, notably through enhanced political association, deeper economic integration and close cooperation. The EU has signed three association agreements, including provisions for a deep and comprehensive free trade area, with Georgia, Moldova and Ukraine. These agreements put in place the most ambitious contractual relations so far established with neighbourhood partners. Relations with Morocco and Tunisia have been strengthened and continue to reflect the depth and breadth of reform efforts in these countries.

Eastern neighbourhood

The signature in June of association agreements and provisions for deep and comprehensive free trade areas by the EU and Georgia, Moldova and Ukraine, and their provisional application in the case of Moldova and Georgia from 1 September, was important both politically and economically. This milestone in terms of closer political association and reform-oriented economic integration is expected to make these economies resilient and more independent by improving the lives of ordinary citizens and facilitating business. For Ukraine, following the parallel ratification by the national parliament and the European Parliament in October, the provisional application started on 1 November. The date for the provisional application of the trade part of the agreement was postponed to 1 January 2016. Exploratory talks were launched with Armenia on the possible scope of future relations and the new legal basis for these relations.

Major progress was achieved in the field of visa liberalisation with Moldova, with the entry into force of a visa-free regime in April. Ukraine entered the second phase of the visa liberalisation action plan (VLAP) in June, and Georgia successfully met the first-phase benchmarks of the VLAP in October and started to implement its second phase. In the area of common security and defence policy (CSDP), the framework cooperation agreement with Georgia came into force in March, and the country immediately started to actively participate in the military operation in the Central African Republic (EUFOR RCA) — as the second largest contributor after France — and the EU training mission to Mali (EUTM Mali), while responding positively to the invitation to participate in an advisory mission on civilian security sector reform in Ukraine (EUAM Ukraine), officially launched on 1 December.

The visa-facilitation and readmission agreements with Armenia entered into force in January and have been generally well implemented. Azerbaijan began enjoying the benefits of a visa facilitation agreement as of September. In January the EU also started negotiations on visa facilitation and readmission agreements with Belarus.

The EU has been following the political situation in Ukraine closely and has been deeply engaged in seeking a solution to the crisis that developed after months of civic protests following the Ukrainian government's decision in 2013 to suspend preparations to sign the association agreement at the Eastern Partnership Summit in Vilnius, Lithuania. Actions by Russia in violation of Ukraine's sovereignty, territorial integrity, stability and security have been strongly condemned by the international community. The EU reacted by imposing restrictive measures, including in the economic field (2). The EU's support for the sovereignty, territorial integrity, unity and independence of Ukraine is unwavering.

Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations since 1 November, in Ukraine to sign a financing agreement to launch the new programme 'Support for Ukraine's regional policy'. Kiev, 28 November.

The EU and its Member States expressed their shock and deep sadness at the downing of Malaysia Airlines flight MH17 in Donetsk on 17 July and the tragic loss of so many lives. The Council concluded in July that those directly and indirectly responsible for the downing must be held accountable and brought to justice, calling on all states and parties to fully cooperate to this end.

An exploratory mission for a post-conflict needs assessment was conducted, principally focusing on dialogue with the Ukrainian authorities. A scoping mission for a full assessment, involving the UN and the World Bank, took place in early October, with a view to identifying immediate recovery and peacebuilding needs in conflict-affected regions of eastern Ukraine (Donetsk and Luhansk).

Following the signing of a Treaty on Alliance and Strategic Partnership between Russia and Georgia's breakaway region of Abkhazia, the new HR/VP, Federica Mogherini, issued a statement in November saying that the agreement violates Georgia's sovereignty and contradicts the principles of international law.

EU FINANCIAL SUPPORT FOR UKRAINE

Source: EEAS.

In March the EU announced a financial assistance package of at least €11 billion in new funding from the EU budget and EU-based international financial institutions, to help stabilise Ukraine's economy, support transition and encourage political and economic reforms.

As a result of the significant deterioration of the economic and balance-of-payments situation in Ukraine, in April the Council of the European Union approved a decision on providing macrofinancial assistance (MFA) of up to €1 billion to the country, to be disbursed in two equal tranches of €500 million each. This assistance complemented an existing MFA programme of €610 million based on decisions from 2002 (€110 million) and 2010 (€500 million).

In 2014, €1.36 billion in loans was disbursed by the Commission on behalf of the EU under two MFA programmes. The Commission plans to disburse the remaining €250 million under the first MFA programme by early 2015, subject to the successful implementation of the economic policy and financial conditions agreed with Ukraine, and a continuous satisfactory track record of implementing the IMF programme.

In the context of Ukraine's requests for additional financial assistance from the EU, the Commission will propose to the Parliament and the Council, in close cooperation with Ukraine's authorities and international financial organisations, a new MFA programme for the country.

Southern neighbourhood

The Union for the Mediterranean continued its activities, with the organisation of ministerial meetings on industry (in February in Brussels, Belgium), the environment (in June in Athens) and the digital economy (in September in Brussels). The third meeting of foreign affairs ministers of the EU and the League of Arab States (LAS) took place on 10 and 11 June 2014 in Athens, Greece. In a joint declaration, the EU and the LAS agreed to launch an unprecedented strategic dialogue and jointly condemned jihadism.

The EU continued to support the democratic transition in Tunisia. A privileged partnership was established through the 2014 EU–Tunisia ENP action plan. In addition, a declaration on a mobility partnership was signed in March. Further support has been offered by the EU and is currently being assessed. This includes measures related to democratic reform of the security sector and to migration. Moreover, the Parliament and the Council decided in May to offer macrofinancial assistance to Tunisia of up to €300 million in loans, with a maximum maturity of 15 years.

Negotiations for a deep and comprehensive free trade agreement with Morocco continued in 2014, when two negotiating rounds were held.

The political and security situation in Libya deteriorated significantly in 2014. In May the EU appointed Bernardino León, until that time Special Representative for the Southern Mediterranean Region, as its Special Envoy for Libya, in order to enhance EU support. He was then appointed UN Special Representative of the Secretary General in September. The EU's cooperation efforts, aiming at supporting the political transition, have been affected by the ongoing conflict. The escalation of violence forced the EU, along with most other international partners, to decide to temporarily relocate the staff of its delegation and of the EU Border Assistance Mission (a civilian CSDP mission providing technical assistance and training on border management). Notwithstanding the difficulties, the EU continued to provide technical assistance in 2014, in particular in the areas of public administration, support for migrants and internally displaced people, security, education, media, civil society and reconciliation. It actively supports the mediation efforts of the UN mission in Libya to find a peaceful solution.

The crisis in and around Syria continued to worsen in 2014. The EU has maintained a high level of engagement with regard to the populations affected by the conflict, spearheading international assistance with over €3.1 billion in aid mobilised together with Member States since the beginning of the crisis. The Commission alone mobilised €440 million to that effect.

Alongside its regional and international partners, the EU continued to encourage all efforts to reach a political solution by mutual consent in order to maintain the country's unity, sovereignty and territorial integrity, as well as the multi-ethnic and multi-religious character of Syria. Following the appointment of the new UN Special Envoy for Syria, Staffan de Mistura, the European External Action Service (EEAS) and the Commission started actively looking for concrete ways to support his efforts to achieve a strategic de-escalation of violence as a basis for a broader sustainable political process. The EU continued to provide political and practical support to the moderate opposition while enforcing its sanctions policy targeting the regime and its supporters. It also provided substantial support to measures to eliminate the chemical weapons programmes of the regime of President Assad completely and irreversibly.

Throughout 2014 the EU continued to support Lebanon in coping with the repercussions of the Syrian crisis, as the number of refugees grew beyond 1.2 million. The EU participated in ministerial meetings of the International Support Group for Lebanon and mobilised additional funding, bringing the overall sum dedicated to dealing with the consequences of the Syrian crisis in Lebanon to €450 million.

In June the new EU–Lebanon ENP action plan was officially adopted, and in December the EU and Lebanon officially launched the Dialogue on Mobility and Migration.

EU assistance to Palestine (3) remained at a high level, although set against the backdrop of the intense hostilities taking place in Gaza over the summer of 2014. Funds committed to Palestine under the European Neighbourhood Instrument (ENI) amounted to €300 million in 2014, including the €87 million allocated for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), to which the EU remains the largest donor.

The EU continued to support Egypt's complex transition towards democracy with critical and constructive engagement. In particular, the EU supported the implementation of the roadmap of the new Egyptian authorities by deploying an election expert mission for the referendum on the constitution in January and an election observation mission for the presidential elections in May. EU assistance to Egypt remained focused on support for civil society and socioeconomic measures for the most vulnerable.

Western Europe

European Economic Area

The close ties between the EU and Iceland, Liechtenstein and Norway were further strengthened, both bilaterally and within the framework of the European Economic Area (EEA). Particular efforts were made to address the large number of outstanding EU legal acts relating to the single market that had not yet been incorporated into the EEA Agreement. The year 2014 witnessed the second best incorporation rate since the entry into force of the agreement. Negotiations were concluded on the incorporation of Croatia into the EEA upon its accession to the European Union, and further negotiations were launched on renewing the EEA Financial Mechanism and the Norway Grants, which contributed €1.8 billion to the reduction of social and economic disparities within the EEA between 2009 and 2014.

Switzerland

Relations between the EU and Switzerland continued to be closer than with any other non-EEA country. They received a serious blow on 9 February, however, when the Swiss people voted in favour of the introduction of annual quantitative limits on immigration. Implementing legislation for this vote is to be enacted within 3 years. Moreover, cooperation continued to be overshadowed by the absence of a horizontal institutional framework, as highlighted in the December 2012 Council conclusions ([4]), which make further Swiss access to the internal market subject to the solution of longstanding institutional issues, notably regarding better surveillance and dispute-settlement mechanisms. Negotiations on an institutional framework started in May.

Andorra, Monaco and San Marino

In December the Council adopted a mandate to open negotiations with Andorra, Monaco and San Marino on one or several association agreements, to provide for their participation in the EU's single market and possible cooperation in other areas. The Council also adopted conclusions ([5]) that commended the EU's foreign policy cooperation with the three countries and expressed readiness to explore possibilities to strengthen it.

Enlargement negotiations

From the outset, the security, stability and prosperity of the European continent have been central aspects of the enlargement policy of the EU. This continues to be the case. In 2014 the EU's close engagement with candidate countries and potential candidate countries continued.

Iceland

Following a decision of the Icelandic government, accession negotiations have been on hold since May 2013. Iceland remains an important partner for the EU through its participation in the EEA Agreement and its membership of the Schengen area, as well as through cooperation on Arctic matters.

Turkey

Turkey is a candidate country and a key partner for the EU, considering its dynamic economy and its important role in a region facing very serious changes, in particular in Iraq and Syria. Active and credible accession negotiations provide the most suitable framework for exploiting the full potential of EU–Turkey relations in key areas such as foreign policy; energy; justice and home affairs, including visas, migration policy and readmission; and economic and trade relations, including the development of a high-level economic dialogue. The EU should also remain the anchor for reforms in Turkey, especially in the areas of the rule of law and fundamental rights and freedoms. During the year several reforms were adopted or implemented, but there is a need for further sustained efforts towards fully meeting the Copenhagen criteria (the minimum requirements to be fulfilled by any country to become candidate for EU membership). The EU–Turkey readmission agreement entered into force on 1 October, marking an important milestone in the EU–Turkey visa liberalisation dialogue. Work on the other targeted areas of the *acquis* continues to support and complement that process.

Montenegro

Accession negotiations were opened in June 2012. The screening process (the analytic examination of the whole EU *acquis*) was completed in May 2013. By the end of 2014, 16 chapters had been opened. Two of these, on science and research, and education and culture, have been provisionally closed. In its conclusions adopted in December ([6]), the Council stressed the importance of all aspects of rule of law.

Serbia

EU accession negotiations with Serbia are now under way. The first intergovernmental conference took place in January as a result of consistent progress made by Serbia in reforms and in the continued work on the normalisation of its relations with Kosovo ([7]). The screening process has continued. Serbia remained committed to intensive reforms and maintained a constructive approach on regional cooperation.

The former Yugoslav Republic of Macedonia

Presidential and parliamentary elections took place in April. The Office for Democratic Institutions and Human Rights (ODIHR) of the Organisation for Security and Cooperation in Europe (OSCE) found that they were efficiently administered, but also that there was a blurring of state and party activities and media bias during the campaign. In October the Commission maintained, for the sixth time, its recommendation to open accession negotiations. It did so on the basis of the country sufficiently meeting the necessary political and economic criteria and the high level of alignment with the EU *acquis*. It also regretted the backsliding that occurred in some areas during the year and urged the authorities to take decisive action to address concerns about increased politicisation and growing shortcomings with regard to the independence of the judiciary and freedom of expression. In December the Council broadly agreed with 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 2015 on the basis of an update from the Commission.

Albania

In June the Council decided to grant Albania the status of a candidate country, acknowledging the progress made in the area of the rule of law in particular. The Commission continued to support and monitor Albania's reform efforts in the areas under the five key priorities identified for the opening of accession negotiations. These key priorities cover the reform of public administration, the reform of the judiciary, the fight against corruption and organised crime, the strengthening of the protection of human rights and anti-discrimination policies and the implementation of property rights. A constructive dialogue between the government and the opposition will be vital for the sustainability of relevant reforms and progress towards EU membership.

Bosnia and Herzegovina

Bosnia and Herzegovina made limited progress towards meeting the Copenhagen political criteria and the requirements of the roadmap for the entry into force of the stabilisation and association agreement, and towards a credible membership application. The country needs to engage urgently on the implementation of the EU agenda. 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. Following a discussion in the Council on 17 November about the need to look at the country with fresh eyes, Federica Mogherini, the HR/VP, and Johannes Hahn, the Commissioner for European Neighbourhood Policy and Enlargement Negotiations, visited Sarajevo on 5 December. A follow-up discussion took place at the Council on 15 December, which also adopted a renewed approach towards Bosnia and Herzegovina based on a joint initiative by Germany and the United Kingdom.

General elections took place on 12 October at state and entity level. The three-member state presidency was formed on 17 November, and the formation of the government at both levels proceeded until the end of the year.

Kosovo

Early general elections were held on 8 June. After a protracted stalemate over the formation of the government, the new assembly was formed on 8 December and a new coalition government was sworn in. The main coalition partners are the two biggest parties — the Democratic League of Kosovo and the Democratic Party of Kosovo.

Kosovo made further progress towards the normalisation of relations with Serbia, notably through the implementation of the April 2013 First Agreement on Principles Governing the Normalisation of Relations, and some progress on European integration-related issues. However, many important challenges remain, including the rule of law, public administration reform, electoral reform, the integration of communities and the economy.

The Commission completed the negotiations on a stabilisation and association agreement with Kosovo in May and the text was initialled at the end of July. Also in July the Commission issued its second report on Kosovo's progress towards visa liberalisation. In August the Commission adopted the 'Indicative strategy paper for Kosovo', which is to guide the programming of the Instrument for Pre-Accession Assistance (IPA) with regard to Kosovo in 2014–20.

Pristina, the capital of Kosovo.

Belgrade–Pristina dialogue

Serbia and Kosovo have remained engaged in the dialogue facilitated by the outgoing HR/VP, Catherine Ashton, and are committed overall to the implementation of the agreement on principles and other agreements reached in the dialogue. This has led to a number of irreversible changes on the ground, with local and parliamentary elections held Kosovo-wide for the first time (and for which the EU deployed election observation monitors), and substantial advances in the dismantling of Serbian police and justice structures. While there have been fewer high-level meetings, work has continued at the technical level, leading to progress in the areas of customs collection, integrated border management, energy and telecoms.

Regional cooperation

Regional cooperation became more inclusive, with the South-East European Cooperation Process (SEECP) Summit in Bucharest, Romania, in June adopting a declaration welcoming Kosovo as a permanent participant in SEECP meetings at all levels and on an equal basis. Foreign affairs ministers and ministers for the economy and finance began to meet within the framework of the informal 'Western Balkans Six' initiative, which will focus mainly on connectivity and economic governance. The implementation of the south-east Europe (SEE) 2020 strategy commenced with the adoption of national and regional action plans, as well as the first SEE 2020 baseline report (8).

The new Instrument for Pre-Accession Assistance

The year 2014 saw the launch of the new Instrument for Pre-Accession Assistance (IPA II). Through IPA II the EU will provide €11.7 billion for the 2014–20 period to support countries in their preparation for accession, as well as regional and cross-border cooperation. IPA II increases the focus on priorities for EU accession in the areas of democracy and the rule of law, as well as competitiveness and growth. IPA II also introduces a sectoral approach, incentives for the delivery of results, increased budget support and prioritisation of projects.

Strategic partnerships

Working with strategic partners

United States

The EU–United States Summit held in Brussels in March showed the breadth and depth of this strategic partnership. The summit tackled key challenges to global peace and prosperity, including how to strengthen efforts to boost jobs and growth, build energy security, address climate change and ensure data protection. The leaders also discussed pressing foreign policy issues, reflecting the excellent cooperation between the EU and the United States on crises affecting international peace and security. The summit reaffirmed the commitment to a comprehensive and ambitious transatlantic trade and investment partnership (see Chapter 3).

Close foreign and security policy cooperation between the EU and the United States continued in 2014, building on well-established dialogues on many regional and horizontal policy areas, including the crisis in Ukraine, the conflict in Syria, the peace process in the Middle East, the nuclear talks with Iran, counter-piracy off the Horn of Africa and counterterrorism in the Sahel.

A meeting during the EU–United States Summit 2014, with the United States delegation sitting on the left, headed by President Barack Obama, and the EU representatives on the right, including (from right to left) Catherine Ashton, High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission, Herman Van Rompuy, President of the European Council, José Manuel Barroso, President of the European Commission, Karel De Gucht, Commissioner for Trade, and João Vale de Almeida, Head of the Delegation of the EU to the United States. Brussels, Belgium, 26 March.

The EU and the United States have a longstanding dialogue on justice and home affairs issues, which continued in 2014 and focused, inter alia, on efforts to rebuild trust in transatlantic data transfers, following revelations in 2013 of United States surveillance of EU citizens. In this regard, negotiations between the EU and the United States were ongoing on an ‘umbrella’ agreement aimed at protecting personal data in EU–United States transfers for law enforcement purposes.

Canada

The EU–Canada Summit in September celebrated the finalisation of negotiations on the strategic partnership agreement (SPA) and the comprehensive economic and trade agreement (CETA), thus marking a high point for EU–Canada relations. Together these agreements will lay the groundwork for a stronger relationship, deepening economic ties and enhancing cooperation in many fields, to tackle international peace and security challenges and other global issues of mutual concern together. The EU–Canada Political Dialogue took place in Brussels on 1 December.

Russia

The EU's relations with Russia in 2014 were dominated by the issue of Russia's interference in Ukraine, illegal annexation of Crimea and direct destabilisation of the country.

The 32nd EU–Russia Summit took place in a restricted format in January in Brussels, focusing on Ukraine and the Eastern Partnership (EaP). Vladimir Putin, the Russian President, stated that Russia had no problem of principle with the EaP, but raised economic concerns. It was agreed that technical consultations would be held to explain how the EU's association agreements with several EaP countries will bring benefits to all partners, including Russia.

Following the illegal annexation of Crimea, the European Council decided in March on a graduated approach of restrictive measures (including visa bans and asset freezes) on certain Russian and Ukrainian individuals and entities responsible for the violation of Ukraine's sovereignty and territorial integrity. Sanctions were gradually extended by subsequent European Council and Foreign Affairs Council decisions to also include economic sanctions. Negotiations on a new EU–Russia agreement and the visa dialogue were suspended. Russia has been excluded from the G8 and a number of cooperation activities have been suspended. The summit planned for June was called off. While adopting restrictive measures, the EU pursued dialogue with Russia on crisis-related issues, both bilaterally and in trilateral format with Ukraine. This dialogue addressed Russia's alleged economic issues linked to the EU–Ukraine deep and comprehensive free trade area and energy issues. The dialogue on this free trade area led to extension of the date for the provisional application of its trade part up to 31 December 2015, while Russia will continue to apply the preferential regime of the Commonwealth of Independent States free trade agreement (FTA) to Ukraine. The energy talks yielded a compromise, brokered by the EU, on deliveries and payments securing Russian gas deliveries to Ukraine over the winter of 2014/15 and gas transit through Ukraine to the European Union.

The EU closely followed developments in Russia's domestic situation, including further steps to restrict civil society activities, including online activities, and to incapacitate the opposition. The EU's concerns in this regard were raised both publicly and in political dialogue. The biannual EU–Russia Human Rights Consultations were not held in 2014, notably due to Russia's refusal to alternate their venue and hold them in Moscow.

China

The year was marked by the historic visit of President Xi Jinping to the EU institutions — the first ever by a Chinese President — on 31 March. The event strengthened EU–China ties based on the 2020 strategic agenda for cooperation (9) agreed the previous year by the two parties.

Handshake between Xi Jinping, President of China, on the right, and José Manuel Barroso, President of the European Commission until 31 October, with Herman Van Rompuy, President of the European Council until 31 October, in the background. Justus Lipsius building, Brussels, Belgium, 31 March.

The EU–China strategic partnership was further enhanced by the visit by the Chairman of the EU Military Committee, General Patrick de Rousiers, to Beijing (10) and the holding there of both a dialogue and seminar on security and defence. In total, the two sides engaged in almost 100 dialogues and workshops to continue cooperation in a number of political, economic and other fields, many of which add a broader dimension to EU–China relations by helping to tackle global challenges (11). An extensive human rights dialogue (12) took place at the end of the year.

Following the launch of the negotiations for an EU–China investment agreement in October 2013, the Commission began full negotiations aimed at ensuring better market access and removing investment restrictions for EU companies in China. Progress was also made with China in a number of multilateral negotiations taking place in Geneva, Switzerland, within the framework of the WTO, such as the General Procurement Agreement, the Information Technology Agreement, the Trade in Services Agreement and the Green Goods Initiative, where China's active participation would help to promote further market opening.

In May, C. Y. Leung, Chief Executive of Hong Kong, paid a visit to the EU institutions (13). In the context of the introduction of universal suffrage for the election of the Hong Kong chief executive in 2017, the EU publicly confirmed its strong attachment to the deeper democratisation of Hong Kong (14).

The first ever meetings between top-level officials in charge of bilateral relations in mainland China and in Taiwan were welcomed (15). Cross-strait rapprochement continued in 2014 with practical cooperation and confidence-building measures. The EU and Taiwan also continued their growing economic and technical cooperation, to the benefit of both sides.

Japan

Parallel negotiations continued for an SPA covering political, sectoral and global issues and for an FTA to promote further bilateral trade and investment flows. These negotiations have the potential to raise the level and intensity of cooperation between the two sides substantially and are expected to bring significant mutual benefits. The year 2014 saw the successful completion of the 1-year review of the progress made in the FTA negotiations, with the EU making a positive assessment of Japan's engagement and its fulfilment of a number of its initial commitments.

Herman Van Rompuy, President of the European Council until 30 November (centre), José Manuel Barroso, President of the European Commission until 31 October (right) and Shinzō Abe, Prime Minister of Japan (left), at a press conference in the margins of the summit held in Brussels, Belgium, on 7 May.

The 22nd EU–Japan Summit (16), held in Brussels in May, provided an opportunity for leaders to review the progress in the ongoing parallel SPA and FTA negotiations and to reaffirm their strong commitment to the rapid conclusion of these ambitious agreements by 2016.

South Korea

The EU–South Korea strategic partnership continued to grow, and the year saw the third anniversary of the FTA between them. This 'new-generation' FTA (the first of its kind in Asia) is far reaching and comprehensive. It has seen total EU exports of goods to South Korea increase by 35 %, while exports of goods fully liberalised by the FTA have risen by 46 %.

India

The year 2014 was marked by the 10th anniversary of the EU–India strategic partnership. Following elections with a landslide victory for the opposition Bharatiya Janata Party, a new government took office in India at the end of May. The EU and India continued to cooperate on economic, political and sectoral policy issues. Connie Hedegaard, Commissioner for Climate Action, visited India. Foreign policy consultations took place and a non-proliferation and disarmament dialogue was launched. The EU–India Joint Commission, which took place in New Delhi in June, was the first occasion to engage with the new government. The EU stands ready to reinvigorate the strategic partnership by, inter alia, concluding the negotiations on an FTA.

Brazil

The seventh EU–Brazil Summit, which took place in Brussels in February, allowed for a good exchange of views on the status of the strategic partnership. Both sides reiterated their commitment to speedy progress in the EU–Mercosur negotiations on an association agreement. An air transport agreement and a transatlantic cable connection were also high on the agenda. On foreign policy, a broad range of global and regional issues were discussed. Both the EU and Brazil agreed on the importance of sustainable economic development and security in Africa. The growing integration process of the Community of Latin American and Caribbean States (CELAC) in Latin America was also welcomed.

Mexico

Following a commitment made in 2013 by the Presidents of Mexico, of the European Council and of the European Commission, the EU and Mexico explored the possibilities for the modernisation of the global agreement which provides the framework for their strategic partnership. A joint working group identified areas and provisions of the existing bilateral legal framework that could be updated, expanded, simplified or removed, with a view to the possible future negotiation of a new legal instrument that could start in 2015.

South Africa

Given the density of political activities throughout the year both in South Africa (general elections) and in the EU (European Parliament elections, appointment of the new Commission President and of the new College of Commissioners, along with a new President of the European Council), both sides agreed to defer their seventh annual summit until the second quarter of 2015. Nevertheless, intensive diplomatic contacts continued and culminated with the meeting between the then HR/VP, Catherine Ashton, and the South African Minister for International Relations and Cooperation, Maite Nkoana-Mashabane, in the margins of the EU–Africa Summit in April, followed by further meetings at different levels in Brussels. The intensive consultations on domestic and international challenges and on progress achieved on a wide range of issues covering politics, security, trade, development cooperation and human rights have reinvigorated the strategic partnership. In July South Africa was one of six countries of the Southern African Development Community that concluded negotiations with the EU on a bi-regional economic partnership agreement (EPA).

The EU–Africa partnership

At the fourth EU–Africa Summit, which took place on 2 and 3 April 2014 in Brussels, African and European Heads of State or Government deepened their commitment to consolidating cooperation within the strategic framework of the joint Africa–EU strategy (JAES) adopted in 2007. The summit, which was held under the theme ‘Investing in people, prosperity and peace’, brought together more than 60 EU and African leaders, and more than 80 delegations in total. It adopted a political declaration, a roadmap guiding the implementation of the JAES for the period 2014–17 and a stand-alone declaration on migration and mobility. The summit provided a sound basis for future dialogue and cooperation and was considered a great success by both sides.

In addition, the success of EU–Africa climate cooperation was highlighted at the summit. The wish to further deepen the partnership to tackle the pressing global issue of climate change was stressed ([17]). EU–Africa climate cooperation has already brought benefits to thousands of people across the African continent, but many challenges remain. They need to be tackled together with international partners at a global level.

The participants at the EU–Africa Summit held in Brussels, Belgium, on 2 and 3 April. African and EU leaders met under the theme 'Investing in people, prosperity and peace', and discussed peace, security, investment, climate change and migration.

The African Peace Facility (APF) has supported peace and security in Africa with over €1.2 billion from the European Development Fund (EDF) since 2004. During the first semester of 2014 the 2014–16 action programme was prepared in consultation with EU Member States and African partners, and was adopted by the Commission on 15 July. With a budget of €750 million, this programme will continue to support African-led peace operations, capacity building, and conflict prevention and mediation activities. Several financing agreements were also signed with the African Union in 2014 with APF funds, including contributions of €125 million to the peace operation in the Central African Republic and €201 million in support of the African Union Mission in Somalia (Amisom) operation.

Partnership Instrument

In March the Parliament and the Council adopted a regulation establishing the Partnership Instrument (PI) ([18]), which is designed to promote and advance EU relations with non-EU countries. The PI is one of the key innovations of the multiannual financial framework 2014–20, which constitutes a package of instruments for financing external action. The new instrument reflects both the changes in the world in recent years and the changes the EU has made in the way it responds to world challenges.

The PI will help underpin relations with the EU's strategic partners that are no longer eligible for bilateral development aid (Brazil, China, India and Mexico) and with some of the G7 partners (Canada, Japan and the United States).

Regional policies

This section covers relations between the EU and specific regions: the Middle East and the Gulf; central Asia; Asia and the Pacific; Latin America and the Caribbean; and Africa.

The Middle East and the Gulf

The Middle East peace process

In 2014 the EU contributed to the United States-brokered Israeli–Palestinian negotiations in line with the Council conclusions of December 2013 ([19]), especially through the concept of a special privileged partnership and the European offer of an unprecedented package of political, economic and security support to both parties in the context of a final status agreement. Nevertheless, following the 29 April deadline, and the subsequent suspension of negotiations, there has been a lack of progress in the peace talks interrelated with the increasing escalation of violence in the West Bank, including East Jerusalem, and the Gaza Strip.

The Council conclusions of May ([20]) reiterated the EU's call for the resumption of negotiations and its support for Palestinian reconciliation on the basis of the Quartet principles ([21]). The reconciliation resulted in the announcement of the Palestinian national consensus government on 2 June. The Israeli military operation 'Protective Edge' in July and August marked the third conflict in Gaza in 6 years. The conflict involved a large-scale ground operation aimed at the destruction of tunnels between Gaza and Israel and the militants' rocket arsenal, with many civilian casualties.

The EU has played an active role in efforts to ensure a sustainable ceasefire. Through the conclusions of the European Council ([22]) and the Council ([23]) in August, it underlined the unsustainability of a return to the *status quo ante* and the need for a fundamental change in Gaza and for the return of the Palestinian Authority to assume its governmental functions in the Gaza Strip. In particular the EU discussed with the parties its possible contribution to the lifting of the Gaza closure regime, through both common foreign and security policy instruments and humanitarian and reconstruction assistance. This was further outlined during the Ad Hoc Liaison Committee in September and the Cairo conference on Palestine, 'Reconstructing Gaza', in October.

The International Conference on Palestine — Reconstructing Gaza, held in Cairo, Egypt, on 12 October.

On several occasions the EU also underlined the need for a credible political prospect for the peace process based on the two-state solution and the issues relating to final status as expressed in the July Council conclusions (24), which stated that actions that called into question stated commitments to a negotiated solution must be avoided. Several factors led to heightened tensions: further Israeli settlement expansion; humanitarian, security and political conditions in Gaza, where the Palestinian Authority has not been able to assume its government responsibilities; renewed demolitions and evictions affecting Palestinian civilians; and repeated provocations and clashes at the Haram Al-Sharif/Temple Mount in East Jerusalem. A renewed Palestinian initiative in the UN aiming at an end to the occupation was launched in September, but a draft resolution failed to obtain the required number of votes at the UN Security Council (UNSC) on 30 December. The diplomatic process featured deliberations in the UNSC, in addition to the Egyptian-brokered Cairo talks on consolidating the Gaza ceasefire, the renewed parliamentary actions on the recognition of the state of Palestine and efforts to encourage the Israeli and Palestinian parties to return to the negotiating table.

HR/VP Mogherini highlighted the Middle East peace process as a priority issue and made the first official foreign trip of her mandate to the region in early November. The Council's conclusions in November (25) reaffirmed the EU's willingness to play a major role in and actively contribute to a negotiated solution to all final status issues. The Council called on the parties and on all major stakeholders, including the Quartet, the Arab League and the UNSC, to take the necessary steps toward that aim, and reiterated that the future development of relations with both Israeli and Palestinian partners will depend on their engagement towards a lasting peace based on a two-state solution.

The EU has played an active role in efforts to take the reconstruction of Gaza forward and to promote the political framework needed to ensure a sustainable solution to the conflict, including in the Ad Hoc Liaison Committee and Quartet. While emphasising the importance of Israeli security needs, the EU has focused on maintaining the viability of the two-state solution and support for the Palestinian Authority's endeavours to establish a Palestinian state within the 1967 borders and according to the EU parameters reiterated in the Foreign Affairs Council conclusions of July.

Iran

Diplomatic efforts by the E3/EU+3 (the EU, Germany, France and the United Kingdom, along with China, Russia and the United States), led by Catherine Ashton, the then HR/VP, resulted in an interim agreement with Iran in November 2013 in Geneva. Implementation of the Geneva agreement, called the Joint Plan of Action (JPoA), started in January 2014 and was extended in July until the end of November. The Geneva agreement set a 1-year time frame for negotiations to reach a long-term solution to the Iranian nuclear issue. The aim of a comprehensive solution is to build international confidence in the exclusively peaceful nature of the Iranian nuclear programme, while respecting Iran's right to the peaceful use of nuclear energy in conformity with the Treaty on the Non-Proliferation of Nuclear Weapons and fully taking into account resolutions of the UNSC and International Atomic Energy Agency (IAEA) Board of Governors. In November the prolongation of the JPoA until the end of June 2015 was agreed, with the strong commitment by all sides to complete the negotiations within 4 months. Following the extension of the JPoA the EU extended the sanction relief measures until the end of June 2015. The legal acts (26) were published in November and negotiations resumed in December.

Catherine Ashton, High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission until 31 October (centre), in conversation with Iranian Foreign Minister Mohammad Javad Zarif (right), and US Secretary of State John Kerry (left) during E3/EU+3 nuclear talks with Iran. Vienna, Austria, 15 October.

In 2014 the EU continued to raise concerns on the human rights situation in Iran through formal representations and statements. During her visit to Tehran, the HR/VP addressed human rights with the government and met several civil society organisations, including women activists. In public statements the EU condemned the execution of prisoners (over 440 by early December 2014), as well as Iran's bad record on the respect of fundamental freedoms, such as freedom of expression, assembly and religion or belief.

Iraq

Following on from the first round of cooperation and subcommittee meetings under the EU–Iraq Partnership and Cooperation Agreement (PCA) in late 2013, the EU and Iraq held the first Cooperation Council meeting, at ministerial level, in January 2014. Pending ratification of the agreement, some chapters, in particular those relating to trade and sectoral cooperation, are being applied provisionally.

Federica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the Commission since 1 November, meets Nechirvan Barzani, Prime Minister of the Kurdish regional government in Iraq. Erbil, Iraq, 22 December.

General elections in Iraq on 30 April, for which the EU deployed an election expert mission, and the subsequent process of forming a government have slowed down the implementation of the PCA. Since June Iraq has suffered a further major setback with a large-scale assault and coordinated takeover of large swathes of Iraqi territory by Daesh, which is backed by other Sunni armed groups.

In spite of the challenging security environment, the Commission will maintain its commitments to Iraq. The appointment of the new Iraqi government in early September offers the prospect of a new political start and a quick resumption of activities under the PCA ([27]).

Central Asia

The EU continued to build on its relations with the central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) throughout 2014, on the basis of its central Asia strategy. Work on education, the rule of law and the environment/water, as well as on energy, the promotion of human rights and anti-drug trafficking measures, were the basis of the EU's regional approach. The Union advanced its bilateral ties with each of the five states individually. Negotiations were concluded with Kazakhstan regarding an enhanced PCA. To date this is the only second-generation PCA with any country in the region.

Asia and the Pacific

General

The year 2014 proved to be one of intensification of the EU's engagement with Asia. Highlights included the historic visit of Xi Jinping, the President of China, to the EU institutions in March; the EU hosting the EU–Japan Summit in May; the EU–ASEAN Foreign Ministers' Meeting in July; the informal EU–ASEAN leaders' meeting in October; and the ASEM Summit, also in October. Similarly, the EU maintained a high profile at major Pacific events, with HR/VP Ashton participating in the Pacific Island Forum in July in Palau and Andris Piebalgs, Commissioner for Development, participating in the UN's third International Conference on Small Island Developing States in September in Samoa.

Bilateral

The year saw the completion of the 2014–20 strategic programming of Development and Cooperation Instrument (DCI) and EDF assistance for recipient Asian and Pacific developing countries. The strategic programming of the new Partnership Instrument, as a key vehicle to promote the EU's interest in the region, was also adopted. At the same time, progress was achieved in the negotiation of major framework, free trade, investment or partnership and cooperation agreements with Australia, China, Japan and Malaysia. Fiji began application of the Pacific–EU EPA, thus joining Papua New Guinea. Negotiations for a comprehensive partnership agreement on relations and cooperation between the EU and New Zealand were concluded in July.

The EU and Nepal fostered cooperation by focusing on the country's crucial political and economic transition, supported by the tripling of EU assistance in 2014–20. Strong support for Myanmar/Burma's democratic transition and reform process remained an EU priority in 2014. In March the Council adopted a decision to authorise the opening of negotiations on an agreement between the EU and Myanmar/Burma on investment protection. The first EU–Myanmar/Burma Human Rights Dialogue, co-chaired by Stavros Lambrinidis, the EU Special Representative for Human Rights, was held in May in Naypyidaw (28). The EU closely followed Thailand's political crisis. In reaction to the introduction of martial law and the abrogation of the constitution, the EU adopted Council conclusions on 23 June (29) according to which official visits to and from Thailand were suspended. A partnership and cooperation agreement with Thailand will not be signed until a democratically elected government is in place.

The Commission continued to implement the 2013 sustainability compact for Bangladesh (30), aimed at improving labour rights, occupational safety and health, safety in factories and responsible business conduct in the ready-made garment sector in Bangladesh.

The Council conclusions in June adopted a new strategy for Afghanistan up to the end of 2016, focusing on the development of Afghanistan's institutions and highlighting the priorities of promoting peace, security and regional stability; reinforcing democracy; encouraging economic and human development; and fostering the rule of law and respect for human rights. The strategy provides the overarching framework for all EU instruments and the non-military engagement of Member States. Funding is more than €1 billion per year. An important part of this is the multiannual indicative programme for the DCI, which was adopted with an indicative allocation of up to €1.4 billion — subject to Afghanistan fully meeting its commitments under the Tokyo Mutual Accountability Framework. Focal sectors will be: democratisation and accountability; agriculture; health; and policing and the rule of law. The Council also agreed to extend the mandate of the EUPOL Afghanistan mission in support of civilian policing and the rule of law until 31 December 2016.

On 1 January Pakistan was granted preferential market access to the EU under the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+), based on Pakistan's commitment to effectively implement 27 international conventions. Fifteen of these relate to human and core labour rights. In 2014 the EU continued to deepen its engagement with Pakistan in some key areas, based on the EU–Pakistan 5-year engagement plan. A constructive strategic dialogue took place in March between HR/VP Ashton and Pakistan's Foreign Affairs Adviser Sartaj Aziz. In June the EU–Pakistan Joint Commission was held in Islamabad. It agreed to start cooperation on non-proliferation, disarmament and energy. Agreement was also reached on an enhanced EU–Pakistan dialogue on human rights, while counterterrorism and migration, including readmission, remain important areas for cooperation.

Regional

The Asia–Europe Meeting

The 10th Asia–Europe Meeting (ASEM) Summit, under the theme of 'Responsible partnership for sustainable growth and security', was held in Milan, Italy, in October. It allowed for a frank discussion among leaders of ASEM partner countries on a number of topics of global importance, including climate change, sustainable development and economic and financial challenges, as well as regional and international issues and human rights (31). The ASEM family enlarged to 53, with Croatia and Kazakhstan joining the summit as new partners.

The participants in the ASEM Summit held in Milan, Italy, on 16 October.

Association of Southeast Asian Nations

The process of building a more ambitious and more political partnership between the EU and the Association of Southeast Asian Nations (ASEAN) continued in 2014. The visit to Brussels, Luxembourg and Antwerp by the ASEAN Coordinating Committee on Connectivity in February allowed for an in-depth exchange of lessons learned on rules-based integration. In a joint declaration (32) adopted in Singapore in February, at the end of a successful 2-day EU–ASEAN Aviation Summit, the Commission and the ASEAN proposed to take aviation cooperation to a new level by negotiating a comprehensive air transport agreement (33).

The EU is pursuing bilateral FTAs with individual ASEAN countries as building blocks for a region-to-region agreement, which remains the long-term objective. Bilateral negotiations have been launched with Malaysia (2010), Vietnam (2012) and Thailand (2013), and concluded with Singapore (2014).

Latin America and the Caribbean

The good state of subregional relations with Central American partner countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) was reflected by the entry into force of the trade pillar of the EU–Central America Association Agreement by the end of 2013 and the entry into force in May 2014 of the Political Dialogue and Cooperation Agreement. In 2014 the EU adopted a strategy on citizen security for Central America and the Caribbean in order to reinforce cooperation with the countries in the region, which face growing insecurity in certain areas. The EU launched negotiations for a bilateral agreement with Cuba. In July the EU and Ecuador reached an agreement for the extension to Ecuador of the multiparty trade agreement with Colombia and Peru, provisionally applied since 2013. Chile and Mexico are currently exploring possibilities with the EU to upgrade their respective association agreements.

Africa

Building on the successful EU–Africa Summit in April, the EU continued to work with all the regional organisations in Africa to promote regional integration, development, resilience, economic growth, stability and good governance. In addition to the EU's strategies for the Sahel and the Horn of Africa, and the comprehensive approach to the Great Lakes, it adopted a new strategy on maritime security in the Gulf of Guinea. It also cooperated with the African Union, the Economic Community of West African States, the Southern African Development Community and others in sending election observation missions to Guinea Bissau, Egypt, Tunisia, Malawi and Mozambique and expert missions were present in Algeria, Nigeria and Mauritania. It has worked closely with the Intergovernmental Authority on Development and the African Union in dealing with the challenges of Somalia, South Sudan and Sudan, and with the Economic Community of Central African States and the African Union in dealing with the situation in the Central African Republic.

Neven Mimica, Commissioner for International Cooperation and Development since 1 November, on the left, shakes hands with Mohamed Diaré, Guinean Minister of State for Economy and Finance, in the course of his trip to Conakry, Guinea, on 6 December during which he launched the overall EU funding for Guinea for 2014–20.

Development

Policy overview

The agenda for change — adapting aid to the modern world

In 2014 the European Union made progress with the implementation of the agenda for change ([34]), the EU development policy it adopted in 2011 to improve its impact on poverty reduction and to support the partner countries in achieving the millennium development goals by 2015. Some 70 % of EU aid will go to the poorest countries, including those affected by conflicts or natural disaster. At the same time, realising that cooperating with Zambia is not the same as cooperating with Brazil, for instance, the EU stopped bilateral aid for 16 large and more advanced countries. Since great inequalities persist in some of these countries, they will still be able to benefit from thematic or regional programmes. The EU now targets assistance at areas that are drivers for change and economic growth, such as governance, agriculture, energy, health and education.

Joint programming documents have been developed in around 20 countries, and preparations have been started in 20 additional countries. These single-country strategies have increased the impact and effectiveness of EU and Member State aid programmes.

The post-2015 development framework — working towards a decent life for all

The year 2014 was a crucial one in the preparations for the post-2015 development framework, and the EU played an active and influential role in building consensus towards an ambitious outcome at the UN Summit in September 2015. In June the Commission adopted a new communication on this topic ([35]).

Building on this overall approach, the EU and its Member States contributed actively to the international post-2015 discussions. A particular emphasis was put on dialogue and outreach with the EU's partners, and a key milestone was the adoption in June of the 'Joint ACP–EU declaration on the post-2015 development agenda' ([36]). In December the Council adopted conclusions ([37]) that provide the basis for the EU position in the upcoming international negotiations in the UN on the post-2015 agenda, which will be concluded at the UN General Assembly (UNGA) in September 2015.

Comprehensive approach

Following on from the joint communication on the EU's comprehensive approach to external conflict and crises of December 2013 (38), the core message of which is to enhance the strategically coherent use of EU tools and instruments, Council conclusions were adopted in May 2014 (39). The Council conclusions placed the emphasis on early, joined-up analysis of conflict or crisis situations, the need for enhanced engagement at all stages of the conflict cycle, the ambition to better link up the EU's instruments across different policy domains (as well as internal and external policies) and the need to ensure that CSDP efforts build on existing EU engagements and that their results and impact are sustained, for example through a smooth transition to EU development instruments. Following the Council conclusions, the HR/VP and the Commission will present an action plan in early 2015.

European Year for Development

The year 2015 has been designated by the Parliament and the Council (40) as the European Year for Development (EYD2015). It is set to be a special year, as it is the deadline for meeting the millennium development goals and for the next set of goals — the sustainable development goals — to be put in place. It will be the first ever European Year on the external actions of the EU and promoting the EU as a global player.

Geographic overview

EU cooperation with the African, Caribbean and Pacific region: the start of a new programming period of 7 years

The 11th EDF, the financial instrument covering EU development cooperation with African, Caribbean and Pacific (ACP) countries up to 2020, has been put in place.

National and regional indicative programmes (NIPs and RIPs), as well as the intra-ACP programme, are currently being negotiated, approved and signed by both the EU and ACP partner countries. More than 50 % of NIPs were signed by the end of 2014. The remaining ones will be finalised in 2015.

EU development cooperation with Somalia: implementing the Somali Compact

In 2014 the EU continued its support for Somalia and the federal government in implementing the Somali Compact signed in Brussels in September 2013. Significant progress was made in relation to state formation with the establishment of interim administrations and the building blocks of federal Somalia. In November a high-level partnership forum at ministerial level was organised. The meeting in Copenhagen, Denmark, brought together 56 delegations from Africa, Asia, Australia, Europe, the Middle East and North America. The EU reiterated its commitment to continued and strong support for Somalia on its challenging road to state building, security and sustainable development.

Project example in Somalia

In Puntland, Somalia, where land degradation and poor access to food has left up to 20 % of the population malnourished, the EU is funding a programme to lift 1.5 million people out of poverty by improving pasture areas and helping communities to better manage natural resources.

Addressing development and security challenges in west Africa: the EU Sahel strategy and the EU Gulf of Guinea strategy

The EU is in the front line of international efforts, whether diplomatic or relating to security and development, in the Sahel and in the Gulf of Guinea. Through the Sahel strategy the EU aims to cover crucial areas to improve stability in the region. The strategy concerns the following countries: Burkina Faso, Chad, Mali, Mauritania and Niger, as well as regional activities. The Gulf of Guinea strategy, adopted in March, concerns the coastal countries from Senegal to Angola, including the islands of Cape Verde and São Tomé and Príncipe.

Central African Republic — the EU launches the Bêkou fund, its first multi-donor trust fund

The Commission, with support from Germany, France and the Netherlands, has set up the first multi-donor EU trust fund in support of the Central African Republic. The aim of the fund is to promote the stabilisation and reconstruction of the country and, just 2 months after it was established, it started to deliver support on the ground. The Bêkou fund (meaning ‘hope’ in Sango, the country’s main language) will prepare the transition from emergency response, such as humanitarian aid, towards longer-term development assistance. It will contribute to the reconstruction of the Central African Republic, in particular restoring the national and local administrations, re-establishing economic activity and essential services (such as electricity, transport, health and education) and stabilising the country.

Latin America and the Caribbean

The EU approved agreements on development cooperation for the 2014–20 period, known as multiannual indicative programmes, with Latin American countries. Its financial allocation remains substantial, with an indicative amount of €2.4 billion, of which 35 % is dedicated to cooperation at regional level.

In line with the joint Caribbean–EU strategy since 2012, the key areas of cooperation include: regional integration; the reconstruction of Haiti; climate change and natural disasters; crime and security; and joint actions in multilateral forums. The overall allocation in the Caribbean for the 2014–20 period is €1 billion, featuring an increase in the regional allocation and a decrease of bilateral allocations for most Caribbean countries, except Haiti.

Asia, central Asia and the Middle East

While Asian economies have shown remarkable recent growth, poverty is still widespread in the region. Most countries face challenges due to uneven regional development and increasing income inequality. EU cooperation through the DCI in Asia, central Asia and the Middle East emphasises action in, among other sectors, food security, rural development, education and governance. In 2014, €860 million was committed in Asia.

How EU aid makes a difference: Nepal case study

Education has been one of the key components of the EU's financial assistance to Nepal in the past few years. Thanks to EU support the number of out-of-school children is estimated to have fallen from 800 000 to 445 000, and enrolments in secondary education (approximately ages 13–16) are also increasing. The EU has also supported the peace process in the country and the organisation of the national elections that benefited from high voter turnout and were generally considered to be free and fair.

Thematic overview

Education

New EU funding of €375 million for education in developing countries over the next 7 years was announced at the EU-hosted Global Partnership for Education (GPE) conference in June. The replenishment conference succeeded in convincing partner countries to increase domestic funding for education and international donors to increase their pledges. The GPE focuses on the most urgent priorities in education in partner countries: quality of education and better learning outcomes; and girls' education. Special attention is given to countries in fragile situations.

Key results in education thanks to EU development aid since 2004

- 13.7 million new pupils have been enrolled in primary education.
- 1.2 million primary teachers have been trained.
- 7.7 million people have received technical and vocational education and training.
- 37 000 schools have been built or renovated.
- 300 000 new female students have been enrolled in secondary education.

The role of the private sector in development cooperation

The new communication 'A stronger role of the private sector in achieving inclusive and sustainable growth in developing countries' (41) and related Council conclusions (42) setting out the future direction of EU policy and support for private-sector development in partner countries were adopted in 2014. The communication proposes 12 concrete actions in areas where the Commission believes it can add value. The private sector has a crucial role to play in helping people to lift themselves out of poverty. The communication therefore encourages the private sector in partner countries, in the EU and beyond to engage in responsible investment, sustainable trade and inclusive business models. Clear policy guidance is given for working with the private sector so that public and private roles and interests are aligned and lead to measurable development results on the ground.

An example of an EU cooperation project in the private sector

In Paraguay a project managed to reduce the total time needed for administrative procedures to export meat from 40 days to 50 minutes, thanks to the creation of a 'single window' for exports. This in turn has boosted the number of enterprises in Paraguay oriented towards exports by 500 % since 2004.

Sustainable energy

Worldwide, about 1.2 billion people have no access to electricity. The EU has strengthened its existing tools and developed new ones to continue to work towards the target of providing access to sustainable energy services for 500 million people by 2030, within the framework of the 'Sustainable energy for all' initiative of the UN. At the UN Climate Summit in New York the EU signed five joint declarations with European and African countries that have decided to work together to defeat energy poverty. It has set aside more than €3 billion to support sustainable energy activities in its partner countries during the 2014–20 period.

Environment

Over 70 % of the poorest communities live in rural areas and depend directly on ecosystem services for their subsistence. Transformation towards inclusive green economies offers new ground to generate economic growth that is both environmentally sustainable and inclusive. The Commission believes it is crucial to ensure that at least 20 % of the EU budget is devoted to supporting low-carbon and climate-resilient development, and seeks to apply this principle in its development cooperation.

On the 2014 International Day for Biological Diversity the Commission launched the EU 'Biodiversity for life' (B4Life) flagship initiative to protect ecosystems, combat wildlife crime and develop green economies, with a budget of around €800 million for 2014–20. It complements EU efforts to promote sustainable forest management and combat illegal logging under the forest law enforcement governance and trade action plan (43) and under the UN's 'Reducing emissions from deforestation and forest degradation' initiative.

Responding to humanitarian crises and emergencies

Overview of the year

The year 2014 saw a major surge in the number of humanitarian crises. An unprecedented four 'level 3' emergencies, the highest crisis denomination according to United Nations standards, were declared (Central African Republic, Iraq, South Sudan and Syria). Around the world, armed conflicts and attacks on civilians are continuing, whilst natural disasters occur with increasing frequency and intensity. The number of people suffering from conflicts or displacement, or lacking the most basic necessities such as food, water, medical care and shelter, is constantly on the rise. The Ebola outbreak in west Africa has generated new and specific types of challenges.

Christos Stylianides, Commissioner for Humanitarian Aid and Crisis Management (in the background), and Vytenis Andriukaitis, Commissioner for Health and Food Safety (on the right), both in office since 1 November, greet high-level officials in Freetown, Sierra Leone, by touching elbows (the new way of greeting in Ebola-affected countries to avoid transmission of the virus). They were visiting the epicentre of the epidemic on 13 November to check the state of play on the ground.

As the world's largest humanitarian aid donor, the EU plays an important role in tackling the resulting humanitarian consequences. The Commission alone provided over €1.2 billion in aid in 2014 to the most vulnerable across more than 80 countries.

Geographical issues

Eastern Ukraine

The conflict in eastern Ukraine resulted in the displacement of more than 1 million people and growing humanitarian needs. The EU's humanitarian funding addressed the basic requirements of the affected population, such as shelter, food, water, healthcare, psychosocial assistance and protection in preparation for winter.

Syria

The Syrian conflict continued unabated into its fourth year and remains the biggest humanitarian and security crisis in the world. Tens of thousands of people have lost their lives due to the fighting. Half the population has been forced away from their homes, with over 3.8 million seeking refuge in neighbouring countries. In order to reach out to those most affected, the EU has made available over €3.1 billion in assistance since the beginning of the crisis, making it the largest aid donor worldwide. This comes in addition to the in-kind assistance provided through the EU Civil Protection Mechanism (CPM). Aid has been provided in support of the 12.2 million people in need of humanitarian assistance inside Syria, as well as to the millions of Syrian refugees and their host communities in the region, in the form of medical emergency relief, protection, food and nutritional assistance, water, sanitation and hygiene, shelter and logistic services.

Kurdish Yazidi children who fled from Daesh attacks in Iraq try to get warm in the early morning at a refugee camp in south-east Turkey. They are relying on the generosity of the local authorities and European Commission-funded partners for help.

Central African Republic

Plagued by unrest and political instability, the Central African Republic is another of the world's humanitarian hotspots. Over half of the population of 4.6 million is in need of humanitarian assistance. The EU has worked tirelessly to draw international attention to the crisis and its effects on neighbouring countries and, as the largest donor of life-saving assistance to the Central African Republic, provided over €128 million for humanitarian interventions in 2014. In addition, the Commission has organised repeated airlifts of aid workers and relief material into the Central African Republic.

South Sudan

South Sudan, the youngest and one of the poorest countries in the world, has witnessed a surge in internal tension and fighting. At least 10 000 people have been killed since the internal political conflict turned violent at the end of 2013, and nearly 2 million men, women and children have fled their homes, including some 470 000 who sought refuge in neighbouring countries. The conflict multiplied humanitarian needs in South Sudan, which already suffers regularly from seasonal floods and other natural disasters, as well as epidemics. By the end of 2014, 3.8 million people had received humanitarian assistance, including the more than 245 000 refugees in the country. During the year the Commission provided over €110 million in humanitarian aid in response to the crisis. Additional support is provided to the refugees in the region. In total the European Union, including its Member States and the European Commission, has responded to the ongoing crisis with humanitarian assistance worth over €267 million in 2014.

Iraq

The people of Iraq have been suffering the harsh consequences of the country's worsening security situation. The dramatic escalation of violence in 2014 had a large-scale humanitarian impact, with over 2 million more people displaced. There are grave concerns over the affected local population, which is either displaced or trapped by the conflict and cannot be reached with aid. In addition, Iraq hosts almost a quarter of a million refugees from the fighting in neighbouring Syria. The EU has been scaling up its operations, increasing its humanitarian aid budget to €20 million to meet the needs of the most vulnerable.

Philippines

As one of the worst natural disasters in recent years, the typhoon Haiyan, which struck the Philippines in November 2013, is still affecting the population of one of the most disaster-prone countries. Months after the storm hit the country, killing more than 6 200 and displacing over 4 million, people are still struggling to rebuild their homes and livelihoods. With over €180 million worth of humanitarian aid, the EU has helped more than 1.2 million people by contributing to provide shelter, food, clean water and sanitation, and in support of the local population's rebuilding efforts and efforts to prepare for future natural disasters.

Horizontal issues

Ebola

The outbreak of Ebola in west Africa is the largest ever recorded. The affected countries, supported by the international community, and humanitarian organisations are fighting to control the spread of the disease, but they are facing major problems linked to challenging complications.

As one of the first international donors to react to the evolving crisis in March, the Commission has since contributed more than €434 million in direct aid to the countries and medical research, bringing the total EU contribution to over €1.2 billion.

A moving story from Liberia: Deddeh has recovered from Ebola. Out of solidarity she has decided to stay in the treatment area of the compound to take care of baby Elijah, who is infected. As a survivor she does not wear protective gear. Medical staff give her instructions on how to feed Elijah.

Food insecurity

Across Africa the number of people facing food insecurity is in the tens of millions. In the Sahel, frequent droughts, bad harvests and recurrent conflicts result in displacement and the exacerbation of poverty. In 2014 the EU pursued its efforts to provide life-saving nutritional care for severely malnourished children. Livelihood support via cash transfers or food rations will be maintained for some of the poorest households, providing them with the minimum needed to survive. Funds are, as a priority, channelled into providing food assistance, health, nutrition, clean water, sanitation and shelter to the affected populations.

Children

Children account for half of the victims of conflicts across the world and are among the most vulnerable victim groups.

The protection and promotion of children's rights, and in particular the issue of children and armed conflict, are central to the EU human rights policy and funding instruments. Since 2013 more than 270 000 children growing up in conflict have gained access to education through the 'EU children of peace' initiative. This multiannual assistance programme, which was created in 2012 as a legacy of the EU's Nobel Peace Prize, has received generous contributions from a number of Member States, with more than €12 million committed since 2012 (€2 million in 2012, €4 million in 2013 and over €6.7 million in 2014, including contributions of €500 000 by Luxembourg and €250 000 by Austria in assigned revenue).

The 'EU aid volunteers' initiative

The EU has established a European voluntary humanitarian aid corps to give citizens the opportunity to be involved in humanitarian action. As envisaged by the Treaty of Lisbon, the 'EU aid volunteers' initiative aims to strengthen the Union's capacity to provide needs-based humanitarian aid and train the humanitarian leaders of tomorrow while giving young Europeans an opportunity to show solidarity with people in need. The volunteer programme is open to young people who plan to take up a career in emergency aid work and humanitarian aid experts who already have experience. The programme will create opportunities for 18 000 people to volunteer in humanitarian operations worldwide by 2020.

Civil protection

The year 2014 was one of massive natural and man-made disasters, in Europe and around the world. When a country is suffering overwhelming emergencies it can request the immediate activation of the EU CPM through the Commission's Emergency Response Coordination Centre. The assistance is provided by the CPM's 31 participating states, i.e. the EU's 28 Member States along with the former Yugoslav Republic of Macedonia, Iceland and Norway. In September an agreement was signed paving the way for Montenegro's future CPM participation.

The EU CPM enables participating states to work together effectively in the event of major disasters — inside or outside of Europe — and to respond to emergencies quickly and efficiently.

The village of Obrenovac, Serbia, under water as a result of the floods which swept across large areas of the country in May.

In the summer of 2014 massive floods affected over 3 million people in Bosnia and Herzegovina and in Serbia. Shortly after the activation of the CPM, 23 countries had offered and deployed assistance on the ground. The Commission co-financed the transportation of the aid and provided satellite imaging of the flooded areas to support the operations.

In conflicts such as those in Iraq and Syria, and as part of the comprehensive European response to the Ebola epidemic, the CPM has provided a coordinated response to calls for assistance and the deployment of personnel, tools and supplies. Since its establishment, the CPM has provided life-saving equipment and supplies in more than 150 disasters all over the world, including 12 in 2014 alone.

Revised legislation on the EU CPM came into force at the beginning of 2014. It creates a European emergency response capacity, moving from the previous ad hoc arrangement to a system that allows for better planning and coordination. The revised legislation establishes a voluntary pool of equipment and experts that are available for immediate deployment as part of a collective European intervention effort.

Human rights and democracy

Human rights

General

The EU has continued to make progress in placing human rights and democracy at the centre of its activities, taking significant steps towards integrating human rights in all EU external policies, including trade, migration, development and the CSDP.

The EU action plan on human rights and democracy (44), adopted in 2012, has provided the framework to step up efforts in this direction, and has resulted in factoring human rights considerations into CSDP mandates; adopting a rights-based approach to development; establishing guidelines on freedom of expression online and offline; mainstreaming human rights and democracy in the EU's external action; promoting the universality of human rights bilaterally and multilaterally; and improving, through better internal coordination and more systematic outreach, the effectiveness of its action within multilateral institutions.

Seven female members of the Barroso Commission, posing with a banner demanding the release of the young girls kidnapped by the extremist group Boko Haram in Nigeria. They are, from left to right, Viviane Reding, European Commission Vice-President responsible for Justice, Fundamental Rights and Citizenship (in office until 1 July), Neelie Kroes, European Commission Vice-President responsible for the Digital Agenda, Máire Geoghegan-Quinn, Commissioner for Research, Innovation and Science, Kristalina Georgieva, Commissioner for International Cooperation, Humanitarian Aid and Crisis Response, Cecilia Malmström, Commissioner for Home Affairs, Connie Hedegaard, Commissioner for Climate Action, and Maria Damanaki, Commissioner for Maritime Affairs and Fisheries (all in office until 31 October). Berlaymont building, Brussels, Belgium, 28 May.

Throughout the year the EU continued to support and empower civil society, including through dedicated funding (45) to advance the universality of international human rights instruments, focusing on the ratification and effective implementation of such instruments and the reconsideration of withdrawals or reservations, and in support of the Rome Statute of the International Criminal Court (ICC). This was done, for example, through campaigning during its regular human rights dialogues with over 40 countries, through outreach campaigns worldwide, through the systematic inclusion of an ICC clause in agreements with non-EU countries, through the organisation of dedicated local or regional seminars, through EU statements in bilateral and multilateral forums for including ICC clauses in agreements with non-EU countries and by cooperating with UN mechanisms such as the universal periodic review, as well as by supporting the activity of UN special rapporteurs. The EU organised specific human rights dialogues and consultations with over 37 countries and promoted its key priorities, especially those reflected in recently adopted human rights guidelines (e.g. on freedom of religion or belief; treatment of lesbian, gay, bisexual, transgender and intersex (LGBTI) people; the abolition of the death penalty; business and human rights; gender; children's rights; and, most recently, freedom of expression online and offline).

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 UNGA, and presented several initiatives on countries of concern as well as on important thematic issues.

The Third Committee of the UNGA held its 2014 session from 7 October to 26 November to discuss a broad range of human rights and humanitarian issues, as well as social affairs. The EU was again very active in the Committee in 2014. It delivered nine formal statements and took part in more than 45 interactive dialogues with UN officials and human rights mandate holders, including one with Zeid Ra'ad Al Hussein, the new High Commissioner for Human Rights, that made a very strong impression. The committee dealt with roughly 60 resolutions, and the EU presented the following five initiatives: on North Korea, as in previous years, together with Japan; on Myanmar/Burma; on a moratorium on executions, together with a cross-regional alliance; on freedom of religion or belief; and on the rights of the child, together with the Group of Latin American and Caribbean Countries in the United Nations (Grulac). It also supported a number of initiatives by partners, notably country-specific resolutions on Iran (led by Canada) and Syria (led by Arab states), as well as thematic initiatives, in particular on women's rights.

Regarding outcomes, the EU-led resolution on Myanmar/Burma was adopted by consensus after a cooperative process with the country concerned and other interested parties. The EU/Japan resolution on the situation of human rights in North Korea was adopted with broad cross-regional support; the resolution increased the number of co-sponsors to 62, from all world regions including Africa, Asia and Latin America.

On Syria, the Arab-led initiative was adopted by an overwhelming majority in a similar manner to previous such votes. The core group initiative on Iran led by Canada generated a slightly less positive result than in 2013.

The cross-regional initiative on a moratorium on the use of the death penalty was adopted with a greater majority than in 2012, with 95 delegations co-sponsoring the resolution — four more than in 2012. Several countries expressed in their statement their appreciation for the open and transparent process. The result is a strong message that the global trend in favour of abolition is continuing.

The EU thematic initiatives on freedom of religion and belief and the EU/Grulac joint initiative on the rights of the child were adopted by consensus.

The EU Special Representative for Human Rights

The work of the EU Special Representative (EUSR) for Human Rights, Stavros Lambrinidis, has continued to enhance the coherence, effectiveness and visibility of human rights in the EU's foreign policy. Important progress in 2014 included two visits to Egypt; a visit to Myanmar/Burma to chair the first EU–Myanmar Human Rights Dialogue; a visit to Indonesia, where the EUSR addressed the ASEAN Intergovernmental Commission on Human Rights regional conference on the death penalty; a visit to Brazil to chair the fourth Human Rights Dialogue; and official visits to Pakistan and the United States. He also headed the fourth Mexico–EU High-Level Dialogue on Human Rights and the second formal South Africa–EU Human Rights Dialogue.

Strategically, the EUSR continued to engage in multilateral and regional forums, actively participating in the Commission on the Status of Women and in the UNGA's 69th Ministerial Session, including the World Conference on Indigenous Peoples, and hosting the first delegation of the Independent Permanent Commission of Human Rights of the Organisation of Islamic Cooperation. He has also placed special emphasis on empowering civil society and human rights defenders. Advancing the universality of human rights, a rights-based approach to development, freedom of expression, and gender equality and women's empowerment, including in the post-2015 agenda, were other priority issues during the period, as were business and human rights and the abolition of the death penalty.

Democracy

Support for democracy and democratisation

The EU continued to support electoral processes around the globe by sending election observation missions, election assessment teams and election expert missions, as well as providing technical and financial assistance to election management bodies and to domestic observers. Ongoing efforts are being made to increase the cost-effectiveness of election observation missions.

Overall, the EU deployed eight election observation missions. They were deployed to Egypt (presidential), Guinea-Bissau (presidential and legislative), Kosovo (legislative), Malawi (presidential, legislative and local), Maldives (legislative), Mozambique (legislative) and Tunisia (legislative and presidential). The EU deployed an election assessment team to Afghanistan for the presidential elections that also observed the audit of the votes, conducted following the agreement brokered by the US Secretary of State, John Kerry.

In addition, eight election expert missions were deployed in the course of 2014 to Algeria (presidential), Bolivia (presidential and legislative), Egypt (constitutional referendum), Fiji (legislative), Iraq (legislative), Libya (constituent assembly), Mauritania (presidential) and Thailand (legislative).


EU election observation mission to the presidential and legislative elections held in Guinea-Bissau on 13 April.

The EU does not observe elections in the OSCE area. However, the EU supported the OSCE/ODIHR during the presidential and parliamentary elections in Ukraine. EU efforts allowed the deployment of 100 additional short-term observers from Member States and candidate and applicant countries.

Tangible results

Since 2010 the EU has supported 50 electoral assistance programmes worldwide.

Since 2004 the EU has sent more than 7 500 observers on 69 observation missions in 49 countries.

Multilateral governance and global challenges

Multilateral governance

The EU in the United Nations

Strengthening the UN system and working through the UN bodies, in cooperation and coordination with partners, remains a key focus of the EU. Challenges to international peace and security, the promotion of human rights, democracy and the rule of law continued to be high on the EU's agenda. Building on the successes of the millennium development goals, the EU was particularly involved in the follow-up and implementation of the Rio+20 outcome, and actively engaged in continuous negotiations on the coherent design of and work towards the post-2015 framework for poverty eradication and sustainable development. The strengthening of the effectiveness of the UN remained key, and the EU supported necessary reforms in crucial areas such as management, peacekeeping, field support and the financial sustainability of the organisation.

Within the forum of the UNGA, the EU contributed actively to several high-level events with an impact on development, notably the third International Conference on Small Island Developing States in Samoa, the High-Level Political Forum on Sustainable Development, the UN Climate Summit and the second United Nations Conference on Landlocked Developing States in Vienna, Austria. The EU has also contributed to the negotiations on and adoption of several UNGA resolutions with a direct impact on development, human rights, disarmament and non-proliferation, peacekeeping and peacebuilding.

EU–UN cooperation, in particular on children's and women's rights, electoral assistance, the strengthening of parliaments, civil society empowerment and the reform of judicial systems, has progressed.

Continued good and close cooperation with the UN on military and civil crisis management remained important throughout 2014. Operational cooperation in places such as Somalia (Atalanta), Mali (EUTM Mali) and the Central African Republic (EUFOR RCA) continues to be an important part of the overall partnership.

The EU in other multilateral forums

Council of Europe

The EU and the Council of Europe (CoE) continued to cooperate to strengthen the observance of human rights and democratic stability by supporting the promotion of European standards, in particular in the EU candidate countries and countries participating in the EU's neighbourhood policy. Legal cooperation continued, in particular in the field of justice and home affairs (e.g. on data protection and corruption issues, and the promotion of justice reforms), 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 the revision of electoral laws. The EU supports the work of and works closely with the CoE, particularly in addressing the Ukraine crisis. Cooperation through joint programmes also remains an important component of EU–CoE relations.

Organisation for Security and Cooperation in Europe

The OSCE played a central role in the EU's response to the crisis in Ukraine. The EU supported the OSCE's role as a facilitator for finding a political solution to the conflict in line with the principle of Ukrainian ownership and as an impartial actor monitoring the situation on the ground. Even as its core principles were fundamentally challenged by Russia's policy towards Ukraine, the OSCE's comprehensive and cooperative approach to security was more relevant than ever.

The EU continued to support all three dimensions of the OSCE's work — politico-military, economic and environmental, and human — and cooperated closely with the OSCE field missions, notably in the western Balkans, south Caucasus and central Asia. As in previous years, the EU represented half the organisation's membership and contributed over two thirds of its budget.

G7 and G8

Following the illegal annexation of Crimea, Russia was suspended from the G8 in March and G7 partners issued several statements throughout the year on the situation in Ukraine, which included close coordination on the question of sanctions.

Herman Van Rompuy, President of the European Council until 30 November and President of the G7 Summit (fourth left), and José Manuel Barroso, President of the European Commission until 31 October (third right), hosted the G7 Summit held in Brussels on 4 and 5 June. Matteo Renzi, Prime Minister of Italy (first left), Stephen Harper, Prime Minister of Canada (second left), Barack Obama, President of the United States (third left), Angela Merkel, Chancellor of Germany (centre), Shinzō Abe, Prime Minister of Japan (first right), François Hollande, President of France (second right), and David Cameron, Prime Minister of the United Kingdom (fourth right), were also in attendance.

The EU continued to play an active role in the G7 in 2014, hosting the G7 Summit in Brussels in June. The summit declaration encompassed commitments on strengthening the global economy, energy security, climate change, development and shared foreign-policy concerns. With regard to the global economy, the emphasis was on growth and jobs, the completion of financial reforms and progress in key bilateral trade negotiations. The crisis in Ukraine partly drove the discussion on energy, with energy security a key preoccupation. Linkages were also made in the discussion between energy and climate change concerns. G7 leaders agreed to take forward the Rome G7 energy initiative, which provides for individual and collective efforts to build low-carbon energy systems. Tackling corruption and support for developing-country partners in negotiating complex commercial contracts were among the points addressed in the discussion on development. Foreign policy discussions over the 2 days focused principally on Ukraine, but there were also exchanges on Libya, Syria, the Middle East peace process and the South China Sea.

G20

The year 2014 was that of the ‘G20 agenda for growth and resilience’. All meetings and preparations led up to the annual G20 Summit, which took place in Brisbane, Australia, in November. The three main aims of the Brisbane action plan are to increase investment in infrastructure, decrease barriers to trade and lift employment participation, with a particular focus on reducing the gap in participation rates between men and women. The G20 confirmed its role as a staunch supporter of the multilateral trading system.

The EU welcomed the results of the summit as they help to put the global economy on a sustainable growth path. The ‘Brisbane action plan on growth and jobs’ put a strong emphasis on investment. The G20 also reaffirmed its commitment to fairer taxation and provided renewed impetus to financial regulation, global climate action and open trade. Finally, the G20 made progress on anti-corruption activities, energy and sustainability, development and the reform of international economic institutions.

The EU played an important role in the discussions and negotiations leading up to the Brisbane summit and continued to emphasise the need for structural reform, which it regards as fundamental for effective growth strategies. Raising global growth to deliver better living standards and quality jobs for people across the world was the highest priority at the summit.

Round table in the margins of the G20 Summit in Brisbane, Australia, with (clockwise) Mariano Rajoy, Prime Minister of Spain, Matteo Renzi, Prime Minister of Italy, François Hollande, President of France, Barack Obama, President of the United States, David Cameron, Prime Minister of the United Kingdom, Angela Merkel, Chancellor of Germany, Herman Van Rompuy, President of the European Council until 30 November, and Jean-Claude Juncker, President of the European Commission since 1 November.

Brisbane was the first G20 Summit with the participation of Jean-Claude Juncker as President of the Commission. He made it clear that the Commission and the European Union as a whole were to the fore in the drive for increased investment to power the jobs and growth agenda, in the efforts to boost global trade and in the fight against tax evasion.

Global challenges

Migration

Cooperation with non-EU countries in the field of migration remained a major priority for the EU in 2014. The need to further improve the links between the EU's internal and external policies and to make migration policy a much stronger integral part of the latter was recognised by the June European Council strategic guidelines on the future of home affairs ([46]). Migration is seen as a global and complex phenomenon that requires a comprehensive, coherent and long-term response. This approach entails addressing its root causes and tackling related dramatic phenomena such as human trafficking, but also offers the EU the possibility to benefit from migration in terms of economic growth and competitiveness.

Water diplomacy

In 2014 the EU continued the implementation of the July 2013 Foreign Affairs Council conclusions on water diplomacy ([47]), which aim to enable the EU to become more engaged in water security challenges around the world. The focus is on proactive engagement in transboundary water security challenges, and the aim is to promote collaborative and sustainable water management. In particular, the EU, through the efforts of the then HR/VP, Catherine Ashton, and the EEAS, focused on promoting mutual beneficial solutions in the water disputes regarding the Nile and central Asia. In 2014 the EU also actively promoted the ratification and implementation of international agreements on water cooperation, including through targeted formal representations by EU delegations. On 17 August the 1997 UN Water Convention entered into force.

Energy diplomacy

Building on the increased engagement by Catherine Ashton, the then HR/VP, in energy diplomacy, the Foreign Affairs Council in March and April discussed energy security, focusing on the Ukraine crisis. The HR/VP also continued to increase her engagement in energy diplomacy in other areas of her remit of activity, working closely with the Commission and Member States. Representatives of the HR/VP played an active role in supporting the Commission during the successful trilateral EU–Russia–Ukraine natural gas negotiations, particularly in ensuring coherence with other aspects of the broader Ukraine crisis.

Climate diplomacy

Miguel Arias Cañete, Commissioner for Climate Action and Energy since 1 November, at a press conference during the 20th session of the Conference of the Parties at the United Nations Framework Convention on Climate Change, which took place in Lima, Peru, from 1 to 12 December.

The EU remains one of the strongest proponents of ambitious international climate action and was instrumental in the development of the UN Framework Convention on Climate Change (UNFCCC). During 2014 there was an intensification of global negotiations aimed at reaching agreement on a new international climate agreement at the Conference of the Parties (COP) to the Convention on Climate Change in Paris, france, in December 2015. The EU continued to work with its partners to forge convergence on the need to reach a fair, ambitious and legally binding agreement applicable to all countries.

Building on the momentum created by the UN Climate Summit in New York, United States, in September, the Commission prepared for the 20th session of the UNFCCC COP in December in Lima, Peru. The COP agreed on two deliverables, the 'Lima call for climate action' and the draft elements text for the 2015 agreement. It was an important milestone in the negotiation process and will help to define the overarching scope, design and structure of the 2015 Paris agreement.

The new agreement will need to deliver effective greenhouse gas emissions reductions in a way that mirrors today's economic, societal and geopolitical realities. It will also need to cover other key issues such as adaptation to climate change, the financing of climate policies, transparency of action, technology and capacity building. These are essential to ensure inclusiveness, trust and support for the most vulnerable.

In addition, the EU's bilateral and regional relations and cooperation programmes on climate and energy allow the EU to work with its partners both to promote reforms and a cost-effective transition to low-carbon economies and to support multilateral cooperation. Climate change features prominently in the sectoral dialogues with all EU strategic partners and issues are regularly revised in bilateral summits. The EU reconfirmed its strong commitment to jointly tackling climate change through the Euroclima regional programme for Latin America, which provided specific support for COP20 preparation. This involved exchanges between negotiators from the region, supporting civil society and media and promoting knowledge exchange and capacity building.

Environment diplomacy

In June the United Nations Environment Assembly (UNEA) held its first ever session in Nairobi, Kenya. The meeting — with more than 1 200 high-level participants from 160 countries — provided input, mainly from the environmental perspective, to the international UN-led post-2015 agenda. Building on the work of the millennium development goals and the outcomes of Rio+20, the agenda aims to shape the new sustainable development goals, which will bring together poverty eradication and sustainable development into one universal agenda.

Counterterrorism

While the general threat posed by terrorism is continually evolving and becoming ever more diverse and unpredictable, groups such as Daesh and Jabhat al-Nusra (JaN) have been exploiting the chaos of sectarian violence in Iraq and Syria and committing brutal terrorist acts. Daesh constitutes a new and complex terrorist threat for Iraq and Syria, for the Middle East region and, ultimately, for Europe.

There is huge concern within the EU that a majority of European foreign fighters are joining Daesh. This highlights the seriousness of the threat posed by foreign fighters: European nationals (and others) who have travelled to fight in Iraq and Syria are becoming (further) radicalised there, and they may act as catalysts for extremism or terrorism, when they decide to return to their home countries. The terrorist attack at the Jewish Museum in Brussels in May was an alarming case in point.

The EU's main task in 2014 was to effectively address the threat of foreign fighters through concrete measures, together with the UN and all Member States. The brutal terror of Daesh made it necessary to concentrate even more on the situation in Iraq and Syria. This led to the development of the EU's counterterrorism/foreign fighters strategy for Iraq and Syria, which was adopted by the Council in October ([48]). This is a key part of the EU's comprehensive efforts to implement UNSC Resolution 2178 on foreign fighters and countering violent extremism.

In west Africa the threat posed by Boko Haram is growing steadily, as evidenced by large-scale abductions of pupils and an increasing number of incursions from Nigeria into neighbouring Cameroon. The internal conflicts in Libya, Al-Shabab's activities in the Horn of Africa and the ongoing crisis in the Central African Republic have combined to create a very volatile regional situation in north, west and east Africa. The group Al-Qaeda in the Arabian Peninsula remains a key threat, particularly in Yemen, where the security situation is very fragile, but also throughout the peninsula. On top of this, terrorist threats in other regions, including the Maghreb and Afghanistan/Pakistan, were closely monitored by the EU.

Software developed by the European Commission's Joint Research Centre allows monitoring of ship traffic off the east African coast. Real-time ship positions are shown and their tracks can be displayed (here anonymised) in order to better assess whether particular ships may be at risk or may pose a risk.

Member States also agreed to an EEAS/Commission proposal to increase by 400% the EU's counterterrorism-specific (Instrument contributing to Stability and Peace) assistance to non-EU countries in the multiannual financial framework 2014–20. The amount of counterterrorism-related support (especially under national envelopes of development assistance) has been also increased.

A key part of the EU's strategic approach is political outreach through dialogues on counterterrorism with many key partners and international organisations. They contribute to deepening consensus and enhancing international efforts to prevent and fight terrorism. The main focus of these political dialogues is placed on joint assessments of terrorist threats, regional and international cooperation and radicalisation and recruitment, as well as terrorist financing, and they are an important platform for raising critical issues at stake (e.g. on the issue of foreign fighters in Iraq and Syria). In 2014 specific counterterrorism political dialogues were held with Australia, Canada, Saudi Arabia, Turkey, the United States (counterterrorism cooperation and countering financing of terrorism) and the UN.

By December the Commission had published 15 implementing regulations concerning the Al-Qaeda sanctions regime, which transpose decisions taken by the UN Al-Qaeda Sanctions Committee into EU law.

Peace and security

Non-proliferation and disarmament

Conventional weapons

The EU has actively supported the entry into force of the Arms Trade Treaty (ATT) ([49]) and welcomed its achievement on 25 September, when the threshold of ratification by 50 states was reached, with a significant contribution from EU Member States. The ATT establishes robust and effective common international standards and contributes to strengthening responsibility and transparency in the conventional arms trade. The target will now be to ensure national implementation and universalisation. The EU is providing an assistance package worth €6.4 million, which will help interested countries, at their request, to effectively implement the ATT.

Weapons of mass destruction

At the Nuclear Security Summit (The Hague, the Netherlands, March) the EU highlighted its views on priorities and on concrete actions by the Union in the area of nuclear security. The summit underlined the central role of the IAEA in the international nuclear security architecture. The EU remains a key donor to the IAEA Nuclear Security Fund, with nearly €40 million committed since 2004, money that has been used for projects on nuclear security implemented by the IAEA in non-EU countries. The EU has continued to actively promote the early entry into force and the universalisation of the Comprehensive Nuclear-Test-Ban Treaty (CTBT), based on a Council decision ([50]) in support of the CTBT Organisation (providing more than €5 million in funding towards this aim), and reported on that topic at the seventh ministerial meeting in support of the CTBT held in New York in September ([51]).

Common security and defence policy

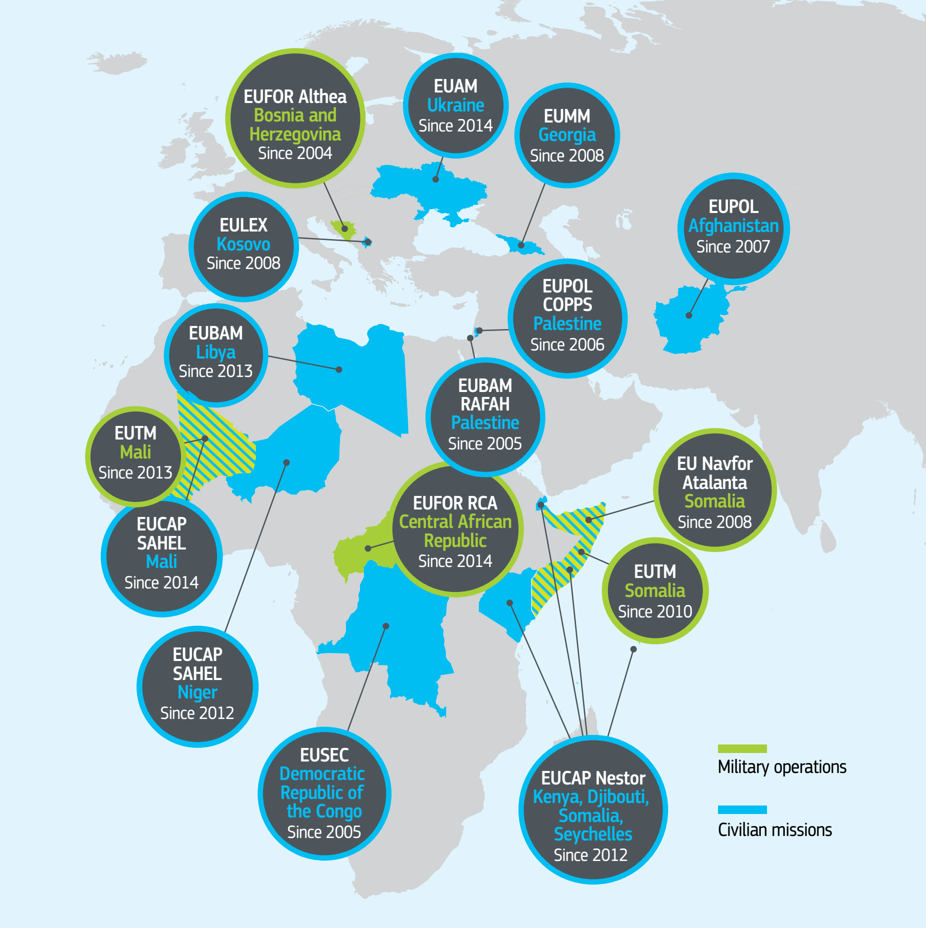
The security situation to the EU’s south and east took a turn for the worse in 2014, with a number of crises erupting in its immediate neighbourhood. With regard to the CSDP, 11 civilian missions and five military operations were ongoing during the year.

The Council established a civilian security sector reform mission in Ukraine (EUAM Ukraine) in June to create the conditions that would allow a stabilised security situation, the re-establishment of the primacy of the rule of law and the enhancement of the Ukrainian authorities’ capacity to ensure adequate and democratic governance of institutions in charge of internal security.

The operational translation of the EU Sahel strategy was further extended in Mali. With the military training operation (EUTM Mali) already running, the Council established a new CSDP civilian mission in March (EUCAP Sahel Mali) dedicated to assisting the Malian government with improving the operational efficiency and organisation of its internal security forces through training and advice.

A military operation in the Central African Republic (EUFOR RCA) was launched in April to protect the civilian population under threat in Bangui, creating a safe and secure environment to enable humanitarian workers to carry out their tasks.

EU-LED MILITARY OPERATIONS AND CIVILIAN MISSIONS IN 2014



Intensive work was taken forward on implementing the December 2013 European Council conclusions on CSDP. Sixty tasks were allocated to the Commission, the European Defence Agency, the HR/VP and EEAS, and the Member States.

Developments were highlighted in two complementary reports to the Council:

- the July progress report by the HR/VP, acting in her capacity as head of the European Defence Agency (52), taking stock of the steps taken since the beginning of the year in the three clusters addressed in the November and December 2013 conclusions (increasing the effectiveness and impact of CSDP, enhancing the development of civilian and military capabilities and strengthening the EU's defence industry);
- the Commission roadmap (June) (53) for implementing the 2013 communication on security/defence (54), which contains measures aimed at enhancing the efficiency of the defence and security sectors and CSDP (a stronger single market for defence, more competitive defence industry and synergies between civil and military research).

The serious development of the overall security context in and around the EU, notably in the eastern and southern neighbourhood, is an additional incentive to strengthen CSDP as an essential part of the EU's ability to act and protect its common values, interests and security. The implementation of the various mandates from the Heads of State or Government will continue, in close cooperation with the Member States. To provide further guidance, progress will be assessed by the European Council when dealing with defence in June 2015.

The EU participated in the September NATO Summit in Wales. The importance of close EU–NATO cooperation, in line with the agreed framework on the strategic partnership between the two organisations, as well as respective decision-making autonomy and procedures, featured prominently in both the European Council held in December 2013 and the Wales NATO Summit. This demonstrated the willingness on both sides to continue the fruitful cooperation that has developed over the past years. The sequencing of summits from 2013 to 2016 brings additional dynamics in this respect, fostering further EU–NATO complementarity and synergies.

Conflict prevention

The EU has rolled out its early warning system, an evidence-based risk management tool focused on identifying conflict trends and options for early action. It also made increased use of conflict analysis, working with the Member States and others, including the UN, to identify options for intervention and further consolidated mediation and peacebuilding capacities by the EU. Support was provided to a number of EUSRs and EU delegations, ranging from the Central African Republic and Mali to Myanmar/Burma.

Instrument contributing to Stability and Peace (IcSP)

In March the Parliament and the Council adopted a regulation establishing an Instrument contributing to Stability and Peace (IcSP) (55), which succeeds the Instrument for Stability (IfS). With a budget of €2.3 billion over the 2014–20 period, the IcSP will enable the EU to contribute to conflict prevention and respond to crises in an effective and timely manner, and will complement humanitarian relief and interventions of the EU common foreign and security policy.

The adoption of the new legal basis of the IcSP was followed by the adoption of three key documents: the IcSP strategy paper 2014–20 (56); the multiannual indicative programme 2014–17 (57); and the 2014 annual action programme (58). Some €204 million of the IcSP budget has been allocated to peacebuilding and conflict prevention measures (Article 4) over the 2014–20 period.

The African Peace Facility

The African Peace Facility (APF) is the main source of finance behind the African Union's peace and security agenda. Funded by the EU (with over €1.1 billion committed to date), the APF ensures predictable financing for African-led peace-support operations and helps to strengthen capacities and improve African Union–EU political dialogue in this field. Among others, the APF has supported the African Union Mission in Somalia, the African-led International Support Mission in Mali and, most recently, the African-led International Support Mission in the Central African Republic.

Conflict minerals

In March the Commission adopted a joint communication by the Commission and the then HR/VP, Catherine Ashton, on an integrated EU approach on responsible sourcing of minerals originating in conflict-affected and high-risk areas (59) and a Commission proposal for a regulation setting up a system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores and gold (60). In June the Foreign Affairs Council adopted conclusions on the Union's approach on responsible sourcing of minerals (61), welcoming the presentation of the integrated EU approach.

Kimberley Process

In February the Council adopted proposals for a decision (62) and a regulation (63) with a view to enabling Greenland to participate in the Kimberley Process certification scheme on trade in rough diamonds, through its overseas countries and territories status with the European Union. The new legislation associates Greenland with the EU for the purposes of its participation in the scheme and thereby removes any obstacles for it to export rough diamonds. This will foster Greenland's ability to attract potential investors to its mining sector and therefore be beneficial for its economic development.

Maritime security

In March the Commission and HR/VP Ashton adopted the joint communication 'For an open and secure global maritime domain: elements for a European Union maritime security strategy' (64). Parts of the joint communication formed the basis of an EU maritime security strategy, adopted by the Council in June (65). The maritime security strategy gathers together in a single framework document, for the first time, some of the EU's interests and the threats faced in the maritime domain. It also identifies clear priorities for effective EU response and engagement, integrating both the internal and external aspects of maritime security. An action plan (66) identifying different sectoral areas in which cooperation between various maritime players can be enhanced was adopted in December by the Council.

The Italian flagship *ITS Andrea Doria* (left) and Japanese navy warship *JS Takanami* (right) carrying out a counter-piracy exercise at sea in the Gulf of Aden in the framework of the EU-supported Atalanta operation in October.

Cybersecurity

In 2014 the EU actively implemented the international cyberspace policy objectives as set out in its cybersecurity strategy (67) of 2013. Engagement in cyber issues with key EU strategic partners — China, India, Japan, South Korea and the United States — and with international organisations has increased. Within the growing foreign affairs and security policy dimension of Internet governance, the EU was actively engaged in relevant international processes throughout the year.

ENDNOTES

(1) Ad-Dawlah al-Islāmīyah fī al-'Irāq wash-Shām.

(2) The Council adopted 26 proposals for (amending) regulations concerning other sanction regimes, including those related to Russia's actions destabilising the situation in Ukraine. The Commission has thus shown its ability to table EU proposals for sanction-related regulations in record time and to ensure that the EU can react quickly to political developments such as the Ukraine crisis.

(3) This designation shall not be construed as recognition of a state of Palestine and is without prejudice to the individual positions of the Member States on this issue.

(4) Transport, Telecommunications and Energy Council conclusions, 20 December 2012 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/134522.pdf).

(5) General Affairs Council conclusions, 16 December 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/146315.pdf).

(6) General Affairs Council conclusions, 16 December 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/146326.pdf).

(7) 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.

(8) http://www.rcc.int/files/user/docs/reports/SEE2020-Baseline-Report.pdf

(9) http://eeas.europa.eu/china/docs/eu-china_2020_strategic_agenda_en.pdf

(10) http://eeas.europa.eu/statements/docs/2014/141008_02_en.pdf

(11) http://eeas.europa.eu/china/docs/eu_china_dialogues_en.pdf

(12) http://eeas.europa.eu/statements-eeas/2014/141209_04_en.htm

(13) http://ec.europa.eu/avservices/video/player.cfm?ref=I089246

(14) http://eeas.europa.eu/statements/docs/2014/140718_01_en.pdf

(15) http://eeas.europa.eu/statements/docs/2014/140626_01_en.pdf

(16) http://europa.eu/rapid/press-release_STATEMENT-14-151_en.htm
http://www.european-council.europa.eu/eu-japan-summit

(17) The *Africa climate briefing* aims to facilitate knowledge exchange and discussion by providing short climate profiles of all African countries as well as illustrative examples of climate-relevant projects (http://ec.europa.eu/clima/publications/docs/eu_climate_africa_en.pdf).

(18) Regulation (EU) No 234/2014 establishing a Partnership Instrument for cooperation with third countries (OJ L 77, 15.3.2014).
See also: http://ec.europa.eu/dgs/fpi/what-we-do/partnership_instrument_en.htm

(19) Foreign Affairs Council conclusions, 16 December 2013 (http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/140119.pdf).

(20) Foreign Affairs Council conclusions, 12 May 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/142563.pdf).

(21) The Quartet on the Middle East is group — consisting of the EU, the UN, Russia and the United States — that is involved in mediating the peace process in the Israeli–Palestinian conflict. The principles were established by the Quartet and subsequently endorsed by the UN Security Council in its Resolution 1850, in 2008. They are conditions for recognition of a Palestinian government and, thus, of any Palestinian faction participating in a Palestinian government. These conditions are the following: recognition of the state of Israel, renouncement of violence and acceptance of previously found agreements between the two sides.

(22) European Council conclusions, 30 August 2014, (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/144538.pdf).

(23) Foreign Affairs Council conclusions, 15 August 2014 (http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/144313.pdf).

(24) Foreign Affairs Council conclusions, 22 July 2014 (http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/144098.pdf).

(25) Foreign Affairs Council conclusions, 17 November 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/145800.pdf).

(26) Decision 2014/829/CFSP amending Decision 2010/413/CFSP concerning restrictive measures against Iran (OJ L 338, 25.11.2014).

(27) A 4-year, €78 million cooperation programme for Iraq was agreed between Iraqi authorities and the Commission in 2014. It will support essential current political processes by tackling the roots of the current violence and bolstering long-term structural stability. EU projects will target the development of democratic institutions compliant with the rule of law and human rights principles and support access to national public education and energy for the poor and for people in remote areas.

(28) http://eeas.europa.eu/delegations/myanmar/press_corner/all_news/news/2014/20140521_en.htm

(29) Foreign Affairs Council conclusions, 23 June 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/143347.pdf).

(30) Staying engaged: a sustainability compact for continuous improvements in labour rights and factory safety in the ready-made garment and knitwear industry in Bangladesh (http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151601.pdf).

(31) http://eeas.europa.eu/asem/docs/20141016_chairs-statement-tenth-asia-europe-meeting_en.pdf

(32) http://ec.europa.eu/transport/modes/air/events/doc/eu-asean/joint-declaration.pdf

(33) http://europa.eu/rapid/press-release_IP-14-133_en.htm

(34) Commission communication — Increasing the impact of EU development policy: an agenda for change (COM(2011) 637).

(35) Commission communication — A decent life for all: from vision to collective action (COM(2014) 335).

(36) http://data.consilium.europa.eu/doc/document/ST-2118-2014-INIT/en/pdf

(37) General Affairs Council conclusions, 16 December 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/146311.pdf).

(38) Joint communication — The EU's comprehensive approach to external conflict and crises (JOIN(2013) 30).

(39) Foreign Affairs Council conclusions, 12 May 2014 (http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/142552.pdf).

(40) Decision No 472/2014/EU on the European Year for Development (OJ L 136, 9.5.2014).

(41) Commission communication — A stronger role of the private sector in achieving inclusive and sustainable growth in developing countries (COM(2014) 263).

(42) Foreign Affairs Council conclusions, 12 December 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/146174.pdf).

(43) Commission communication — Forest law enforcement, governance and trade (FLEGT): proposal for an EU action plan (COM(2003) 251).

(44) http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/131181.pdf

(45) In particular through the European Instrument for Democracy and Human Rights; the Civil Society Facility under the Instrument for Pre-Accession Assistance and the ENI; and the civil society organisation/local authority thematic programme under the DCI.

(46) European Council conclusions, 26 and 27 June 2014 (http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/143478.pdf).

(47) Foreign Affairs Council conclusions, 22 July 2013 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/138253.pdf).

(48) Foreign Affairs Council conclusions, 20 October 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/145218.pdf).

(49) http://www.un.org/disarmament/ATT

(50) Decision 2012/699/CFSP on the Union support for the activities of the Preparatory Commission of the Comprehensive Nuclear-Test-Ban Treaty Organisation in order to strengthen its monitoring and verification capabilities and in the framework of the implementation of the EU strategy against proliferation of weapons of mass destruction (OJ L 314, 14.11.2012).

(51) http://www.ctbto.org/fileadmin/user_upload/statements/2014_minsterial_meeting/2014_CTBT_Ministerial_Meeting_EU_Statement_final.pdf

(52) http://eeas.europa.eu/library/publications/2013/24072013_hr_interim_report_en.pdf

(53) Commission report — A new deal for European defence: implementation roadmap for communication COM(2013) 542: Towards a more competitive and efficient defence and security sector (COM(2014) 387).

(54) Commission communication — Towards a more competitive and efficient defence and security sector (COM(2013) 542).

(55) Regulation (EU) No 230/2014 establishing an Instrument contributing to Stability and Peace (OJ L 77, 15.3.2014).

(56) http://eeas.europa.eu/ifs/docs/icsp_strategy_paper_2014-2020_and_mip_2014-2017_annex_en.pdf

(57) Ibid.

(58) Commission Implementing Decision on the annual action programme 2014 for the Instrument contributing to Stability and Peace — Conflict prevention, peacebuilding and crisis preparedness component (Article 4) to be financed from the general budget of the European Union (C(2014) 5706).

(59) Joint communication — Responsible sourcing of minerals originating in conflict-affected and high-risk areas: towards an integrated EU approach (JOIN(2014) 8).

(60) Proposal for a regulation setting up a system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores and gold originating in conflict-affected and high-risk areas (COM(2014) 111).

(61) Foreign Affairs Council conclusions, 23 June 2014 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/143347.pdf).

(62) Proposal for a decision laying down rules and procedures to enable the participation of Greenland in the Kimberley Process certification scheme (COM(2013) 429).

(63) Proposal for a regulation amending Regulation (EC) No 2368/2002 as regards the inclusion of Greenland in implementing the Kimberley Process certification scheme (COM(2013) 427).

(64) Joint communication — For an open and secure global maritime domain: elements for a European Union maritime security strategy (JOIN(2014) 9).

(65) http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2011205%202014%20INIT

(66) http://ec.europa.eu/maritimeaffairs/policy/maritime-security/doc/20141216-action-plan_en.pdf

(67) Joint communication — Cybersecurity strategy of the European Union: an open, safe and secure cyberspace (JOIN(2013) 1).

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CHAPTER 6

The European institutions and bodies at work


European Council
Conseil européen
18.12.2014
Brussels / Bruxelles

While ensuring that the European Union continued to play an important role in challenging situations beyond its borders, such as the crisis in Ukraine and the Ebola outbreak in west Africa, the main areas of focus for the EU institutions at home in 2014 centred on the European Parliament elections, the subsequent restructuring that would take place at the end of the year and the successful progression of existing programmes and initiatives within the EU.

A new European Parliament commenced its term in July, the new European Commission took office at the start of November and the European Council got a new President at the beginning of December. In preparation for these changes and following them, the institutions concentrated heavily on the delivery and implementation of priority growth-enhancing proposals. The incoming President of the Commission set the tone for the new College with his political guidelines presented in a document entitled ‘A new start for Europe: my agenda for jobs, growth, fairness and democratic change’ (1). This document, building on the contacts with the political groups in the Parliament and on the strategic guidelines for the Union agreed by the June European Council (2), formed the political contract with the Parliament and the European Council allowing the nomination and appointment of the Commission.

The year 2014 was one of institutional renewal. The photos show the following current and former EU leaders.

1. Herman Van Rompuy, President of the European Council until 30 November (second left), and Donald Tusk, President of the European Council since 1 December (first left); José Manuel Barroso, President of the European Commission until 31 October (second right), and Jean-Claude Juncker, President of the European Commission since 1 November (first right).

2. Martin Schulz, re-elected as President of the European Parliament in July (right), and Antonis Samaras, Prime Minister of Greece and President-in-office of the Council until 30 June (left).

3. Herman Van Rompuy (right) and Donald Tusk (left).

4. Donald Tusk (right) and Jean-Claude Juncker (left).

5. Catherine Ashton, High Representative of the European Union for Foreign Affairs and Security Policy/Vice-President of the Commission until 31 October (left); and Federica Mogherini, HR/VP since 1 November (right).

6. Donald Tusk (centre), Matteo Renzi, Italian Prime Minister and President-in-office of the Council until 31 December (left), and Jean-Claude Juncker (right).

The European Parliament

Every 5 years EU citizens choose who represents them in the European Parliament, with elections held throughout the Union in May. In 2014, under the provisions of the Lisbon Treaty, 751 members of Parliament were duly elected and took their seats. Subsequently the Parliament played its role in approving the new College of Commissioners (see Chapter 1).

During the year the Parliament discussed a wide range of topical subjects covering both internal policies and major international developments. In particular, the European semester (and its social dimension), youth unemployment and its various related initiatives and the digital single market were the subject of recurring debates. The alarming situation of payment shortages and their impact on key policy areas was another concern that was regularly discussed, as was migration, with special regard to the situation in the Mediterranean. The Parliament also paid particular attention to several other developments, such as the Court of Justice of the European Union's ruling on data retention, free-movement-of-persons issues and the United States National Security Agency surveillance scandal. In the field of external relations, the situation in Ukraine and EU–Russia relations were obviously at the forefront of discussions, but other hotspots in the world were also closely monitored (such as Iraq, Syria, Daesh and European foreign fighters, and Palestine) Furthermore, the negotiations on a transatlantic trade and investment partnership (TTIP) with the United States attracted significant attention, and the Parliament also reacted swiftly to the Ebola outbreak, discussing the parameters of the response by the EU. The year also included some important moments, such as the discussions on the 100-year anniversary of the outbreak of the First World War, the 25th anniversary of the fall of the Berlin Wall and the visit by Pope Francis to the Parliament.

Pope Francis addresses the European Parliament in his first visit to the legislative assembly. Strasbourg, France, 25 November.

Further to the debates, some of the topics discussed were also subject to non-legislative (so-called 'own-initiative') reports drafted by the Parliament, which could set out its position on a number of topical/strategic issues such as the functioning of the Troika (composed of the Commission, the European Central Bank (ECB) and the International Monetary Fund), the 2030 framework for climate and energy policies and the mid-term review of the Stockholm programme.

In October the outgoing President of the Commission, José Manuel Barroso, made a farewell speech in the plenary during which he looked back over his two terms (see also the Commission section in this chapter). The President called for a 'grand coalition on Europe', urging all supporters of the Union to have the honesty and the courage to defend the EU and its values when and where necessary, against populist forces and also in the national capitals. He also praised the cooperation between the two institutions during his two terms as Commission President.

In November the Parliament discussed, and rejected by a comfortable majority (101 votes in favour, 461 against and 88 abstentions), a motion of censure launched against the new Commission led by President Jean-Claude Juncker by 76 MEPs (EFDD and non-attached). In the same context, the Conference of Presidents of the political groups consequently mandated the Parliament's Economic and Monetary Affairs Committee to draft two reports on the issue of tax evasion (a fact-finding/inquiry report to assess the situation and a legislative initiative report to provide recommendations for action).

The first work programme of the new Commission was presented to the plenary session of the Parliament, on the very day of its adoption, 16 December, by President Juncker and Frans Timmermans, the First Vice-President of the Commission responsible for Better Regulation, Interinstitutional Relations, the Rule of Law and the Charter of Fundamental Rights, who explained in detail the main orientations for 2015 and the approach taken by the new Commission (see also the section on the Commission in this chapter).

Legislation

The legislative output of the European Parliament covered a wide range of proposals from the Commission, including key areas such as transport, the environment, product safety, public procurement and financial services, with particular regard to the banking union.

The first part of the year was particularly busy in terms of legislation, since the outgoing Parliament wished to complete unfinished business to the greatest extent possible, and this required it to take a position on a very large number of files. Consequently, in the last part session of the outgoing Parliament (April), as many as 96 files had to be voted on. In most cases the Parliament's vote served to endorse an agreement already prenegotiated between the co-legislators, but in some others it adopted its own position — for instance on the data protection package — despite the persisting divergences of views with the Council.

In February the plenary rejected, by an overwhelming majority (15 votes in favour, 650 against and 13 abstentions), the Commission's proposal for a new plant reproductive material law ([3]), and called on the Commission to withdraw its proposal and submit a new one. Generally, MEPs felt that the proposal would give the Commission too much power and would leave Member States without any leeway to tailor the new rules to their needs.

Reform of parliamentary questions/question time with the Commission

In April the Parliament adopted a decision to amend its rules of procedures with regard to parliamentary questions. The new rules entered into force starting from the eighth legislature (the eighth Parliament since the first direct elections in 1979). Among them is the requirement that written questions should be submitted in electronic format; another states that each member may submit a maximum of five questions per month. However, by way of exception, additional questions may be submitted in the form of a paper document if and when they are tabled and signed personally by the member concerned. The new rules will be reassessed by the Parliament 1 year after the start of their application, with particular regard to the possibility of submitting additional questions. The system of question time with the Commission was also adjusted, most importantly by introducing a ballot system for putting questions to the Commissioners present in plenary for question time ([4]).

Open conference of Presidents of the political groups in the European Parliament, with the President of the European Council and the President of the Commission also in attendance. Brussels, Belgium, 4 November.

The Parliament’s stance on institutional and interinstitutional issues

In 2014 the Parliament adopted several own-initiative reports (resolutions) to express its position on interinstitutional relations and institutional matters.

In March the Parliament adopted a comprehensive report on the implementation of the Treaty of Lisbon with respect to the European Parliament. The text stated that, in the Parliament’s view, a ‘number of issues, such as delegated acts, implementing measures, impact assessments, the treatment of legislative initiatives and parliamentary questions, needed an update’ in the light of the experience gained during this legislative term. It also called specifically for a renegotiation of the 2003 interinstitutional agreement on better lawmaking (5), ‘in order to take account of the new legislative environment created by the Treaty of Lisbon, consolidate current best practice and bring the agreement up to date in line with the smart regulation agenda’. It further noted that certain provisions of the framework agreement on relations between the Parliament and the Commission ‘still needed to be implemented and developed’ and invited the Commission to ‘reflect constructively with Parliament on the existing framework agreement and its implementation, paying particular attention to the negotiation, adoption and implementation of international agreements’.

In the specific area of external relations, the Parliament called for the adoption of a quadripartite memorandum of understanding between the Parliament, the Council, the Commission and the European External Action Service on the coherent and effective provision of information.

Martin Schulz, President of the European Parliament, awards the 2014 Sakharov Prize for Freedom of Thought to Dr Denis Mukwege from the Democratic Republic of the Congo, thereby acknowledging his admirable work as a medical doctor who struggles for women’s dignity, justice and peace in his country. Strasbourg, France, 26 November.

Some institutional issues were also raised from the budgetary angle, namely in relation to the negotiations on the multiannual financial framework (MFF) 2014–20: lessons to be learned and the way forward. In a related resolution, the Parliament expressed its appreciation for the regular political dialogue that was established between it and the Commission at all stages of the preparation of this report, and considered that this practice should be further developed into a more structured dialogue between the two institutions ahead of the presentation of any MFF proposals. However, the Parliament deplored that, in the absence of treaty provisions, the practical modalities for cooperation with the Council remained largely ad hoc, and considered that further work was needed to make the ‘Council better acknowledge Parliament’s arguments and positions.’ The report suggested that any future convention preparing treaty changes should make proposals for a ‘system of genuine co-decision’ between the Parliament and the Council on the adoption of the MFF and own resources decisions.

The European Council

In 2014, as in previous years, the European Council continued to have a central role in steering the overall direction of the EU system and in providing strategic guidance for the action of the other institutions in the most important policy areas, from industrial policy and justice, security and freedom to the adoption of a new EU framework for climate change and energy policies until 2030.

The European Council met in regular sessions on five occasions in March (twice), June, October and December; extraordinary meetings were held on 16 July and 30 August. The Euro Summit met on 24 October. An informal meeting of Heads of State or Government was organised on 27 May and took stock of the results of the European elections.

The participants at the European Council held in Brussels, Belgium, on 23 October, the last one to be hosted by Herman Van Rompuy in his capacity as President. He posed surrounded by his grandchildren.

Over the course of the year, the definition of a new EU common strategy for jobs and growth and the management of the Ukraine crisis featured on the agenda of the European Council, together with decisions linked to the appointment of personnel in the top positions of the EU system: the President of the Commission and College of Commissioners, the President of the European Council and the high representative of the Union for foreign affairs and security policy.

The European Council played an important role in defining the EU's response to the crisis in Ukraine by supporting reforms, notably through the macrofinancial assistance package and the agenda for reforms, encouraging the political transition in the country and agreeing on economic sanctions against Russia following the illegal annexation of the Crimean peninsula and Russia's destabilising actions in Ukraine. Relations between the EU and Ukraine were strengthened through the signature of an association agreement in June. Regarding enlargement, also in June the European Council endorsed the decision to grant candidate status to Albania.

The European Council also had an important role regarding the adoption of the 2030 framework for energy and climate, defining the EU's priorities in this field and in view of the important international negotiations in Lima (Peru) and Paris (France).

The European Council played a key role in the transition to a new Commission. In this respect, in June it appointed Jean-Claude Juncker as President-designate of the Commission. Unlike in previous years, when the decision was taken by consensus, this time the European Council decided by qualified majority, in line with the provisions of the Lisbon Treaty. On 15 July Mr Juncker was elected by the Parliament. The extraordinary European Council on 30 August, in agreement with President-elect Jean-Claude Juncker, appointed Federica Mogherini as High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the Commission (HR/VP). It also elected Donald Tusk, the former Prime Minister of Poland, by consensus as the next President of the European Council for a period of 2½ years, with his term of office beginning on 1 December 2014. The whole College of Commissioners was nominated by the European Council at its meeting in October, with their mandate beginning on 1 November.

José Manuel Barroso, President of the European Commission (second from right), receives Herman Van Rompuy, President of the European Council (second from left), Donald Tusk, President-designate of the European Council (left), and Jean-Claude Juncker, President-elect of the European Commission (right). Donald Tusk took office on 1 December and Jean-Claude Juncker on 1 November.

The European Council not only decided on the new top personnel in the EU system but also on the priorities that the new institutions should carry out by adopting the 'Strategic agenda for the EU in times of change' for the period 2014–20. The strategic agenda reflects the priorities set by the European Council for the next legislative cycle. The five overarching priorities that will guide the work of the European Union over this period are: stronger economies with more jobs; societies enabled to empower and protect; a secure energy and climate future; a trusted area of fundamental freedoms; and effective joint action in the world.

In addition, the European Council adopted strategic guidelines on the future of the area of justice and home affairs in June, which provided orientations for legislative and operational planning in this field (see Chapter 4).

The Council of the European Union

In 2014 the rotating Presidency of the Council of the European Union was held by Greece and Italy, in the first and second halves of the year respectively. The priorities of the Greek Presidency were enlargement, growth and jobs and mobility. The Italian Presidency focused its priorities on growth and jobs, a space for freedom and security, full exercise of citizenship rights and a stronger role for Europe in the world.

In the course of these two Presidencies, the Council met in its 10 configurations: the General Affairs Council; the Foreign Affairs Council (under the chairmanship of the HR/VP); the Economic and Financial Affairs (including budget) Council; the Justice and Home Affairs (including civil protection) 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 Agriculture and Fisheries Council; the Environment Council; and the Education, Youth, Culture and Sport Council.

Antonis Samaras, Prime Minister of Greece, on the left, next to Martin Schulz, President of the European Parliament, gives a press conference on the outgoing Greek Presidency of the Council for the first half of 2014. Strasbourg, France, 2 July.

The agendas of the different Council configurations reflected the reality of a year of institutional transition between two Commissions and two assemblies of the Parliament. In this respect, while there was a peak in legislative activity during the months of January, February and March, corresponding to the final months of the Parliament term, legislative activity understandably tapered in the subsequent months and concentrated on areas where the co-decision procedure is not the standard decision-making procedure, such as external relations, taxation and economic affairs.

The Italian Presidency pursued an ambitious agenda on institutional matters in the second half of the year, with the aim of accompanying the process of institutional transition. In this perspective, the Presidency set up the Friends of the Presidency group with a mandate to analyse the functioning of the EU system and its ability to ensure appropriate follow-up to the strategic agenda adopted by the June European Council. The group met four times and discussed several issues of a horizontal nature, such as the principle of subsidiarity, proportionality and the conferral of powers, the role of national parliaments, the functioning of trilogues, delegated and implementing acts, interinstitutional legislative programming and the functioning of the Council. The Presidency submitted a report on the outcome of these discussions to the December General Affairs Council.

Matteo Renzi, Prime Minister of Italy, presents the programme of the Italian Presidency of the Council for the second half of 2014 in the European Parliament. Strasbourg, France, 2 July.

The General Affairs Council provided the central forum for discussing measures to improve institutional performance without reforming the treaties. In particular, the discussions in the Council revealed support for the revision of the 2003 interinstitutional agreement on better lawmaking and updating the common understanding on co-decisions. As regards interinstitutional programming, the Council engaged with the Commission in a discussion on the priority initiatives for the 2015 annual work programme. In parallel, trilateral consultations between the Parliament, the Council and the Commission were initiated to develop a framework for interinstitutional programming and priority setting.

A new double majority voting system in the Council (a majority of Member States and of population) put in place by the Treaty of Lisbon entered into force. The new system changed the distribution of voting weights between Member States. In the medium term, the change in the rules could also have an effect on the voting patterns and coalition strategies in the Council.

POPULATION USED FOR WEIGHTING EACH MEMBER STATE'S VOTING RIGHTS IN THE COUNCIL, 2014

Member State	Population (x 1 000)	Percentage of the total population of the Union
Germany	80 523.7	15.93
France	65 633.2	12.98
United Kingdom	63 730.1	12.61
Italy	59 685.2	11.81
Spain	46 704.3	9.24
Poland	38 533.3	7.62
Romania	20 057.5	3.97
Netherlands	16 779.6	3.32
Belgium	11 161.6	2.21
Greece	11 062.5	2.19
Czech Republic	10 516.1	2.08
Portugal	10 487.3	2.07
Hungary	9 908.8	1.96
Sweden	9 555.9	1.89
Austria	8 451.9	1.67
Bulgaria	7 284.6	1.44
Denmark	5 602.6	1.11
Finland	5 426.7	1.07
Slovakia	5 410.8	1.07
Ireland	4 591.1	0.91
Croatia	4 262.1	0.84
Lithuania	2 971.9	0.59
Slovenia	2 058.8	0.41
Latvia	2 023.8	0.40
Estonia	1 324.8	0.26
Cyprus	865.9	0.17
Luxembourg	537.0	0.11
Malta	421.4	0.08
Total	**505 572.5**	**100**
Threshold for qualified majority	328 622.1	65

The European Commission

In its last year in office, the second Barroso Commission put a very strong focus on delivery and implementation. It identified, in particular, the priority growth-enhancing proposals to be completed by the end of the Parliament's legislature and helped the co-legislators complete work on a very large number of important proposals, notably the finalisation of the banking union, the single market and the digital agenda. The Commission also ensured that the new EU funding programmes under the MFF 2014–20 would swiftly become operational — in particular to combat youth unemployment. It also pursued work on deeper economic and monetary union and enhanced cooperation with and between the Member States to deliver the Europe 2020 strategy through the European semester. In addition, the Commission facilitated the agreement on the Single Resolution Mechanism and the launch of the Single Supervisory Mechanism, which took place in November.

The Commission also took the opportunity to take a longer-term perspective on and prepare strategies for a variety of key sectors: energy and climate change; a modern industrial policy; justice and home affairs policies; and the rule of law.

Following the European elections, Commission Vice-Presidents Viviane Reding, Antonio Tajani and Olli Rehn, and Commissioner Janusz Lewandowski, took up seats in the Parliament. They were replaced, respectively, by Martine Reicherts (Justice, Fundamental Rights and Citizenship), Ferdinando Nelli Feroci (Industry and Entrepreneurship), Jyrki Katainen (Economic and Monetary Affairs and the Euro) and Jacek Dominik (Financial Programming and Budget) from 18 July until the end of the term of the second Barroso Commission.

Looking back at 10 years at the helm of the Commission, the outgoing President, José Manuel Barroso, highlighted that in the face of many challenges — constitutional, financial and economic, but also external — the EU has remained united and open, and that it was stronger and better equipped for the future than before these crises. The EU and the euro area have been growing, the EU's competences have increased, democracy has been strengthened and the Commission and the ECB have been entrusted with important new powers in economic governance. The outgoing President also stressed that the EU took its external and global responsibilities seriously, with a principled and value-driven response to the crisis in Ukraine, taking the lead in addressing the Ebola crisis, a strong climate policy, sustained efforts for development and its neighbourhood and an ambitious trade agenda. He drew the personal conclusion that it was through cooperation between the EU institutions, not confrontation, that the EU could attain its objectives, even if the democratic process in the EU could sometimes take a lot of time. He recalled, in particular, the special relationship of his Commission with the Parliament and his cooperation with Herman Van Rompuy, the first President of the European Council.

Building on the 10 priorities outlined in the political guidelines presented by the new President of the Commission, Jean-Claude Juncker ([6]), and exchanges with the other institutions, the new Commission adopted its first work programme on 16 December.

Jean-Claude Juncker, President-elect of the European Commission, presents the incoming College of Commissioners and their programme at the European Parliament's plenary session held in Strasbourg, France on 22 October.

The new College of Commissioners 2014–19 and their portfolios

Jean-Claude Juncker
PRESIDENT

Frans Timmermans
FIRST VICE-PRESIDENT
Better Regulation, Interinstitutional Relations, Rule of Law and the Charter of Fundamental Rights

Federica Mogherini
VICE-PRESIDENT
High Representative of the Union for Foreign Affairs and Security Policy

Kristalina Georgieva
VICE-PRESIDENT
Budget and Human Resources

Andrus Ansip
VICE-PRESIDENT
Digital Single Market

Maroš Šefčovič
VICE-PRESIDENT
Energy Union

Valdis Dombrovskis
VICE-PRESIDENT
Euro and Social Dialogue

Jyrki Katainen
VICE-PRESIDENT
Jobs, Growth, Investment and Competitiveness

Günther Oettinger
Digital Economy and Society

Johannes Hahn
European Neighbourhood Policy and Enlargement Negotiations

Cecilia Malmström
Trade

Neven Mimica
International Cooperation and Development

Miguel Arias Cañete
Climate Action and Energy

The focus of the Commission's work in 2015 will remain on jobs, growth and investment, notably following the investment plan presented in November, as well as on a digital single market package and a strategic framework for the energy union. The work programme for 2015 testifies to the Commission's commitment to better regulation, with a list of actions identified under the Commission's regulatory fitness programme (REFIT). It also includes a list of proposals that the Commission envisages withdrawing or amending following a thorough examination of all pending proposals currently before the Parliament and the Council. After the adoption of the 2015 work programme the Commission plans to work closely with the Parliament and the Council to make swift progress on key proposals.

Karmenu Vella
Environment, Maritime Affairs and Fisheries

Vytenis Andriukaitis
Health and Food Safety

Dimitris Avramopoulos
Migration, Home Affairs and Citizenship

Marianne Thyssen
Employment, Social Affairs, Skills and Labour Mobility

Pierre Moscovici
Economic and Financial Affairs, Taxation and Customs

Christos Stylianides
Humanitarian Aid and Crisis Management

Phil Hogan
Agriculture and Rural Development

Jonathan Hill
Financial Stability, Financial Services and Capital Markets Union

Violeta Bulc
Transport

Elżbieta Bieńkowska
Internal Market, Industry, Entrepreneurship and SMEs

Věra Jourová
Justice, Consumers and Gender Equality

Tibor Navracsics
Education, Culture, Youth and Sport

Corina Crețu
Regional Policy

Margrethe Vestager
Competition

Carlos Moedas
Research, Science and Innovation

The three institutions are also working towards improving joint programming to tackle in the best manner possible the challenges Europe is facing. The Commission has undertaken to present a proposal for a new interinstitutional agreement on better lawmaking in 2015, which may include a section on interinstitutional programming.

Jean-Claude Juncker, President of the European Commission, on the left, accompanied by Margaritis Schinas, Chief Spokesperson of the European Commission since 1 November, gives a press conference following the first College meeting of the new Commission held on 5 November. Berlaymont building, Brussels, Belgium.

The Court of Justice of the European Union

The Court of Justice and the General Court made important rulings that cover a great variety of areas of EU law. The following are of particular interest.

The main building of the Court of Justice of the European Union in Luxembourg.

Citizenship of the European Union

Case C-333/13 (7), *Dano* — For the purpose of having access to certain social benefits, nationals of other Member States can claim equal treatment with nationals of the host Member State only if their residence complies with the conditions of Directive 2004/38/EC on free movement of EU citizens (8). Under this directive, the host Member State is not obliged to grant social assistance during the first 3 months of residence. Where the period of residence is longer than 3 months but less than 5 years, economically inactive persons must have sufficient resources of their own. Accordingly, Directive 2004/38/EC and Regulation (EC) No 883/2004 on the coordination of social security systems (9) do not preclude domestic legislation that excludes nationals of other Member States from entitlement to certain 'special non-contributory cash benefits', although they are granted to nationals of the host Member State who are in the same situation, insofar as those nationals of other Member States do not have a right of residence under the directive in the host Member State.

Free movement of goods

Case C-573/12 (10), *Ålands Vindkraft* — Article 34 of the Treaty on the Functioning of the European Union (TFEU) does not preclude national legislation that provides for the award of tradable certificates to green electricity producers solely in respect of green electricity produced in the territory of the Member State concerned and that places suppliers and certain electricity users under an obligation to surrender annually to the competent authority a certain number of those certificates, corresponding to a proportion of the total volume of electricity that they have supplied or used, failing which they must pay a specific fee.

Approximation of laws

Copyright and related rights

Case C-201/13 (11), *Deckmyn and Vrijheidsfonds* — Under Directive 2001/29/EC on copyright and related rights (12), if a parody conveys a discriminatory message (for example, by replacing the original characters with people wearing veils and people of colour), the holders of the rights to the work parodied have, in principle, a legitimate interest in ensuring that their work is not associated with such a message.

Case C-117/13 (13), *Eugen Ulmer* — Under the same Directive 2001/29/EC, a Member State may authorise libraries to digitise, without the consent of the rights holders, books they hold in their collection so as to make them available at electronic reading points. It may, within certain limits and under certain conditions, including the payment of fair compensation to rights holders, permit users to print out on paper or store on a USB stick the books digitised by the library.

Protection of personal data

Case C-131/12 (14), *Google Spain and Google* — Under Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and the free movement of such data (15), the operator of the search engine is, in certain circumstances, obliged to remove links to webpages that are published by third parties and contain information relating to a person from the list of results displayed following a search made on the basis of that person's name. The Court clarified that search engines are controllers of personal data, and search engines, such as Google, can therefore not escape their responsibilities under European law when handling personal data. The 2012 Commission proposal for EU data protection reform introduces an explicit right to be forgotten. For further details on this ruling please see the data protection section in Chapter 4.

Joined cases C-293/12 and C-594/12 (16), *Digital Rights Ireland and Seitlinger and Others* — By requiring the retention of data relating to electronic communications and providing very precise information on the private lives of the persons whose data are retained, and by allowing the competent national authorities to access those data, the data retention directive (17) interferes in a particularly serious manner with the fundamental rights to respect for private life and the protection of personal data. By adopting the data retention directive, the EU legislature has exceeded the limits imposed by compliance with the principle of proportionality. The wide-ranging and particularly serious interference of the directive with the fundamental rights at issue is not precisely circumscribed by provisions to ensure that such interference is actually limited to what is strictly necessary. Moreover, the directive does not provide for sufficient safeguards to ensure the effective protection of the data retained against the risk of abuse and against any unlawful access and use of that data.

Social policy

Case C-167/12 (18), *D.* and Case C-363/12 (19), *Z.* — Under Directive 92/85/EEC on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding (20) and 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 (21), Member States are not required to provide mothers who have had a baby through surrogacy agreements, whether they are the biological mothers of the child or have been granted full and permanent parental responsibility for the child, with paid leave equivalent to maternity leave.

Case C-176/12 (22), *Association de médiation sociale* — Article 27 of the Charter of Fundamental Rights of the European Union, on the right of workers to information and consultation, does not by itself suffice to confer on individuals a right that may be invoked in order to disapply a national provision that is contrary to Directive 2002/14/EC establishing a general framework for informing and consulting employees in the European Community (23).

Economic policy

Case C-270/12 (24), *United Kingdom* v *Parliament and Council* — The Court has found that the powers made available to an EU agency, the European Securities and Markets Authority (ESMA), by the regulation on short selling and certain aspects of credit default swaps (25) are precisely delineated and amenable to judicial review in the light of the objectives established by the authority that delegated those powers to it. The Court has concluded that those powers are compatible with the TFEU and that Article 114 TFEU constitutes an appropriate legal basis.

Home affairs

Joined cases C-473/13 and C-514/13 (26), *Bero and Bouzalmate,* and Case C-474/13 (27), *Pham* — Under the return directive (28), detention for the purpose of the removal of illegally staying non-EU nationals must take place, as a rule, in specialised detention facilities. It follows that the national authorities responsible for applying that requirement must be able to detain the non-EU nationals in specialised detention facilities, regardless of the administrative or constitutional structure of the Member State under which those authorities fall.

Case C-129/14 PPU (29), *Spasic* — The additional enforcement condition laid down in the Convention Implementing the Schengen Agreement (CISA), according to which the *ne bis in idem* principle is applicable only if the first penalty imposed has been enforced, is actually in the process of being enforced or can no longer be enforced under the laws of the sentencing state, constitutes a limitation of the *ne bis in idem* principle that is compatible with Article 50 of the Charter of Fundamental Rights.

Free movement of persons

Joined cases C-58/13 and C-59/13 (30), *Torresi* — The fact that a national of a Member State who has obtained a university degree in that state travels to another Member State in order to acquire there the title of lawyer, and subsequently returns to their Member State in order to practise there the profession of lawyer under the professional title obtained in the other Member State, is the realisation of one of the objectives of Directive 98/5/EC on the establishment of lawyers (31) and does not constitute an abuse of the right of establishment. Nor does the fact that the submission of the application for registration in the register of lawyers took place soon after the professional title was obtained in the home Member State constitute an abuse of rights, since there is no requirement in the said directive that there be a period of practical experience in the home Member State.

Freedom to provide services, European Economic Area

Case C-83/13 (32), *Fonnship and Svenska Transportarbetarförbundet* — A company established in a European Economic Area (EEA) state that is the proprietor of a vessel flying the flag of a non-EU country may rely on the freedom to provide services where it provides maritime transport services from or to an EEA state, provided that it can, due to its operation of that vessel, be classed as the provider of those services and that the persons for whom the services are intended are established in EEA states other than that in which that company is established.

Direct taxation

Case C-80/12 (33), *Felixstowe Dock and Railway Company and Others* — Articles 49 and 54 TFEU must be interpreted as precluding legislation of a Member State under which it is possible for a resident company that is a member of a group to have transferred to it losses sustained by another resident company that belongs to a consortium where a ‘link company’ that is a member of both the group and the consortium is also resident in that Member State, irrespective of the residence of the companies that hold, themselves or by means of intermediate companies, the capital of the link company and of the other companies concerned by the transfer of losses, whereas that legislation rules out such a possibility when the link company is established in another Member State.

Institutions

Case C-292/11 P ([34]), *Commission* v *Portugal* — In the context of recovery of a penalty payment set by the Court of Justice, the Commission cannot assess the conformity with EU law of national legislation that the Court of Justice has not examined beforehand. Indeed the Court's exclusive jurisdiction to rule on the conformity of national legislation with EU law would be impaired by a competence of the Commission to make such an assessment and of the General Court to review the legality thereof.

Case C-427/12 ([35]), *Commission* v *Parliament and Council* — When the EU legislature confers, in a legislative act, a delegated power on the Commission pursuant to Article 290(1) TFEU, the Commission is called on to adopt rules that supplement or amend certain non-essential elements of that act. In accordance with the second subparagraph of Article 290(1) TFEU, the objectives, content, scope and duration of the delegation of power must be explicitly defined in the legislative act granting such a delegation. That requirement implies that the purpose of granting a delegated power is to achieve the adoption of rules coming within the regulatory framework as defined by the basic legislative act. By contrast, when the EU legislature confers an implementing power on the Commission on the basis of Article 291(2) TFEU, the Commission is called on to provide further detail in relation to the content of a legislative act, in order to ensure that it is implemented under uniform conditions in all Member States. The EU legislature has discretion when it decides to confer a delegated power on the Commission pursuant to Article 290(1) TFEU or an implementing power pursuant to Article 291(2) TFEU. Consequently, judicial review is limited to manifest errors of assessment as to whether the EU legislature could reasonably have taken the view, first, that, in order to be implemented, the legal framework that it lays down in a basic legislative act needs only the addition of further detail, without its non-essential elements having to be amended or supplemented and, second, that the provisions of that basic legislative act require uniform conditions for implementation.

The European Central Bank

Main decisions taken in 2014

The ECB's primary mandate is to safeguard price stability. It also acts as a leading financial authority, aiming to safeguard financial stability and promote European financial integration. Price stability is defined as a year-on-year increase in consumer prices of below, but close to, 2 % in the medium term. With inflation dropping to 0.5 % and persistent downside risks to economic growth during 2014, the ECB had to ease its monetary policy stance to ward off too prolonged a period of low inflation. The ECB's monetary policy operated on two fronts: engineering an appropriately expansionary stance in conditions of low inflation and substantial slack in the economy; and repairing the transmission process so that its effects actually reach firms and households.

Mario Draghi, President of the European Central Bank, flanked by Vítor Constâncio, Vice-President of the ECB (left), and Christine Graeff, Director General for Communications of the ECB (right), at the press conference after the meeting of the Governing Council on 6 November.

The ECB acted decisively on both fronts. It progressively cut interest rates — the first time in June, the second time in September. On both occasions, the ECB's interest rate on the Eurosystem's main refinancing operations was lowered by 10 basis points, reaching a lower bound of 0.05 %. The interest rate on the marginal lending facility was cut, in two steps, by 45 basis points to 0.30 % and the rate on the deposit facility by a total of 20 basis points to −0.20 %. In addition, the ECB launched a series of measures to make its stance more expansionary and provide enhanced credit support to the euro-area economy. The most important of these is the new package of credit-easing measures.

This package includes the ECB's targeted longer-term refinancing operations (TLTROs), which have a built-in incentive to encourage banks to lend to firms. It also includes new programmes to purchase outright high-quality asset-backed securities and covered bonds. At the same time, these measures fulfil a broader objective: they allow the ECB to continue to steer policy while interest rates are at the lower bound.

The asset purchase programmes, together with the series of TLTROs to be conducted until June 2016, will have a sizeable impact on the Eurosystem's balance sheet, which is expected to move towards the dimensions it had at the beginning of 2012. The Governing Council repeated many times, even as it was adopting new measures, that it is unanimous in its commitment to using additional unconventional instruments within its mandate to address the risks of too prolonged a period of low inflation.

The new headquarters of the European Central Bank in Frankfurt-am-Main, Germany.

Lithuania joins the euro area

On 23 July the Council approved Lithuania's request to join the euro area on 1 January 2015. The litas ceased to be legal tender on 16 January 2015.

With the introduction of the euro in Lithuania, all three Baltic states are now part of the currency union. This is a great asset for the euro area, not least because it demonstrates the euro area's attractiveness. But joining the euro area does not only follow from economic considerations; it is a binding commitment to European values.

Poster of the campaign launched by the European Central Bank and the Lithuanian National Bank to mark the accession of Lithuania to the euro area, as well as the introduction of the new €10 banknote.

New procedures for a larger euro area

Lithuania's membership of the euro area has triggered a change in voting rights on the ECB's Governing Council. The rotation system provided for in the EU treaties had to be implemented as soon as the number of governors exceeded 18. This new system will help the Governing Council maintain its ability to take action even as the number of euro-area countries increases further and, with it, the number of Governing Council members.

All members of the Governing Council will continue to attend meetings and to have the right to speak. In terms of discussion, therefore, there is no change. Since the Governing Council takes most decisions on a consensual basis, in a spirit of cooperation, the decision-making process is not expected to change in essence but to gain in effectiveness.

Furthermore, as of January 2015, Governing Council meetings to discuss monetary policy issues are being held on a new 6-weekly cycle. Non-monetary policy meetings are still held at least once a month.

The ECB also decided to publish regular accounts of the Governing Council's monetary policy meetings, starting with the January 2015 meeting.

The European Court of Auditors

The European Court of Auditors is the institution established by the TFEU to carry out the audit of European Union finances. As the EU's external auditor it acts as the independent guardian of the financial interests of the citizens of the Union and contributes to improving EU financial management.

In 2014 the court produced the 37th annual report on the implementation of the EU budget (36), covering the 2013 financial year. A separate annual report covers the European Development Funds.

The general budget of the EU is decided annually by the Parliament and the Council. The Court's annual report, together with its special reports, provides a basis for the discharge procedure, in which the Parliament decides whether the Commission has satisfactorily carried out its responsibilities for implementing the budget. The Court forwards its annual report to national parliaments at the same time as to the European Parliament and the Council. The central part of the annual report is the Court's statement of assurance (the 'DAS') on the reliability of the consolidated accounts of the EU and on the legality and regularity of transactions (referred to in the report as 'regularity of transactions').

Vítor Manuel da Silva Caldeira, President of the European Court of Auditors (right), accompanied by ECA member Lazaros Stavrou Lazarou (left), at the press conference on the 2013 annual report on the EU budget held at the International Press Centre in Brussels, Belgium, on 5 November.

The ECA signed off the 2013 accounts of the European Union, but stressed that the management of EU spending still needs to be improved both at EU level and in the Member States. In its 2013 annual report the ECA warns that the budget system is too focused on just getting funds spent and needs to place more emphasis on achieving results. For instance, according to the Court, throughout the 2007–13 spending period the choice of projects to receive EU funds focused first on disbursing the EU money available, second on complying with the rules and only in third place, and to a limited extent, on results and impact.

All in all the Court gave a clean opinion on the reliability of the EU accounts. It acknowledged that whereas the collection of EU revenue was free from error, for EU expenditure the estimated error rate was 4.7 % (compared with 4.8 % in 2012). It should be noted that the estimate of the error rate is not a measure of fraud, inefficiency or waste but of the money that should not have been paid from the EU budget because it was not used in accordance with EU rules. Most errors occurred in spending areas where management is shared between the Member States and the Commission. The two most error-prone spending areas were again regional policy, energy and transport, with a 6.9 % estimated error rate, and rural development, environment, fisheries and health, at 6.7 %. Across areas under shared management the estimated error rate was 5.2 %, compared to 3.7 % for the spending programmes mostly directly managed by the Commission. The estimated error rate for the EU's own administrative expenditure was as low as 1 %.

The European Economic and Social Committee

At its nine plenary sessions in 2014 the European Economic and Social Committee (EESC) delivered 154 opinions, of which 35 were own-initiative opinions and nine were exploratory opinions (three requested by the Commission, one by the Parliament and five by the Council) as well as two information reports. In 2014 Henri Malosse, the President of the EESC, placed an emphasis on reforming the Committee's working methods by reducing the number of opinions issued, whilst improving quality, impact and follow-up possibilities. The EESC established a number of working groups to reform procedures in order to improve its work. The working groups addressed the impact of EESC opinions, its role in relation to the impact assessment phase of Commission proposals and its role as regards citizens' initiatives. Luis Planas Puchades was elected Secretary-General of the EESC in October 2014.

Voting at the European Economic and Social Committee's 500th plenary session held in Brussels, Belgium, on 9 and 10 July. The President of the EESC, Henri Malosse, is featured on the screen.

One of the main issues discussed by the EESC in 2014 was the mid-term evaluation of the Europe 2020 strategy. The discussions addressed the financial crisis and the response to it; unemployment, and in particular youth unemployment; rebooting investment; and rebalancing the weight of economic governance in the Europe 2020 objectives. The EESC also debated the EU's major policy challenges such as the future of the Union, the new industrial policy and the European agricultural model. The transatlantic negotiations with the United States featured prominently on its agenda. The institution celebrated its 500th plenary meeting and commemorated the 25th anniversary of the fall of the Iron Curtain.

During 2014 the EESC reinforced its 'going local' initiative and increased the number of activities in Member States. It held conferences on 'Boosting innovation for a better social outcome', 'Reinforcing European industrial competitiveness', 'Boosting growth and employment through improving ICT infrastructures and broadband', 'A new industrial policy for Europe' and 'Household over-indebtedness — A European strategy against over-indebtedness'.

The Committee of the Regions

At its five plenary sessions in 2014, the Committee of the Regions (CoR) presented 57 opinions, of which 22 were own-initiative opinions and six were outlook opinions (two requested by the Commission and four by the Council presidencies). The CoR also adopted four important resolutions concerning the situation in Ukraine, multilevel governance in Europe, the 20th anniversary of the CoR and the Commission's communication on an investment plan for Europe ([37]).

In June the CoR elected Michel Lebrun (PPE/Belgium) as its President for the remaining period of the second 2½-year term of the current mandate (2013–15). Catiuscia Marini (PES/Italy) was elected Vice-President of the CoR for the remaining term. The procedure for the election of a new secretary-general was also finalised with the nomination of Jiří Buriánekin in June, taking up office in September.

Through its dedicated monitoring platform, the CoR continued to assess the Europe 2020 strategy for growth and employment from the point of view of EU regions and cities, notably through the publication of a study with a mid-term analysis of the strategy. The CoR emphasised that the role of local and regional authorities in the European semester should be strengthened.

Plenary Session of the Committee of the Regions on 17 January. Brussels, Belgium.

In 2014 the activities of the CoR increased in almost all areas. For example, as regards the impact of the MFF 2014–20, the CoR established an ad hoc committee on budgetary issues that provided a platform for the discussion of opinions on the use of the EU budget, the draft budget 2015 and budget developments. In addition, the territorial role of EU cohesion policy was frequently discussed. In April the CoR adopted a resolution on the Charter for Multilevel Governance in Europe ([38]), which calls for all levels of governance to implement the values, principles and processes of multilevel governance by strengthening the bottom-up approach necessary to increase democratic accountability. The financial crisis remained in focus during 2014, with a strong emphasis on youth unemployment and the future of the EU.

To celebrate the 20th anniversary of the institution, the CoR organised the sixth Summit of Regions and Cities, which took place in Athens, Greece, in March. The summit focused on the efforts made at European, national, regional and local levels to deliver a job-rich recovery.

A number of other important events were organised by the CoR in 2014, such as 'Open days — 12th European Week of Regions and Cities', organised jointly with the Commission. The slogan was 'Growing together — smart investment for people'. This event attracted participants from administrative and academic circles who came from regions and cities to participate in the seminars and workshops.

The European Investment Bank

The European Investment Bank (EIB) is the largest multilateral borrower and lender by volume in the world, providing finance and expertise for sound and sustainable investment projects. It is owned by and represents the interests of the 28 EU Member States, working closely with the Commission and other EU institutions, contributing to the Union's policy objectives of jobs, growth, investment, innovation and competitiveness. The EIB also contributes to achieving the EU's external and development policy objectives.

In 2014, delivering on its commitments in the context of the EIB's capital increase, the bank maintained an increase in lending activity with a signatures target of €73 billion (39), notably building on its growing advisory capacity and several important Commission–EIB partnerships. The EIB Group also includes the European Investment Fund (EIF), which focuses on innovative financing for small and medium-sized enterprises (SMEs). In 2014 the capital of the EIF was increased to €4.5 billion in order to favour its credit-enhancement capacity.

Following the adoption of the MFF 2014–20, a financial and administrative framework agreement (FAFA) was signed between the Commission and the EIB in June. The Commission, together with the EIB Group and Member States, finalised new financial instruments such as the programme for the competitiveness of enterprises and small and medium-sized enterprises (COSME), for growth, jobs and social cohesion, and the Connecting Europe Facility and the instruments under the Life+ programme for infrastructure and joint financial instruments blending the EU budget and EIB risk-sharing and lending capacity, such as Horizon 2020 for research, development and innovation. For details of the Commission's €315 billion investment plan initiative, in which the EIB has a key role, see Chapter 3.

Werner Hoyer, President of the European Investment Bank, at the annual press conference of the EIB held in Brussels, Belgium, on 19 Februry.

In 2014, additional innovative financing solutions were developed for SMEs and medium-sized corporates aiming at addressing specific EU and Member State policy priorities such as youth unemployment, innovation, trade facilitation, microfinance and relaunching the European SME securitisation market. For example, the SME Initiative (SMEI) allows participating Member States to combine the use of European Structural and Investment Funds with Commission contributions from dedicated windows of the COSME and/or Horizon 2020 financial instruments, leveraged with EIB Group contributions. The first proposal, implementing the SMEI in Spain, was approved by the Board of Directors in November.

Furthermore, the EIB's lending outside the EU amounts to about 10 % of its annual lending volume. In 2014 the new EIB external lending mandate was adopted, providing an EU guarantee for the EIB's external activities with a ceiling of €27 billion for the 2014–20 period, and sub-ceilings per region for pre-accession countries, neighbourhood countries, Asia, Latin America and South Africa. It also includes an option of a €3 billion additional ceiling based on the mid-term review in 2016.

The European Ombudsman

In 2014, 59.6 % of the inquiries initiated by the Ombudsman concerned the Commission. This is due to the nature of the Commission's powers and the fact that many of its proposals and decisions have a direct or indirect impact on citizens.

The Commission received 194 new enquiries from the Ombudsman (excluding those concerning the European Personnel Selection Office and the European Anti-Fraud Office) and sent 345 replies concerning all open inquiries, including those that had commenced in previous years and were still ongoing in 2014.

The complaints investigated by the Ombudsman concerned several areas of activity, including lawfulness (application of substantive and/or procedural rules); requests for information; fairness and a reasonable time limit for making decisions; and requests for public access to documents.

In October 2013 a new Ombudsman, Emily O'Reilly, took office. The year 2014 was therefore her first full year in office. Since the duration of the Ombudsman's mandate matches that of the Parliament, a new call for candidatures was published in September 2014. Only one candidate, the outgoing Ombudsman Emily O'Reilly, applied. She was re-elected by the Parliament in December by a large majority.

José Manuel Barroso, then President of the European Commission (far right), and Martin Schulz, President of the European Parliament (far left), participated in the online interactive event 'Your wish list for Europe', organised by Emily O'Reilly, European Ombudsman (second from right) in Brussels, Belgium, in March, in the run-up to the European elections in May.

Ms O'Reilly has a very proactive view of the Ombudsman's role. She has declared her intention to focus on 'systemic' issues and 'strategic investigations', and to make a full use of her powers in order to enhance the Ombudsman's impact and visibility.

Decentralised agencies

The Commission pursued, in close cooperation with the network of agencies, 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 (40), adopted in 2012.

In addition, the Commission proposed to adapt the governance of the European Police College (CEPOL) to the principles set out in the common approach, in the context of the revision of CEPOL's founding act.

The EU's decentralised agencies employ some 7 500 staff and received a contribution from the EU budget of about €814 million in 2014.

The role of national parliaments on the European stage

As in previous years, in 2014 the political dialogue with national parliaments constituted the most important element of the Commission's relations with them. The majority of the 41 chambers of national parliaments in the EU made use of this communication channel with the Commission and submitted 504 opinions (621 in 2013).

The number of reasoned opinions from national parliaments stating an alleged breach of the principle of subsidiarity came to 20 in 2014 (88 in 2013), corresponding to less than 4 % of the total number of opinions received (14 % in 2013). Furthermore, no yellow or orange card procedures were triggered in 2014.

The decrease in the number of written contributions can be attributed to the reduced legislative activity that occurred during a year that involved the election of a new Parliament and Commission. Nonetheless, national parliaments demonstrated their continued commitment to engage in discussions about EU affairs in general and legislative proposals in particular. This was also apparent from discussions at interparliamentary conferences and meetings.

The Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) remained the key interparliamentary forum. Two chairpersons' meetings were held, as well as two plenary meetings. At the plenary meeting in Athens in June a contribution was adopted, to which the Commission responded in October, commenting on COSAC's remarks in relation to the European elections, Ukraine, the social deficit in the EU and the European employment strategy. The contribution adopted by the COSAC plenary in Rome in December addressed the mid-term review of the Europe 2020 strategy, the role of national parliaments and of the European Parliament in the EU decision-making process, the role of the EU in the Mediterranean and in eastern Europe and relations between national parliaments and EU agencies.

In January the second European Parliament Week took place, with the participation of members of the Parliament, national parliaments and the Commission. It included the second interparliamentary conference under Article 13 of the fiscal compact. The third Article 13 conference took place in Rome, Italy, in September.

Interparliamentary conferences for the common foreign and security policy and the common security and defence policy were held in Athens in April and in Rome in November.

During the year some chambers of national parliaments presented proposals on how to strengthen the role of national parliaments, in particular as regards the legislative process, the subsidiarity control mechanism and interparliamentary cooperation.

More transparency: a window wide open to citizens

The transparency register

The transparency register (41), a joint Parliament–Commission initiative, provides citizens with a direct and single access point for information about who is engaged in activities aiming at influencing the EU decision-making process, what interests are being pursued and what level of resources are invested in these activities. In 2014 around 7 000 organisations were registered and thus subject to a code of conduct, which included a complaint mechanism and measures to be applied in the event of non-compliance.

A review of the transparency register conducted by a high-level working group resulted in further improvements to the functioning of the register and the information provided in it, thereby contributing to enhanced transparency in the field of the representation of interests in the EU.

A revised interinstitutional agreement (42) was adopted in April and will apply as from 1 January 2015.

In April the Parliament also adopted a decision to approve the modification of the interinstitutional agreement on the transparency register and to annex it to its own rules of procedure. At the same time, it reiterated its call for ‘mandatory registration in relation to the conduct of lobbying activities at the EU institutions’. The Parliament called on the Commission to submit, by the end of 2016, a legislative proposal for the establishment of such a mandatory register.

Public access to documents

Still in the transparency field, in March the Parliament adopted a resolution on public access to documents. Although the text aimed to assess the years 2011–13 it also drew some general conclusions, including the need for all institutions to take a more proactive approach to transparency by making as many categories of documents as possible publicly accessible on their Internet websites. As regards specific issues, the text called on the institutions to ensure the greater transparency of trilogues by holding the meetings in public and publishing documentation in a standardised and easily accessible online environment, by default and without prejudice to the exemptions listed in Article 4(1) of Regulation (EC) No 1049/2001 (43). It also wanted to see the Commission enhancing the transparency of expert groups and comitology groups, by holding their meetings in public and publishing information regarding membership, proceedings, documents, votes and decisions, all of which should be published online in a standard format. The Commission was also urged to improve and fully implement internal guidelines on the recruitment of experts and for reimbursements.

More transparency vis-à-vis citizens

In the first days of its mandate, the Juncker Commission decided to boost transparency by committing to the publishing of information about who meets members of the Commission, members of cabinets and directors-general. This transparency initiative, which is an important part of President Juncker's political guidelines, made public in July, consists of two Commission decisions (44) allowing for the publication on its website of the dates, locations and names of the organisations and self-employed individuals met and the topics of discussion at its bilateral meetings. Similar steps to enhance transparency and the provision of greater access to documents were taken relating to the negotiations for a TTIP with the United States (45). In its very first weeks in office the new Commission made good on the President's promise to be more open and transparent, signalling a new approach for the next 5 years. This initiative will be followed, in 2015, by a Commission proposal for an interinstitutional agreement with the Parliament and the Council to create a mandatory register for lobbyists covering all three institutions.

The weekly College of Commissioners meeting of 25 November at the Parliament's premises in Strasbourg, France, where the Commission took several decisions aimed at reinforcing transparency.

ENDNOTES

(1) http://ec.europa.eu/priorities/docs/pg_en.pdf

(2) European Council conclusions, 26 and 27 June 2014 (http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/143478.pdf).

(3) Proposal for a regulation on the production and making available on the market of plant reproductive material (plant reproductive material law) (COM(2013) 262).

(4) Annex II to the European Parliament's rules of procedure.

(5) Interinstitutional agreement on better lawmaking (OJ C 321, 31.12.2003).

(6) http://ec.europa.eu/about/juncker-commission/docs/pg_en.pdf

(7) Court of Justice ruling of 11.11.2014 in Case C-333/13, *Dano* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-333/13).

(8) Directive 2004/38/EC on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States (OJ L 158, 30.4.2004).

(9) Regulation (EC) No 883/2004 on the coordination of social security systems (OJ L 166, 30.4.2004).

(10) Court of Justice ruling of 1.7.2014 in Case C-573/12, *Ålands Vindkraft* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-573/12).

(11) Court of Justice ruling of 3.9.2014 in Case C-201/13, *Deckmyn and Vrijheidsfonds* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-201/13).

(12) Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (OJ L 167, 22.6.2001).

(13) Court of Justice ruling of 11.9.2014 in Case C-117/13, *Eugen Ulmer* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-117/13).

(14) Court of Justice ruling of 13.5.2014 in Case C-131/12, *Google Spain and Google* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-131/12).

(15) Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995).

(16) Court of Justice ruling of 8.4.2014 in Joined Cases C 293/12 and C 594/12, *Digital Rights Ireland and Seitlinger and Others* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-293/12).

(17) Directive 2006/24/EC on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks (OJ L 105, 13.4.2006).

(18) Court of Justice ruling of 18.3.2014 in Case C-167/12, *D.* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-167/12).

(19) Court of Justice ruling of 18.3.2014 in Case C-363/12, *Z.* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-363/12).

(20) Directive 92/85/EEC on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding (OJ L 348, 28.11.1992).

(21) 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).

(22) Court of Justice ruling of 15.1.2014 in Case C-176/12, *Association de médiation sociale* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-176/12).

(23) Directive 2002/14/EC establishing a general framework for informing and consulting employees in the European Community (OJ L 80, 23.3.2002).

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(25) Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps (OJ L 86, 24.3.2012).

(26) Court of Justice ruling of 17.7.2014 in Joined Cases C 473/13 and C 514/13, *Bero and Bouzalmate* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-473/13).

(27) Court of Justice ruling of 17.7.2014 in Case C-474/13, *Pham* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-474/13).

(28) Directive 2008/115/EC on common standards and procedures in Member States for returning illegally staying third-country nationals (OJ L 348, 24.12.2008).

(29) Court of Justice ruling of 27.5.2014 in Case C-129/14 PPU, *Spasic* (http://curia.europa.eu/juris/liste.jsf?language=en&num=C-129/14%20PPU).

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(31) Directive 98/5/EC to facilitate practice of the profession of lawyer on a permanent basis in a Member State other than that in which the qualification was obtained (OJ L 77, 14.3.1998).

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(39) A report containing final data is due for publication in February 2015.

(40) http://europa.eu/agencies/documents/2012-12-18_roadmap_on_the_follow_up_to_the_common_approach_on_eu_decentralised_agencies_en.pdf

(41) http://ec.europa.eu/transparencyregister

(42) Agreement between the European Parliament and the European Commission on the transparency register for organisations and self-employed individuals engaged in EU policymaking and policy implementation (OJ L 277, 19.9.2014).

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(44) Commission decision on the publication of information on meetings held between members of the Commission and organisations or self-employed individuals (C(2014) 9051).
Commission decision on the publication of information on meetings held between directors-general of the Commission and organisations or self-employed individuals (C(2014) 9048).

(45) Commission communication concerning transparency in TTIP negotiations (C(2014) 9052).

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CHRONOLOGY

THE LIST BELOW INDICATES SOME OF THE MAJOR EVENTS FROM 2014 IN ALL POLICY FIELDS. THE CHRONOLOGY IS NOT INTENDED TO BE EXHAUSTIVE; ADDITIONAL HIGHLIGHTS ARE DETAILED IN THE REPORT ITSELF.

JANUARY

Latvia adopts the euro and becomes the 18th euro-area Member State.

The European Commission adopts guidelines on state aid to promote risk finance investments.

The Commission proposes a policy framework for climate and energy beyond 2020 and up to 2030, setting energy and climate goals for a competitive, secure and low-carbon EU economy.

The Commission recommends minimum principles for shale gas extraction to ensure that proper environmental and climate safeguards are in place for ‘fracking’.

The Commission adopts the industrial policy package ‘For a European industrial renaissance’.

The European Central Bank (ECB) officially unveils the new €10 banknote.

Spain’s financial sector programme comes to a successful conclusion.

FEBRUARY

The Commission adopts guidelines on state aid for airports and airlines.

G20 finance ministers and ECB governors agree to continue with the reforms toward stronger and more balanced economic growth.

The directive on waste electrical and electronic equipment enters into force.

The Commission adopts the first EU anti-corruption report, which analyses the situation in all Member States and describes the EU-wide trends.

The Commission publishes a report on the implementation of the global approach to migration and mobility, covering the period 2012–13.

MARCH

The Commission’s Directorate-General for Competition receives the *Global Competition Review*’s Enforcement Award for Best Agency of the Year — Europe, for 2013.

The regulation on the export and import of hazardous chemicals enters into force.

News of the Ebola virus in west Africa breaks and the Commission immediately begins to monitor the event in cooperation with the European Centre for Disease Prevention and Control and the World Health Organisation (WHO), and to work with Member States, the WHO and other organisations to support the affected countries.

The ‘Consumer rights awareness’ campaign is launched.

The European Council devotes the bulk of its deliberations to the situation in Ukraine, the economy, energy and climate change.

The EU agrees to provide aid amounting to €11 billion to Ukraine, along with other measures.

The European Parliament and the Council of the European Union back the Commission’s Single Resolution Mechanism proposal, a major step towards completing the banking union.

The EU issues a €2.6 billion, 10-year bond for Ireland and Portugal.

The Commission adopts measures to promote crowdfunding and other long-term financing for the European economy.

The Commission adopts a new framework to address systemic threats to the rule of law in any of the Member States.

The political chapters of the association agreement with Ukraine are signed.

APRIL

The Commission adopts guidelines on state aid for environmental protection and energy for the period 2014–20.

The Commission welcomes a breakthrough leading to gas flows from Slovakia to Ukraine.

The Commission adopts the tobacco products directive, which aims to make smoking less attractive to young people and reduce the number of smokers in the EU by 2 % by 2020.

The Commission adopts the clinical trials regulation, which aims to create an environment that is favourable for conducting clinical trials, with the highest standards of patient safety.

The first dedicated satellite for Copernicus, the EU's earth observation programme, launches successfully.

The Expert Group on a Debt Redemption Fund and Eurobills publishes its final report.

The EU establishes a voluntary humanitarian aid corps to give citizens the opportunity to be involved in humanitarian action. The first deployments of volunteers are planned by the end of 2015.

The third EU-level Roma Summit takes stock of national Roma strategies and their impact on the life of Roma communities.

Gender equality and women's empowerment feature prominently in the 2014–17 roadmap adopted at the EU–Africa Summit.

The directive on the freezing and confiscation of criminal assets is adopted, improving authorities' means of recovering illegal profits.

MAY

The Parliament holds elections for the constitution of the eighth legislature, with 751 members, in accordance with the Lisbon Treaty.

An informal meeting of Heads of State or Government is held after the European elections.

The Commission adopts a framework for state aid for research and development and innovation.

The Commission adopts a communication on the European energy security strategy.

The newly amended environmental impact assessment directive, simplifying the rules for assessing the potential effects of projects on the environment, enters into force.

The EU and China sign a landmark mutual recognition agreement and intensify their customs cooperation.

The directive on the protection of the euro and other currencies against counterfeiting by criminal law enters into force.

The communication on the roadmap for moving to a competitive low-carbon economy in 2050 is adopted by the Commission.

Portugal exits its financial assistance programme as planned and without a prearranged precautionary credit facility.

A memorandum of understanding on a macrofinancial assistance programme for Ukraine is signed.

The Intergovernmental Agreement on the Single Resolution Fund is signed.

The Court of Justice of the European Union issues a preliminary ruling (the 'right to be forgotten' ruling) that confirms the position of the Commission that EU data protection laws must be respected when non-EU companies handle personal data with a strong connection to the EU and its Member States.

The EU adopts updated rules on the jurisdiction of courts and the recognition of judgments (the 'Brussels I regulation'), completing the legal framework for Europe-wide patent protection.

The regulation establishing rules for the surveillance of the external sea borders in the context of sea operations coordinated by Frontex is adopted.

JUNE

The G7 Summit is hosted in Brussels for the first time.

The European Council adopts the EU 2030 energy and climate framework.

Jean-Claude Juncker is designated the candidate for the position of President of the Commission.

The Commission presents a proposal to address global poverty and sustainable development, contributing to the EU's position in international negotiations on sustainable development goals.

The Commission and Member States sign the joint procurement agreement, so as to be able to jointly purchase pandemic vaccines and other medical countermeasures in the event of a serious cross-border health threat.

New rules regarding the EU emissions trading system on aviation activities for 2013–16 enter into force.

The Commission proposes country-specific recommendations for 26 Member States to spur sustainable growth and employment. They are subsequently endorsed by the European Council.

The Commission assesses the readiness of eight EU Member States to join the euro area. It proposes that Lithuania join in 2015.

The ECB lowers key rates to support growth and lending to the real economy.

The EU consumer rights directive enters into force, strengthening consumers' rights wherever and whenever they shop in Europe — online or on the high street.

The Council grants EU candidate-country status to Albania.

The association agreements with Georgia and Moldova are signed.

The remaining chapters of the association agreement with Ukraine are signed.

The European Council sets out the strategic guidelines for the future of freedom, security and justice.

JULY

On 1 July the newly elected Parliament holds its constituent plenary session.

The Commission adopts guidelines on state aid for rescuing and restructuring non-financial undertakings in difficulty.

The EU amends the 2009 nuclear safety directive in order to keep nuclear installations safe and to enhance European leadership on nuclear safety worldwide.

The Commission presents actions to better protect and enforce intellectual property rights.

The Council gives the green light for Lithuania to adopt the euro on 1 January 2015.

Jean-Claude Juncker is elected by the Parliament as President of the new Commission by a large majority.

The EU provides humanitarian support to thousands of people affected by the Israel–Gaza conflict.

AUGUST

The European Council elects the President of the European Council, Donald Tusk, and the High Representative of the Union for Foreign Affairs and Security Policy, Federica Mogherini.

At a special meeting of the European Council, European leaders step up efforts to boost the EU's economy.

On World Humanitarian Day, the EU draws attention to the deplorable, record level of violence against humanitarian workers. Every month more than 30 of them are killed, wounded or kidnapped while bringing relief to people caught up in life-threatening disasters.

Russia decides to ban imports of certain agricultural products from the EU (and Australia, Canada, Norway and the United States). With a view to stabilising the markets, the Commission responds with a series of specific market-support measures and additional support for promotion programmes.

SEPTEMBER

The EU leads an international initiative against whaling by Iceland.

The Commission adopts proposals on veterinary medicinal products and medicated feed, to improve the health and wellbeing of animals, to tackle antimicrobial resistance in the EU and to foster innovation.

G20 ministers agree on a first set of recommendations to address key areas in the OECD's action plan on base erosion and profit shifting, which, once implemented, should ensure fairer taxation and fairer competition globally.

World leaders from governments, finance businesses and civil society gather in New York for the UN Climate Summit 2014 to discuss and mobilise action to reduce emissions, strengthen climate resilience and mobilise political will for a meaningful legal agreement in Paris in 2015.

European SME week (an annual event promoting enterprise across Europe in line with the Small Business Act for Europe).

The ECB cuts main rates in an effort to counter too-low inflation and stimulate bank lending.

The new €10 Europa-series banknote enters circulation.

As the number of refugees fleeing the Syria conflict surpasses 3 million, the EU steps up its assistance, with a particular focus on helping affected children. The EU is leading the international response to the Syrian crisis, with more than €3.1 billion in support provided by the end of 2014.

OCTOBER

The Commission publishes the stress test communication, which analyses the resilience of the EU energy system to a potential crisis in the coming months.

The European Council approves the 2030 framework for climate and energy proposed by the Commission, with objectives to be met by 2030.

€647 million from the Connecting Europe Facility is allocated to key energy infrastructure.

With strong support from the EU, a USD 4.6 billion winter package, agreed by Russia and Ukraine, secures gas for Ukraine — and ultimately also for Europe.

The European Council is chiefly devoted to energy and climate change issues.

The first secondary case of Ebola virus disease is confirmed in Europe — a Spanish nurse who had been involved in treating an Ebola patient evacuated from west Africa.

The Parliament conducts hearings of candidates for the Juncker Commission

European leaders support the incoming Commission's investment plans and highlight the need to implement the agreed initiatives for jobs, growth and competitiveness.

The Parliament elects the Juncker Commission.

Euro-area Member States submit draft budgetary plans for 2015 in accordance with the economic governance rules.

To reinforce the joint response to the Ebola epidemic, the European Council appoints Christos Stylianides, the Commissioner for Humanitarian Aid and Crisis Management, as EU Ebola Coordinator.

NOVEMBER

The Juncker Commission takes office on 1 November.

The new voting system in the Council (a double majority of Member States and population) enters into force.

The Single Supervisory Mechanism for euro-area banks enters into force.

The directive on antitrust damages actions is formally adopted by the Council. The directive will help citizens and companies claim damages if they are the victims of infringements of EU antitrust rules, such as cartels or abuses of dominant market positions.

The G20 Summit is held in Brisbane, Australia.

The Commission adopts a transparency initiative regarding the publication of information on meetings with organisations and self-employed individuals. This initiative consists of two decisions — one covering the members of the College and their advisers and a second covering directors-general.

The Commission announces details of a €315 billion investment plan.

The Commission assesses euro-area Member States' draft budgetary plans.

The Commission's annual growth survey sets out the pillars of economic and social policy for 2015 and recommends reforms to the European semester.

The Court of Justice gives its ruling in the Dano case. The Court decides that social assistance benefits can be denied by national authorities to economically inactive EU citizens from other Member States who have insufficient own resources to enjoy a right of residence.

The laureate of the Sakharov Prize for Freedom of Thought 2014, Dr Denis Mukwege, is invited to receive the award during the plenary session in Strasbourg.

A civil protection exercise, 'ARETE 2014', is organised by the Commission, together with the Belgian Civil Protection and Federal Police, near Antwerp, during which a complex chemical and terrorism emergency, including hostage-taking, is simulated to improve EU Member States' ability to deal with major crises and to better coordinate with each other.

DECEMBER

On 1 December Donald Tusk, the new President of the European Council, takes office.

The EU–Switzerland Cooperation Agreement on Competition Matters enters into force. This is the first time the EU has concluded a competition agreement allowing the two competition authorities to exchange evidence obtained in their investigations.

The European Council endorses the Commission's €315 billion investment plan.

EU legislation on police cooperation and judicial cooperation in criminal matters is fully integrated into mainstream EU law, which means that the Court of Justice has full jurisdiction over its application and implementation. Having opted out of previous police cooperation and judicial cooperation in criminal matters measures, the United Kingdom opts back into 35 measures in this field.

The United Nations Climate Conference takes place in Lima, Peru. The EU sees the outcome of the conference as a step forward in the negotiations for a new global agreement in Paris in 2015.

The Eurogroup agrees to Greece's request for a technical extension by 2 months of its financial support programme, as well as an enhanced conditions credit line under the European Stability Mechanism.

The EU agrees on modernised rules for cross-border insolvencies in the EU that will help foster a 'rescue and recovery' culture in Europe.

The first EU–Ukraine Association Council meeting is held.

The Global Counterterrorism Forum Working Group on Foreign Terrorist Fighters is launched in Marrakesh, Morocco.

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