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ANNUAL POLICY STRATEGY FOR 2003

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1. INTRODUCTION

The Annual Policy Strategy Decision is the first stage in the strategic planning and programming cycle set out in the Communication of 25 July 2001 (SEC(2001)1197/6&7). It seeks to define the Commission's policy priorities and ensure that there is the right match between tasks and resources for 2003.

This sets the framework for preparing the preliminary draft budget and for the operational programming done by the Directorates General and services. The cycle is completed with the adoption of the Legislative and Work Programme, by which the Commission, on the basis of the budgetary process, operational programming and the results of the interinstitutional dialogue, announces the actions it intends to take forward over the coming year.

The first strategic planning and programming cycle was launched in 2001, covering the year 2002. This was the first application of the principles of the reforms relating to priority setting and resource allocation, and it resulted in a system, procedure and timetable which will be consolidated in the 2003 exercise.

1.1. Inter-institutional dialogue

More particularly, the 2003 cycle will be characterised by reinforced interinstitutional dialogue, which is an important element of political programming. The Commission will be presenting its Annual Policy Strategy to the European Parliament and to the Council as soon as possible after its adoption in February. In March, the President of the Commission will initiate a debate on the Annual Policy Strategy in the General Affairs Council and at the European Parliament's plenary session, session at which the Council could be invited to participate.

Over the following three months, the Commission will undertake a dialogue with Council and Parliament on its Annual Policy Strategy. For this, the Commissioners will be engaging in a bilateral dialogue with the European Parliament committees concerned with the implementation of the Annual Policy Strategy's priorities. The Commission will engage in a similar dialogue with the Council and with the two Member States that hold the Presidency of the Council during the period covered by the Annual Policy Strategy.

In September, the Commission will prepare for the European Parliament and the Council a stocktaking document to review the main legislative proposals that the Commission intends to introduce in its Legislative and Work Programme and, if necessary, update the policy priorities for the following year.

At the end of October/beginning of November, the Commission will adopt its Legislative and Work Programme and transmit it to the other institutions (10 working days before the European Parliament session at which it will be debated). The President of the Commission will then officially present it in the Council and at the Parliament's plenary in November, with the participation of the College (on which occasion the Commission would like the Council also to be invited to participate). The programme will be accompanied by an assessment of the execution of the 2002 programme and a list of legislative and non-legislative proposals foreseen for 2003.

1.2. Objectives of the exercise

The Annual Policy Strategy has the following objectives:

- to fix the policy priorities for 2003;
- to identify the most important initiatives which contribute to the realisation of the targeted priorities;
- to decide on the budgetary orientations for the year concerned, taking account, on the one hand, of the need to ensure that priority measures have the necessary resources and, on the other, of resource needs for core tasks, major changes in objectives and significant modifications in activities and resources in the Commission's services;
- to provide guidelines for financial programming;
- to identify which strategic evaluations should be conducted in 2003.

The priority initiatives do not all require additional resources on a systematic basis. The Commission has carried out for this purpose a detailed analysis of the proposals from services to be sure that all opportunities to free resources, for productivity gains, for the expiry of activities and for redeployment are exploited. But where new resources are considered indispensable, the Commission will be vigilant right through the strategic planning and programming cycle that these resources are granted and put in place to take forward the chosen initiatives. If the necessary resources for the sound execution of the selected initiatives are not made available, the Commission will decide which initiatives it will not be taking forward. This is to guarantee a level of resource sufficient to take forward political priorities and essential activities.

Furthermore, the general principle that resources are not granted on a permanent basis applies more strongly to new resources: the priority initiatives will be the subject of a detailed monitoring which could lead to a revision of specific resource allocations in order to realise the objectives seen for each initiative in the following cycles.

In addition, conforming to the principles of Activity-Based Management, the resources are looked at each year with the purpose of ensuring results are obtained on all of the fundamental activities of the Commission, whether or not they are part of the new political priorities. For this reason the Annual Policy Strategy Decision provides a global framework of the Commission's activities giving orientations for the available financial and human resources by policy area and for financial programming. Finally, it is important to underline that the consolidation of the strategic planning and programming cycle and the gradual implementation of the instruments of Activity Based Management are key elements of the Commission's reform programme.

2. THE STATE OF THE UNION IN 2003 – THE NEW EUROPE: THE CHALLENGE OF THE ENLARGED EUROPE

2.1. Taking stock...

At the beginning of its term of office, this Commission established a framework with four major strategic objectives:

- Working towards a new economic and social agenda,
- Ensuring a better quality of life for all,
- Stabilising the continent and strengthening the role of Europe in the world,
- Promoting new forms of governance.

This policy framework, in which more specific objectives and measures are defined, was presented to the European Parliament and the Council. Regular progress checks have been carried out and reports made to the outside world. Rapid examination shows that the Commission is on the right track towards achieving these major **strategic objectives**.

- **The new economic and social agenda:** The European project was initiated in the economic sphere, and this project is the base for other policies. This agenda is the indispensable basis for growth. The Commission has made a commitment to putting into practice as quickly as possible a **new economic and social agenda**, more particularly by implementing the various parts of the Lisbon strategy and the actions seen in the Social Agenda approved by the European Council of Nice. In addition, the **successful launch of the euro** requires increasingly integrated management of the economy, which should lead to reinforcing economic policy co-ordination to ensure a smooth functioning of the Economic and Monetary Union.
- **Better quality of life:** The Commission has acted to meet Europeans' expectations in the field of **food safety** and by doing the groundwork for a **European area of freedom, security and justice** (under the Tampere agenda). In addition though, the Commission has conceived a long-term strategy for **sustainable development** that goes well beyond the adoption of a package of coherent environmental measures. It also involves a **re-examination of internal policies**, which the Commission will be looking at in terms of their sustainability (under the Göteborg agenda). This re-examination has been anchored in the global economic and social objectives of Europe, by placing sustainable development at the very centre of the Lisbon strategy.
- **Projecting stability:** The **Commission's role** in this area is evident, as in the negotiations being conducted with a view to **enlargement** of the European Union, the **multilateral negotiations** which have led, among other things, to the successful outcome at Doha, and on a **regional level**, with the different groups of countries with which the Commission is implementing partnership and association agreements (the Balkans, the Mediterranean and Cotonou). The most sensitive area of **security and defence policy** aspects has also not been avoided: the creation of structures for crisis management, conflict prevention and a swift reaction to terrorism are a promising start. Particular attention is

also given to relations with Russia and countries of the former Soviet Union who will be our neighbours following the enlargement.

- **New forms of governance:** Over the past two years, the Commission has initiated a **reform** which impinges on all the aspects of its administrative, financial and even political functions. Many concrete measures have already been implemented, and discussions with the other institutions on the necessary legal changes are now underway. Nor is this exercise solely introspective: by working with the other institutions, and particularly with the European Parliament and the Council, a huge effort is now underway on **better lawmaking**, on new forms of **European governance** and on the **future of Europe**.

2.2. ... and looking ahead

The Commission is now coming to the mid-point of its term of office. 2002 sees the realisation of major projects like the entry into circulation of euro notes and coins, the conclusion of enlargement negotiations and the beginning of the Convention.

2004, last year of this Commission's mandate, will be characterised by a number of major events: accession of the candidate countries, the new intergovernmental conference, the realisation of the Single European Sky and of the internal market for energy, the Commission's overarching proposal on the main policy and budgetary guidelines for the European Union post-2006, and the conclusion of the Doha cycle of multilateral negotiations. If all these events are to be a success for Europe, the work we do in 2003 will be of crucial importance.

The success of the process of European integration depends on achieving the support of the European citizens.

As regards the new economic and social agenda, citizens expect, on the one hand, that steps will be taken to preserve the growth that their standard of living depends upon and that the adoption of the euro will have a positive and measurable effect for everyone. In particular, people expect to derive full benefit from the programme of sectoral liberalisation that is now in progress, and from public services of continuing high quality. The mid-term review of the Nice social agenda in 2003, the reorientation of the European Strategy for Employment and the relaunch of the social dialogue are equally opportunities to demonstrate to citizens that the European Union remains attentive to their concerns in the social field. Finally, citizens will want reassurance of the fact that the investment in knowledge is an investment for future competitiveness and jobs and will ensure their effective participation in the European economy and society.

For a better quality of life: European citizens expect Europe to take the necessary steps to improve security and combat crime in all its forms, including terrorism, all the while assuring a better access to justice for individuals and business and guaranteeing the freedoms and fundamental rights of individuals. Additionally, in 2003, the European Union will be implementing the Kyoto agreements and the reform of the common fisheries policy, and will be deciding on the proposals arising from the mid-term review of the CAP.

Projecting stability: implies that the European Union must take effective action to promote peace and stability throughout Europe and beyond. The Commission is committed to promoting stability in the Balkans, and developing the Mediterranean region, including making a significant contribution to the resolution of the Middle East conflict and supporting the process of reconstruction in Afghanistan and in the countries of central Asia. The Commission will also be renewing its commitment to peace, democracy and sustainable development on the African continent.

New forms of governance: The Convention will have the task of preparing the functioning of the enlarged Europe, so that the Community method is renewed and strengthened. In addition, the internal reform of the Commission, which was launched in 2000, is now well advanced and should, in 2003, bring important results in the three areas: financial management, strategic planning and staff policy. The real challenge will be to implement the policies once they have been adopted, particularly the new staff policy.

To meet these expectations, the Commission has made sure that its policy priorities for 2003 constitute a coherent development of its legislative and work programme and of its strategic priorities for 2002, and that they provide a common thread which will guide the Commission through the rest of its mandate.

3. THE POLICY PRIORITIES FOR 2003: ENLARGEMENT AS THE COMMON THREAD

Making a success of enlargement is the fundamental priority that the Commission has set itself since the start of its mandate. Enlargement is now entering the critical phase, which means that it must become the priority concern for the second part of the Commission's term of office, and will provide the common thread for everything the Commission does.

2003 is the crucial year in which the key events described above will have to be prepared by way of a process that will define the political contours of the new Europe, the enlarged Europe. This will require **in-depth consideration** of policies, objectives and the Community's *modus operandi*, so that the integration of the candidate countries that meet all the conditions into the European Union can be achieved successfully. Enlargement will only be a success if the Community method is maintained.

Against this background, the Commission has decided to retain for **2003 one central priority, the enlarged Europe, and two closely associated priorities – on the one hand, stability and security**, which are an expression of the new continental responsibilities of the enlarged Europe and, on the other, **a sustainable and inclusive economy**, which will continue to represent the socio-economic base on which the enlarged Europe will be built.

3.1. The enlarged Europe: the next enlargement will be quite different from previous ones, in that it will confer a continental responsibility on the European Union.

Community policies have brought a very high level of integration and helped engender a European model that is constantly evolving. What we need to do now, for each Community policy, is to decide on the basis and the objectives of this European

model within an enlarged Europe. Improved democratic governance and a better method of taking decisions must be an integral part of this process.

More specifically, in the course of 2003, the Commission will concentrate on making material preparations for enlargement, and the process of in-depth consideration discussed above will feed in to the work of the intergovernmental conference and the future orientation of Community's policies.

An enlarged Europe: Key initiatives for 2003

In light of the above considerations, it would seem fundamental for the following objectives to be achieved in 2003:

- Prepare the future Member States to assume fully all the responsibilities arising from accession.
- Guarantee full compliance with the Commission's obligations from the very first day of accession, from the point of view of applying Community legislation and policies and in terms of the measures needed to receive the new Member States.
- Conduct an in-depth rethink of Community policies to reflect the qualitative dimension of the most significant enlargement in the history of European integration.

To achieve this, the following initiatives have been pinpointed as being particularly crucial:

- Monitor the process of signature and ratification of the accession treaties to enable the candidate countries with which negotiations have been concluded in 2002 to actually achieve membership on 1 January 2004 and to participate in the European Parliament elections.
- Support reconciliation between the two Cypriot communities following achievement of a political agreement.
- Strengthen the future Member States' administrative and judicial capacities, as set out in the pre-accession strategy.
- Mobilise the necessary investments in the candidate countries so that they can participate fully in the Trans-European networks and assuring the strong functioning of the internal market.
- Prepare the application of Community legislation and programmes and the open method of co-ordination in the new Member States, including by associating candidate countries to the community programmes before 2004.
- Initiate work on programming the structural and rural development funds, with a view to launching the programmes right from the start of 2004.
- Progressively set in place the structures needed to extend to the candidate countries the Community's anti-fraud arrangements.

- Complete administrative and linguistic preparations for enlargement.
- Continue to implement the reform such that the Commission will have been completely modernised by 2004.
- Review the main Community policies, their modalities and their impact, providing a basis in view of preparing in 2004 a Commission Communication on the main perspectives of the development of the Union, of its policies and of the future financial framework after 2006.
- Feed into the work of the Convention on the future institutional framework of Europe, geared to an enlarged European Union.

More so than in any other area, success in fully achieving the objectives set out above depends critically on the additional resources that can be made available in 2003. The resource requirements that the Commission considers as a minimum for carrying out these new tasks are set out in more detail in section 4.2.1. They will be adapted as appropriate to take into account the policies that require a particular frontloading of their resources to be able to implement the community policies from the very first day of accession.

3.2. Stability and security: an enlarged Europe's new continental responsibility will give it a new role as a guarantor of freedom and justice.

In this regard, the Commission will assume its role by helping to extend the area of prosperity, peace and stability that is Europe. The objective is to step up progress towards a European area of security, freedom and justice by advancing work on internal security and guaranteeing at the same time respect for freedoms and fundamental rights. The fight against crime, in all its forms, including terrorism, will remain in the forefront. "Security" will cover a broader range of ideas, including transport security, financial transactions and telecommunications, and will also concern internal security arrangements of the Commission. A particular effort will be made to strengthen checks at the external borders and to co-ordinate the various bodies responsible for border surveillance, including preparing the candidate countries, which will have to manage the largest part of the European Union's land frontiers. Finally, immigration, which is a source of cultural richness as well as an economic force, and the challenge of integration, will receive particular attention.

Outside the EU, partnerships with neighbouring countries in Europe will be transformed into a central factor for stability and security. The relaunched Euro-Mediterranean partnership must lead to the establishment of a community founded on liberalisation in the free flow of goods and services, on closer exchange between the people and cultures around the Mediterranean and on security and the respect of fundamental rights. The same approach must be adopted with regard to the non-candidate countries of Europe, such as Russia and the Ukraine.

Finally, the Commission will play its part in strengthening the Common Foreign and Security Policy and making it more cohesive. Stability in the Balkans and a new drive to achieve peace in the Middle East will be the two main priority objectives.

Stability and Security : Key Initiatives for 2003

In the light of the above, the Commission considers that the following objectives have to be met in 2003 :

- To make substantial progress, as foreseen by the European Council in Laeken, in the establishment of a European area of freedom, security and justice, and in particular:
 - To make a significant contribution to the agreement in Council of the necessary legislative mechanisms and the other measures needed;
 - To increase the security of European citizens through improved police and judicial co-operation to combat crime including terrorism and the gradual development of an integrated European system of border management to safeguard the enlarged Union's external borders;
 - To promote security and stability through putting in place common European immigration and asylum policies;
 - To ensure that the necessary security measures are balanced by ensuring respect for fundamental rights and liberties and promoting easier access to justice;
- To improve transport safety and security, security of communication networks and in civil protection;
- To work for peace and stability at the external borders of the enlarged European Union and beyond;
- To respond effectively to crises when peace is challenged;
- To develop mechanisms to increase contact and understanding between the peoples and cultures of Europe and those of other parts of the world.

The following key initiatives are identified for stability and security in 2003 :

- To propose legislative measures to fight crime and terrorism, in particular to tackle the financing of terrorism, corruption and the illicit trafficking in firearms and highly taxed goods, and further measures to protect witnesses and to facilitate the execution of criminal sentences.
- To reinforce the application of the anti-money laundering directives, implement the measures on payment systems announced in the Fraud Prevention Action Plan and enhance co-operation between Finance Intelligence Units.
- To propose legislative and other measures to make further progress towards an integrated European system of border management and to fight illegal immigration.
- To make further proposals for measures to consolidate the common European immigration and asylum policies, including increased funding for the European

Refugee Fund and reinforced co-operation with third countries in the field of migration.

- To safeguard the implementation of security provisions in the Commission.
- To reinforce all aspects of transport, energy, public health and telecommunication security as well as civil protection through legislative proposals and other initiatives.
- To make a significant contribution to the resolution of the conflict in the Middle East and develop the Mediterranean partnership, notably by taking forward the Barcelona process.
- To develop association and stabilisation process in the Balkans, and further co-operation with Russia and the Newly Independent States.
- To support the process of reconstruction led by the representative government in Afghanistan.
- To reinforce the rapid reaction mechanism and contribute actively to the Common Foreign Security Policy and to the civilian dimension of the Security and Defence Policy.

3.3. A sustainable and inclusive economy: prosperity and growth constitute the foundations on which all the enlarged Europe's policies will be based.

2003 must see firm support for a resurgence in the economy and in employment. To this end, the measures provided for in the Lisbon Strategy will have to be adopted and put into practice. The main thing will be to facilitate progress towards a knowledge-based economy, in particular by way of research and education, as well as training, innovation, the information society, support for better quality jobs and of social integration and the modernisation of social protection. In addition, we shall have to ensure that the internal market for services – financial, energy transport or telecommunications – is fully operational, and optimise the effect of introduction of the euro for consumers and businesses. At the same time, we shall have to make significant progress in eliminating fiscal distortions and obstacles.

Prosperity and inclusiveness must go together. That is the objective of the policy of economic and social cohesion. Sustainable development combines economic development with respect for the environment and social aspects. Achieving a synergy of economic, fiscal, transport, energy, social, employment and environment policies is the key to meeting these objectives.

On the outside, the Commission's objective is to get to grips with globalisation, to ensure that the benefits are shared as widely as possible between countries and within countries. This would have the goal to overcome, or at least reduce, the negative aspects, particularly the resultant social, economic and environmental imbalances. Respect for, and preservation of, the diversity of humankind's environmental and cultural heritage will be at the forefront. The negotiations that began at Doha will enter a crucial phase, and we shall have to ensure that the Kyoto commitments are properly implemented. Finally, we shall have to work on achieving a better global partnership between North and South, notably by delivering on commitments made

in Monterey and Johannesburg and by using the framework of Cotonou agreements to affirm Europe's solidarity with Africa.

Sustainable and Inclusive Economy : Key Initiatives for 2003

In the light of the above, the Commission considers that the following objectives have to be met in 2003 :

- To accelerate the implementation of the Lisbon Strategy including the promotion of a knowledge-based society, the strengthening of the internal market for services (financial, energy, transport, telecommunications, etc.) the removal of fiscal distortions and the promotion of employment policies ;
- To maintain stability-oriented macro-economic policies;
- To promote sustainable development and social and economic cohesion balancing environmental, social and economic concerns ;
- To ensure that the positive effects of globalisation are shared evenly between and within countries; to work for a fairer distribution of resources between the North and the South respecting their cultural diversity and environmental heritage.

The following are the key initiatives identified for a sustainable and inclusive economy in 2003 :

- To complete the internal market for services, through measures to eliminate barriers to the provision and take up of services, from which both business and consumers can benefit, in particular for energy, transport and telecommunications, and reach a final agreement on the most important measures of the Financial Services Action Plan.
- To enhance the competitive conditions in the internal market, in particular in the field of State aids and taxation, to create the necessary environment for consumer confidence in cross-border transactions and to pursue the continuing expansion of trans-European transport and energy networks.
- To realise the information society for all, namely through the e-Europe initiatives.
- To re-inforce economic policy co-ordination, in particular of budgetary policies, to ensure a smooth functioning of the Economic and Monetary Union.
- To promote the knowledge-based society, in particular through the development and implementation of an integrated strategy for a European knowledge area, as well as through the implementation of the joint Commission/Council work programme on objectives for education and training systems in Europe, including measures to develop good practices in life-long learning and e-learning, measures to increase private investment in research and launch of the sixth framework programme for research and technological development.
- To ensure sustainability and coherence in a number of key policies, notably Agriculture (CAP mid-term review), Fisheries, Transport, Energy, Cohesion policy and Structural Funds (third report on cohesion policy), Food Safety and

Public finance in the context of the monetary union as well as an effective follow up on the Göteborg Conclusions; to improve implementation of Community-wide environmental legislation.

- To strengthen and broaden the implementation of the open method of co-ordination by the adoption of a revamped employment package, a second joint report on social inclusion and the launch of this working method in the field of pensions.
- To conduct the Doha round negotiations, bilateral trade negotiations with Mercosur, ACP, Russia and mediterranean countries and the European Union's development policy in a way that ensures the best balance between our trade interests and the highest developmental and environmental results.

4. HUMAN AND FINANCIAL RESOURCES GUIDELINES ARISING FROM THE POLICY STRATEGY FOR 2003

4.1. Frame of reference

It is not possible to give orientations for human and financial resources guidelines within the framework of the policy strategy without looking at the financial perspectives situation for the reference year. The overall payments situation will be extremely difficult. The reduction of outstanding commitments, and particularly the closure of the structural funds programmes for the period 1994-1999, will be concentrated on the year 2003. This could lead to decommitments, but will also lead to an increase of the payments. As the financial perspectives had foreseen a more linear reduction of the RAL, this increase may require raising the overall payments ceiling as a compensation for the underexecution of previous budgets. This also goes for the RELEX area, where an extra effort is underway to reduce the RAL. For the PDB 2003, all efforts will be needed to **contain** payments requests in other sectors to partially compensate for the additional amounts needed for the structural funds.

As for the commitment appropriations to be attributed to pre-accession, structural actions and the rural development, it is necessary to foresee the full use of the appropriations available in the financial perspectives. The present forecast for the sub-heading 1a Agriculture, with the expected €-\$ exchange rate, leaves a margin of some € 1700 million.

As for the internal policy areas and external actions the predetermined factors and financial framework constraints leave little margin of manoeuvre. For 2003 the situation will be particularly delicate, equally for Heading 5 (administrative expenditure), for which the accumulated effect of financial programming of all the institutions would go beyond the ceiling (it is important to recall that this ceiling was fixed in 1999 and did not take account of the need to intensify preparations for enlargement in the year before accession). The political strategy for 2003 therefore aims to pick out the principal problems in resource terms and identify solutions.

The following table presents the overall picture resulting from the APS orientations. They do not prejudge the final figures of the PDB 2003, but do constitute the framework for its preparation.

Framework, by FP heading for 2003, resulting from the APS 2003 Decision

(in millions of Euro, at current prices)

Appropriations for commitments	2002 Budget	2003	Variation 2002-03
1. AGRICULTURE			
<i>FP ceiling – heading 1</i>	46.587	47.378	1,7 %
<i>Total heading 1*</i>	44.255	45.616	3,1 %
<i>Margin</i>	2.332	1.762	
2. STRUCTURAL OPERATIONS			
<i>FP ceiling – heading 2</i>	33.638	33.968	1,0 %
<i>Total heading 2</i>	33.838	33.995	0,5 %
<i>Margin**</i>	- 200	- 27	
3. INTERNAL POLICIES			
<i>FP ceiling</i>	6.558	6.796	3,6 %
<i>Total heading 3</i>	6.558	6.708	2,3 %
<i>Margin</i>	0	88	
4. EXTERNAL ACTIONS			
<i>FP ceiling</i>	4.873	4.972	2,0 %
<i>Total heading 4</i>	4.803	4.909	2,2 %
<i>Margin</i>	70	63	
5. ADMINISTRATION			
<i>FP ceiling***</i>	5.179	5.382	3,9 %
<i>Total heading 5****</i>	5.177	5.448	5,2 %
<i>Margin</i>	2	-66	
6. RESERVES			
<i>Margin</i>	676	434	-35,8 %
	0	0	
7. PRE-ACCESSION AID			
<i>Margin</i>	3.328	3.386	1,7 %
	0	0	
Total appropriations for commitments			
Financial Perspective ceiling	100.839	102.316	1,5 %
<i>Margin</i>	2.204	1.819	1,9 %
Grand total – all FP headings	98.635	100.497	

NOTES:

* Figure for 2003 is a preliminary estimate.

** Use of € 200 million of the Flexibility Instrument in 2002 of which € 30 million for border regions and € 170 million for the Spanish and Portuguese fishing fleets, with the remaining amount of € 27 million also covered by the flexibility instrument in 2003.

*** Ceilings include adjustment to account for officials' pension contributions.

**** Updated version of figures for 2003 from the Secretaries-General's report on "multi-annual evolution of financial perspective heading 5" (Nov 2001).

4.2. Human resources

4.2.1. Needs expressed linked to the three priorities and the availability of resources

- An enlarged Europe

As already mentioned (see section 3 above), making enlargement a success constitutes the first priority of this Commission. In December 2001 the European Council of Laeken has injected new momentum in the enlargement process and the Commission must prepare itself to this great challenge. It has to be recalled in this context that the Peer Group review carried out in 2000 was based upon a Union with 15 members and a Commission with its current tasks and did not take into account the direct implications of the next wave of enlargement.

The Preliminary Draft Budget for 2002 took into account only some of the financial and human resource needs during the early phase of administrative preparation before enlargement, in particular concerning recruitment, translation, interpretation and the linguistic and legal revision of the *acquis* in the languages of the new Member States.

The enlargement facing the EU today is unprecedented in terms of scope, diversity and complexity. The expectation of 10 new countries will result in increases of:

- Member States: from 15 to 25 (66% increase).
- The number of official languages: from 11 to up to 21 (90% increase).
- Population: from 376 to 451 million (20% increase).

2003 is the pivotal year in the enlargement process, as for many activities legal obligations impose that the Commission be ready to deal effectively with new Member States from day one of accession. This will require, among others, an intensification of bilateral information flows, preparing for an increasing economic, social and environmental interdependence, the anticipated preparation for implementation of structural actions as from the first year of accession. The quality and timeliness of services delivered by the Commission will be crucial in shaping citizens' perception of the Union.

Regarding its staffing needs after accession of the candidate countries, the Commission has carried out a detailed analysis. From this analysis, it results that in the Enlarged Europe, the elaboration of policies, the preparation of legislation and the effective control of their enforcement, the management of expenditure programmes and the preservation of the Community *acquis* will be by far more complex and difficult than in previous enlargements. The fact that the candidate countries have recently seen a radical change in their economies and in their legal and political regimes compound the issue. The success of enlargement requires that the Commission, the executive body of the Union and the guardian of the Treaties, is in a position to guarantee the enforcement of the *acquis* when candidate countries become Member States on the day of accession.

For this, the Commission has conducted a rigorous assessment. From this rigorous assessment it results that, based on the integration of 10 more Member States, an

increase in the statutory staff of the Commission is necessary for the Commission to ensure the execution of its statutory missions. This increase should take place as of 2003 until 2008 and respect the financial perspectives set until 2006. The Commission has taken note of the initial estimates announced by the other institutions. On the assumption that these have been built on an equally rigorous approach, the estimates of the various institutions should now be compared in view of, where appropriate, applying common criteria.

There is, however, a more immediate need for additional resources in 2003 to help prepare for enlargement. Without these additional resources, achieving the objectives set out in section 3.1 cannot be guaranteed. The Commission therefore proposes to allocate funds for extra non-permanent posts to be made available. These will be considered as an advance on the new posts, which are considered necessary over the period up to 2008 as a whole. Internal work within the Commission is currently underway to identify these requirements with more precision. At this stage, a first indicative allocation of 500 non-permanent posts is considered as a minimum for 2003. This figure will be revised in the light of detailed hearings with the services concerned.

- Security and Stability/ Sustainable economy

The Commission is equally willing to make its own efforts to meet staffing needs for the 2 other priorities.

A re-orientation of existing human resources within the Commission departments whose initiatives contribute to these priorities has been systematically explored and will allow satisfying needs for some 300 'posts'.

Firstly, a number of productivity gains and negative priorities have been identified within Directorate Generals and have been allocated to these 2 priorities for an amount of some 125 posts.

Secondly, some 175 posts will be available in 2003 for re-deployment between services because of decrease or expiry of certain activities:

- As part of the Commission reform, the control functions are to be taken up by the spending departments, assisted by the Central Financial Service and the Internal Audit Service. According to the current timetable for Council's decision on the recast of the Financial Regulation, the central ex-ante visa as currently carried out by the Financial Control and some other smaller activities (such as the central validation of transactions) are to be abandoned in 2003. The related posts will therefore become available for re-deployment or decentralisation (this redeployment will not entail a reduction in the overall level of financial management). The Commission will do its utmost for making the best use of the valuable expertise of staff currently employed in the Financial Control in spending departments.
- The completion of the enlargement negotiations by the end of 2002, according to the current road-map, will mean that part of the related activities and human resources in the responsible department will decline in 2003.
- The expiration of the ECSC Treaty in July 2002 will entail a further reduction in the progressive phasing out of the related activities.

- The setting up of the newly created European Food Safety Authority will take over part of the activities currently performed by Commission departments.

4.2.2. *The situation of Heading 5 “Administrative expenses of the institutions” and the solution identified to respond to the most urgent needs for the preparation of enlargement*

The most effective means to prepare well for enlargement would be through recruiting qualified non-permanent personnel particularly from candidate countries, and deploying them rapidly.

The current financial perspective foresaw additional administrative appropriations for enlargement as from the date of accession. But to be able to extend the Union policies to the new Member States as from January 2004, the **preparation activities** of Commission departments will have to intensify well in advance, as already envisaged by other Institutions. It is therefore proposed to include the additional 2003 costs of enlargement preparations for all Institutions in the framework of the inter-institutional discussions on the medium-term evolution of Heading 5 (administrative expenditure) of the financial perspectives.

The proposed figure of 500 non-permanent personnel for the Commission and € 10 million for the publication of the “acquis communautaire” in the new languages lead to an additional need of € 35 million in 2003. Other Community institutions are also likely to request reinforcements of this kind and level, according to the results of the Secretary Generals' updated report on the situation of administrative expenditure in 2003, even with increased interinstitutional co-operation.

This is likely to bring administrative expenditure over the ceiling of heading 5 in 2003. The Commission will make proposals in the PDB 2003 to meet this, using the flexibility instrument.

4.2.3. *Human resource orientations stemming from the Annual Policy Strategy for 2003*

This is the second Annual Policy Strategy exercise and a methodology is being developed gradually. For the year 2003, on the basis of the definition of priorities and of the key initiatives identified in section 3, the following orientations are given :

- On « **an enlarged Europe** », the following policy areas are where reinforcements are most urgent and significant :
 - Services managing expenditure programmes, in particular in the agricultural and structural funds policy areas, which will not be fully implemented from the very first day of 2004 without a frontloading of the human resources necessary to complete in 2003 the negotiations on all the programmes and projects to be implemented and cofinanced by the EU in 2004;
 - Services having law enforcement obligations, notably in the field of competition, environment, health and internal market;
 - services responsible for linguistic and publication issues.
- As far as “**stability and security**” is concerned, a substantial reinforcement is necessary for a number of initiatives in the following policy areas:

- justice and home affairs,
- the field of external relations, including crisis management.
- Concerning a **sustainable and inclusive economy**, which constitutes a continued effort in a considerable number of activities of the Commission, a particular emphasis should be put on the reinforcement of the following policy areas:
 - the services contributing to the **Lisbon strategy**, among others in the fields of competition and internal market, as well as the implementation of the social agenda and the knowledge area,
 - **Sustainable development**, mainly in the environment policy area,
 - **Co-ordination of economic policies**, in particular budgetary policies;
 - and the **Doha WTO round**, leading notably to a reinforcement of the trade and agriculture policy areas for the conduct of multilateral negotiations.

The table below gives the breakdown of human resources foreseen to strengthen ongoing actions and/or new initiatives by priority and by source.

Priorities APS 2003	Total change in level of human resources	Of which:		
		From re-deployment within same department	From re-deployment from central 'pool'	From additional outside personnel
1. Enlargement preparation	500			500
2. Stability and Security	150	45	105	
3. Sustainable and Inclusive Economy	150	75	75	
Total	800	120	180	500

The indicative allocation by Policy Area will be finalised in the course of the preparation of the PDB 2003, the final allocation being decided upon at the end of 2002. Furthermore, it should be noted that, out of the 80/90 posts that will become available through early retirements, around a third will be reallocated across services in accordance with resource needs to implement the Reform.

4.3. Financial resources

4.3.1. Financial implications of policy priorities

The initiatives identified to pursue the Commission's three policy priorities in 2003 have been selected on their expected results contributing to the policy objectives in question. A number of these actions need an adaptation of the human resources allocations but in many cases these initiatives do not require extra-financial resources and can be implemented on the basis of existing resources.

The major changes to the financial resources of the selected initiatives are summarised in the following tables which show the policy areas contributing to each priority which it in terms of changes to the existing financial programming, thus reflecting the additional efforts proposed by the Commission to achieve the objectives.

In the tables account should be taken of the fact that no changes have yet been proposed by **some** services concerned with respect to the financial programming of heading 4. However given the 5-year pledge that the Commission made at the Tokyo Ministerial Conference on the reconstruction of Afghanistan the table below relating to the security and stability priority should reflect this significant change. Without being able to quantify at this stage the precise amounts per year, a best proxy for the additional effort has been included for an average amount € 170 million yearly for 2004 – 2006.

4.3.1.1. An enlarged Europe

Table 1 – Changes in financial resources in comparison with financial programming, relating to the priority “An enlarged Europe”

Appropriations for commitments (in millions of Euro) <i>FP Headings 3 & 4</i>	Preparation for Enlargement
	<i>Indicative changes in Financial Resources</i>
Policy Area	2003
Education and Culture	9,3
Enlargement	15,0
TOTAL	24,3

In the event of a settlement between the two Communities in Cyprus, additional Community assistance will be required in 2003 to support and go beyond the confidence building process and in particular to help the northern part of Cyprus prepare for membership of the country by transposing and implementing the *acquis communautaire*. This assistance will also allow to kick-start the needed reconstruction efforts – and further reconciliation - and to support the northern part of the island's long delayed economic development. Finally, such a peace package will also allow a smooth preparation for the measures identified by the Commission for the northern part of Cyprus after accession in its Common financial framework for the accession negotiations¹. In the event of a settlement, the Commission will propose to use the appropriate budgetary instruments to assure the mobilisation of the necessary funds. Also in this area, an additional € 15 million are proposed for continuing the preparation for the enlargement of small and medium sized enterprises in the border regions. The other policy area where financial resource increases are envisaged in 2003 is “Education and Culture” where several actions in the fields of cross-border co-operation could be front-loaded within the Youth programme, and

¹ Document SEC(2002) 102 of 30.01.2002

where reinforcements could be provided for fostering the dialogue with the citizen in the candidate countries and for promoting institutional co-operation in the field of culture with the candidate countries.

4.3.1.2. Stability and Security

Table 2 – Changes in financial resources in comparison with financial programming, relating to the priority “stability and security”

Appropriations for commitments <i>FP Headings 3 & 4</i>	Stability and Security			
	<i>Indicative changes in Financial Resources (in millions of Euro)</i>			
Policy Area	2003	2004	2005	2006
Economic and Financial Affairs	25,0	25,0	25,0	25,0
Energy and Transport	0,0	4,9	13,0	14,5
Environment	3,0	3,0	3,0	3,0
Health and Consumer protection	1,3	1,4	3,4	4,5
Information society	6,0	6,0	6,0	0,0
Justice and Home Affairs	5,0	5,0	0,0	0,0
External Relations	86,9	170,0	170,0	170,0
TOTAL	127,2	215,3	220,4	217,0

The main additional financial resources proposed for this priority stem of course from the external relations’ policy area, in particular in the framework of the global pledge for Afghanistan that the Commission recently gave at the Tokyo Conference. The programming has to incorporate in 2003 an amount of around €90 million for the Asia programme and for the clearance of the anti-personnel mines. Major amounts also have to be added to the programming of last June for the following years. Also a reinforcement of the Rapid Reaction Mechanism has to be foreseen to cope with the civilian crisis management.

An active participation to the peace and security objective means a stronger presence of the EU on the international scene and in conflict prevention and reconstruction efforts. If this stronger (notably CFSP and civilian ESDP) presence is not to be in detriment of continuity in traditional co-operation programmes, innovative solutions have to be found like the establishment of a new flexibility instrument for civilian crisis intervention and simplified access to the emergency reserve (as set out in COM 2001/647).

In the environment policy an increased financing for the internal security is proposed to prepare an integrated strategy in the area of civil protection and security, intending

to improve the state of preventive awareness and the response to natural, man-made and other risks.

With regard to Health and Consumer policy, an increase of € 9.3 million over the period 2004-2006, for the European Centre on communicable diseases, is proposed in addition to the programming foreseen for the new Health programme. Thus the envelope for this programme should cover both the setting up of this centre, and the administrative expenditure for ensuring external expertise, as of 2003, prior to the establishment of the centre.

In the area of Information Society policy the Commission proposes resources totalling € 6 million for 2003 to finance the eEurope 2005 initiative.

In the transport area the setting up of the European Railway Safety and Interoperability Agency aiming at increasing inter-operability and security will need greater appropriations from 2004 to 2006.

It is also proposed to add €5 million for 2003 and 2004 to the European refugee fund for new actions aimed at the reinstallation of the refugees.

4.3.1.3. Sustainable and inclusive economy

Table 3 – Changes in financial resources in comparison with financial programming, relating to the priority “sustainable and inclusive economy”

Appropriations for commitments <i>FP Headings 3 & 4</i>	Sustainable and Inclusive Economy			
	<i>Indicative changes in Financial Resources (in millions of Euro)</i>			
Policy Area	2003	2004	2005	2006
Enterprise	6,0	6,0	6,0	6,0
Energy and Transport	15,8	20,2	19,5	18,7
Environment	4,7	0,0	0,0	0,0
Fisheries	27,6*	0,6	0,6	0,6
Education and Culture	9,8	9,7	5,1	5,0
Development and Relations with ACP Countries	55,0	0,0	0,0	0,0
TOTAL	118,9	36,5	31,2	30,3

*) out of which 27 Million on Heading 2

Major contributions to this priority are the increase in the financial appropriations to combat communicable diseases and to promote reproductive health. An increase of €20 million is proposed for these two actions.

The other major initiative contributing to sustainable and inclusive economy is the so-called “Intelligent energy for Europe” programme which aims to promote new and renewable energy sources, the mastering of the energy demand and the

sustainable energy aspects of transports and would thus replace as from 2003 the present programmes. An annual amount of €50 million, or an average € 20 million more than already programmed, could be foreseen subject to a detailed examination when the corresponding legal base will be proposed, as well as an external co-operation set of actions, which could possibly have budgetary implications on heading 4.

With regard to the European Agency for evaluation of medicinal products, an increase of the subsidy by € 6 million is proposed for developing networks in the field of public health.

The re-orientation of the strategy for the implementation of the existing environmental legislation, the reinforcement of the 6th Environmental programme and the implementation measures proposed in relation to the use of the Kyoto mechanism justify an increase of around € 5 million with respect to the 2003 programmed appropriations in the Environment area.

The major additional financial effort is foreseen for reducing the surplus fishing capacity: € 27 million for specific measures for the Spanish and Portuguese fleets are thus proposed for 2003 and treated in the same way as in 2002. Another measure proposed in order to promote and strengthen co-operation towards a sustainable and responsible fisheries policy is an increase of the Union's contribution to international fisheries organisations.

In the area of Education and Culture, the European Parliament's initiative to considerably increase in 2002 the preparatory action for E-Learning, in agreement with the Council, leads the Commission to propose more than doubling the programmed effort in this area from € 4,7 million to € 10 million in 2003. Subject to the results of this preparatory action, a legal basis could then be proposed for 2004 – 2006 to assure a proper continuation of this political priority. Additionally, it is proposed to finance pilot projects in the framework of the Youth programme as announced in the White Paper 'Youth', as well as continued financing in the field of sport.

5. THE STRATEGIC EVALUATIONS

Conducting strategic evaluations has a dual objective:

- to provide the Commission with the information it needs to formulate its future political orientations in the context of the preparation of its Annual Policy Strategy;
- to make judgements on the relevance and usefulness of current policies vis-à-vis the revealed needs, and the need to abandon certain programmes.

The strategic evaluations are crosscutting evaluations of policies that are run by, or mobilise the resources of, several services.

For information, the Commission decided, on an ad hoc basis and in the light of its decision on the Annual Policy Strategy for 2002, to launch three strategic evaluations on the following subjects:

- Evaluation of financial assistance schemes for Small and Medium-Sized Enterprises, the aim being to analyse the overall coherence and value for money of the various types of financial assistance to SMEs;
- Evaluation of the relevance, effectiveness and efficiency of small-scale measures funded from the Community budget;
- Evaluation of the method used to mainstream the concept of sustainable development into Community policies – its coherence and its problems.

Having regard to the above policy framework and proposals from the various departments, the Commission will conduct the following strategic evaluations in 2003:

Lisbon strategy: the open method of co-ordination : A strategic evaluation will be carried out on the open method of coordination. The open method of coordination is a form of governance used to ensure coherent Community action and exchange ideas in areas where the competence largely lies with Member States.

As the open method of coordination is increasingly applied into new areas of Community policy, it seems appropriate to launch a crosscutting evaluation of its functioning in the first areas in which it has been implemented. This evaluation assists the Commission's reflections on the best way to serve a European Union of 25 Member States, and will take into account existing sectoral evaluations.

Programme management: The Commission runs a wide range of programmes and bears responsibility for this work in terms both of the budget and for achieving the stated objectives, regardless of the management form chosen (i.e. centralised or decentralised management).

Against the background of the enlarged Europe, the strategic evaluation of programme management arrangements will seek to provide the Commission with useful information on the broad lines of its future action in terms of creating, abandoning or renewing Community programmes.

The aim will be to draw up an inventory of existing management methods and to determine to what extent the methods used are the most appropriate and effective for the various types of activity. The evaluation will analyse the advantages and limitations of the various forms of management for highlighting best practices and for any necessary adjustments that may need to be made.

This evaluation exercise will be based particularly on the results of programme evaluations, with special reference to the mechanisms of management and implementation, and on other studies concerned with management systems. Where necessary, it will endeavour to flesh out any missing information. The specifications and steering committees for the strategic evaluations will be set up as soon as possible in 2003.