



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.2.2009
COM(2009) 73 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Annual Policy Strategy for 2010

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1. INTRODUCTION

This Annual Policy Strategy paves the way for establishing a policy agenda for 2010 and launches the interinstitutional dialogue on the priorities for next year. While it is the responsibility of the current Commission to ensure the continuity of the institution's strategic planning and programming system, it must also take account of the fact that a new Commission will be in office in 2010. It will be for the next Commission to review the policy priorities in the light of its strategic objectives, and to turn them into an operational programme when it draws up its Work Programme for 2010.

Depending on the completion of national ratification processes, 2010 may see the Treaty of Lisbon bring about major changes to the EU's institutional framework. Entry into force of the Treaty would require the Commission to submit a number of proposals to give full force to its provisions.

Europe is currently facing an economic crisis that is affecting citizens and businesses in every part of the continent. The impact of the crisis is likely to be significant both in 2009 and in 2010. The EU must therefore continue to act rapidly, decisively and in a coordinated manner, and play its full part in shaping international solutions. The European Economic Recovery Plan provides a solid basis for building the conditions for recovery – its implementation during the rest of 2009 and into 2010 will be a matter of high priority. To make sure that the EU comes out of the crisis stronger and better able to take advantage of the upturn we need to continue with the structural reforms under the Lisbon Growth and Jobs Strategy, in a spirit of partnership between the European institutions and Member States.

The presentation of the Budget Review in 2009 will launch an important debate between the Commission, the European Parliament and the Council on the future of EU finances. During 2010, the Commission will seek to build a consensus on the main strands of the next multi-annual financial framework, so as to prepare the ground for legislative proposals. Part of this preparation during 2010 will include the mid-term review of the current EU spending programmes. Protection of the Communities' financial interests will continue to be a high priority for the Commission, as an integral part of sound and rigorous financial management of EU policies.

Communicating EU issues will be crucial in a year marked by several institutional changes. The Commission, the Council and the European Parliament will establish interinstitutional communication priorities in line with the Political Declaration on Communicating Europe in Partnership. Issues of direct interest to citizens, such as economic recovery, the environment, climate and energy will be covered, together with improved governance in Europe for internal and external security that the new Treaty would entail.

2. PART I – POLICY PRIORITIES FOR 2010

2.1. Economic and Social Recovery

Following on from the action taken in 2009, one of the Commission's main tasks will be to ensure effective follow-up of the European Economic Recovery Plan and to monitor its impact at both Member State and Community level. The Commission will make sure that Member States meet their commitment to pursue and coordinate their national efforts under the Lisbon Strategy for Growth and Jobs and under the Stability and Growth Pact. With the second phase of the Lisbon Strategy coming to an end, it will be time to decide on how to reinforce this Strategy beyond 2010.

As the crisis develops, it has become particularly important that the EU uses the levers at its disposal to assist the work of the Member States in tackling unemployment and sustaining social cohesion. The EU dimension of employment, education and training policies must be used creatively to help Member States develop strategies for building new skills, enhancing job quality, and helping those who have lost their jobs, including through greater use of the European Social Fund and the European Globalisation Adjustment Fund. 2010 will see the fruits of adaptations made to the 2007-2013 cohesion and rural development programmes and their accelerated implementation to aid full recovery from the crisis. This will entail enhanced cooperation with national and regional public authorities on the preparation of projects to make for more investment in energy efficiency, low-carbon and renewable energy technologies, infrastructure projects and measures to combat climate change.

2010 will also be a key year for completing and implementing ongoing work to overhaul the regulation and supervision of financial markets. The crisis has exposed inadequacies and weaknesses in the current framework. The Commission has committed itself to ensuring that all systemically-important institutions are appropriately regulated. The Commission will shortly be presenting proposals for financial services reform, building on the work of the De Larosière group and in parallel with ongoing international developments, in particular in the G20. Proper and timely adoption and implementation of the reform measures will remain a top priority throughout 2009 and 2010.

A well-functioning and open single market is one of the EU's most valuable tools when it comes to sustaining growth and driving prosperity. The Commission will continue to work with the Member States to make the single market work for the direct benefit of EU citizens and businesses alike. It will pursue the reforms launched under the Single Market Review to improve business environment opportunities and drive consumer confidence and demand. Fully implementing the 2008 Small Business Act and improving market access for SMEs in third countries will be part of the recovery work in 2010, and will help SMEs to stay in business in a period of crisis.

The Commission will ensure that the single market remains open to private enterprise to help markets return to competitiveness in the years beyond 2010. Implementation and operation of the Services Directive should provide a solid backdrop to this effort. Implementation of the Postal Services Directive will be in its final phase, opening postal markets to full competition. A new framework for standardisation in Europe may be developed to make the existing system more effective and efficient.

One of the priorities in 2010 will be to manage the impact of crisis-related changes in Europe's economy through state aid and merger control activity. Stepping up the fight against

cartels and the enforcement of competition rules in network industries (energy, ICT, transport, post and financial services) will also aid economic recovery. Further competition sector inquiries will be conducted and new in-depth market monitoring exercises will help to identify inefficient markets and sectors where adjustments can deliver gains in terms of growth, job creation and consumer welfare. At the same time, consistency needs to be ensured at European level when dealing with the rescue and restructuring of companies which have been hit hard by the crisis.

Implementation of the legislation expected to be agreed in 2009 concerning the network industries will make the telecoms, electricity and gas markets more competitive. In 2010, the time will be ripe to establish an integrated policy approach to the digital services economy and recast the current ICT policy framework (i2010). In particular, work will be pursued on the contribution of ICT to energy efficiency. Network and information security will require specific attention. 2010 will also see the follow-up to the renewed broadband strategy to be rolled out by the Commission in 2009, including the likely extension of broadband access to rural areas.

In the current economic climate, extra energy is needed to combat counterfeiting and piracy, including by customs and through international cooperation. Efforts to create a Community patent and patent litigation system will continue. Similarly, both the copyright and the trademark systems should be modernised to make them responsive to the needs of business and consumers.

To make Europe's research efforts less fragmented, the Commission will continue to work with the Member States towards the free circulation of knowledge in the European Research Area (ERA). The 7th Research Framework Programme will remain a cornerstone of the construction of the ERA. Effective implementation of the broad-based innovation strategy will help to convert research into commercial success.

The Commission will continue to assist the development of the European Institute of Innovation and Technology (EIT). Its potential to stimulate innovation will be unlocked by the start of the first Knowledge and Innovation Communities.

In the transport sector, 2010 should see the conclusion of the consultation exercise on the future of EU transport policy. This will enable the Commission to review its transport policy, taking into account the demand for a low-carbon economy and the recently developed funding mechanisms. The guidelines for Trans-European Transport Networks (TEN-T) will also be updated in the light of scientific and technological progress. Furthermore, the Commission will make proposals on the future governance of the Galileo programme (after 2013).

2.2. Climate Change and Sustainable Europe

Assuming that the EU achieves its ambition of a new international agreement on climate change in Copenhagen in 2009, the new agreement will be transposed and followed up within the EU and in other parts of the world, including the most vulnerable countries affected by climate change. Moreover, the EU has taken on ambitious unilateral commitments to reduce its own greenhouse gas emissions, to develop renewable energies and to improve energy efficiency. Implementation of the recently adopted Climate and Energy package, including the revised EU Emissions Trading Scheme, will be a priority for 2010. Investments under the Structural Funds – 13 billion euro in 2010 – will help to improve the environment and combat

climate change. The Global Monitoring for Environment and Security (GMES) operational services will be further developed to monitor the effects of climate change.

Acting on Commission proposals, the 2010 Spring European Council should adopt an Energy Action Plan for 2010-2014. Energy efficiency will remain an important theme, in particular through the update of the Energy Efficiency Action Plan. The Trans-European Energy Networks (TEN-E) guidelines should also be reworked to create an effective instrument for energy security. Efforts will also be required to implement the new legislation on renewables and the single market for electricity and gas.

During 2010, the Commission will continue to protect the EU's biodiversity through the implementation of existing EU nature legislation, the completion of the Natura 2000 network and the delivery of the 2006 Biodiversity Action Plan. 2010 will be the first year of full implementation of the Health Check of the Common Agricultural Policy. The Commission will also follow up on initiatives planned in its Work Programme for 2009 on the demarcation of less favoured areas and agricultural product quality.

The Commission will continue to promote and implement its integrated maritime policy during 2010, including its long-term projects on sea surveillance, maritime spatial planning and European Marine Observation and Data Network (EMODNET) . 2010 will be an important year for the Common Fisheries Policy (CFP), with the expected submission of the Commission's reform proposals following a public consultation. 2010 will also see the entry into force of the reform of the control and enforcement of the CFP, once the proposal currently under discussion is adopted.

The Commission will provide operational support for the implementation of the Baltic Sea Strategy and its action plan, covering areas like energy, the environment, transport, ICT, research, innovation and enhanced cooperation with third countries.

2.3. Putting the Citizen First

2010 will be the first year of implementation of the Stockholm Programme in the area of freedom, security and justice. Drawing on initiatives to be presented in 2009, work will advance on combating terrorist threats and organised crime in a bid to improve citizens' security. Another field of work will be the development of the European area of justice, notably through the e-Justice portal, the improvement of mutual recognition in criminal and civil matters and the granting of further procedural rights.

The protection of fundamental rights will remain at the core of EU activity, in particular as regards vulnerable groups such as children. Action will be pursued to promote citizenship and to simplify the life of citizens when travelling to countries outside the EU. New initiatives may be required to meet the privacy challenge in a globalised world.

The European Pact on Immigration and Asylum provides the framework for EU immigration and asylum policies in the coming years. Taking its lead from a Commission report, the European Council will hold its first annual debate on implementation of the Pact in June 2010. On integration, the initiatives identified in the 2008 Vichy Ministerial Conference will have to be implemented.

In the area of borders, the new Schengen evaluation mechanism should be put into practice. Early in 2010, the Commission may table proposals for the establishment of an entry/exit

system, a registered traveller programme and amendments to the mandate of the Frontex Agency. 2010 should also see progress towards the establishment of a European border surveillance system (Eurosur). The European Common Visa policy will be strengthened, namely through the application of the principle of reciprocity of visa waivers.

Employment, education and training policies will be at the centre of efforts to deal with the consequences of the crisis. As a follow-up to the renewed Social Agenda, the next Commission will continue to work in the fields of employment, social affairs, gender equality and youth to help meet key policy challenges such as globalisation, technological development and demographic change. The Commission should also present a follow-up strategy to the Roadmap on gender equality, which will end in 2010, and pursue its work to make equal opportunities for disabled people a reality. The 2010 European Year for Combating Poverty and Social Exclusion will help to underline the EU's political commitment to eradicating poverty and fighting social exclusion. The Commission will prepare, along with the Member States, stakeholders and other EU institutions, to hold a European Year of Volunteering in 2011.

Further steps will be taken to improve public health and ensure consumer safety. This will entail implementing the EU Health Strategy, operating the Second Programme of Community action in the field of health, finishing the co-decision procedures on patients' rights in cross-border healthcare and on organ donation and transplantation, as well as updating the work on pandemic flu and on public health threats. Passing the 2008 Pharmaceuticals package into law will help to ensure safe medicines for patients while safeguarding the competitiveness of the sector. Animal health and welfare may be a further field in which the Commission makes new proposals, in line with the Animal Health Strategy and the Animal Welfare Action Plan.

The Commission will pursue its joint action with the US and Chinese authorities on product safety and extend it to other countries. The impending entry into force of the directive on toys safety will see these efforts intensify. The Commission will continue to monitor markets and outcomes for consumers and reflection will continue on how the consumer *acquis* can be better enforced, building on the communication to be submitted in 2009. The Commission will also follow up on the 2008 Green Paper on consumer redress in relation to collective claims.

2.4. Europe as a World Partner

A strong EU stance on the global stage is essential to meet the diverse challenges of globalisation, from energy security, climate change, food security and migration to helping the world's poorest countries recover from the downturn. 2010 will mark a new phase in EU external policy if the Lisbon Treaty enters into force. One of the early and visible outcomes of such an institutional change would be the setting-up of the European External Action Service (EEAS).

2010 should see economic recovery alongside a reformed international financial architecture. The Commission will participate actively in the various international forums that will be shaping new global structures. Major initiatives to improve financial supervision and enhance macro-financial surveillance and crisis management will also be put into practice.

Accession negotiations with Croatia and Turkey will continue. The Commission will take action to implement the European Council's request to accelerate the stabilisation and association process in the Western Balkans. The Commission will also prepare measures to

support Kosovo's political and socio-economic development and to help it progress, as part of the region, towards the EU.

The EU will continue to support the settlement of the reunification process in Cyprus.

In the European Neighbourhood Policy (ENP), special emphasis will be put on deepening bilateral relations, in particular with Israel, the Republic of Moldova, Morocco and Ukraine. The ENP will see further intensification, for example, through the Eastern Partnership, the launch of the first flagship projects under the Union for the Mediterranean, and improved cooperation through the Black Sea Synergy. Negotiations on a new agreement with Russia will be pursued during 2010. Implementation of the Central Asia strategy will intensify. The Commission will work together with all these partners and give particular emphasis to developing mutual energy security.

The Commission will cooperate closely with the new US administration to develop the transatlantic partnership. Opportunities should be sought to promote common interests and a positive common agenda in the global context.

The Commission will also pursue cooperation with ASEAN countries, China and India. The EU-Latin America Summit in May 2010 will further develop the EU's strategic partnership with Latin America. Following the Council's decision of June 2008 to reopen the political dialogue with Cuba, cooperation is being resumed and will be enhanced in 2010.

In 2010, the Commission is likely to be actively engaged in the conclusion and/or practical implementation of the Doha Development Round and in ongoing bilateral trade negotiations. Regulatory dialogue will continue with our main economic partners in an effort to increase access to third-country markets for European industry. The Commission will also pay particular attention to preventing and addressing unfair trade-distorting actions and protectionism in third countries.

The EU's contribution to international security and stability will continue to be necessary, in particular in Kosovo, the Middle-East, Afghanistan, and Georgia. The EU will need to be actively engaged in the Middle East Peace Process where progress will depend on the internal political situation in Israel and the Occupied Palestinian Territories, further engagement of the new US Administration and Quartet efforts and developments on the ground.

Implementation of the Food Facility will continue. In 2010, as in previous years, the Commission will seek to be active in crisis management and respond efficiently and rapidly to humanitarian crises, in line with the Action Plan for the implementation of the European Consensus on Humanitarian Aid adopted in 2008.

The September 2010 UN Summit will review progress on the Millennium Development Goals. In the delivery of the EU's ambitious commitments on aid volume, 2010 has been set as the intermediate target on the way to achieving 0.7% by 2015. 2010 will also see the conclusion of the second revision of the Cotonou Agreement with ACP countries and the mid-term review of the 10th European Development Fund. The third Africa-EU Summit will review the Joint Africa-EU Strategy adopted in December 2007 and decide on a new action plan for 2011-2013.

The Commission will work with developed and developing countries towards rapid implementation of the climate change agreement if this is achieved in Copenhagen.

Following the 2009 mid-term review of external relations financial instruments, any amendments agreed would enter into force in 2010.

2.5 Better Regulation and Transparency

Better regulation will remain the hallmark of the Commission's work. For existing legislation, an integrated simplification approach will examine the overall effectiveness of the regulatory framework by policy area. In parallel, the Commission will address those areas identified in the 2009 better regulation package as having simplification potential. The Commission will also continue to vigorously pursue the reduction of administrative burdens in order to reach the agreed reduction target of 25% by 2012. To ensure that new legislation is of the highest possible quality, it will continue to apply the recently reinforced impact assessment system and improve the use of evaluation results.

Work under the European Transparency Initiative will be taken forward. Following the 2009 review of the Register for Interest Representatives ("lobbyists register"), a "one-stop-shop" register agreed with the European Parliament could be implemented. The Commission will also continue to improve transparency regarding the end beneficiaries of EU funds.

3. PART II – GENERAL FRAMEWORK FOR HUMAN AND FINANCIAL RESOURCES FOR 2010

3.1. Human Resources

In the 'screening' of human resources exercise¹ carried out in early 2007, the Commission committed itself to meeting all staffing needs up to 2013 under constant resources once the last enlargement posts for Bulgaria and Romania were phased in. To help meet the policy priorities for 2010, the Commission has instructed its departments to identify efficiency gains, notably in support and coordination functions. This effort is expected to lead to the redeployment of some 600 posts, most of which within individual DGs to strengthen operational activities, namely policy-making and law-making, monitoring and enforcement of Community policies. These will include activities aimed at tackling the consequences of the current financial and economic crisis, consolidating research programmes in the field of transport and energy, enhancing political and trade functions in EU delegations in third countries, reinforcing representation offices in the Member States and developing corporate communication tools.

3.2. Changes in the Allocation of Financial Resources

To help prepare the 2010 Preliminary Draft Budget, which the Commission will be presenting in late April, the Annual Policy Strategy sets out proposed changes to the financial programming under each heading of the 2007-2013 Multiannual Financial Framework. All the proposed changes are compatible with the expenditure ceilings of the 2007-2013 Multiannual Financial Framework and the reference amounts specified in the different financial programmes.

¹ *"Planning & optimising Commission human resources to serve EU priorities"* - SEC(2007) 530, 24.4.2007.

3.2.1. Competitiveness for growth and employment (Heading 1a)

An increase in appropriations of 9% is earmarked for Heading 1a (“Competitiveness for growth and employment”) compared to the 2009 budget, in line with the Commission’s financial programming. This entails increases in the financial allocations to key initiatives contributing to the European Economic Recovery Plan under Heading 1a and the Lisbon Strategy, namely:

- 7th Framework Programme for research and technological development (EC and Euratom): + EUR 803 million
- Lifelong Learning Programme: + EUR 39 million
- Competitiveness and Innovation Programme (CIP): + EUR 25 million
- Trans-European Networks (TENs): + EUR 128 million
- Galileo: + EUR 66 million
- European Institute of Innovation and Technology (EIT): + EUR 24 million for the first year of operation.

An important part of the European Economic Recovery Plan endorsed by the European Council in December 2008² is a new financing instrument, the European Energy Programme for Recovery. This is designed to develop projects in the field of energy in the Community. It is for a duration of two years (2009 – 2010) and has a budget of EUR 3 500 million, allocated as follows:

- Gas and electricity interconnection projects: EUR 1 750 million
- Offshore wind energy projects: EUR 500 million
- Projects for carbon capture and storage: EUR 1 250 million.

The Commission has proposed to revise the Multiannual Financial Framework for 2007-2013 to make additional funds available under Heading 1a whilst keeping within the total amounts agreed in the Interinstitutional Agreement on budgetary discipline and sound financial management of 17 May 2006³. In the light of the discussions with the budgetary authority, the Commission proposes the transfer of resources not required under Heading 2 for 2008 to Heading 1a to fund the EUR 3 500 million proposed for energy projects (EUR 1 500 million in 2009 and EUR 2 000 million in 2010).

The Commission will work together with the European Chemicals Agency to look at how to solve the agency’s expected cash-flow shortage in 2010 due to payment of fees only later in the year. There will be a need to foresee a subsidy from the EU budget.

² Conclusions of the Presidency of the European Council meeting in Brussels on 11-12 December 2008, 17271/08, point 9.

³ COM(2008) 859, 10.12.2008.

The proposed Community programme in support of specific activities in the field of financial services, financial reporting and auditing⁴ will enable the Community to fund bodies⁵ active in the areas of supervisory convergence and cooperation and financial reporting and auditing. The proposed financial allocation is EUR 36.2 million over the period 2010-2013, as already provided for in the updated financial programming of January 2009.

3.2.2. *Cohesion for growth and employment (Heading 1b)*

In line with the existing programming of the structural and cohesion funds, the financial resources allocated to Cohesion for Growth and Employment will increase by EUR 980 million, or 2%, compared to 2009. Following establishment of the conditions for efficient management and control and adoption of the measures proposed in late 2008 to streamline implementation, the Commission will concentrate on maximising the impact of these measures in terms of cohesion, growth and efficiency to fight the economic and financial crisis.

3.2.3. *Preservation and management of natural resources (Heading 2)*

The Health Check on agricultural policy will involve a transfer of EUR 479 million from direct aid to rural development. This will add to the transfer linked to voluntary modulation for Portugal and the reform of the wine sector, leading to an increase of 4.3% in 2010 of appropriations for rural development compared to 2009.

This comparison is made without taking account of the specific measures scheduled in 2009 in the context of the European Economic Recovery Plan. Under Heading 2, the Commission proposes to anticipate – in 2009 already – the measures provided for in the Health Check for the new challenge (EUR 500 million) and to have better broadband infrastructure in rural communities (EUR 1 000 million). These measures in the European Economic Recovery Plan are in addition to the measures provided for under Heading 1a.

The resources allocated to LIFE+ will increase by 6.9% in 2010, as scheduled in the financial programming.

3.2.4. *Freedom, security and justice (Heading 3a)*

Expenditure under this heading will increase by approximately 14% in 2010 compared with 2009, thus demonstrating the high priority of Community action in this field.

The Commission will make proposals designed to implement the common European asylum system, including for the setting up of a support agency, as provided for in the European Pact on Immigration and Asylum adopted by the European Council on 15-16 October 2008. This agency would be a key component of a common European policy on immigration and asylum.

⁴ COM (2009) 14, 23.1.2009.

⁵ The International Accounting Standards Committee Foundation; the European Financial Reporting Advisory Group; the Public Interest Oversight Board; Committee of European Securities Regulators; Committee of European Banking Supervisors and Committee of European Insurance and Occupational Pensions Supervisors.

The Commission also proposes to maintain the same sustained level of funding for FRONTEX (EUR 78 million) in 2010 as in 2009, which is EUR 8 million more than was originally planned in the financial programming.

A decrease of EUR 30 million is proposed, given the lack of legal instruments, which would still allow developments in the field of border controls such as the Entry-Exit or the Registered traveller systems to start in 2010 as initially planned.

3.2.5. *Citizenship (Heading 3b)*

Given the flat profile of this expenditure heading, the total amount proposed for 2010 represents a slight increase of 0.6% compared to 2009, allowing the same level of funding to be maintained for key measures concerning EU citizens, such as public health, consumer protection, civil protection, cultural programmes and communication.

3.2.6. *EU as a global partner (Heading 4)*

The successful conclusion of the United Nations climate change conference in Copenhagen in December 2009 is a key priority for the EU. The follow-up to this conference will have an impact on both the internal and the external policies of the EU. Implementation of the new international climate change regime to be approved in Copenhagen is likely to comprise measures for adaptation, mitigation, finance and technology transfer alike, including through the Global Climate Change Alliance to assist the most vulnerable countries to prepare their adaptation programmes.

The Commission intends to allocate EUR 600 million for the progressive implementation of the Eastern Partnership, over the period 2010-2013. EUR 250 million has been earmarked by reprogramming ENPI funds. The remaining EUR 350 million will come from the unallocated margin under Heading 4, scheduled as follows: 2010: EUR 25 million; 2011: EUR 53 million; 2012: EUR 113 million; 2013: EUR 159 million.

As regards the Palestinian territories, continued delivery of aid will be required to Gaza and the West Bank in order to mitigate the consequences of the protracted crisis.

The Commission will continue to deliver on its commitment to respond to needs stemming from the 2008 crisis in Georgia. Assistance for internally displaced people will complement and reinforce support for policy priorities identified in the Georgia ENPI Indicative Programme for 2007-2010: support for democratic development, rule of law and governance, support for economic development, poverty reduction and social reforms, and support for a peaceful settlement of Georgia's internal conflicts.

The Commission will also further enhance the Stabilisation and Association Process (SAP) with Kosovo. In 2010, the Commission will implement measures to promote Kosovo's political and socio-economic development and EU approximation as part of the study it plans to deliver in autumn 2009.

The requirements for the Middle East Peace Process, Cuba, Georgia, Kosovo, support to the reunification process in Cyprus and climate change will depend on developments in the coming months. The Commission will complement its requests during the budgetary procedure.