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

Annual Policy Strategy for 2007

Boosting trust through action

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BOOSTING TRUST THROUGH ACTION

Europe and its citizens are going through a period of tough challenges. To tackle these, action is Europe's best option. Citizens' confidence in the work of the Union rests on what the Union does and how the Union acts. The Commission has put effective policy delivery at the heart of its objectives. But to make this possible, the European Union needs to work through a true partnership, to ensure that the development, determination and implementation of European policies rest on the foundations of a solid political consensus.

2007 will see the accession of Bulgaria and Romania, provided they meet the conditions necessary to fully implement the *acquis* from the first. With the debate continuing on the future of Europe and the draft Constitutional Treaty, and with the 50th anniversary of the Treaty of Rome, attention will naturally focus on the wider values and goals of the European Union, and on how a modernised Union can respond to the aspirations of today's Europeans. The launch of the new programmes under the financial framework 2007-2013 will be a tangible example of this response. It should also be a sign for the future of Europe debate to focus first on what Europe should be doing, with the support of the Plan D for Democracy, Debate and Dialogue. Effective communication on European affairs and a genuine dialogue with citizens are crucial to regaining their trust. Communication activities will gain momentum in 2007, with most of the Action Plan on Communicating Europe implemented and the consultation on the White Paper on a European Communication Policy translated into actions.

The Strategic Objectives of prosperity, solidarity and security adopted at the start of this Commission's mandate offer a coherent political frame for EU action. They are as relevant as ever to meet the current challenges and expectations. They call for a strong Europe and define the direction for action. Working together to these ends, European institutions can bring real added value and offer tangible results to the people of Europe.

The goal of the Annual Policy Strategy is to isolate key priorities which will develop into the core actions for 2007. This needs to be done with a clear sense of continuity from one year to another. Priority actions for 2007 do not have a twelve month life span. Some will carry through decisions taken and consultations launched in 2005 and 2006. Many will not be finalised or implemented until later. This is why it is important to see these actions as part of a coherent and cross-fertilizing process of policy development, with individual actions in various fields, inside or outside Europe, constituting the building blocks towards the wider goals of Europe.

2007 will be the half-way point for this Commission. Some of its first policy initiatives will have worked through to implementation. New directions will set the scene for the second half of the Commission's mandate. It will be a critical year for delivery of the five-year strategic objectives. Time is pressing and 2007 must show real results. Tangible progress is essential to the credibility of Europe's various multi-annual strategies. The main objective must continue to be growth, to provide more and better jobs in Europe. Citizens are above all worried about their jobs, and this must remain Europe's main priority. One fundamental operational goal for this Commission will of course remain the proper functioning of the enlarged Europe and the full application of Community policies and rules within all the Member States. These core activities are the foundation on which new policy priorities can be built.

The framework for action

Since coming into office, the Commission and its EU partners have set in train major new directions for European policy, as well as keeping up the efforts to conclude on key long-term dossiers. These now serve as the backdrop to new initiatives in 2007.

- The **renewed Lisbon strategy** gave new clarity and focus to Europe's target of growth and jobs. This bore fruit with the first National Reform Programmes in 2006, as the national contributions to the implementation of economic reform, as well as with the action at EU level through the Community Lisbon Programme. This was backed up by the revision of the Stability and Growth Pact, the revised Social Agenda and the review of the Sustainable Development Strategy. The new cohesion policy and the new rural development fund also very clearly focus on the target of growth and jobs.
- The Hampton Court informal Summit in October 2005 also brought forward a consensus between EU leaders on a set of **key issues for EU action in a globalising world**: research and development, universities, demographic challenges, energy, migration and security. These themes saw new initiatives in the following months, including for the creation of a European Institute for Technology, the setting up of a European Globalisation Adjustment Fund and the presentation of a Green Paper on Energy, but need to be built into the core European actions.
- Once negotiations are concluded on the new **Financial Perspectives**, these will offer the basis for funding action for the Union over the next seven years, targeting resources on policy priorities for the long term.
- The special role of the Union in freedom, security and justice was acknowledged in the **Hague Programme** detailing a multi annual programme for the Union in this area. This remains the key guide for Union action in this area which will be redirected in 2007 in response to the first annual scoreboard to be presented in June this year.
- The Union has also set out the path to a set of complementary goals to further prosperity, solidarity and security at the global level, seeking to ensure that open markets, greater competition and rules-based international system offer new opportunities and greater dynamism at home and abroad. The neighbourhood policy is now established as a tool of **external policy** alongside the enlargement process, with accession negotiations opened with Croatia and Turkey. The European Consensus on Development offers the first genuine policy framework agreed between all the institutions.

The questions asked of the Union through the future of Europe debate can only be answered against the backdrop of a dynamic Union bringing real change to Europe within these policy frameworks.

Putting goals into practice

In 2007, the Commission aims to make a reality of these tasks – to take their delivery up to cruising speed. It will implement policies already agreed, develop new initiatives to keep up the pace to meet these targets, and set the scene for the second half of the mandate.

The strategic objectives of prosperity, solidarity and security, inside the Union and worldwide, will remain the cornerstone of the Commission's action. In all these areas, the

European Union has a direct impact on issues of primary concern to Europe's citizens. The overarching target of more growth for more and better jobs will remain. The Lisbon Strategy must show tangible impact if Europe is to remain credible: and the more positive macro-economic outlook must be used to smooth the path for change. Europe must seize every opportunity to speed up reforms and put them into practice.

2007 will also see new directions for the second half of the Commission's mandate. The Commission will be preparing the future, with intensive preparation of the comprehensive review of the Union's budget leading to a White Paper in 2008-2009.

This Annual Policy Strategy sets out the priority actions planned for each of the three strategic objectives and their external translation and is another step forward on the road to securing these goals. These new initiatives will be taken forward in parallel with work to consolidate and implement the policies already agreed and under way. Success in this respect requires that the existing policies of the Union continue to be well managed and implemented. A final section sets out the resources required to manage these policies and to adapt to the needs of the enlarged Europe.

The new initiatives will be taken forward in full respect of the need for high quality standards for European action. European initiatives must be coherent, focused and properly assessed. The Commission has made commitments to carry out impact assessments on its initiatives to confirm that the action is justified. The responsibility for better regulation is shared between European Institutions and all institutions share responsibility for translating decisions into tangible results.

The Annual Policy Strategy provides the opportunity to look ahead. The dialogue it sparks between European Institutions is essential to properly prepare the future work in 2007 on the basis of a shared view of what and how Europe should deliver. The Commission puts this strategy forward in that spirit of partnership, and looks forward to the views of the European Parliament and the Council on where Europe should devote its energies in 2007.

PART I. PRIORITY ACTIONS IN 2007

1. Prosperity

The Commission's core strategy for promoting growth and jobs for the long term is now well established. In 2005, the renewed Lisbon strategy was endorsed by the European Council and the European Parliament. In 2006, the National Reform Programmes will take the implementation of the strategy into a new phase and point to where action should be concentrated in the future. The Commission will continue to support national action and to act where appropriate at Community level to help make 2007 a year when the **Lisbon Strategy starts to show tangible results** on the ground. Four priority areas are highlighted:

- Knowledge, with clear targets to improve Europe's education, research and innovation framework as drivers for growth
- Enterprise, in particular SMEs, to secure an environment and access to finance which help realise Europe's business potential
- Jobs and ageing, to use Europeans' skills to best effect at every stage of their lives
- Energy, to promote a genuine common approach to secure energy provision and its efficient use.

These will be the cornerstones for new initiatives in 2007. EU policies need to be coherent in their support for the Lisbon approach. The Commission will thus continue the implementation of the State aid action plan. The Commission will seek to strike the right balance between job flexibility and employment security. It will also follow up the Green Paper on energy with more detailed proposals to improve the energy market in Europe. At the same time, the performance of the euro area will be critical in providing firm foundations for growth. Since the euro area could be enlarged as from 2007, the Commission will actively assist Member States concerned in ensuring a smooth and well-prepared changeover. The Commission will also continue to implement the approaches already under way in different policy areas, pushing ahead with the single market, especially in the key areas of services and transport. The streamlining of the regulatory approach to the internal market for goods, including the set up of an effective and uniform control system, will ensure an equivalent level of *acquis* implementation everywhere in Europe. In addition, effective management of legal migration is an essential contribution to the objectives of the Lisbon Strategy.

Prosperity: key actions envisaged for 2007

Lisbon Strategy

- Annual assessment of progress and identification of areas for further action
- Start of new programmes for 2007-2013: 7th Research Framework Programme; Competitiveness and Innovation Framework Programme; Galileo; Trans European Networks; Marco Polo; Lifelong Learning; Customs and Fiscalis
- Actions to boost investment in research and innovation by Member States and the private sector, in particular through supporting markets for innovative goods and services, to strive for an attractive single market for researchers, and to enhance university-based research
- Launch of the European Space Programme

Employment

- Communication on “flexicurity”: aiming at a balance between flexibility and employment security

Economic and Monetary Union (EMU) governance

- Enhanced monitoring of stability and convergence programmes and increase dialogue with the Member States likely to qualify for participation in the euro area
- Further development of the functioning of the euro area under the reformed Stability and Growth Pact and enhanced policy coordination

Energy and Transport

- Preparing for the setting up of a European Observatory of energy markets
- Measures to support the completion of the internal market for electricity and gas
- Action Plan on intermodal transport logistics, aiming at alleviating traffic congestion and diminishing transport costs
- Measures foreseen by the NAIADES Action Plan to promote inland waterways transport and exploit its commercial potential

Single Market

- Concessions (follow-up to the Green Paper on Public-Private Partnerships and EC public procurement and concessions)
- Payment services industry - to create a Single European Payment Area by 2010
- Continued action to create a true internal market for financial services
- Proportionality of capital and control (one-share-one-vote) to enhance convergence between shareholders' financial contributions and their control rights in listed companies

- Promoting growth in wireless markets, equipment and services, through a common EU approach to radio spectrum allocation
- Defence markets, by setting new rules for defence procurement and simplifying procedures for the transfer of defence-related products, in order to overcome market fragmentation and increase competition in the sector

Legal Migration

- Proposals on labour migration, in particular to facilitate the admission of highly skilled workers as a follow-up to the Policy Plan on legal migration

2. Solidarity

Economic growth must go hand in hand with **economic and social cohesion, a high level of environmental and human protection, with an eye towards future generations** and with respect for **common values**: this is the core of sustainable development. In many areas, the Union has an agreed path forward, with the revised Social Agenda and with an agreement to bring a European dimension to the challenge of demographic ageing. 2007 will see a new generation of solidarity programmes coming on stream, centred on a new cohesion policy and rural development. Inter-institutional negotiations and subsequent implementation of the reform of the common market organisation for wine, fruit & vegetables and bananas as well as for sugar will allow for more sustainable management of these key assets. In 2007, Europe will have to demonstrate that **cohesion, solidarity and environmental protection go hand in hand with the objective of growth and jobs**. The earmarking of part of cohesion expenditure for this objective, in the context of the new financial period, will be essential to this aim. Special attention will be paid to:

- the promotion of **sustainable management and protection of natural resources**, with a particular focus on curtailing the loss of biodiversity;
- proposals for an EU **maritime policy** which will bring an all embracing approach to the sustainable development and competitiveness of sea-based activities;
- **energy**, where particular emphasis will be given to the promotion of renewables;
- **meeting the EU's climate change** commitments, by updating the EU emissions trading system;
- 2007 will be the European Year of **Equal Opportunities** for all and will call for specific actions designed to facilitate the lives of citizens confronted with family-related problems or problems relating to the enforcement of judicial decisions.

At the same time, it is important to maintain the monitoring of existing law for example in the field of gender equality, anti-discrimination, free movement of workers and labour law.

Solidarity : key actions envisaged for 2007

Start of new programmes for 2007-2013: European Regional Development Fund; Cohesion Fund; European Social Fund; European Globalisation Adjustment Fund; Rural development programmes; European Fisheries Fund; Progress; Life +; Youth in action, Culture 2007; Media 2007; Citizens for Europe; Solidarity and Management of Migration Flows; Fundamental Rights and Justice.

Social Solidarity

- Revised Directive on transfers of undertakings
- Social partners' consultation on cross-border collective bargaining
- Simplify legislation on information and consultation of workers
- Follow up of Green Paper on the evolution of labour law
- European Strategy on Information and Communication Technologies to promote social inclusion and independent living in an ageing society

Justice and Home Affairs

- Follow-up to Green Papers on succession and wills, matrimonial property regimes and the attachment of bank accounts
- Green Paper and a Policy Plan on the establishment of the second phase of the Common European Asylum System
- Green Paper on the effective enforcement of judicial decisions
- Minimum standards relating to the gathering and handling of evidence with a view to mutual admissibility
- Communication on drugs policy and on mechanisms to detect, monitor and respond to emerging trends in drug use and drug markets
- Communication on a more harmonized interpretation of key provisions of the Data Protection Directive

Sustainable Management and Use of Resources and Environment Protection

- Revision of the EU Emission Trading Scheme and a proposal on Carbon Capture and Geological Storage
- New initiative on Green Public Procurement as part of the Action Plan on sustainable production and consumption
- New structures for development and demonstration of clean coal technologies
- Establishment of the new EU Chemicals Agency in Helsinki and implementing legislation on the new chemicals regulation (REACH)
- Review of the Habitats and Birds Directives, to adapt them to new scientific knowledge
- Conclusion of the Green Paper's consultation on a future maritime policy and presentation of an Action Plan

3. Security and Freedom

Ensuring **security and justice** and **managing modern risks** require an EU dimension for it to be effective. In 2005, the Hague Programme mapped out how to take forward freedom, security and justice policies in Europe in 2005-2009. A first evaluation will take place in the second half of 2006.

In 2007, the main target will be **migration and border control**, with the **lifting of internal border controls with and between new Member States and the extension of the Schengen area**, after verification that the necessary conditions have been met and that flanking measures have been put in place. In addition:

- the fight against **crime** and violence will be of particular significance, with initiatives to reduce the scope for crime to take advantage of a Europe without frontiers;
- other measures would centre on efforts to ensure fair and effective **criminal investigation** across the EU.

Greater preventive efforts will ensure the safety and protection of citizens. Protection against diseases will be a particular focus for EU action in cooperation with the Member States, third countries and international organisations, as well as the development of EU rapid response capacity in the event of major terrorist attacks and other disasters. Tighter inspections of nuclear facilities will also be pursued through the new approach of control of safety and guarantees of radioprotection.

Security : key actions envisaged for 2007

Start of new programmes for 2007-2013: Security and Safeguarding Liberties; Fundamental Rights and Justice; Rapid Response and Preparedness Instrument; New Solidarity Fund; Health and consumer protection.

Justice and Home Affairs

- Start-up of Schengen Information System (SIS II) and the Visa Information System (VIS) including biometrics and the related Council Decision on the lifting of controls at the borders with and between the new Member States
- Initiatives on
 - protection of witnesses and individuals who cooperate with the judicial process in the fight against international organised crime
 - export/import licensing system for firearms
- Communications on
 - the transparency of legal entities to reduce vulnerability to infiltration by organised crime
 - the fight against illicit cross-border trafficking in restricted or prohibited goods
 - the promotion of intelligence-led law enforcement activities across the Union

Health and Safety

- Start-up phase of the Global Monitoring for Environment and Security (GMES) services on land use monitoring, crisis management and ocean monitoring
- Develop a Community framework for safe, high quality and efficient health services, by reinforcing cooperation between Member States and providing clarity and certainty over the application of Community law to health services and healthcare
- Strengthen and simplify European structures to respond to health threats, notably through the creation of a high level European network of flu officials
- New EU Animal Health Strategy, which will include a policy of disease prevention, improve the coherence with other EU policies, and make better use of financial resources

4. Europe as a world partner

Beyond its borders, European institutions must continue to work for the practical promotion and protection of their strategic objectives. **None of them can be achieved by Europe alone.** Europe's key external policy directions all have a direct impact on the delivery of these objectives:

- In trade, 2007 should start to bear the fruits of **the Doha round**, which will have to reflect solidarity with the developing world while ensuring the opening up of new markets for Community goods and services.
- 2007 should be the year of **Bulgaria's and Romania's** accession to the European Union provided they comply timely with the conditions necessary to fully implement the *acquis* from the first day of accession. The Commission is finalising its assessment for May 2006 and the European Council should take a final decision this year.
- Progress in the stabilisation of the **Western Balkans**, notably in view of the clarification of the status of Kosovo, and the opening of major chapters in the negotiations with Turkey and Croatia will make a major contribution to Europe's overall security and stability and to the consolidation of the bases for its long-term prosperity.
- In the **European neighbourhood**, links with partner countries will be further enhanced through the implementation of Action Plans and regional and cross border cooperation. Energy will be a core theme within the convergence of regulatory frameworks to favour trade and investment.
- The completion of **Economic Partnership Agreements (EPAs) negotiations with the African, Caribbean and Pacific (ACP) countries** will bring Europe's relations with its ACP partners into a new phase, strengthening the dynamics of regional integration and creating a powerful development tool by combining predictable trade rules, the creation of larger markets and support measures tailored to the needs of ACP countries.
- The EU will also need to continue its efforts to build a more effective and consolidated response to **conflict prevention, crisis management and peace building**, by rapid mobilisation of resources and expertise. Greater attention will be paid to reforms carried

out by partner countries in the field of human rights and democracy, and to closer electoral observation.

Critical to the realisation of these goals will be the **concrete expression of enhanced policy coherence and reinforced aid effectiveness in the Union's external action**. Common Foreign and Security Policy, Community external policies and external aspects of internal policies must better work together.

External projection: key actions envisaged for 2007

Start of new programmes for 2007-2013: Instrument for Pre-Accession; European Neighbourhood and Partnership Instrument; Development Cooperation and Economic Cooperation Instrument; Instrument for Stability.

Enlargement, Neighbourhood and Russia

- Monitoring of the former Yugoslav Republic of Macedonia's compliance with the Copenhagen criteria
- Revision of contractual relations with Serbia and Montenegro and clarification of Kosovo status
- Review issues of financial support and trade with the Turkish Cypriot community
- Conducting negotiations with Ukraine on successor to the current Partnership and Co-operation Agreement
- Starting negotiations with Russia on the successor to the current Partnership and Cooperation Agreement
- Continued contribution to the Middle East Peace Process as well as to other "frozen" conflicts

Wider World

- Concluding the Economic Partnership Agreements (EPA) with the 6 ACP regions to allow implementation as from 1 January 2008
- Stepping up support towards ACP countries affected by the sugar reform
- Finalising the Doha negotiations and start implementing agreements
- Further improve EC capacity to respond to international crises, natural or man made, in coordination with the Council
- Reinforcing EU aid effectiveness through joint programming with Member States
- Enhancing the contribution of EU internal policies to the implementation at EU level of the Millennium Development Goals (MDGs) agenda on Policy coherence for Development
- Negotiating a new EU-China Framework Agreement
- Five years after the 2002 World Summit on Sustainable Development assessing EU progress

on the commitments taken and identifying the main challenges for the following five years

- Implementing the international fund for renewables and consolidating progress on international action to tackle climate change
- Improving cooperation with third country on migration management; adoption of common standards on return of third country nationals and extension of readmission agreements
- Launching a Community Food Safety training, open to participants from developing countries, promoting and clarifying Community standards and enhancing international trade in safe food

5. European Governance and Better regulation in action

The Commission has made solid progress in delivering on its commitment to ‘Better Regulation’. It has focused on improving the quality of its policy and legislative proposals through systematic assessment of their economic, social and environmental impacts. There is a commitment to continued qualitative improvements to the **impact assessment** system and the results of an external evaluation of the Commission’s impact assessment experience will feed into this discussion in 2007.

A second key area of improvement concerns **simplification**. 2007 will see the delivery of many of the simplification initiatives set out in its 3-year rolling programme. This programme covers various fields, from environment (e.g. in the areas of waste, industrial emissions and ozone layer) to industry (e.g. in the construction, automotive, cosmetics and medical devices sectors) to the modernisation of labour law, the promotion of consumer rights and key internal market sectors (regulation of financial services, labelling of feed/animal nutrition and of foodstuffs). Simplification is not an objective limited to issues inside Europe and has also been the basis of the new architecture proposed for external financial instruments for 2007-2013. The Commission also continues to improve its work related to enforcement of Community law, improving dialogue with Member States to ensure timely implementation and effective and equitable application, including cases which merit priority action. The Commission shares the responsibility for better law-making with the Council and Parliament. An effort is needed from all sides to translate Better Regulation aspirations into results

To build trust with the European citizens, the Commission also needs a modern, efficient and accountable administration to deliver on its policies. In this context, it will pursue efforts to obtain an unqualified positive opinion by the European Court of Auditors on the financial management of the EU budget and to increase transparency on how money is spent and decisions taken.

PART II. GENERAL FRAMEWORK FOR HUMAN AND FINANCIAL RESOURCES FOR 2007

1. Human resources

1.1. *Enlargement-related reinforcement*

On the basis of the Commission's assessment, the Budgetary Authority has endorsed the necessary recruitment of 3 960 additional members of staff needed between 2003 and 2008 in order to enable the Commission to extend its work to the ten new Member States and fulfil its institutional responsibilities. Following the requests for 2 680 new staff made during the last four years, the request in 2007 is for a net increase of 640 additional staff members. In accordance with its communication presented last November on the consequences of the accession of Bulgaria and Romania on its human resources, assessed at 850 new staff, the Commission asks for 250 new posts on the basis of the foreseen next enlargement in 2007. This overall recruitment constitutes the indispensable basis for carrying forward the management and supervision of Community programmes, and for implementing the *acquis communautaire* within the enlarged Union. The Commission will use these new resources to deal with the extension of its tasks following enlargement and to pursue its four policy priorities insofar as they relate to an enlarged Union.

1.2. *Contribution to a central pool*

Beyond these new posts, the Commission must mobilise additional resources to implement the priority initiatives independent of enlargement. It proposes to do so by way of redeployment within and between departments. As in previous years, it is proposed that a central redeployment pool be set up, drawing generally upon all staff and set at 1% of staff. Identifying negative priorities and other ways in which staff may be re-assigned to tasks linked to priorities will remain a fundamental element in justifying any request for new resources. Savings resulting from externalisation (such as the planned setting-up of the TENs executive agency) or from productivity gains (for instance, in the field of translation through pro-active demand management) are also redirected towards the priorities. The Commission will also allocate posts on a temporary basis for temporary tasks, generating a more flexible and more dynamic allocation process for future years.

1.3. *Total human resources available for the four priorities*

The table below summarises the human resources which are expected to be needed for launching new initiatives or reinforcing ongoing activities, by priority and according to source.

APS priorities in 2007	New resources related to enlargement and Irish	Redeployment between departments	Redeployment within departments	Total resources available for the priorities
1. Prosperity	98	30	67	195
2. Solidarity	97	29	73	199

3. Security	66	12	25	103
4. External projection	28	124	25	177
Extension of existing activities in an enlarged Union (including phasing-out of pre-accession activities)	614	50	151	815
TOTAL	903	245	341	1 489

The allocation of new enlargement-related resources by policy area will be finalised during the preparation of the 2007 preliminary draft budget, including the breakdown between establishment posts and external personnel.

2. Financial resources

The APS decision typically provides details of new financial resources allocated to policy areas for specific initiatives, presented in terms of variations to the existing financial programming. However, because the financial programming is dependent on the Financial Perspectives, by way of exception the Annual Policy Strategy for 2007 does not deal with financial resources. Nonetheless, the financial programming will be finalised with the preliminary draft budget and subsequently adapted by the Commission once an inter-institutional agreement on the Financial Perspectives is reached.