Public opinion and EU policies

Exploring the expectations gap
Contents

Public expectations and EU policies: Identifying the gaps 7
The fight against terrorism 11
The fight against unemployment 15
The fight against tax fraud 19
The issue of migration 23
The protection of external borders 27
The promotion of democracy and peace in the world 31
Environmental protection 35
Security and defence policy 39
Health and social security 43
Equal treatment of men and women 47
Energy supply and energy security 51
Economic policy 55
Agriculture 59
Foreign policy 63
Industrial policy 67
Citizens’ expectations of the EU

The Eurobarometer survey of the European Parliament ‘Europeans in 2016: Perceptions and expectations, fight against terrorism and radicalisation’ aimed to identify, across a range of different policy fields, the level of awareness of citizens of EU action in that field, and to assess how content they were with EU involvement in each field.

This compendium brings together a set of short briefings by the European Parliamentary Research Service (EPRS) following up the survey. Taking each of those policy fields in turn, they look at what the Union is already doing, identify gaps between citizens’ expectations and current EU activity, and possible areas for additional EU action.

The full survey can be accessed on the European Parliament website, including a series of infographics presenting the differences in public opinion by policy area in each Member State.
Public expectations and EU policies: Identifying the gaps

OVERVIEW
Citizens’ expectations of the European Union vary widely across policy areas. A Eurobarometer survey of the European Parliament – Europeans in 2016: Perceptions and expectations, fight against terrorism and radicalisation – seeks to identify those areas in which EU citizens want to see the Union doing more. Having identified areas in which there is a gap between the EU’s current action and citizens’ expectations of the Union, the next step is to look at the potential – within the constraints of the EU legal foundations – for the EU to do more to meet citizens’ expectations.

Public expectations and EU policy commitments – is there a gap?
In almost all the policy areas covered by the Eurobarometer survey of the European Parliament, a majority of the EU citizens questioned would like to see increased EU involvement, and only a minority of them believe current EU involvement is sufficient. The reasons for such preferences and evaluations are different for each policy area – sometimes EU involvement could be viewed as having been positive so far and therefore, citizens could want further EU action; or sometimes EU involvement could have fallen below citizens’ expectations and therefore, they would expect the EU to step up its efforts. The reasons behind citizens’ preferences for increased EU involvement, as well as their preferences on the areas in which the EU should focus such further involvement, need more research. However, the data show that, in most policy areas there is a clear gap between citizens’ perception of current EU involvement and their expectations and preferences for future EU involvement.

Figure 1: Gap between expectation and current EU involvement
Public expectations in Member States

Figure 2: Expectations for more EU involvement – Differences between Member States

The majority of citizens from almost all Member States would like to see increased EU involvement in 9 of the 15 policy areas covered in the survey. These tend to be the policy areas which are more clearly defined, and thus citizens find them somewhat easier to understand and relate to. As many as 21% of respondents said they were not able to evaluate the EU’s current involvement in industrial policy, and this is also the area with the lowest desire for increased EU involvement. Apart from that, in all other policy areas, there is a preference for more EU involvement by the majority of respondents, although there are differences between Member States. In some policy areas, the preferences expressed by citizens in different Member States are pretty similar, as in the fight against terrorism, which is also the area with the highest desire for increased EU involvement. In other areas, such as health and social security and equal treatment of men and women, there are several clusters of Member States with views similar to
Public expectations and EU policies

Each other. However, these policy areas are broadly defined and further research is necessary to understand the nature of the expectations, and to clarify possible differences in what citizens from different Member States understand by the policy areas covered by the survey.

Europeans in 2016: Perceptions and expectations, fight against terrorism and radicalisation

<table>
<thead>
<tr>
<th>Special Eurobarometer of the European Parliament, conducted by TNS Opinion</th>
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</thead>
<tbody>
<tr>
<td><strong>Sample size:</strong></td>
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<tr>
<td><strong>Representativeness:</strong></td>
</tr>
<tr>
<td><strong>Fieldwork:</strong></td>
</tr>
<tr>
<td><strong>Methodology:</strong></td>
</tr>
</tbody>
</table>

Potential ways forward

The expectation gaps in different policy areas cannot be addressed in the same way. On one hand, the challenges have different natures – from more technical policies, such as energy supply and energy security, to those facing acute challenges, such as migration, as well as cross-cutting ones requiring implementation in many other policy areas, such as equal treatment of men and women. On the other hand, the EU’s competences vary across the 15 policy areas surveyed, and the scope of potential EU action is sometimes constrained by the degree of competence attributed to the EU by the Member States. For instance, whilst the highest expectations of EU citizens for EU action can be observed in the field of the fight against terrorism, this policy area lies primarily with EU Member States, the Union’s competence being limited to coordination, provision of support and – only to a limited extent – harmonisation of national laws. Another example is the fight against unemployment (ranked second in citizens’ expectations of the EU), on which the EU has only the competence to coordinate and encourage cooperation between Member States, and to support their action. Different options to explore and better utilise existing potential are being explored, debated or are in preparation across the EU institutions.

The potential of the Treaties and possible Treaty changes

Parliament’s Committee on Constitutional Affairs (AFCO) is preparing a report on ‘Improving the functioning of the European Union building on the potential of the Lisbon Treaty’ (rapporteurs Mercedes Bresso, S&D, Italy and Elmar Brok, EPP, Germany) addressing the shortcomings of current EU decision-making in the different EU policy areas. With a view to improving the effectiveness of EU action in response to citizens’ expectations, the draft report contains proposals for better use of the potential of the EU Treaties to deepen the Economic and Monetary Union while emphasising, inter alia, its social dimension; to increase the effectiveness, coherence and accountability of the EU’s Common Foreign and Security Policy, including steps towards a common defence policy; to improve counterterrorism action by intensifying structured information exchanged between the relevant national security agencies and intelligence services; and to further democratise the EU’s institutional set-up.

A second report, complementary to the first, is also being prepared within the AFCO Committee, on ‘Possible evolutions and adjustments of the current institutional set-up of the European Union’ (Guy Verhofstadt, ALDE, Belgium). The draft report contains some precisely targeted changes to the Treaties, based on citizens’ demands and preferences for stronger EU action. Possible Treaty changes are discussed in the field of economic governance, notably to remove barriers in the Internal Market, and especially to digital services and capital markets. A further aspect is the EU’s geopolitical position, with an emphasis on steps towards a Defence Union and on democratising the Common Foreign and Security Policy. The draft report also looks into possible changes to make the EU more democratic, and EU decision-making more accountable.
Public expectations and EU policies

Potential ways forward – examples from policy areas

Many factors influence the approach to developing EU involvement in a policy area. To name a few – the nature of the policy field, EU competences and the status quo of EU policy implementation, positions of the Member States, outside factors that require EU reaction and of course, the expectations and preferences of EU citizens. The graphics below provide examples two policy areas – fight against terrorism and the issue of migration – showing the legal basis, building blocks of EU involvement and the potential for future development. For more details, issue-specific briefings in the current series cover each of the 15 policy areas.

Figure 3: Fight against terrorism – potential for future EU involvement

Figure 4: The issue of migration – potential for future EU involvement

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Fight against terrorism

OVERVIEW
EU citizens show strong expectations for increased involvement of the EU in the fight against terrorism. The current EU legal framework is limited by the primary role of the Member States in this area. Nevertheless, there is still the scope and potential for increased EU involvement within the current legal framework. This briefing considers this and also covers current and potential relevant financing at EU level. Financial instruments that tackle counter-terrorism directly, indirectly or partially are spread across the EU budget and are increasing.

Public expectations and EU commitment on the fight against terrorism – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, EU citizens demonstrate overwhelming and rather consensual support for increased EU intervention in the fight against terrorism. 82% of all EU citizens want expanded Union involvement in the future. This is the highest support for more European action of all researched policy areas. Differences between countries are smaller than in other policy areas. The highest support for more significant EU involvement is seen in Cyprus (93%), Portugal (91%) and Italy (88%), and the lowest in Austria (73%), Croatia and Poland (74%). The differences between countries are not related to the feeling of threat of terrorist attacks, which varies from 7% in Slovenia to 64% in France.

The differences between the opinions of women and men on this issue are almost non-existent. The older generations demonstrate only slightly stronger support for increased EU involvement compared to the younger generations, but the differences are neither considerable nor linear (see figure 1).
The fight against terrorism is an area with an explicit and very strong perception of a gap between the expectations of EU citizens and the actual level of the Union’s involvement – 69% consider the current EU involvement to be insufficient. The EU measures that are perceived as most urgent are the fight against the financing of terrorist groups and against the roots of terrorism and radicalisation, and strengthened control of the external EU borders. The recent terrorist attacks in Paris and Brussels, and the follow-up given to them by the media and experts, also demonstrated that the fight against terrorism is expected to be tackled in coordination between Member States and with the involvement of policies at EU level. The cost of not doing that could be measured in human lives, which explains the sensitivity on this topic.

Legal framework

The relevant Treaty provisions in this area are those on the Area of Freedom, Security and Justice (AFSJ), i.e. Title V of the Treaty on the Functioning of the European Union (TFEU), Article 222 TFEU (‘solidarity clause’), and those pertaining to a range of indirectly related policies (e.g. internal market).

The roots of EU counter-terrorism policy can be traced back to the TREVI group set up in 1976. The Maastricht Treaty created the third ‘pillar’ of Justice and Home Affairs, covering inter alia police and judicial cooperation, as a result of the necessity to address issues such as terrorism. The Lisbon Treaty abolished the pillar structure and extended the scope of co-decision (now ‘ordinary legislative procedure’) including in the AFSJ.

Current implementation and EU action

The fight against terrorism lies primarily with EU Member States, the Union’s competence being limited to coordination, provision of support and – only to a limited extent – harmonisation of national laws. However, following the 9/11 terrorist attacks, the EU has been very active in counter-terrorism which has resulted in a somewhat complex and multi-faceted legal and policy framework. The tools mentioned below are but a few major pieces of the puzzle.

Under the so-called ‘solidarity clause’ of Article 222 TFEU, the EU is supposed to mobilise all the instruments at its disposal, including the military resources made available by the Member States, to prevent or respond to a terrorist attack in any one of them.

The European Police Office (Europol) links police forces across the EU. Set up by a 1995 convention, it became an EU agency in 2010. Following a series of terrorist attacks in 2015, its previously scattered counter-terrorism capacities were pooled and streamlined with the creation, within the Agency, of the European Counter Terrorism Centre (ECTC). Council Framework Decision 2002/475/JHA on combating terrorism – a criminal justice harmonising tool amended in 2008 – requires that Member States criminalise specific terrorism-related offences, defined by the Decision and provide for effective, proportionate and dissuasive penalties. In its implementation report of 2014, the Commission concluded that all but two Member States had implemented the Decision.

As regards terrorist financing, the EU has closely followed up on international developments, as illustrated, most importantly, by a series of EU anti-money laundering (AML) directives. While its activities in the field of counter- and de-radicalisation are often overlooked, the EU has a Strategy for Combating Radicalisation and Recruitment to Terrorism and launched, in 2011, the Radicalisation Awareness Network (RAN), linking around 2000 practitioners. October 2015 saw the establishment of the RAN Centre of Excellence.
Potential for better implementation and further EU action

New EU tools underway
The dramatic incidents of 2015 proved yet again how quickly the EU’s untapped potential can be unlocked under general public and political pressure. Rising to the challenge, the EU has sought to establish itself as the main counter-terrorism 'broker' coordinating Member States’ action, harmonising criminal laws and providing a platform for intelligence sharing.

In December 2015, the Commission presented its proposal for a new directive on combating terrorism, replacing the 2002 Framework Decision. The current legal framework seems insufficient to meet Member States' obligations resulting from new international laws and standards (at UN, Council of Europe and FATF level). The proposal seeks to address this by criminalising travelling for terrorist purposes; the funding, organising and facilitating of such travel; receiving training for terrorist purposes, and providing funds for terrorist activities. Moreover, the Commission has made proposals for a new firearms directive, a targeted amendment of the Schengen Border Code (mandatory systematic checks of EU citizens at EU external borders), a regulation on the European Border and Coast Guard (enhancing contribution of Frontex to counter-terrorism) and for a directive improving the exchange of information on non-EU nationals in ECRIS. It also announced new measures to address terrorist financing, such as targeted amendments to the Fourth AML Directive and legislative proposals to harmonise criminal sanctions for money laundering across the EU. Finally, the long-awaited post-Lisbon Europol Regulation, adopted in May 2016, increases the flexibility of the Agency in terms of setting up specialised units (such as the ECTC) to better respond to emerging threats.

Possible ways forward
Under the existing legal framework there is scope for further developing EU counter-terrorism capacities. A comprehensive evaluation of the plethora of relevant EU measures could be a starting point. Better use of existing tools and improved coordination across policy fields may be a better way forward than hasty adoption of new measures without proper reflection on their possible impact.

Member States will retain control over national security issues. Given that their unwillingness to share intelligence seems to be the single most important obstacle to successful cooperation at EU level, their increased contributions to the Schengen Information System, the Europol Information System and other EU information-sharing tools would appear to be crucial. The improved technical design of these databases could considerably facilitate border checks and law enforcement. In the short term, cross-matching capabilities of EU databases could be enhanced in order to achieve complete interoperability in the more distant future.

At institutional level, the setting up of the European Public Prosecutor’s Office (EPPO) could be an important EU contribution as Article 86 TFEU allows for extending the EPPO’s competence to serious crime having a cross-border dimension (such as terrorism).

As regards external aspects of EU counter-terrorism, better use could be made of the AFSJ agencies in the MENA region and more emphasis placed on addressing root causes of radicalisation outside EU borders.

The EU budget and the fight against terrorism
It is not possible to calculate total EU spending on counter-terrorism (CT) with any precision. CT spending takes place mainly at the national level. Member States play a primary role in allocating resources to combat radicalisation, adopt new security measures (or strengthen existing ones) and to enhance security against terrorist attacks. Furthermore, the EU budget is not conceived as a flexible tool adaptable to contingencies. It is aimed at distributing the available resources across the main fields of EU action, on a cyclical basis. The 2007-13 MFF
included a €140 million programme for the 'Prevention, Preparedness and Consequence Management of Terrorism and other Security-related Risks', designed to protect citizens and infrastructure from terrorist attacks. Under the 2014-20 MFF, the Internal Security Fund is the financial instrument designed to support security-enhancing initiatives in the EU. The 'ISF-Police' component is aimed at combating serious and organised crime and includes (but is not limited to) CT. For 2014-20, this instrument has a budget of €1 004 million (€662 million through shared management, where actions are carried out by the Member States, and €342 million through direct management by the Commission).

Examples of funds available for CT related actions under budgetary lines spread across the EU budget include: (1) title 18.02.01.02 'Prevention and fight against cross-border organised crime and better management of security related risks and crisis'. This not only addresses CT, but includes funding for actions related to terrorism (e.g. information-sharing, cooperation among Member States). (2) Funds used to support bodies aimed at, inter alia, CT. One case is the recently created European Counter-Terrorism Centre (ECTC) within Europol. For the 2016 budget, the Commission proposed €2 million in both commitment and payment appropriations, to be financed with resources from the Internal Security Fund, to increase the staffing of the ECTC, a proposal accepted by Parliament and Council. Another example is the Radicalisation Awareness Network Centre of Excellence which was created on 1 October 2015 to step up support to Member States and priority third countries. The Centre has a budget of €25 million until 2020. (3) Funds for actions aimed at preventing radicalisation through education. Under Erasmus+, for instance, up to €400 million is available in 2016 for fostering inclusion and promoting fundamental values (the Commission has launched a specific €13 million call to identify and spread best practices). (4) Research funds made available by the Commission for security research. For example, €1.7 billion under Horizon 2020 for 2014-20, with a number of actions relating to enhancing security against terrorist threats planned.

Financial instruments outside the EU budget
Since 2013 the Commission is entitled to create and administer Union Trust Funds in the field of external action: these are multi-donor trust funds for emergency, post-emergency or thematic actions and may be eligible to cover CT-related expenses, or to help partner countries improve their capacities to fight terrorism and organised crime. In October 2015, the Commission established the EU Emergency Trust Fund addressing the causes of irregular migration and displaced persons in Africa, and also aimed at fighting terrorism and enhancing security.

Potential for further financing at EU level
Potential areas of increased expenditure might include the administrative structures aimed at fighting terrorism – e.g. Europol (between 2002 and 2009, Europol's budget increased from €53 million to €68 million, and its 2016 budget is over €100 million) and Eurojust (whose budget in 2015 was nearly €34 million). Another potential area concerns the implementation of the improved design and interoperability of EU databases mentioned above.

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The fight against unemployment

OVERVIEW
Fighting unemployment is an important part of the Europe 2020 Strategy. The European Commission set a target of 75% of 20 to 64 year-olds being employed by 2020. Policies and programmes aimed at fighting unemployment follow various paths: reducing taxes on labour, supporting start-ups, encouraging labour mobility, tackling poverty and social exclusion, improving working conditions and investing in education, vocational training and lifelong learning. More recent initiatives seek to make better use of available skills and enable rapid recognition of qualifications, but also to assess individual needs. Despite all the initiatives, EU citizens still expect more EU intervention in the fight against unemployment or expect to see results from the initiatives that have already started.

Public expectations and EU commitment on the fight against unemployment – is there a gap?

According to a new Eurobarometer survey of the European Parliament on 'perceptions and expectations', 77% of EU citizens surveyed would like the European Union to intervene more in the fight against unemployment than it does currently. Although there are differences across Member States, the variation in opinion is moderate. The strongest support for increased EU action is in Cyprus (94%), Portugal (93%) and Spain (91%) and is almost unanimous. The weakest level of support in Denmark (60%), the Czech Republic (66%) and the United Kingdom (66%) nonetheless shows support from two thirds of respondents in those countries. The fight against unemployment, together with the fight against terrorism are the two policy areas with the highest number of citizens (69%) who evaluate current EU action as insufficient. There is a significant gap between EU citizens' expectations regarding EU involvement and their perception of current involvement.
Public support for EU spending on social affairs and employment grew between 2008 and 2015 – 36% perceived it as a priority spending category in 2008, 42% in 2011 and 44% in 2015 (Eurobarometer data). In 2011 and 2015, this was the policy area with the most public support as an EU spending priority. Differences across socio-demographic groups as regards preference for more EU involvement are generally small. Women over the age of 75 and men between 35 and 44 express somewhat lower support for greater EU involvement in the fight against unemployment.

**Legal framework**

As regards employment policy, the European Union (EU) has the competence to coordinate and encourage cooperation between Member States, and to support their action. Since the Amsterdam Treaty (Title IX, Treaty on the Functioning of the European Union – TFEU) in 1997, employment guidelines have been subject to co-decision by the European Parliament (EP) and the Council, after consulting the Economic and Social Committee and the Committee of the Regions (ordinary legislative procedure). According to Article 3 TFEU, the EU shall establish an internal market which aims to achieve full employment. In order to reach this goal, the Member States and the EU shall work towards a coordinated strategy for employment, to which Member States’ employment policies have to be adapted. The EU shall encourage cooperation between Member States and, if necessary, complement their action. The European Council is to draw up guidelines each year that Member States must consider in their employment policies (Article 145-149 TFEU). The EU shall guarantee the free movement of workers, and the EP and Council shall issue directives or make regulations setting out the measures required to do so (Articles 45-46 TFEU).

**Current implementation and EU action**

Measures and action to fight unemployment are part of a number of European initiatives, strategies and cooperation networks. Addressing long-term unemployment is one of the key challenges of the jobs and growth agenda set out in Commission President Jean-Claude Juncker’s Political Guidelines, and acknowledged in the Commission’s Annual Growth Survey 2016.

The European Employment Strategy (EES) was launched in 1997. Its main aim is the creation of more and better jobs throughout the EU. It is now part of the Europe 2020 strategy and implemented through the European Semester, the annual process promoting close policy coordination among EU Member States and institutions. The 'New Skills for New Jobs' flagship initiative, launched in 2008, continues today. It includes flexicurity, job quality, better working conditions and job creation.

In the context of the economic crisis, an Agenda for new skills and jobs was launched in 2010 as part of the Europe 2020 Strategy. This agenda will help the EU reach its employment target for 2020: 75% of the working-age population (aged 20 to 64) in work. The employment guidelines adopted by the Council in October 2010 and integrated into the TFEU aim to reduce structural unemployment. The April 2012 Employment Package proposed policy measures focusing on the demand side of job creation by reducing taxes on labour and supporting business start-ups. In December 2012, as a follow-up to the wider Employment Package, the Commission drew up the Youth Employment Package, a series of measures to help Member States tackle youth unemployment and social exclusion specifically. In February 2013, the European Council agreed to create a Youth Employment Initiative targeting young people aged 15 to 24 who are neither in employment nor in education or training (NEETs) in regions with unemployment rates above 25%.
The European Social Fund (ESF), set up in the early 1960s, is the principal EU-level financial instrument for combating unemployment. The Employment and Social Innovation (EaSI) programme is a financing instrument that aims to promote a high level of quality and sustainable employment, guarantee adequate and decent social protection, fight against social exclusion and poverty, and improve working conditions. It is managed directly by the European Commission and brings together three EU programmes that were managed separately between 2007 and 2013: Progress, EURES and Progress Microfinance.

**Potential for better implementation and further EU action**

Enhancing worker mobility is one way to combat unemployment. The Labour Mobility Package, part of both the 2015 and 2016 Commission work programmes, aims to support labour mobility and tackle abuse through better coordination of social security systems, a targeted review of the Posting of Workers Directive and an enhanced EURES. The targeted revision of the Posting of Workers Directive – now on hold owing to a ‘yellow card’ procedure – could bring changes in three main areas: long-term posting, the remuneration of posted workers (making it equal to that of local workers, even when subcontracting), and more coherent rules on temporary agency workers. The revision of the EURES Directive, needed to reflect new mobility patterns, technological changes and new recruitment channels, aims to develop EURES into a true European placement and recruitment tool. For this purpose, the EURES portal should make available a near-complete supply of job vacancies and an extensive pool of CVs, and it should establish an effective, automated system to match vacancies and CVs across Member States. The third part of the package, the revision of the Social Security Coordination Regulations, is scheduled for summer 2016.

On 17 September 2015, the Commission published a proposal for a Council recommendation on the integration of the long-term unemployed into the labour market, which was adopted by the Council on 17 February 2016. In line with the Europe 2020 objectives, it aims to increase the transition rates of the long-term unemployed to employment by encouraging registration with an employment service, assessing individual needs and potential, and offering a job integration agreement to the long-term unemployed after 18 months.

On 10 June 2016, the European Commission launched a new and comprehensive Skills Agenda for Europe. Its aim is to promote a wide range of skills (such as literacy, numeracy, digital and transversal skills) to reduce the risk of unemployment, poverty and social exclusion, through measures including promotion of the better use of all available skills in the European labour market and action to address skills shortages in specific economic sectors.

Another solution that has been put forward is to introduce a common unemployment benefit scheme that could serve as a supranational automatic stabilisation mechanism (also mentioned in the 2015 Five Presidents’ Report). Such a scheme has several positive features: it could provide support for those who suffer most in the event of a downturn, it could contribute to macroeconomic stabilisation, and it could respond quickly.

**The EU budget and the fight against unemployment**

Unemployment is a consequence of a variety of factors (e.g. inadequate education or training, poverty, social exclusion, unused entrepreneurship potential, economic downturn). There are several EU programmes and measures established to deal with these factors. Title 4 of the general budget of the EU – Employment, Social Affairs and Inclusion – is the budget heading most explicitly linked to unemployment. However, measures with the same objective also fall under headings for agriculture, entrepreneurship, etc. The European Social Fund (ESF), with a total budget of more than €86 billion for 2014-2020, aims to support four thematic objectives: promoting employment and supporting labour mobility; promoting social inclusion and combating poverty; investing in education, skills and lifelong learning; and enhancing institutional capacity and an efficient public administration. An additional amount of at least
€3.2 billion is allocated to the Youth Employment Initiative (YEI). The YEI also receives €3.2 billion from the dedicated budget line. In the Multiannual Financial Framework (MFF) for 2014-2020, the Employment and Social Innovation Fund (EaSI) with a financial envelope of €919.47 million is divided into three thematic axes: Progress (61 % of the EaSI budget); EURES (18 %); and Microfinance/Social innovation (21 %). As mentioned above, Progress supports the modernisation of employment and social policies, and EURES is a cooperation network aimed at enhancing the free movement of workers. The third axis will make access to finance easier for social enterprises or vulnerable people who wish to set up or develop a micro-company.

The European Globalisation Adjustment Fund (EGF) is designed to combat unemployment in cases where big companies reduce production or move it out of the EU. The EGF has a maximum annual budget of €150 million for the 2014-2020 period.

Financial instruments outside the EU budget

The European Investment Fund (EIF) manages a number of products aimed at boosting growth and jobs. These include equity, debt and microfinance products under umbrella programmes such as COSME, EaSI and Horizon 2020. Those most closely linked with the fight against unemployment are the micro-finance loans (up to €25 000) because they encourage people to become self-employed.

Potential for further financing at EU level

While the fight against youth unemployment is a European priority, the budget for the Youth Employment Initiative (YEI) was frontloaded only for the first two years of the MFF. The report of the European Parliament’s Committee on Budgets, on the preparation of the post-electoral revision of the MFF 2014-2020, due to be voted in plenary in July, 'strongly supports the continuation of the Youth Employment Initiative'. An upwards revision of the ceilings of Subheading 1b will be required since no margin is left.

The EP had already called for further funding in a previous resolution on the YEI, as the initially discussed €6.4 billion for the YEI was considered 'not sufficient to combat youth unemployment in a lasting manner'. Many Member States were unable to raise their contribution for ESF co-funded projects. Therefore, in 2015, the Commission increased the YEI pre-financing rate exceptionally from 1% to 30%. This resulted in an increase of around €1 billion. The EP adopted its position on 29 April 2015. The act was published on 20 May 2015 after adoption by the Council.

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OVERVIEW
Tax matters remain closely linked to Member States, and the EU’s competences in tax are limited. Different forms of escaping tax obligations result in tax fraud, evasion or avoidance, dealing with which is a cross-border issue. The fight against fraud and evasion is a mix of national and EU actions. However, EU citizens express strong support for EU involvement in the fight against fraud and this creates a gap between citizens’ expectations and the actual EU involvement in this policy area.

Public expectations and EU commitment on the fight against tax fraud – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, 75% of EU citizens surveyed would like the EU to intervene more in the fight against tax fraud, one of the areas with the strongest support for more EU involvement. The support for this in Portugal (91%), Spain (89%), Slovenia and Cyprus (86%) is overwhelming. The weakest support for more EU intervention is in Austria (52%) and Poland (56%), which nonetheless still represents the support of the majority. Two thirds of EU citizens evaluate the current EU action in the fight against fraud as insufficient; this contrasts with the limited EU competences in this area. There is a significant gap between the expectations of citizens for EU involvement and the current involvement in the fight against tax fraud.

According to Eurobarometer 74 (conducted in 2010), European citizens strongly support various measures at EU level aiming at reforming the global financial markets. Tougher rules on tax avoidance and tax havens tops this list with 88% support and it is perceived rather consistently across Member States.
Figure 1 – Opinion by generation, gender

Differences across socio-demographic groups in terms of preference for more EU involvement are moderate. Women between the age of 35 and 74, and men over 45 express the strongest support for greater EU involvement in the fight against tax fraud. Citizens under 25 express the weakest support, but still more than two thirds in this age group would like to see more EU involvement.

Legal framework

The fight against tax fraud often covers not only tax evasion and fraud (both are illegal, with fraud requiring intentional behaviour), but also tax avoidance, which refers to legal behaviour that tax authorities and ultimately courts may qualify as an abuse of law. Tax fraud, evasion and avoidance involve individual as well as corporate taxpayers and relate to all types of taxes. The fight against tax fraud covers tackling fraud, avoidance and evasion. The fight against tax avoidance, namely aggressive tax planning resulting in base erosion and profit shifting (BEPS) practices involving multinational enterprises (MNEs), has gained particular importance.

There are three main categories or types of taxes: indirect taxes, direct taxes and social contributions. Direct taxation describes taxes that are levied on income, wealth and capital, whether personal or corporate (EU action focuses on the treatment of cross-border tax issues and measures linked to the single market, in particular for company taxation). Indirect taxation comprises taxes that are not levied on income or property (in particular VAT, excise duties, import levies and energy and other environmental taxes). Tax matters have been included in the Treaties since the Union’s beginnings. Nevertheless, they have remained closely linked to Member States (special legislative procedure and unanimity requirement). The chapters on tax provisions and approximation of laws of the Treaty on the Functioning of the European Union (TFEU) specifically refer to taxes. The fight against tax fraud is not specifically covered.

Both collecting taxes and combating tax fraud are Member States’ competences. Yet in a globalised environment, there is a need for cooperation since flows of money can move easily from one country to another, whereas tax authorities cannot act beyond their borders. The European Union provides a framework and offers instruments to effectively handle cross-border tax issues.

Current implementation and EU action

Fraud exists with all taxes, and measures to fight tax fraud involve specific and general actions. Fraud practices are adjusted to the specific taxes (like VAT carousel fraud), to specific taxpayers (like aggressive tax-planning schemes set up by some MNEs) or specific locations (income routed to places providing a shelter from tax authorities through opacity resulting from non-transparent entities, as highlighted by the Panama Papers, and the use of tax havens). Tax fraud results in lost resources for national and EU budgets. Its quantification is not straightforward, nor its detection which is expected to be improved by increased transparency requirements and the fight against opacity.

The fight against tax fraud also requires cooperation between tax authorities and in exchange of information on all sorts of taxes, as well as in providing mutual assistance.
in tax recovery matters. The result is better detection of and reaction to tax non-compliance. In recent years the mechanisms for cooperation and exchange of information have undergone a number of improvements linked to the adoption of an international standard for exchange of tax information, enlarged scope of compulsory exchange (including tax rulings) and country-by-country information for large companies. This is complemented by action relating to tax good governance with third countries.

Actions specific to some taxes aim at closing the loopholes and mismatches on which frauds are based. This is the case for recent modifications in VAT, for a number of mobile transactions linked to telecommunications services, and the action plan on VAT presented by the Commission on 7 April 2016. This is also the case for the measures taken at international and EU level to address BEPS, with the aim of reducing the possibilities available to MNEs to locate activities and allocate resources in several countries for tax fraud purposes. This covers actions linked to the implementation of the OECD BEPS action plan as well as EU measures going further than OECD and presented in the recent tax packages, for example the 28 January 2016 Anti-Tax-Avoidance Package.

Potential for better implementation and further EU action

The fight against tax fraud requires that action is taken at EU level to act globally to react to the global scale of tax fraud which operates without borders. It is acknowledged that fraud prospers where opacity, lack of cooperation and discrepancies in tax rules exist. Further action to suppress fraud opportunities cover these three aspects, both at EU level and international levels. Coordination between actions is also needed to make sure that they are moving in the right direction to provide better implementation.

At EU level, further actions have been announced in the tax packages (the March 2015 Tax transparency package, June 2015 Action Plan for Fair and Efficient Corporate Taxation, January 2016 Anti-Tax-Avoidance Package and the Action Plan on VAT put forward by the Commission). Some measures have already been adopted. Still to be presented are, in particular, the renewal of the CCCTB proposal (indicatively announced for 2017), a common list of non-cooperative jurisdictions and provisions relating to VAT.

The EU budget and the fight against tax fraud

It is not possible to calculate total EU spending on anti-tax-fraud measures with any precision. With such spending taking place mainly at national level, Member States play the primary role in allocating resources to combat tax fraud. The total cost of the budget heading ‘Fight against fraud’ in the 2016 EU general budget amounts to €80 million. Costs include two different sources. First and foremost are the EU funding programmes aimed at supporting all activities concerned with combating fraud, corruption and other illegal activities. The main programme, Hercule III, is managed by the European Anti-Fraud Office (OLAF). Started in 2004, Hercule I was funded with an €11.8 million budget until 2006. Hercule II was extended with new objectives and a €98.5 million budget for 2007-2013. Hercule III entered into force on 21 March 2014, with €104.9 million budgeted to support Member States in fighting fraud for the 2014-2020 period. In 2016, the Hercule III budget amounts to €14.5 million. The cost of other programs, such as the Anti-Fraud Information System (AFIS), is €6.6 million in 2016. The same year, another programme (albeit not directly linked with tax fraud, though still relevant), the Pericles programme, has a budget of €1 million in order to protect the euro banknotes and coins against counterfeiting and related fraud.
The second source of costs concerns management expenditure for the bodies and institutions involved in combating fraud at EU level. The administrative budget for OLAF in 2016 amounts to €59.1 million. In addition to the costs of OLAF and the programmes it supports, expenditure also concerns other bodies involved in combating fraud, such as the EU’s Judicial Cooperation Unit (Eurojust) and the European Police Office (Europol). For the year 2016 the operational costs of Eurojust and Europol were budgeted at €42.9 million and €97.7 million, respectively.

It must also be taken into account that around 80% of the EU budget is implemented by Member States at national level. Member States have full responsibility for setting up management and control systems, verifying their functionality through auditing, and to prevent, detect and correct irregularities and suspected fraud. The EU programmes aimed at enabling national tax administrations to create and exchange information and expertise are named Fiscalis 2020 and Customs 2020. The former has a budget of €234.3 million for the 2014-2020 period. The latter programme (aimed at supporting customs authorities in protecting the financial and economic interests of the EU and of the Member States, including the fight against various kinds of fraud – not just tax fraud) is financed with €522.9 million for the 2014-2020 period.

Financial instruments outside the EU budget

The EU is a partner in a number of international agreements aimed at combating tax fraud. One example is the OECD-driven Base Erosion and Profit Shifting Plan (BEPS). However, the financial instruments to finance the fight against fraud, including tax fraud, remain inside the EU budget. On this point, the EP has issued numerous calls for an increased budget to implement these measures and strengthen the exchange of information.

Potential for further financing at EU level

In 2013 the EP approved a resolution on the call for a measurable and binding commitment against tax evasion and tax avoidance in the EU. The resolution suggests creating standardised indicators that would allow for an assessment of the size of the underground economy and tax gap and measure tax evasion and avoidance. Additional areas of potential expansion of expenditure include the implementation of the Anti-Tax-Avoidance Package adopted on 28 January 2016; and, finally, the increased use of IT tools – e.g. TIN and CNN networks – to support increased accessibility of information for tax collection and risk analysis purposes.

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The issue of migration

OVERVIEW

Migration and asylum are policy areas with one of the highest levels of public support for more EU involvement, but at the same time citizens do not see it as a priority for the EU budget. Post-Lisbon Treaty, the area is governed by fair sharing of responsibilities and financial implications between Member States. Faced with unprecedented migratory flows, the current migration management system has revealed serious shortcomings that arguably cannot be addressed without more EU support.

Public expectations and EU commitment on the issue of migration – is there a gap?

Greater EU engagement in the issue of migration is supported by 74% of EU citizens, according to a new Eurobarometer survey of the European Parliament on perceptions and expectations. This makes migration issues one of the policy areas with the highest support for EU involvement. Although this support is unevenly spread across the EU, it always comes from a majority of citizens, and sometimes is almost unanimous. The highest support is in Cyprus (91%), Malta (87%) and Portugal (86%). The lowest is in Denmark (57%). Two thirds of EU citizens evaluate the EU’s current involvement in this policy area as insufficient. Citizens’ expectations and preferences of EU involvement in the issues of migration are not yet met despite increased attention to this policy area. The strongest support for more EU involvement in migration is from people between 35 and 74 years old.

Despite the strong preference for EU involvement in migration issues, EU citizens do not share very strong preferences for turning this policy area into an EU budget spending priority. Among the most
The issue of migration

preferred categories of EU spending, migration issues ranked 11th in 2008 and in 2011 (with 12% of citizens perceiving it as a top priority). In 2015, migration issues moved up to ninth place with 16% of supporters, which almost overlaps with the number of citizens who perceive migration issues to be a current EU budget spending priority, namely 15%.

Legal framework

Migration and asylum are regulated at EU and national level. At EU level, migration policy has been developed since 1999, with the Amsterdam Treaty facilitating the shift from autonomous national policies to some common minimum standards. In 2009, under the Stockholm Programme Member States agreed on principles for a common migration and asylum policy which the Lisbon Treaty embedded in a legal framework based on solidarity. Post-Lisbon, migration, as part of Justice and Home Affairs, falls under ‘shared competence’ between the EU and its Member States. Moreover, both EU and national asylum legislation must be aligned with the international refugee law framework set by the 1951 Geneva Convention and its Protocol, which have been incorporated into EU law under Article 78(1) TFEU.

Current implementation and EU action

Regarding legal migration, EU measures adopted to date include rules on the entry and residence of highly skilled third-country workers, students and researchers and family members of legally resident third-country nationals (TCNs).

On asylum, common standards came with the creation of the Common European Asylum System (CEAS) on the basis of Article 78(2)a TFEU. The CEAS moved towards greater harmonisation in 2013 with the completion of five key acts: Qualification Directive, Asylum Procedures Directive, Reception Conditions Directive, Dublin III Regulation and the Eurodac Regulation. Regardless of the potential provided by the Treaties, the CEAS did not create an EU-wide asylum status. The system relies on two main principles: only one Member State is responsible for an asylum application and national asylum standards are harmonised. By default, the first Member State an applicant enters is responsible. During the current mass influx of migrants, the national asylum systems of countries at the EU’s external borders became overburdened and as a result, asylum-seekers suffered from poor conditions and lower recognition rates in those countries. As a consequence, migrants travelled forward to other EU Member States to apply for asylum, creating a situation where only a few Member States received 75% of all first time asylum applications, fuelling tensions between Member States and prompting calls for solidarity.

A recent implementation study observes that while both the EU and Member States recognised the structural shortcomings of the CEAS, the policy responses of these two levels were remarkably different. While EU policy-makers, including the European Parliament, called for a reform based on fair sharing of responsibility and a permanent distribution mechanism, Member States resorted to making unilateral decisions such as building fences, closing borders and deterring asylum-seekers. This may reflect the difficult balancing act of the Member States who are bound under the EU Treaties, on one hand, to provide protection and demonstrate solidarity, and, on the other hand, to ensure the security and social cohesion of their societies. A further obstacle is the increasingly negative public opinion of migration. While Member State citizens may express a wish for more EU involvement in this area, they do not necessarily view it as a shared responsibility.

Potential for better implementation and further EU action

An evaluation of the implementation of the Dublin Regulation reveals that the weaknesses identified since its inception remain. Also, harmonisation is not achieved until Member States have fully transposed or implemented the CEAS in their national law, which is not yet the case.
In response to these concerns that were exacerbated by the mass influx, commentators called for reform of the Dublin system and suggested two main directions for action: harmonising national asylum standards and distributing refugees more evenly across the EU.

The Commission, having set migration as one of its ten priority areas, presented a European Agenda on Migration in May 2015. To alleviate the immediate pressure, the Commission launched a 'hotspot' approach to provide assistance in the main entry points, and proposed to activate an emergency mechanism under Article 78(3) TFEU for the relocation of asylum-seekers from frontline countries. Member States agreed on the exceptional relocation of 160,000 persons from Italy and Greece, and the resettlement of 20,000 displaced refugees from third countries. However, the implementation of this measure has been deemed unsatisfactory.

Following the Valletta Summit on migration on addressing the root causes of migration and further negotiations, a joint statement was issued with Turkey on stemming the flow of irregular migration via Turkey to Europe. Furthermore, the Commission intends to establish a new Partnership Framework with third countries to better manage migration.

As part of the plan to open more legal channels to Europe, the Commission presented a proposal to revise the EU Blue Card Directive for the entry of highly skilled workers and an Action Plan on the integration of third country nationals.

With regard to reform of the CEAS, the Commission has presented proposals for amending the Dublin Regulation, which would include a new ‘fairness mechanism’; reinforcing the Eurodac system for fingerprinting migrants; and enhancing the mandate of the European Asylum Support Office, turning it into a European Union Agency for Asylum. Recast proposals for the remaining CEAS instruments are expected in July 2016.

The EU budget and the issue of migration

In the fields of migration and asylum, the main funding tool that the EU has to complement Member States’ efforts within the Union is the Asylum, Migration and Integration Fund (AMIF). The AMIF finances national and EU measures that aim at promoting the efficient management of migration flows, as well as the implementation and development of a common EU approach to asylum and migration. Under the 2014-2020 Multiannual Financial Framework (MFF), the AMIF is endowed with €3.13 billion. This is a €1 billion increase on its 2007-2013 predecessors, but represents 0.29% of the total 2014-2020 MFF. The AMIF is part of what the EU spends on home affairs, which also includes the Internal Security Fund (dealing, inter alia, with the related area of border management) and the financing of relevant EU agencies (e.g. EASO and Frontex). For the 2014-2020 MFF, the total EU resources for home affairs amount to €9.26 billion.

In addition, external-action funding tools of the EU may also support measures relating to the external dimension of migration and asylum, under their geographical and/or thematic programmes. Examples of such tools under the ‘Global Europe’ heading of the MFF are the European Neighbourhood Instrument (ENI) and the Development Cooperation Instrument (DCI).

New financial instruments

To respond to the refugee crisis, the EP and the Council have mobilised additional resources for 2015-2016, not only by reinforcing existing instruments, but also by creating new ones. In particular, two EU Trust Funds are applicable for migration-related projects and aim to deliver EU and Member States’ support efficiently, flexibly and swiftly. With a €500 million contribution from the EU budget, the Madad Fund was established to respond to the Syrian crisis and channel aid for Syria’s neighbouring countries. With €1.8 billion contributions from the intergovernmental European Development Fund (EDF) and the EU budget, the Emergency Trust Fund for Africa targets 23 countries in the Sahel and the Lake Chad region, the Horn of Africa and North Africa. Its objective is to improve living conditions and encourage people to stay in their countries of origin. For the time being, the bulk of funding for these two Trust Funds has come from the EU budget and the EDF. In October 2015, the EP called on individual Member States to deliver on
their promises and match the EU’s financial contribution to the trust funds with their own contributions. At the same time, the EP said that these trust funds were established because the EU budget lacks the resources and the flexibility needed to address such crises promptly and comprehensively. On this basis, the EP called for a more holistic solution to be agreed in the framework of the review/revision of the 2014-2020 MFF.

In addition, Member States have decided to establish a €3 billion Facility for Refugees in Turkey, a joint coordination mechanism for actions funded by the EU budget (€1 billion) and national contributions (€2 billion). A further €3 billion will be available by 2018 on the condition that the initial allocation has been fully used and relevant commitments have been met.

**Potential for further financing at EU level**

The refugee crisis has put considerable pressure on the expenditure ceilings set in the 2014-2020 MFF for relevant headings, with the need to resort to and practically exhaust available flexibility tools. For 2017, the Commission again proposes the use of flexibility tools to keep resources for the crisis at the strengthened level of €5.2 billion. The EP has repeatedly called for an integrated EU approach for migration, asylum and external borders, with sufficient resources and tools to handle emergency situations. As regards the external dimension of migration, on 7 June 2016 the Commission presented a communication on establishing a new Partnership Framework with third countries under the European Agenda on Migration. The proposal is to mobilise and focus EU action and resources outside the Union on migration management, by establishing partnerships with key countries of origin and transit. The Commission estimates that, up to 2020, nearly €8 billion could be available to support short-term goals (saving lives at sea; increasing returns, readmission and reintegration; and enabling migrants and refugees to stay close to home). The resources, which are on top of annual aid flows from the EU and its Member States to relevant countries, would come mainly from existing instruments and already pledged EU and national contributions, but a €1 billion increase is proposed for the EU Emergency Trust Fund for Africa (50% from the EDF and 50% from Member States). In addition, with a view to addressing the root causes of irregular migration in the long term, the Commission intends to table a proposal for an External Investment Plan in autumn 2016. This would include a mechanism similar to the European Fund for Strategic Investments (EFSI) launched in 2015 as part of the Investment plan for Europe, to bridge the investment gap within the EU and with the involvement of the European Investment Bank (EIB). In practice, the Commission estimates that a new fund for external investments set up with a guarantee and funding of €3.1 billion from existing EU resources (€2 billion from the EDF and €1.1 billion from the EU budget) could trigger total public and private investments worth €31 billion in targeted countries, and adds that this amount could double if EU contributions are matched by Member States’ contributions. These investments would target economic and social infrastructure and the private sector, with a view to creating employment and growth opportunities in third countries of origin and transit of migrants.

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Protection of external borders

OVERVIEW
An overwhelming majority of EU citizens expect the EU to intervene more in the protection of external borders than at present. An area without internal frontiers, in which the free movement of persons is ensured with appropriate measures with respect to external border controls is envisaged in the Lisbon Treaty. EU powers regarding border control are shared with the Member States, and based on solidarity between Member States, including financial implications. Steps towards further EU action in this area include: the recent revision of the Schengen Borders Code; the revised proposal for an entry-exit system; a draft regulation setting up a European Border and Coast Guard System with a ‘right to intervene’ in situations at the border requiring urgent action following a Council decision.

Public expectations and EU commitment on protection of external borders – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, 71% of EU citizens would like the EU to intervene more in the protection of external borders. The differences across Member States are moderate, with the exception of Sweden. The strongest support for increased EU action is registered in Cyprus (86%), the Czech Republic (81%) and Malta (80%). The weakest support by far is expressed by citizens in Sweden (48%) – the only country in which less than half of the citizens surveyed support increased EU intervention in this area. Other countries with comparatively weak support are Croatia (61%) and the Netherlands (64%). However, this still means that two thirds of the population would like to see increased EU involvement in external border protection. Almost two thirds of EU citizens surveyed evaluate current EU involvement as insufficient, and only 26% evaluate it as adequate. There is a gap between the perception of the current EU involvement in the
EPRS Protection of external borders

The protection of external borders and the expectations of citizens in that area. A similar expectation gap also exists in some related policy areas, such as migration.

The strongest support for more EU involvement in protection of external borders is from people between 45 and 74 years old.

Legal framework

The EU ‘shall offer its citizens an area ... without internal frontiers, in which the free movement of persons is ensured in conjunction with appropriate measures with respect to external border controls’ (Article 3(2) of the Treaty on European Union). The Lisbon Treaty recognised EU powers to frame a common policy on external border control through the gradual introduction of an ‘integrated management system’ (Article 77 TFEU). EU powers regarding a common policy on border control are shared with the Member States, and based on solidarity between Member States, including financial implications (Article 80 TFEU). While Article 71 TFEU facilitates cooperation among Member States to strengthen internal security, Member States retain the competence to exercise law-enforcement power when they enforce measures adopted pursuant to EU provisions on operational cooperation and border control (Article 72 TFEU), and to engage in forms of administrative cooperation in matters of national security (Article 73 TFEU).

Current implementation and EU action

The Schengen Borders Code (SBC) of 2006 codified most of the relevant Schengen rules (concerning controls at external borders, removal of controls at internal Schengen borders and police controls in the zone behind the internal border. Following reform in 2011, the SBC laid down the conditions and procedures for the temporary reintroduction of border controls at internal borders in case of a serious or immediate threat. It also allows for the Council, in exceptional circumstances, to recommend the closure of internal borders on the advice of the Commission.

The European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex), established in October 2004 by Regulation (EC) 2007/2004, aims at promoting and coordinating border management in EU countries. While the main focus is on coordinating joint operations, the agency also provides training, risk analysis and research. In a crisis situation, a Member State can request the deployment of Rapid Border Intervention Teams (RABITs) to assist its own border guards for a limited period of time.

Potential for better implementation and further EU action

A regulation adopted on 9 March 2016, amending the Schengen Borders Code, introduced increased checks on Member States’ nationals (or others with the right to free movement), verification of their identity and travel documents, and checks both on entry and on exit. Exit checks were also introduced for third-country nationals.

On 6 April 2016, the Commission presented a revised proposal for an entry-exit system, which entails registering the data of all third-country nationals entering and exiting the EU, with the aim to improve border management, enhance security and identify those who overstay their visa. The system would be interconnected with the Visa Information System (VIS) database and used by the same authorities: border control and consular posts.
On 15 December 2015, the European Commission put forward a proposal to set up a European Border and Coast Guard System (EBCGS). The main new elements are: introduction of a supervisory role and a 'right to intervene' in situations at the border requiring urgent action; expansion of Frontex's operational tasks and its prerogatives on processing personal data; and reinforcement of fundamental rights and transparency safeguards. On 22 June 2016, the Committee of Permanent Representatives (Coreper) confirmed, on behalf of the Council, the compromise text agreed with the European Parliament on the proposed regulation on the European Border and Coast Guard. The regulation is due to be submitted to the European Parliament for a vote at first reading during the July plenary, and thereafter to the Council for adoption.

The Communication 'Back to Schengen: A Roadmap' urged the legislator to prioritise the adoption of this proposal, so that it can become operational during summer 2016. The Commission also called on Member States and Frontex to start the necessary preparations to set up the new system, by identifying the necessary human and technical resources.

The EU budget and the protection of external borders

In this policy area, the main funding tool that the EU has to complement Member States' efforts is the Borders and Visa strand of the Internal Security Fund (ISF). Endowed with €2.76 billion for the 2014-2020 period (up from €1.82 billion of its 2007-2013 predecessor), ISF Borders and Visa represents some 0.25% of the EU's Multiannual Financial Framework (MFF). All EU Member States except Ireland and the UK take part in the tool. ISF Borders and Visa focuses on measures to promote a uniform, high level of control and protection of EU external borders (including through further harmonisation of border-management-related measures and information-sharing between Member States and with Frontex), as well as the effective processing of Schengen visas. ISF has also a Police strand (€1 billion), which focuses on police cooperation, preventing and combatting crime, and on crisis management, and is part of EU spending on home affairs. The 2014-2020 MFF earmarks another €0.14 billion outside the ISF for information-sharing tools central to cooperation between Schengen states in the area of home affairs: the Schengen Information System (SIS) and the Visa Information System (VIS). For the 2014-2020 period, the total EU resources for home affairs amount to €9.26 billion, also covering the Asylum, Migration and Integration Fund (AMIF) and the financing of relevant EU agencies (e.g. Frontex).

Funding tools for other policy areas inside the Union may also concern measures relating to borders, such as the €0.55 billion Customs 2020 programme and the Horizon 2020 framework programme for research and innovation, whose Secure societies strand has a budget of around €1.7 billion for 2014-2020 and finances, among other things, activities to improve border security. Copernicus, the EU earth-observation system, offers a specific service for security applications, which provides information in response to security challenges with a view to supporting relevant EU policies. Its objective is to improve crisis prevention, preparedness and response in key areas, including border and maritime surveillance.

EU external-action funding tools may finance measures related to border management in third countries. Examples relating to the Instrument for Pre-accession Assistance (IPA) are: a €2 million contribution to a project that supported the implementation of the Integrated Border Management strategy, its action plan and the fight against drug trafficking in Kosovo; and a €4 million contribution to a project to consolidate law-enforcement capacities in Albania, including the enhancement of integrated border management. Under the Common Foreign and Security Policy (CFSP), the Council may establish EU Integrated Border Management Assistance Missions (EUBAMs) in third countries. One such case is the EUBAM Libya, created in 2013 to support capacity-building for enhancing the security of the country's land, sea and air borders, and currently extended with a six-month budget of €4.47 million until 21 August 2016.
Financial instruments outside the EU budget

According to the European Court of Auditors (ECA), most expenditure for managing external borders is financed at national level, and complete and reliable information on relevant national spending is not available. The ECA also notes that Member States have significantly different responsibilities, depending on their differing geographical situations. Some analysts say that the distribution of the financial burden between national budgets and the common EU budget for tasks such as border surveillance and asylum management, which Member States carry out in the common interest, has not been sufficiently analysed to date, and is currently asymmetric.

Potential for further financing at EU level

In the context of increasing challenges in the home affairs policy area, the European Parliament has repeatedly called for an integrated EU approach for migration, asylum and external borders, endowed with sufficient resources as well as appropriate tools to handle emergency situations. In its proposal to set up a European Border and Coast Guard System, building on the mandate and experience of Frontex, the European Commission says that it is essential to keep the annual EU subsidy to the agency at its strengthened level of 2016 (€238.7 million), and to increase it by at least €31.5 million in 2017, to tackle the proposed new tasks. The Commission adds that the proposal implies the need to create 602 new posts and to make the related financial resources (i.e. reaching a total of 1 000 staff and an annual budget of €322 million in 2020) available.

The financial implications of the proposal to establish an entry-exit system (EES) are covered by the Borders and Visa strand of ISF, which earmarks €791 million for the development of IT systems supporting the management of migration flows across the external borders. The revised EES proposal estimates the budget needed for the new system at €480 million, which would allow a reallocation of the remaining €311 million to other ISF measures, as set out in Regulation (EU) No 515/2014.

On 7 June 2016, the Commission presented a communication on establishing a new Partnership Framework with third countries under the European Agenda on Migration. The proposal is to mobilise and focus EU action and resources outside the Union on migration management, by establishing partnerships with key countries of origin and transit. The text defines a wide range of goals (e.g. saving lives at sea; increasing returns, readmission and reintegration; improving economic infrastructure and opportunities in relevant countries), with measures envisaged including local capacity-building in the field of border management. The resources identified for the Partnership Framework, which are on top of annual aid flows from the EU and its Member States to relevant countries, would come mainly from existing instruments and already pledged EU and national contributions.

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Promotion of democracy and peace in the world

OVERVIEW
According to a new Eurobarometer survey, two thirds of European Union citizens would like to see even stronger EU involvement in the promotion of democracy and peace in the world. Democracy and peace are the fundamental values on which the EU is based and the guiding principles for its external action. The EU has at its disposal a vast array of tools to promote democracy and peace in the world, including its own diplomatic body, development aid and trade conditionality that it can leverage to this purpose. The EU finances a variety of actions that directly or indirectly promote democracy, such as support for governance, elections, civil society and free media, while a specific instrument is dedicated to peace and stability.

Public expectations and EU commitment regarding the promotion of democracy and peace in the world – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, two thirds of EU citizens would like to see even stronger EU involvement in the promotion of democracy and peace in the world and approximately half (51%) consider current EU action to be insufficient. Although there are significant differences between Member States, more intervention in the promotion of democracy and peace in the world is a predominant preference in all Member States apart from Bulgaria with only 44% support. Support for increased EU intervention is strongest in Cyprus (88%), Sweden (81%) and Malta (80%). Promotion of democracy and peace in the world is a policy area where there is an expectation gap between current and desired EU involvement.
Women demonstrate stronger support for increased EU action in the promotion of democracy and peace in the world than men. Older generations are more likely than younger generations to evaluate current involvement in this policy area as insufficient.

**Legal framework**

Article 2 of the Treaty on European Union (TEU) includes democracy among the EU’s fundamental values, while Article 21 TEU puts it at the core of the EU’s external action, an approach reinforced by Article 205 of the Treaty on the Functioning of the European Union (TFEU). Article 3 TEU includes peace as one of the EU’s primary aims and, according to Article 21, the EU is to contribute to peace, security and prevention of conflict in its external action. Historically, the Maastricht Treaty (which entered into force in 1993) introduced the advancement of democracy as a fundamental principle of EU common foreign and security policy and of EU development cooperation. The 1993 Copenhagen political criteria adopted by the Council made democracy and human rights a cornerstone of EU enlargement policy. Since the 1990s, the cooperation and free trade agreements signed by the EU have systematically included democracy and human rights as ‘essential elements’, allowing for restrictive measures or even suspension of agreements if they are not upheld. The promotion of peace is also closely linked with the EU’s common security and defence policy (CSDP).

**Current implementation and EU action**

Democracy support is built into other components of EU external policy. The 2009 Council Conclusions on ‘Increased coherence in the EU’s support to democracy’ and its Agenda for Action provide a unifying framework within which to increase the consistency and effectiveness of EU efforts. The conclusions state that ‘there is no single model of democracy’, and that ‘democratic systems may vary in forms and shape’ in the world; democracy support has to be adapted to country-specific conditions, and ownership for democratisation has to be borne by domestic players, including state institutions, political actors and civil society organisations, with the EU playing an assisting role. The EU Strategic Framework and Action Plan on Human Rights and Democracy adopted in 2012 reaffirms EU’s commitment to democracy support, and the Action Plan on Human Rights and Democracy (2015-2019) proposes several practical measures.

Democracy features on the agenda of political dialogue with third countries. The upholding of democratic standards is an essential prerequisite for enlargement in accordance with the TEU and the Copenhagen criteria. The European Neighbourhood Policy (ENP) introduced a commitment to promote 'deep democracy' in the EU’s neighbourhood as part of its reframing following the ‘Arab Spring’ in 2011. Deep democracy includes free and fair elections, freedom of association, expression and assembly, the rule of law, the fight against corruption, security and law enforcement reform, and democratic control over armed and security forces, civil society, gender equality and anti-discrimination. The ‘more for more’ principle introduced by the 2011 Partnership with the Southern Mediterranean under the ENP commits to more partnership with the EU for those countries that make progress towards higher standards of human rights and governance, while free and fair elections are considered a prerequisite of this partnership with the EU. The last ENP review admitted, however, that the effectiveness of this approach depended on the readiness of third country governments to cooperate. The 2011 Agenda for change of the European Commission declares support for democratic governance to be a central priority of development policy and states that if third countries’ governments are not sufficiently committed to democracy, EU cooperation should target non-state actors and local authorities. The EU is the leading international organisation in the field of election observation, having deployed 165 electoral observation missions (EOMs) since 1993. EOMs aim to strengthen respect for
Promotion of democracy and peace in the world

fundamental freedoms and political rights, to assess the electoral process in accordance with international standards, to enhance public confidence in the electoral and democratic process, and to contribute to the prevention or resolution of conflicts. The European Parliament (EP) plays a prominent role in EOMs, one of its Members is always head of mission and EP observer delegations are always involved. One outstanding initiative taken by the EP to promote democratisation is its Sakharov prize, which rewards efforts to develop democracy in the world.

The EU is one of the world’s biggest donors when it comes to conflict prevention and peace building. The EU has carried out 21 civilian and 11 military missions and operations. It has lent operational, financial and political support to the peacekeeping efforts of the UN and the African Union. In line with the 2011 Council Conclusions on Conflict Prevention, the EEAS has developed a comprehensive approach for early identification and prevention of conflicts. The EU is involved in conflict mediation and dialogue efforts. The EP is also involved, contributing to conflict prevention, mediation, facilitation and dialogue initiatives.

Potential for better implementation and further EU action

In order to reach its full potential, democracy support should be mainstreamed across all EU policies with an external dimension, as recommended by the EP. Coherence between EU’s external and internal policies with respect to democratic values should be increased, as should cooperation between EU institutions. Member States should speak with one voice in support of democracy. At the same time, the EU needs to step up its efforts to develop a more comprehensive approach to democratisation processes, going beyond free and fair elections. In the increasingly tense security context, it is also important to always remember that security versus democracy is a false dilemma since there can be no human security in a society without a democratic and accountable government, as pointed out in a 2011 EP resolution.

Where partner countries do not show enough will to drive democratic reforms, EU incentives may fail to produce results, as acknowledged in the 2015 ENP review. As stressed in various documents by the Council, the EC and the EP, since democracy being home-grown and driven by domestic players cannot be imposed from outside, the EU can play an assisting role only. Its efforts to promote democracy should be based on a realistic assessment of the scope for reform in third countries and its strategies better adapted to local circumstances.

In situations of crisis or severe breaches of democracy, trade and development conditionality could be used more effectively, if other methods fail. In its urgency resolutions, the EP has repeatedly asked for such conditionality to be applied. Moreover, as many authoritarian regimes pretend to abide by the formal rules of democracy while severely limiting freedoms and shrinking the space for civil society, the EU needs to adapt its strategies for democracy support. There is further scope for increasing support for civil society organisations and more systematically involving them in EU policies towards the countries concerned.

Conflict prevention should be a priority of EU external action, and drivers of conflict, such as political and religious radicalisation, election-related violence, population displacements and climate change, should be addressed. Mediation and dialogue play an important role in preventing and resolving conflicts peacefully. The European Parliament, which contributes to conflict mediation, is in favour of further enhancing the EU’s capacities in this field.

The EU budget and the promotion of democracy and peace in the world

In the EU budget the main programme aimed at promoting democracy is the European Instrument for Democracy and Human Rights (EIDHR). In the same area, albeit not entirely devoted to democracy promotion, are two other programmes: the Instrument contributing to Stability and Peace (IcSP) and the European Neighbourhood and Partnership Instrument (ENPI). The EIDHR’s main aim is, first, to support projects in the area of human rights and fundamental freedoms and, second, to strengthen the rule of law and democratic reform in countries outside the EU. The IcSP is focused on crisis response, crisis preparedness and conflict prevention. The
EIDHR, the IcSP and the ENPI (which is linked to the European Neighbourhood Policy) are all financed under EU budget heading 4 – 'Global Europe'.

In the 2014-2020 Multiannual Financial Framework (MFF) a total of €66 262 million is allocated to the Global Europe heading (nearly 6% of the total EU budget). Within this heading, a total of €3 671.47 million is allocated to the EIDHR and IcSP. The EIDHR alone accounts for €1 332.75 million. In 2015, the EU earmarked €181.83 million in commitments for the EIDHR and €320.15 million in commitments for the IcSP – together amounting to 0.3% of the EU budget. In 2016 the respective amounts were slightly greater, forming 0.33% of the budget. The EIDHR finances a wide variety of measures concerning democracy. In 2015 the most important were support for local civil society (amounting to €82.75 million), support for human rights priorities (€26.87 million), and support for media and freedom of expression programmes (€4.55 million in 2015). The ENPI, meanwhile, has €2 186 million in commitments for 2016 (a slight decrease from the €2 336 million of 2015) and its total in the 2014-2020 MFF amounts to €15 432.63 million.

Financial instruments outside the EU budget

The main programme outside the EU budget contributing to democracy promotion is the European Development Fund (EDF). Launched in 1959, the EDF is aimed at providing development aid for African, Caribbean and Pacific countries, and other overseas countries and territories. The EDF is financed by direct voluntary contributions from the EU’s Member States. Its financial resources for the 2014-20 MFF total €30.5 billion. Roughly one third of EDF funds are directed towards supporting governance. Also relevant is the European Endowment for Democracy (EED). The aim of the EED is to foster sustainable democratisation in transition countries and to provide support with maximum flexibility and simplified procedures. The EED is co-funded by the Commission and voluntary contributions from Member States. For the 2016-18 period the Commission granted €12 million, doubling its current budget.

Potential for additional financing at EU level

The EP has emphasised the need for long-term, stable and predictable funding for democracy promotion. At present, however, the main areas of potential expansion of financing fall outside the EU budget. The first and most important one concerns the EED. An EP resolution of 9 July 2015 called on the EED founding parties to contribute or increase their contributions and encouraged other EU partners to join the programme (at present 16 Member States – and Switzerland – contribute to the programme). The second potential area of expansion of EU funding concerns the EDF (there have been several calls from the EP for it to be integrated into the EU budget). As far as peace promotion is concerned, in 2015 the EP adopted a resolution to implement the CSDP. The EP stressed the need for more flexible rules to respond to crisis situations, called for a start-up fund for the urgent financing of the initial phases of military operations and recommended a long-term approach to financing CSDP missions.

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Environmental protection

OVERVIEW
Two thirds of EU citizens express support for increased EU action on environmental protection. EU policy aims to move towards a low-carbon, resource-efficient economy, to safeguard biodiversity and to protect human health through legislation on air, chemicals, climate, nature, waste and water. While the EU budget represents an important and growing source of investment, Member States are responsible for financing and implementing environmental protection measures, and some implementation gaps remain.

Public expectations and EU commitment on environmental protection – is there a gap?

Percentage of respondents who would like the EU to intervene more than at present

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against terrorism</td>
<td>82%</td>
</tr>
<tr>
<td>Fight against unemployment</td>
<td>77%</td>
</tr>
<tr>
<td>Fight against tax fraud</td>
<td>75%</td>
</tr>
<tr>
<td>The issue of migration</td>
<td>74%</td>
</tr>
<tr>
<td>Protection of external borders</td>
<td>71%</td>
</tr>
<tr>
<td>Promotion of democracy</td>
<td>68%</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>67%</td>
</tr>
<tr>
<td>Security and defence policy</td>
<td>66%</td>
</tr>
<tr>
<td>Health and social security</td>
<td>63%</td>
</tr>
<tr>
<td>Equal treatment of men and women</td>
<td>55%</td>
</tr>
<tr>
<td>Energy supply and security</td>
<td>53%</td>
</tr>
<tr>
<td>Economic policy</td>
<td>52%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>50%</td>
</tr>
<tr>
<td>Foreign policy</td>
<td>50%</td>
</tr>
<tr>
<td>Industrial policy</td>
<td>47%</td>
</tr>
</tbody>
</table>

Data source: Eurobarometer 85.1

Environmental concerns have been debated intensively at EU level for many years now. As a result, the EU has a broad policy in the area. According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, two thirds of EU citizens would like to see even stronger EU involvement in environmental protection and more than half (52%) consider current EU action insufficient. In past years, when EU citizens were asked about the policy areas they prefer the EU budget to be spent on, environmental protection was the fifth or sixth most preferred area. However, support for spending in this area is on a slight decline – 23% perceived it as a top priority spending category in 2008, 22% in 2011 and 20% in 2015 (Eurobarometer data). Either because EU environmental policy has already been further developed, or because citizens have other concerns which have perhaps taken priority, the gap between citizens’ expectations and EU environmental action is slowly shrinking, but a gap nevertheless remains.
There are significant differences in the way this policy is perceived in different Member States. With few exceptions, there is a trend of central and eastern European countries being less supportive of further intensification of EU involvement in environmental policies than western European countries. The strongest support comes from Sweden (83%) and the lowest from Estonia (45%). The notable outliers of the east-west division are Romania, which recently had major concerns about shale gas, and the UK. There is no notable difference between the preferences of men and women regarding EU involvement in environmental policies. Young women are more supportive of EU intervention than older generations, but there is no clear generational trend amongst men.

**Legal framework**

European environment policy dates back to 1972. Provisions on environmental protection were introduced in the Single European Act in 1987 and subsequently expanded. Under Articles 191-193 of the Treaty on the Functioning of the European Union, EU environmental policy has to ‘aim at a high level of protection’ and is based on four principles (precaution; preventive action; rectification of damages at source, and polluter pays). The EU is competent to act in most areas of environmental policy, although its action is limited by the principle of subsidiarity and the requirement for unanimity in Council on certain topics (such as taxes, land use or energy mix). Member States may adopt more stringent protective measures if they wish.

**Current implementation and EU action**

Successful Environment Action Programmes (EAPs) have set the framework for EU environmental policy. The Seventh EAP covering the 2014-2020 period (‘Living well, within the limits of our planet’) seeks to address environmental priorities systemically with the aim of moving towards a low-carbon, resource-efficient economy, of safeguarding biodiversity and of protecting human health. The overarching policy framework is complemented by other elements: the Europe 2020 strategy for ‘smart, sustainable and inclusive growth’; the climate and energy strategy aiming to cut greenhouse gas (GHG) emissions; a biodiversity strategy aiming to stop the loss of biodiversity; and a range of international agreements, for instance on climate, biodiversity protection, or public participation, access to information and access to justice on environmental matters.

EU environmental protection policy is covered by a wide range of legislation, which can be grouped in broad areas:

- **Air**: EU legislation sets air quality standards, maximum limits of pollutants emitted by Member States and standards on vehicle emissions.
- **Chemicals**: EU legislation aims to protect human health and the environment and to prevent barriers to trade, by regulating chemicals, pesticides and the labelling of products.
- **Climate**: EU legislation limits GHG emissions by factories and power plants under the Emissions Trading System (ETS) as well as GHG emissions by other sectors, for instance agriculture, road transport and buildings. It also promotes renewable energy sources.
- **Nature**: EU legislation seeks to protect nature, biodiversity and ecosystem services through the Natura 2000 network of protected areas which covers 18% of the Union’s land area.
- **Waste**: EU legislation seeks to improve waste management and sets requirements for waste streams. Recent developments aim to enable a transition to a circular economy.
- **Water**: EU legislation aims to protect surface and ground water from pollution and sets standards for drinking and bathing water. It also sets requirements for flood management.
Three European agencies contribute to implementing EU policy: the European Environment Agency (EEA) collects data and issues reports on all areas outlined above except chemicals, while the European Chemicals Agency (ECHA) and the European Food Safety Agency (EFSA) assist the Commission in its regulatory powers, regarding chemicals and pesticides respectively.

Member States are responsible for financing and implementing environmental protection measures, although they may receive financial or technical support from the EU. Implementation gaps remain, for instance as regards air quality standards, water or biodiversity. Environmental protection is the policy area where the European Commission takes most actions to solve implementation problems and launch court proceedings. Implementation gaps may be due to a lack of administrative capacity for enforcement, insufficient data and information, or a lack of skills at local level.

Potential for better implementation and further EU action

Better implementation: In the context of the European Semester, the European Parliament has called on the Commission to issue more recommendations to Member States on environmental protection and climate, for instance on reducing environmentally harmful subsidies, shifting taxes from labour to activities damaging the environment, or moving towards a circular economy. The Commission could also provide more compliance support to Member States, while enforcing EU legislation further through infringement procedures.

New EU tools underway: On implementation, the Commission proposes to issue country specific reports, to engage in dialogue with Member States and to publish papers on cross-cutting implementation issues. On climate, the EU is implementing the Paris agreement, among other things through a reform of the EU ETS.

Possible ways forward: Environmental protection targets and objectives could be further integrated into sectoral policies, for instance by using environmental and climate-related conditions and incentives. Actions beyond the EU, such as climate diplomacy, could be intensified. On the circular economy, Parliament has suggested that the scope of eco-design legislation could be widened to include product durability and reparability requirements. More broadly, the EU could map out ways to make the transition towards a green economy, for instance by fostering investments.

The EU budget and the environment

According to the agreement on the Multiannual Financial Framework (MFF) for 2014-2020, at least 20% (approximately €180 billion) of the EU budget should be spent on climate action objectives. Climate goals and actions have therefore been integrated in all major EU policies and programmes, in particular: cohesion, agriculture, maritime and fisheries, external aid, energy and transport, research and innovation. As a result, environmental objectives are reflected in all MFF headings. Programmes contributing, to a greater or lesser extent, to environmental protection include the European Structural and Investment Funds, the LIFE programme, Horizon 2020, European Fund for Strategic Investments, the Union Civil Protection Mechanism as well as numerous EU external action and humanitarian aid initiatives. These funds and programmes are implemented by the Commission independently, together with the Member States, and in cooperation with organisations in third countries.

Table 1 – Estimated EU budget contribution to climate action and biodiversity

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Climate</td>
<td>Biodiversity</td>
<td>Climate</td>
</tr>
<tr>
<td>Total</td>
<td>17 652.6</td>
<td>11 627.8</td>
<td>26 543.4</td>
</tr>
<tr>
<td>As % of EU budget</td>
<td>12.7%</td>
<td>8.4%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

(Commitments, million euros, current prices)

Since 2014, a special tracking methodology is used to monitor the dispersed EU budget contribution to two specific goals: climate action and biodiversity protection. The aggregated figures are presented by the Commission in the annual budgetary procedure. In 2016 the EU budget contribution to climate action and biodiversity protection is expected to reach 20.6% and 9.1% of total commitment appropriations respectively. This is more than in 2015 (Table 1).

The only EU programme entirely devoted to EU environmental objectives is LIFE (Programme for the Environment and Climate Action). Between 1992 and 2013 it financed more than 4 170 projects with a total EU contribution of €3.4 billion. The programme allocation for the MFF 2014-2020 has increased substantially and is the highest ever for LIFE (€3.4 billion, 0.32% of the total MFF). The programme has two components: environment and climate action. The funding is provided mainly in the form of grants and financial instruments (loans, equity investments). These support public authorities, NGOs and private actors, especially small and medium-sized enterprises.

Financial instruments outside the EU budget

Outside the EU budget, environmental concerns are also reflected in projects supported by the European Investment Bank (EIB). In 2015 the EIB invested €19.6 billion in projects enhancing environmental protection, particularly in the areas of urban environment, sustainable transport and energy, provision and management of water, biodiversity and forestry.

Potential for further financing at EU level

Given the 20% goal and the EU's international commitments, it may be assumed that EU spending on all aspects of environmental policy could increase. Climate mainstreaming could be enhanced in all EU policy areas, leading to more financing targeted at climate-related achievements.

In light of the mid-term review/revision of the 2014-2020 MFF, Parliament has underlined that the EU commitments resulting from the Paris Agreement on climate change may have an impact on the EU budget. In its resolution of March 2016 on the guidelines for the 2017 budget Parliament stressed that the 20% target requires further 'fine-tuning' of the EU budget. It also called for the financing of commitments made in Paris to be anticipated in the 2017 budget.

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Security and defence policy

OVERVIEW
Decisions on security and defence policy are, most of the time, taken by the EU-28’s national governments and usually without public scrutiny. Yet, almost two thirds of EU citizens would like the EU to intervene in this policy area more than it does at present. Since the introduction of the Common Foreign and Security Policy (CFSP) in the Treaty of Maastricht, the EU has made substantial progress in assuming its role as a regional security provider. Although significantly strengthened by the Treaty of Lisbon, this policy area continues to be hampered by the Member States’ lack of will to make better use of the existing legal framework, and by inadequate funding mechanisms.

Public expectations and EU commitment regarding security and defence: is there a gap?

Approximately two thirds of EU citizens would like to see greater EU engagement in matters of security and defence policy, according to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’. This is significant support, but still somewhat lower than the support for increased EU action on more concrete issues perceived as related to security, such as terrorism and migration. Support is very unevenly spread across the EU. It is lowest in Denmark (40%), Sweden (52%), Germany (55%) and the UK (56%), none of them is directly exposed to the Union’s southern or eastern external borders, and, as a whole, strongest in Cyprus (88%). About 51% of EU citizens deem the EU’s current involvement in this policy area as insufficient. One particular issue closely related to the issue of the EU’s involvement in security and defence is the mutual assistance clause, requiring Member States to help each other in crises. Only 31% of EU citizens are aware of this clause, yet 85% of those who are aware of it deem it good or very good. Support for a greater EU role in security and defence is weakest among women and men under 24 and above 75 years of age.

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Authors: Patryk Pawlak, Kristina Grosek, Alina Dobreva
Graphics by Eulalia Claros, based on data from the Public Opinion Monitoring Unit, DG COMM
Members’ Research Service
PE 586.583
EU citizens' preferences regarding how much of the EU budget should be spent on security and defence have changed over the years, mirroring changes in the perceived security situation. Among the most preferred categories of EU spending, the defence and security budget ranked eighth in 2008 (with 17% of citizens perceiving it as a top priority), tenth in 2011 (with 14% of supporters) and seventh in 2015 (with 19% of supporters).

**Legal framework**

Security and defence cooperation among EU Member States has always been among the most complicated issues on their common agenda. The foundations of the existing framework for defence cooperation were laid down in the Maastricht Treaty of 1993, with the introduction of the pillar structure, and in the Amsterdam Treaty of 1998, with the codification of new structures and tasks for CFSP, including the creation of the post of EU High Representative. Article 17 of the Amsterdam Treaty stated that 'the Common Foreign and Security Policy shall include all questions relating to the security of the Union, including the progressive framing of a common defence policy', and incorporated the Petersberg tasks into the Treaty. The current legal framework for the Common Security and Defence Policy (CSDP) is laid down in Title V of the Treaty on European Union (TEU) as amended in Lisbon in 2007, as well as in Protocols 10 and 11 and Declarations 13 and 14 on CFSP. The most important defence-related changes introduced in Lisbon include: the creation of a framework for Permanent Structured Cooperation (Articles 42(6) and 46 TEU and Protocol 10), the introduction of a mutual assistance clause (Article 42(7) TEU) and a solidarity clause (Article 222 TFEU), enhanced cooperation (Article 20 TEU), and the expansion of the Petersberg tasks (Article 43 TEU). The Treaty also stipulates that the European Defence Agency (EDA) shall contribute to a regular assessment of the Member States' contributions. Despite almost permanent reform, defence cooperation remains the sole competence of the individual Member States.

**Current implementation and EU action**

Since the establishment of the Common Security and Defence Policy, the EU has carried out 32 CSDP missions and operations, 21 of them civilian and 11 military. In addition, several documents of strategic importance have been adopted to frame the EU’s security posture, including the EU's comprehensive approach to external conflicts and crises (2011), the Strategy for Security and Development in the Sahel (2011), a Strategic Framework for the Horn of Africa (2011), the Cybersecurity Strategy (2013), and the Regional Strategy for Syria (2014). Following the November 2015 terrorist attacks in Paris, the French government requested the activation of the mutual assistance clause – the only such request to date. In addition, the Group of Personalities, appointed by the European Commission to recommend a long-term vision for EU-funded CSDP-related research for boosting European defence cooperation, presented its report in February 2016. Following the mandate provided to her by the European Council of June 2015, EU High Representative for Foreign Affairs and Security Policy, Federica Mogherini, is expected to present an EU global strategy on foreign and security policy in June 2016. The Commission's 2016 work programme also focuses on capacity-building in third countries and on an EU-wide strategic framework for supporting Security Sector Reform. The Commission is also working on a European Defence Action Plan aimed at bringing together core elements of the existing EU defence policies on the internal market, industrial policy and research, and to combine them with new initiatives to provide synergies between security and defence.

The European Parliament has produced a number of detailed analyses on the implementation of the European Council conclusions and Lisbon Treaty provisions concerning CSDP. The results
suggest that many mechanisms provided for in the Treaty of Lisbon have not yet, despite their potential positive impact on EU security, been fully implemented. Furthermore, a 2013 Cost of Non-Europe report estimated that gains from closer European cooperation on security and defence could range between €26 and €130 billion a year.

**Potential for better implementation and further EU action**

The Commission's European Political Strategy Centre published two position papers promoting closer defence cooperation between Member States and the creation of a 'Security Union' on the basis of Articles 88(1), 222(1) and 352 TFEU. The first paper prioritises the need to enhance the EU's resilience and security from within, as well as to address the root causes of its failure to benefit fully from the legal framework provided in the Treaties. The paper also proposes a number of concrete operational solutions (for instance, establishing Operational Headquarters and introducing a 'European Semester process on defence capabilities').

Parliament has adopted a number of resolutions concerning the future of European security and defence cooperation: on the mutual assistance clause, on the impact of developments in European defence markets on the security and defence capabilities in Europe, on the implementation of the Common Security and Defence Policy, and on the High Representative's Annual Report to the Parliament. Concrete recommendations put forward by the Parliament for further actions by the EU and Member States aim in particular to strengthen the use of the existing Treaty-based instruments and their implementation (for instance, Article 41 TEU on a start-up fund; Article 46 TEU on permanent structured cooperation; Article 222 TFEU on the solidarity clause; Article 42(7) TEU on the mutual assistance clause; and Article 44 TEU on entrusting CSDP operations to a group of Member States). Parliament also recommends concrete measures to improve defence cooperation between Member States, including strengthening the European Defence Agency, reviewing the Athena financing mechanism to further increase common financing of CSDP military operations, closer cooperation with NATO and strengthening the European technological and industrial base and defence research.

**The EU budget and the security and defence policy**

Determining the precise amount of total EU spending on security and defence policy is a complicated task, mainly because security funding is often covered by broader policy frameworks while responsibilities are distributed among several Commission departments and Member States. In the current Multiannual Financial Framework (MFF), support for conflict prevention and resolution, and peace and security-related activities is enshrined in nine national and eight regional or thematic programmes. Possible support for transition from missions and operations under CSDP to other instruments is also included in 45 country-specific programmes. Nonetheless, the main sources of funding for security and defence policy at EU level include:

- **the Common Foreign and Security Policy – CFSP** (under MFF Heading 4, 'Global Europe'): aims to preserve peace, prevent conflicts and contribute to global peace and security. It is dedicated to a great extent, although not entirely, to security and defence policy. The financial envelope for CFSP in the 2014-2020 MFF is **€2 338.7 million** (at current prices), 0.22% of the MFF. The CFSP budget is divided into eight budget lines, reflecting the different types of actions. Those broadly referring to security and defence objectives include: (1) **EU civilian crisis management missions and activities (CSDP missions).** CSDP missions were allocated a total of **€281.4 million** (at current prices) for 2016, compared to €258.25 million in 2015; (2) 'Emergency measures' intended to cover unforeseen requirements and act as an element of flexibility in the CFSP budget. The 2016 budget for Emergency measures amounts to €37 million (at current prices), or €17 million more than in 2015; (3) 'Preparatory and follow-up measures' where commitments amount to €8 million in 2016 and €5.2 in 2015; (4) 'Support to non-proliferation and disarmament', amounting to €19 million (up €2 million from 2015).
• the Instrument contributing to Stability and Peace – IzSP (under MFF Heading 4, 'Global Europe'): finances, among other things, the fight against the proliferation of weapons of mass destruction, counter-terrorism, capacity-building in terms of cross-border threats and pre-/post-crisis preparedness. The total IzSP budget for 2014–2020 amounts to €2 338.7 million and will be allocated according to the priorities identified in the Thematic Strategy Paper 2014–2020. The appropriations for global, trans-regional and emerging threats amount to €64.4 million in 2016, a slight increase compared to 2015.

Financial instruments outside the EU budget

Operations in the military domain or having military implications cannot be funded by the EU budget. However, to ensure solidarity between Member States, some common costs relating to military operations are financed through the Athena financing mechanism. Except for Denmark, which has opted out of CSDP military activities, Member States contribute an annual share to the mechanism in accordance with their gross national income. Common costs managed by the mechanism represent only a small share (estimated at approximately 10-15%) of the overall costs of military operations, while the overwhelming bulk of expenditure is shouldered by the participating states. In 2015, the budget for five Athena military operations was estimated at approximately €76 million compared to €78 million in 2014. As of May 2016, the EU was involved in six military missions and operations.

Potential for further financing at EU level

Several resolutions adopted by Parliament in 2015 – on the Implementation of the CSDP, the Financing of the CSDP, and the Annual Report from the HR/VP on CFSP – acknowledged the achievements with regard to the CSDP, but called for more flexibility in the EU's financial rules to enable a quick response to crisis situations. Parliament suggested a long-term approach in financing CSDP missions and operations, emphasising the importance of transparency. Moreover, it stressed the lack of adequate burden-sharing in covering common costs of military operations through the Athena mechanism. Lastly, Parliament called for the creation of a start-up fund for the urgent financing of the initial phases of military operations. Some Member States are also discussing the creation of a European investment fund for defence, which would allow contributing EU governments to borrow and thus ensure funds are always available for joint defence programmes. Thus far, the EU's response to potential security challenges stemming from the migration crisis also suggests an increasing tendency to rely on EU trust funds (such as the Madad Fund, the Facility for Refugees in Turkey), which allow for more coordinated, joined-up, speedier, and more flexible aid delivery in emergencies and post-emergency situations. New opportunities result from a decision by the members of the OECD Development Assistance Committee to update the existing approach so as to report expenditure for peace and security as official development assistance (ODA).

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OVERVIEW

Almost two thirds of EU citizens would like to see more EU engagement in the areas of health and social security. The EU’s main role in these policies is to support and complement the activities of Member States, and it can encourage cooperation and best practice. EU health policy aims to foster good health, protect citizens from health threats and support dynamic health systems. Social policy promotes social cohesion equality as well as solidarity through adequate, accessible and financially sustainable social protection systems and social inclusion policies. The EU encourages national pension reforms to ensure they are both adequate and sustainable. In the EU budget, the Health Programme 2014-2020 is the only programme specifically created for this policy area, but other programmes contribute in part to health objectives. EU spending on social security is tied to labour market measures.

Public expectations and EU commitment on health and social security – is there a gap?

Percentage of respondents who would like the EU to intervene more than at present

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, approximately two thirds of EU citizens would like the EU to intervene more in health and social security. The differences across Member States are significant, with the strongest support for increased EU action in Cyprus (87%) and Romania (82%), and the weakest support in Denmark (46%), Austria and Finland (48%). Exactly half of EU citizens surveyed evaluate current EU action in health and social security as insufficient. There is a gap in some Member States between citizens’ expectations for EU involvement and their perception of the current involvement, but not in all.

Public support for EU spending on public health has been growing between 2008 and 2015 – 32% perceived it as a priority spending category in 2008, 36% in 2011 and 41% in 2015 (Eurobarometer
data). In 2015, public health is the policy area with the second highest support from citizens in terms of EU spending (after social affairs and employment). There are no significant differences across socio-demographic groups in their support for more EU involvement in health and social security. Women express slightly stronger support than men – 64 to 61%. Citizens below the age of 25 and over 74 are less supportive of greater EU involvement.

**Legal framework**

The EU has supporting competence in **health** ('subsidiarity principle'). The legal basis for EU health policy is Article 168 of the Treaty on the Functioning of the European Union (TFEU): Union action 'shall complement national policies' and 'respect the responsibilities of the Member States for the definition of their health policy and for the organisation and delivery of health services and medical care', which includes the management of health services and medical care and the allocation of the resources assigned to them.

**Social security** and social protection are a subset of social policy, which is a shared competence under Article 4 TFEU. It is mainly covered under Articles 151-161 TFEU. Article 151 TFEU sets out the EU and Member States' objective of promoting 'proper social protection'. Article 153 TFEU states the EU shall 'support and complement' the activities of Member States in the field of social security and social protection of workers by, e.g. encouraging cooperation and best practice. It may also adopt directives, but only to set 'minimum requirements for gradual implementation'.

**Current implementation and EU action**

**Health:** Regulation (EU) No 282/2014 establishes the Third Health Programme (2014-2020), the main instrument for implementing the EU health strategy. Its objectives are: (1) promote health, prevent disease and foster healthy lifestyles; (2) protect citizens from cross-border health threats; (3) support innovative, efficient and sustainable health systems; and (3) improve access to better and safer healthcare. It is implemented by the Consumers, Health, Agriculture and Food Executive Agency (Chafea). The EU legal framework for pharmaceuticals consists primarily of Directive 2001/83/EC on the Community code for human medicines and Regulation (EC) No 726/2004 introducing a centralised authorisation procedure and establishing the European Medicines Agency (EMA). The Clinical Trials Regulation (No 536/2014) aims to ensure the safety of those participating in clinical trials and to simplify procedures authorising these trials. The regulatory framework for medical devices is currently under revision. With regard to communicable diseases, Regulation (EC) No 851/2004 set up the European Centre for Disease Prevention and Control (ECDC), while Decision No 1082/2013/EU on serious cross-border threats to health aims to enhance the EU’s preparedness coordination, building on lessons learned from the 2009 H1N1 pandemic and the 2011 E. coli outbreak. Directive 2011/24/EU on patients’ rights in cross-border healthcare sets out the conditions under which a patient may seek medical care in another EU country and have the cost reimbursed by their health insurance. It also encourages cooperation between national healthcare systems. The Tobacco Products Directive (2014/40/EU) lays down rules on the manufacture, presentation and sale of tobacco and related products with a view to improving the functioning of the internal market while ensuring a high level of public health.

**Social security:** Regulation (EC) No 883/2004 on the coordination of social security systems applies to all national legislation on benefits related to sickness, maternity and paternity, family, invalidity, survivors, unemployment and pre-retirement, and in respect of work-related accidents and diseases, as well as old-age pensions and death grants. The rules protect people’s social security rights when moving within Europe (EU-28 plus Iceland, Liechtenstein, Norway and Switzerland), while social security systems remain a matter for the Member States. The **Maternity**
**Leave Directive** provides for 14 weeks of paid maternity leave. The **Parental Leave Directive (amended)** entitles male and female workers to a minimum of four months' parental leave after the birth or adoption of a child (the application of the Directive is decided nationally). Directives also promote equal treatment in social security according to gender, race and disability (currently under negotiation). The **European Social Fund** (ESF) can also be relevant to social security, helping with employment, mobility and poverty. The main policy framework in social policy is the **Europe 2020 strategy** and the **open method of coordination for social protection and social inclusion (Social OMC)**, which coordinates policies between EU countries to promote social cohesion and equality. The **Europe 2020 strategy** set up a **European Platform against Poverty and Social Exclusion**, which included revamping the Social OMC and the Commission assessment of the adequacy and sustainability of pensions, with a **Green** (2010) and **White Paper** (2012). A major theme was better balancing the time spent in work and retirement. The EU supports national strategy development for social protection and **social investment** and for coordinating policies between EU countries through the **European Semester**, in which the **Country Specific Recommendations** (CSRs) can target issues of social protection. For example, pensions have **featured heavily in CSRs**, including raising state pension ages, equalising them between men and women and limiting early retirement. National pension reforms have followed in many cases, and some countries have carried them out as part of bailout agreements.

**Potential for better implementation and further EU action**

**Health:** Implementation of EU legislation at Member State within the deadline still leaves room for improvement (as with the **Directive on patients' rights in cross-border healthcare** or the **Tobacco Products Directive**). The **conclusions** of the Employment, Social Policy, Health and Consumer Affairs Council of 17 June 2016 recognise that a number of Member States are interested in pursuing or exploring voluntary cooperation in different areas, such as: health technology assessment (HTA) (in the framework of the permanent HTA network [EUnetHTA] and its **Joint Action** 3); pricing and reimbursement of medicines, as illustrated by the Commission-contracted study on **enhanced cross-country coordination in pharmaceutical product pricing**; instruments for joint price negotiations, such as the medicines-pricing **cooperation agreement**; or mechanisms for early dialogue with pharmaceutical companies, such as the EMA's **PRIME** scheme for medicines targeting unmet medical needs. These initiatives could be widened, and there may be scope for encouraging broader and deeper EU-level coordination to tackle challenges such as **improving access to medicines** while guaranteeing **effective, accessible and resilient health systems** (as with the new 'State of health in the EU' initiative to pool expertise and strengthen country-specific and EU-wide knowledge on health).

**Social security:** The proposal for a **European Pillar of Social Rights** (currently in consultation) should serve to strengthen the social aspects of **Economic and Monetary Union** (EMU). The **Roadmap** on reconciling work and family life (including the Maternity and Parental Leave Directives) will enter its second round of consultation with the social partners and should contain proposals for legislative and non-legislative measures. These initiatives might imply a revision of the EU governance and coordination system, potentially including new or modified legislation as well as identifying minimum standards. Given the European Parliament's strong interest in 'socialising' EMU, it could help involve EU stakeholders by organising hearings around the European Semester, aiding the development of social indicators and the monitoring of implementation of the relevant CSRs. On pensions, **Parliament** stresses the need to strengthen employment to support pension systems, reducing early exits and incentivising and enabling staying in work. Given the limited legal basis, continuing to encourage reform in Member States via the social pillar, OMC and Semester seems appropriate.

**Health and social security in the EU budget**

In the 2014-2020 Multiannual Financial Framework (MFF), the **Health Programme** is the only programme specifically created for **health policy** measures; it has a seven-year budget of €449.39
million (0.04% of the total MFF). Other programmes also contribute to health policy objectives, however, including the European Structural and Investment Funds (ESIF): health is eligible for support under Cohesion Fund 2014-2020 thematic priorities – ICT, SMEs, employment, social inclusion and institutional capacity; the European Regional Development Fund (ERDF) can be used to fund health infrastructure and equipment, eHealth, and research and support for SMEs; and the European Social Fund (ESF) can finance activities linked to active and healthy ageing, health promotion and addressing health inequalities, support for the healthcare workforce, and strengthening of public-administration capacity. Under Horizon 2020, the EU’s research programme, €1.2 billion was earmarked for investment for personalising healthcare in 2014 and 2015, and the Innovative Medicines Initiative (IMI), a public-private partnership, has a budget of €3.3 billion for the 2014-2024 period, half of which comes from Horizon 2020. For social security, relevant EU programmes are closely tied to action on employment via the Employment and Social Innovation programme (2014-2020: €919.47 million); the ESF (€86.43 billion); European Aid for the most Deprived (€3.8 billion); and the European Globalisation Adjustment Fund (maximum annual budget of €150 million). Spending in both areas has been slightly increased under the 2014-2020 MFF compared to its predecessor: the current Health Programme’s financial envelope is up from €321.5 million for its 2008-2013 predecessor (or from 0.03% of the respective MFF), while the budget for the ESF, for example, has increased from €76.62 billion in 2007-2013 (7.85% of the total MFF) to €86.43 billion in 2014-2020 (7.98%).

Financial instruments outside the EU budget

The European Investment Bank (EIB), jointly owned by the EU’s Member States but outside the EU budget, supports projects aimed at improving access to healthcare and furthering economic and social cohesion. It now partly does this by way of the European Fund for Strategic Investments (EFSI), which was launched in 2015 and is based on a €16 billion guarantee from the EU budget.

Potential for further financing at EU level

While there is scope for further coordination between Member States in health and social security, the EU’s few explicit competences in these fields may weaken the case for spending increases in dedicated programmes. However, both are cross-cutting, with several other programmes contributing to objectives in these areas, which may themselves be increased. Where policies are tied to innovations or projects that could be commercialised or attract private investment, there may be scope for additional EU or European support via the EIB.

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Equal treatment of men and women

OVERVIEW
Public opinion surveys suggest that the majority of Europeans are aware of EU action, and consider that equal treatment of women and men should be an EU priority, with majority support for existing or higher levels of EU involvement. In areas where the public feel that EU intervention is most effective – notably ensuring equal pay, facilitating work-life balance and combating violence against women – there is scope for further action at national and EU level, ranging from ‘soft’ measures such as awareness-raising campaigns to better implementation and enforcement of existing equal treatment legislation, and the potential introduction of new legislative proposals. A number of initiatives are already on the table, but stakeholders have also expressed concerns about diminishing commitment to gender equality policy at EU level.

Public expectations and EU commitment on equal treatment of men and women – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, 55% of EU citizens surveyed would like the EU to intervene more in the policy area of equal treatment of men and women. The differences across Member States are significant. The strongest support for increased EU action is seen in Sweden (79%), and the weakest in Latvia (28%). More EU citizens evaluate current EU action in equal treatment of men and women as adequate (48%) than as insufficient (42%) (the only equivalent area being energy supply and security). This is also one of the policy areas with the smallest number of respondents unable to evaluate EU involvement (only 4%) and the area with the highest proportion of EU citizens who would like EU involvement to remain as it currently is (33%). Although in some Member States there is a gap between citizens’ expectations for EU involvement and their perception of current involvement, overall there is a certain level of satisfaction with the current level of EU involvement. Considering that 76% of EU citizens think
that tackling inequality between men and women should be an EU priority, the importance of this policy area is very high. Some of the measures to tackle inequality considered most effective are: making sure women earn the same as men for the same work (42%), making childcare more accessible (36%), and increasing flexible work arrangements (33%). However, violence against women is perceived as the most urgent gender inequality issue to be addressed (59%). Women express stronger support than men – 60 to 50%. Amongst the under 25s, women express the highest (63%) and men the lowest level of support (48%), but differences of opinion according to age are not statistically significant.

**Legal framework**

Equality between women and men (also referred to as ‘gender equality’) has been gaining in importance since 1957, when the principle that men and women should receive equal pay for equal work was included in Article 119 of the Treaty of Rome (now Article 157 TFEU), and is now one of the core values and objectives of the EU (Articles 2 and 3(3) TEU and the Charter of Fundamental Rights). The EU is committed to promoting gender equality ‘in all its activities’ (Article 8 TFEU – a principle known as ‘gender mainstreaming’) and can enact legislation to combat gender-based discrimination (Article 19 TFEU).

**Current implementation and EU action**

The Treaties provide a framework for threefold action to achieve gender equality by: 1) eliminating discrimination based on sex; 2) promoting equal treatment and equal opportunities; and 3) ensuring that all policies are audited for their gender impact. On this basis, the European Union has actively promoted gender equality by introducing legislation in its areas of competence, using ‘soft instruments’ such as recommendations, funding and exchanges of good practice to support action in the Member States, and establishing structures to promote and monitor progress. The case law of the European Court of Justice has also played a key role in defining the concepts and scope of EU policy in this field.

Since the introduction of the first directives in this area in the 1970s, the EU has developed extensive legislation on gender equality, covering, amongst other things, equal pay, social security, employment and working conditions (Directive 2006/54/EC); equal access to goods and services (Directive 2004/113/EC); guaranteed rights to maternity and parental leave (Directives 92/85/EEC and 2010/18/EU); and protection for victims of trafficking and crime (Directives 2011/36/EU and 2012/29/EU). This binding EU law is seen to have given crucial impetus to gender discrimination law in the Member States, and made a measurable contribution to gender equality. However, a number of problems have also been identified.

Transposition and implementation have been patchy in many countries and there is a general problem with enforcement. For example, recent assessments of Directive 2006/54/EC have found that there are still problems with practical application of equal pay provisions in the Member States. In other areas of public concern which are decisive for gender equality, including reconciling family/private life and work and combating violence against women, gaps remain in the coverage and protection offered by the existing framework.

Proposals for legislation and a range of non-legislative measures for tackling inequality and advancing equality between women and men are set out in comprehensive policy programmes. The Commission has now issued a Strategic engagement for gender equality 2016-2019, whilst
the Gender Action Plan 2016-2020 sets out a specific programme in external relations and development.

European and national equality bodies play an important role in supporting and monitoring gender equality policy, but some national bodies have reported facing challenges in recent years due to diminishing resources. The European Institute for Gender Equality (EIGE), established in 2006, is helping to address a lack of reliable, comparable data on the impact of EU and national gender equality policy. Its current Gender Equality Index shows that Europe is ‘half way to equality’, with wide variations between countries.

Potential for better implementation and further EU action

<table>
<thead>
<tr>
<th>Calls for stronger policy commitment</th>
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<tbody>
<tr>
<td>The review of the previous Strategy for Equality between Women and Men 2010-2015 found that Member States recognised it as a blueprint for national as well as EU action on gender equality and unanimously supported a new Strategy. Stakeholders urged the EU to pursue the same objectives: equal economic independence; equal pay for work of equal value; equality in decision making; dignity, integrity and ending gender violence; and promoting gender equality beyond the EU. They also pointed to a need for more gender-responsive budgeting and more effective gender-mainstreaming. Although the Commission’s proposal took up many of these priorities, governments have asked the European Commission for a stronger equality strategy, with better links to other strategies, notably Europe 2020, the European Semester, the Multi-Annual Financial Framework and the United Nations 2030 Agenda for Sustainable Development, whose goal on empowering all women and girls applies to the EU.</td>
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<tr>
<th>Possibilities for better implementation of existing equal treatment legislation</th>
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<tr>
<td><strong>Equal pay.</strong> Through their European association, Equinet, national equality bodies have called for more effective sanctions to increase the cost of non-compliance with EU legislation, whilst an evaluation for the European Parliament concluded that binding legislation (a revised or a new Directive) would be more effective in reducing the gender pay gap than voluntary measures.</td>
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<tr>
<th>Proposals for new measures on work life balance and violence against women</th>
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<tr>
<td><strong>Work/life balance:</strong> A 2008 proposal for a revision of the maternity leave directive was withdrawn on failing to reach a majority in the Council. However, in August 2015 the European Commission announced a replacement package to remove obstacles to the labour market for parents and others with caring responsibilities (particularly women), and to strengthen gender equality, comprising legislative and non-legislative measures.</td>
</tr>
<tr>
<td><strong>Violence against women:</strong> An assessment for the European Parliament concluded that a broad instrument harmonising national legislation and integrating existing international standards, would provide better protection to women and more legal certainty, and the Parliament has proposed EU legislation on violence against women. This is not on the table, but instead, the Commission has proposed that, in their respective areas of competence, the Member States and the EU should accede to the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), which sets legally binding standards to prevent gender-based violence, protect victims of violence and punish perpetrators. The Commission has also announced an awareness-raising campaign in 2017. Other possible ways forward could include more effective gender mainstreaming and gender budgeting in all areas of EU policy.</td>
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| Other possible ways forward could include more effective gender mainstreaming and gender budgeting in all areas of EU policy. |
The EU budget and equal treatment of men and women

The Commission estimates that approximately €5.85 billion will be spent in 2014-2020 on measures to promote gender equality. There is no single budget line in the EU budget concerned with the equal treatment of men and women. Rather, gender equality and gender mainstreaming are financed through a vast array of actions under several EU funding programmes, five of which are particularly important for gender equality.

The European Social Fund (ESF) has programmed approximately €4.6 billion for gender equality in 2014-2020, of which €1.6 billion for ‘equality between men and women in all areas’ (an investment priority chosen by 12 Member States). The European Programme for Employment and Social Innovation (EaSI) has promoting gender equality as one of its objectives and two major actions in this area, the Progress axis and the EURES axis (respectively 61% and 18% of the overall 2014-2020 budget of €919,469 million). The Rights, Equality and Citizenship Programme (RECP) has a financial envelope of nearly €440 million for the 2014-2020 period. One of its nine objectives is concerned with gender equality, and another with preventing and combating violence against women and other groups. These two objectives currently account for around 35% of the RECP funds. Over 2014-2010, the Development Cooperation Instrument (DCI) has earmarked €70 million for ‘gender, women’s empowerment and girls’ rights’, and €18 million to tackle harmful practices such as child marriage and female genital mutilation. Under the Horizon 2020 programme, a budget of about €43 million has been allocated to projects promoting awareness and implementation of gender equality in the research system and research organisations for 2014-2017. Lastly, funding is also allocated to the European Institute for Gender Equality (EIGE), with appropriations of €6.776 million in 2014, €7.464 million in 2015 and €7.527 million in 2016 to cover staff, administrative and operational expenditure.

Outside the EU budget, gender equality is mainstreamed in bilateral and regional geographical programmes. Examples include the DCI-Asia Latin America programme, which dedicates €16-18 million to specific actions on gender equality, and the Gender Equality Facility in Albania, financed with €2 million.

Potential for further financing at EU level

There are many areas of potential further spending on gender equality. Recent studies have found that the commitment to gender equality and gender mainstreaming is not reflected in spending, and suggest extending gender-responsive budgeting. One focus could be the implementation of the Gender Action Plan and more generally the reinforcement of gender mainstreaming in all EU external action. In June 2016, the Commission committed €100 million under the Development Cooperation Instrument to finance actions specifically targeted to further gender equality for 2014-2020. A second focus could be support for ‘equality bodies’. A third could be support for civil society organisations’ work on gender equality, with the Commission announcing that €30 million will be available from the 2016 and 2017 budget. A fourth and last area of potential increase in spending may come from the implementation of initiatives aimed at strengthening a gender-responsive budget.

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OVERVIEW
More than half of EU citizens would like to see the EU play a bigger role in energy supply and energy security. The EU was given competences in energy policy by the Lisbon Treaty in 2009. The main objectives of EU energy policy are sustainability, affordability and security of supply. The Energy Union strategy, adopted in 2015, provides a holistic framework for further integration of European energy markets. According to analysis carried out by the European Parliament, a more integrated single market for energy could result in annual efficiency gains worth €250 billion. Energy-related expenditure is spread across different parts of the EU budget. Energy is among the priorities of the European Fund for Strategic Investments (EFSI).

Public expectations and EU commitment on energy supply and energy security – is there a gap?

According to a new Eurobarometer survey of the European Parliament on "perceptions and expectations", around half of EU citizens would like the EU to intervene more in energy supply and security than it does currently. There is significant variation in opinion across Member States. The strongest support for increased EU action was recorded in Cyprus (75%), Spain (68%) and Malta (66%), while the weakest was in the Czech Republic (35%) and Austria (36%). Energy supply and security is one of only two policy areas (together with equal treatment of men and women) in which more citizens rate current EU action as adequate (45%) than as insufficient (37%). Only in some countries is there a gap between citizens’ expectations of EU involvement in energy supply and security, and actual EU involvement in this policy area.

Public support for spending in this area was stable between 2008 and 2011 – 22% perceived the energy sector as a priority spending category in both 2008 and 2011. However, support for EU funds being spent on energy dropped to 16% in 2015 (Eurobarometer data). Such a drop could reflect satisfaction with current EU involvement in this policy area (evident from the data), or indicate that other priorities have become more salient.
Differences across socio-demographic groups in terms of preference for more EU involvement are generally small. People under the age of 24 and over 75 express somewhat lower support for greater EU involvement in energy supply and security policy.

**Legal framework**

Energy policy was made an explicit EU competence by the Lisbon Treaty. The objectives of EU energy policy, set out in Article 194 of the Treaty on the Functioning of the European Union (TFEU), are a functioning energy market, interconnected energy networks, security of energy supply, promotion of energy efficiency and saving, and the development of new and renewable forms of energy. Articles 170-172 TFEU concern trans-European energy networks. Combating climate change is one of the objectives of EU environmental policy (Article 191 TFEU).

Energy policy is a shared competence between the EU and its Member States, and subject to codecision by the European Parliament (EP) and the Council (ordinary legislative procedure). However, Member States remain free to choose their energy sources and the structure of their energy supply.

EU energy market policy has been successively developed since the 1990s as part of the broader single market. However, the EU internal energy market is still to be fully completed. Energy has been part of European integration from the very beginning (European Coal and Steel Community, 1952, and European Atomic Energy Community, 1958).

**Current implementation and EU action**

Energy has become a renewed focus of EU policy under the Juncker Commission, which published an Energy Union strategy in 2015. This strategy builds on the 2030 policy framework for climate change and energy and on the previous European energy security strategy. The Energy Union strategy has five inter-related aspects: energy security, solidarity and trust; a fully integrated European energy market; energy efficiency contributing to moderation of demand; decarbonising the economy; and research, innovation and competitiveness.

The internal energy market in the EU was established by three market liberalisation packages adopted in the 1990s, 2003 and 2009, which provide for the 'unbundling' of energy production and supply from energy-transmission networks, as well as third-party access to gas storage facilities, stronger consumer protections, and enhanced regulatory surveillance.

The EU climate and energy framework for 2020 aims to ensure the security of energy supply by increasing production from (mostly indigenous) renewable sources, and by reducing energy demand through efficiency measures. Even though Europe aims to reduce its dependency on energy imports, ensuring a reliable supply of fossil fuels (especially gas) remains an important priority in the light of declining indigenous production. The European energy security strategy of May 2014 focussed on short-term challenges as well as longer-term goals that have been taken up in the Energy Union strategy.

In October 2014, the European Council endorsed the EU 2030 climate and energy framework, which sets targets for cuts in greenhouse gas emissions, renewable energy and energy efficiency. Its implementation is part of the EU’s contribution to the Paris Agreement on climate change, which aims at a transition towards a low-carbon energy system.
Potential for better implementation and further EU action

Better implementation
Despite incremental market liberalisation since the 1990s, the internal energy market in the EU has yet to be completed. The European Parliament and the European Council have repeatedly urged full transposition and implementation of the third internal energy market package. The Court of Auditors special report 16/2015 found that the objective of completing the internal energy market by 2014 had not been reached, and that more and better targeted infrastructure initiatives were needed.

European Parliament implementation appraisals of energy efficiency, emissions trading and renewable energy analyse the implementation of these policies and suggest possible ways to improve their effectiveness. According to the European Parliament study 'Mapping the Cost of Non-Europe, 2014-19 (third edition)', a more economically and physically integrated single market in energy could bring annual efficiency gains worth at least €250 billion.

New EU tools
The Commission's 2015 summer energy package consists of two legislative proposals (energy efficiency labelling; reform of the Emissions Trading System) and communications on energy markets and consumers. In February 2016 the Commission presented the sustainable energy security package, which consists of two legislative proposals (security of gas supply; intergovernmental agreements) and two communications (liquefied natural gas and gas storage strategy; heating and cooling strategy). Vice-President Šefčovič announced that 2016 would be the 'year of delivery', in which all the major initiatives for the Energy Union would be presented, so that they could be adopted during the current legislative term.

Possible ways forward
The Energy Union strategy provides a framework for the further integration of the European internal energy market and coordination of national energy policies and energy diplomacy. The annual reports on the State of the Energy Union will provide an opportunity to take stock of progress, and debate the possibilities for further EU action. Parliament expressed its views on the Energy Union in a resolution of 15 December 2015, reiterating its calls for more ambition on energy efficiency and renewable energy and for a fully integrated European energy market.

The recurrent debates about gas pipelines (notably the Nord Stream 2 project) and electricity interconnections show there is an interest in coordinating energy supply and energy infrastructure at European level, in a spirit of solidarity among Member States.

The EU budget and energy
Energy supply and energy security issues are connected to a number of other policy areas. Many programmes and funds include objectives related to energy, energy efficiency, a low-carbon economy or climate action. It is difficult to clearly indicate all related EU funding because it is spread across many different budgetary headings.

The European Energy Programme for Recovery provided almost €4 billion for key EU energy projects running from 2009 to 2019. The Connecting Europe Facility (CEF) was created under the 2014-2020 Multiannual Financial Framework (MFF) to promote and part-finance cross-border transport, energy and telecommunications infrastructure links. It includes a financial envelope of €5.4 billion for energy-related projects. CEF funding can leverage other funds using financial instruments, such as project bonds.

Other funding is available to Member States via the European Structural and Investment Funds (ESIF). For instance, around €2 billion from the European Regional Development Fund (ERDF) is allocated to large-scale electricity and gas infrastructure, 'the low carbon economy' being one of four priority areas for the period 2014-2020.
The EU also encourages research activities in the energy field, with the aim of developing new technologies for energy supply and increased energy security. In terms of financial support, the International Thermonuclear Experimental Reactor (ITER) is probably the biggest project, with a budget of almost €3 billion under the 2014-2020 MFF. In this case, EU funds are channelled via the European Joint Undertaking for ITER and the Development of Fusion (F4E). Horizon 2020 provides financial support for research projects focused on both nuclear and non-nuclear energy. It will provide €5.9 billion in funding between 2014 and 2020.

Energy cooperation, particularly around supply, is an important element of European Neighbourhood Policy. The European Neighbourhood Instrument also has an energy policy element, specifically in terms of energy efficiency and renewable energy, and energy networks.

**Financial instruments outside the EU budget**

Energy is among the priorities of the European Fund for Strategic Investment (EFSI), which is pooling EU contributions to specific projects with European Investment Bank (EIB) funding, with a view to attracting public and private investments worth at least EUR 315 billion. The EIB helps finance energy projects in the areas of renewable generation, infrastructure, and new technologies by providing companies with loans and other financial instruments.

The European Development Fund, which is outside the EU budget, includes a budgetary heading on energy, which is one of the key objectives of EU development aid.

With the creation of the EFSI, the financial leverage of EU funds has become an increasingly important aspect of EU policy. This principle is also applied within the NER 300 programme for carbon capture and storage and innovative renewable energy technologies.

**Potential for further financing at EU level**

The European Court of Auditors recommends better targeting of EU funds to selected priority projects. This is in line with an earlier EP resolution from 2013 calling for support for key infrastructure projects that may not be commercially viable.

The EP resolution from 2015 calls for a pan-European electricity grid and gas network with the capacity to transmit power and gas across EU countries from multiple sources. More specifically, it calls for better interconnection of Spain and France and for a Mediterranean Gas Hub with increased LNG capacity.

In the same document, the EP also calls on the Commission to explicitly list the different funding and financing instruments at its disposal.

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Economic policy

OVERVIEW

The EU’s economic policy is mainly geared towards coordinating national economic policies, with much attention given to macroeconomic imbalances, as well as managing the fiscal safeguards provided by the Stability and Growth Pact. However, compliance by Member States with the existing framework is weak. At the same time monetary policy is an exclusive EU competence for the euro area.

Public expectations and EU commitment on economic policy – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, just over half of EU citizens would like the EU to intervene more in economic policy compared to what it currently does. Of the EU citizens surveyed, 13% do not have an opinion on this matter, the second highest proportion (after industrial policy). The variation in opinions across Member States is significant. The strongest support for increased EU economic policy involvement is recorded in Cyprus (80%), Spain (77%), Portugal and Italy (68%). The weakest support for increased EU action in economic policy is registered in Denmark (27%), Sweden (32%), Germany and Austria (35%). Some 44% of citizens evaluate the current involvement of EU in economic policy as insufficient, a somewhat low proportion compared to the other areas on which citizens were questioned, while 7% consider the current involvement as excessive. A gap between citizens’ expectations of EU involvement in economic policy as a whole and actual EU involvement in this policy area is seen only in some Member States.

However, when citizens are asked about particular issues related to economic policy, then opinions are different. For example, support for the fight against unemployment is considerably
Figure 1 – Opinion by generation, gender

<table>
<thead>
<tr>
<th>Years of age</th>
<th>Gender</th>
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<tbody>
<tr>
<td>Under 25</td>
<td>45%</td>
</tr>
<tr>
<td>25 - 34</td>
<td>55%</td>
</tr>
<tr>
<td>35 - 44</td>
<td>55%</td>
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<tr>
<td>45 - 54</td>
<td>57%</td>
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<tr>
<td>55 - 64</td>
<td>54%</td>
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<tr>
<td>65 - 74</td>
<td>57%</td>
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<tr>
<td>Over 74</td>
<td>52%</td>
</tr>
<tr>
<td>Total</td>
<td>54%</td>
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</table>

Data source: EuroBarometer 85.1

higher. Another example is the public support for EU spending on economic growth. Despite the fact that economic growth is no longer the most preferred area of spending (first place in 2008, second in 2011 and third in 2015), the proportion of citizens expressing a preference for spending on it is significant and largely unchanged (38% in 2008, 40% in 2011 and 38% in 2015 – Eurobarometer data).

Differences across the preferences of socio-demographic groups are small. People under the age of 24 and over 75 express somewhat lower support for more EU involvement in economic policy.

**Legal framework**

Article 3 **TEU** sets the aims of balanced economic growth and price stability, and to this end the Union establishes an Economic and Monetary Union (**EMU**). EMU was first set out in detail in the **Maastricht Treaty** in 1992, and began formally on 1 January 1999 in 11 Member States.

Article 3 **TFEU** assigns the EU exclusive competence of monetary policy for Member States whose currency is the euro. By contrast, the economic policies remain in the realm of each individual Member State. To overcome this asymmetry, Article 5 **TFEU** stipulates that the economic policies should be coordinated within the Union.

The coordination of economic policies is defined in Articles 119, 120 and 121 **TFEU**. Member States shall regard their (national) economic policies as a matter of common (European) concern, conducting them with a view to achieving the objectives of the EU. An economic policy based on the close coordination of the Member States' economic policies is adopted at EU level in the form of Broad Economic Policy Guidelines (**BEPGs**).

Although the economic coordination requirement may seem somewhat loose, the Treaty has a number of stringent safeguards in relation to the conduct of Member States' fiscal policies. In order to protect the integrity of the Monetary Union, Article 126 **TFEU**, which is the basis of the Stability and Growth Pact (**SGP**), states that ‘Member States shall avoid excessive government deficits’. Article 123 **TFEU** forbids central banks – including the European Central Bank (**ECB**) – from acting as lender of last resort to governments. Article 125 **TFEU** (the 'no-bail-out' clause) prevents – as confirmed by a Commission expert group – the mutualisation of debt under the regime of joint and several liability.

The conduct of the single monetary policy is defined in Articles 119, 127 and 130 **TFEU**. The primary aim is price stability. A further aim, the support of the EU’s general economic policy, should be pursued as long as this is done without prejudice to price stability. The ECB, which acts independently from political influence, has quantified its central task as keeping inflation under, but close to, 2%.

A number of provisions exist specifically for those countries that are not taking part in the euro.

**Current implementation and EU action**

This framework was kept relatively unchanged (except for amendments to the SGP in 2005) until the **sovereign debt crisis** struck in 2009-2010, in the wake of the financial crisis. A two-pronged response was adopted at European level: (i) providing support for countries which had lost access to the capital markets through ad-hoc instruments, including the inter-governmental European Stability Mechanism (**ESM**), which together with the International Monetary Fund (**IMF**) are providing financial assistance under strict conditionality; and (ii) preventing a reoccurrence of such a crisis through a general overhaul of the economic governance
framework, mainly by upgrading the SGP with the 6- and 2-Packs. The 6-Pack improves the SGP and adds a macroeconomic surveillance component, including a Macroeconomic Imbalance Procedure (MIP). The MIP, like the SGP, is equipped with a preventive and a corrective arm through which sanctions can be imposed. To round off the new economic governance framework, additions were made, such as the 2-Pack, the Euro Plus Pact, and the Treaty on Stability, Coordination and Governance (TSG). Like the ESM, the Euro Plus Pact and the TCSG are of intergovernmental nature.

The interaction between the financial crisis and the sovereign debt crisis, especially the nexus that had been created between the banks and sovereigns, also made it necessary to improve the resilience of the banking sector beyond what had been done during the financial crisis. This led to the creation of Banking Union.

Even with the worst of the crises over, a high state of vigilance is maintained as there is still a lingering danger of the banks/sovereign nexus again becoming embroiled in difficulty. At present two aims are pursued in parallel: (i) avoiding a reoccurrence of a crisis, and (ii) increasing competitiveness, growth and employment. The instrument to achieve both aims is the European Semester, where Country Specific Recommendations (CSR) for each individual Member State are agreed upon at Council level, then implemented at national level. In addition, recommendations are made for the euro area as a whole. Most of the recommendations to Member States concern structural reforms. However, the effectiveness of the CSRs is severely limited as only 4% were fully/substantially implemented by the Member States in 2015 (down from 11% in 2012). Similarly, compliance with – and enforcement of – the SGP is low. Despite repeated infringements of the 3% deficit limit and the 60% debt ceiling, the excessive deficit procedure has never led to fines being imposed. As far as monetary policy is concerned, the ECB is struggling to increase inflation, away from the present situation close to deflation.

**Potential for better implementation and further EU action**

**New tools coming into play**
The Commission’s Flexibility Communication extends the amount of flexibility in the SGP, and adds some leeway to achieve ‘growth friendly fiscal consolidation’. The Macroeconomic Imbalances Procedure (MIP), which is meant to encourage structural reforms, can still be considered as a new tool that has not yet been fully put to the test.

**Possible ways forward**
Economic and fiscal coordination continues to experience acute compliance and implementation problems. Apart from thorny discussions concerning breach of the 3% deficit and 60% debt limits, it remains the case that the SGP’s main goal, which is to achieve a budgetary position close to balance or in surplus over the medium term, is far from being attained in most Member States. Building national fiscal buffers is a necessity for countering symmetric and asymmetric shocks (including, where necessary, by anti-cyclical policies), as well as for creating the necessary fiscal space for letting automatic stabilisers work. It might help to simplify the 6- and 2-Packs, as they have grown too complicated to easily understand and may therefore have become prone to political interpretation.

In addition to better implementation of the existing rules, the Five President’s report suggests creating national competitiveness authorities (since formally proposed by the Commission), which are bodies in charge of tracking competitiveness performance. It further advises making the convergence process more binding, and speaks in favour of an advisory European Fiscal Board (since created within the Commission), which would independently and publicly assess the national budget’s performance against the EU’s economic objectives and recommendations.

Further development of EMU is very much limited by the Treaty. A case in point is the non-incorporation of the ESM into Community law. The European Court of Justice (ECJ) ruled in the Pringle case that the Member States have the right to establish the ESM among themselves (i.e.
intergovernmentally), but cannot do so within the Community framework, as no additional powers can be given to EU institutions without a large-scale Treaty change (one involving a European Convention, as opposed to a simplified procedure). In view of the Pringle judgment it would probably be difficult to create a European Treasury (as suggested by Commission President Jean-Claude Juncker) or any Community mechanism destined to alleviate economic shocks (e.g. through a euro-area fiscal capacity) without a large-scale Treaty change, as this would require giving new powers to EU institutions. Finding consensus among Member States on extending the EU’s prerogatives (and budget) would not be easy, nor is it possible to predict the outcome of such a Treaty change, in view of the rapidly shifting political landscape. Notwithstanding any efforts in that field, however, it remains the case that the less effectively the few existing rules are being enforced, the greater the asymmetry between economic and monetary policy will be, and the larger the strains inside EMU will grow.

The EU budget and economic policy

The EU expenditure defined in the annual budget as ‘Economic and financial affairs’ amounts to €2.6 billion (2016). This includes, however, spending on EU administration and on a range of items, which are not directly linked to economic policy coordination or monetary policy. Among the most relevant to this area are expenditure on: coordination and surveillance of, and communication on, the economic and monetary union, including the euro; the preparatory action ‘Capacity development and institution-building to support the implementation of economic reforms’ for Greece; the pilot project ‘Strengthening cooperation and synergies between National Promotional Banks in order to support the long-term financing of the real economy’; and the guarantees for the European Fund for Strategic Investments (EFSI).

Financial instruments outside the EU budget

Three large financial instruments related to economic policies exist outside the EU budget, although they are partly linked to it. The European Investment Bank (EIB) provides loans. Lending was €77.5 billion in 2015. The EIB is also a majority stakeholder in the European Investment Fund (EIF), which specialises in SMEs and venture capital investment. The second instrument is EFSI, which aims at overcoming market failures and mobilising private investment in key areas, including SMEs. Over three years, at least €315 billion should be mobilised. The EIB is participating in EFSI, which also gets money from the EU budget. Last, a facility based on Article 143 TFEU and managed by the Commission provides conditional financial support for Member States outside the euro area which have lost access to capital markets.

Potential for further financing at EU level

The EIB may be reinforced. The limiting factor is the agency’s credit rating, which the EIB tries to keep at the top AAA. Widening its operations might lead to a downgrade. EFSI could be prolonged. The Commission is considering a legislative proposal for an ‘EFSI 2.0’.

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Agriculture

OVERVIEW
The Common Agricultural Policy (CAP) is one of the EU’s oldest policies, although it has been the subject of various reforms over the years. For more than five decades it has provided Europe with a secure food supply and a living countryside. There is thus a high level of public awareness of the support the EU provides to farmers, though a much lower proportion of the population know the details. Half of EU citizens would like to see stronger EU intervention in agriculture, although levels of support differ among Member States. Following the most recent CAP reforms in 2013, to which the European Parliament made a strong contribution, important changes were made to the CAP. These included a new system of direct payments whose basic component is support for farmers’ income, as well as greater flexibility given to Member States. The budgetary resources devoted to the CAP have been reduced. The mid-term review planned for 2017 will offer an opportunity to review a range of policy implementation issues. The role of the European Parliament as co-legislator is significant in this process and in any future decisions on a post 2020 CAP.

Public expectations and EU commitment on agriculture – is there a gap?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, half of EU citizens would like to see stronger EU intervention in agriculture. The support is very unevenly distributed amongst Member States – very strong support in countries including Romania (74%), Cyprus (72%), Portugal (69%), Spain (68%); and very low support in others led by Denmark (23%), Netherlands (27%) and Sweden (28%). Compared to all other policy areas researched, agriculture is the one with the highest number of citizens evaluating EU action as excessive – although only 9% of them do so. Overall, 35% evaluate the EU’s current approach to agricultural policy as adequate and 43% as insufficient.
A January 2016 Eurobarometer report Europeans, Agriculture and the CAP found that the vast majority of Europeans (94%) consider agriculture and rural areas to be important for their future, with almost two thirds considering agriculture 'very important' for their future. The same study finds that 'close to half of Europeans would like to see an increase in the EU financial support for farmers over the next ten years', and only 13% would like to see a decrease. However, EU citizens' preferences on EU budget spending on agriculture have varied over the years. It was the eighth most preferred area of spending in 2008, with 14% perceiving it as a top priority spending category, in eighth place in 2011 with 19% support and in ninth place in 2015 with 13% support (Eurobarometer data). Throughout the period, one trend is consistent – in all these years, slightly more citizens perceive agriculture to be a top spending priority than would like it to be so. Yet again, this should be analysed in the context of national differences.

Differences in the support for increased EU action in agriculture are minimal amongst people of different age and gender. That said, evidence from the Europeans, Agriculture and the CAP report shows that younger respondents (52% of 15-24 year olds) are less aware of the support the EU gives farmers compared to older respondents (73% for those aged 55 or over).

Legal framework

Articles 38 to 44 and Annex I of the Treaty on the Functioning of the European Union (TFEU) set out the basic rules and objectives relating to the CAP. Following the entry into force of the Treaty of Rome, the foundations of the CAP were laid down. Since then it has been the subject of successive reforms and incremental changes culminating in the most recent reform for the period 2014 to 2020 (see Overview of CAP Reform 2014-2020, European Commission).

Article 39 sets out the CAP objectives, namely: (i) to increase agricultural productivity, (ii) to ensure a fair standard of living for farmers; (iii) to stabilise markets, (iv) to ensure the availability of suppliers, and (v) to ensure reasonable prices for consumers. Articles 41 and 42 TFEU are dedicated to specific aspects of the CAP’s implementation.

The CAP’s legal framework is principally governed by four EU regulations: (1) Regulation (EU) No 1307/2013 covering direct payments to farmers; (ii) Regulation (EU) No 1308/2013 establishing a common market organisation of the markets in agricultural products; (iii) Regulation (EU) No 1306/2013 covering horizontal issues such as the financing, management and monitoring of the CAP); and (iv) Regulation (EU) No 1305/2013 dealing with rural development.

Current implementation and EU action

Following agreement on CAP reform in 2013, the new CAP consists of two pillars. The first covers the system of direct payments to farmers to help stabilise their incomes, linked to complying with safety norms, environmental and animal welfare standards and market measures to tackle specific market situations.

The second pillar covers rural development policy. Taken together, the CAP now incorporates a wider set of challenges than the specific objectives set out in Article 39. They include: economic challenges such as food security, price volatility, the deteriorating position of farmers in the food supply chain; environmental challenges (such as soil and water quality) and territorial challenges – where many rural areas are faced with depopulation, an ageing population and where farmers are struggling to maintain competitive and viable holdings (for the latter see EPRS Briefing on EU Rural Development Policy, September 2015).
Given the nature of these challenges, CAP reform for the 2014 to 2020 period focuses on delivering more effective policy instruments to improve the competitiveness of the agricultural sector and its sustainability. This has included: further efforts to enhance the market orientation of EU agriculture, greater flexibility for Member States, the introduction of a 'greening' component to compensate for the costs of providing environmental public goods, a more targeted and equitable approach to direct payments through, for example, support for young farmers entering the sector; a simplified support scheme for small farmers and a redistributed payment where farmers may be granted additional support for the first hectares of their farm.

In implementation of EU rural development policy, a key principle has been the use of multiannual rural development programmes (RDPs) designed by the Member States. A total of 118 RDPs worth over €99.6 billion from the EU budget have been adopted for the 2014-2020 period. In addition, almost all RDPs (109 out of 118) include provision for Leader measures based on a bottom-up participatory approach involving some 2 400 Local Action Groups (LAGs).

Overall, the 2013 CAP reforms introduced significant changes under the ordinary legislative procedure. This was the first time that the European Parliament took part on an equal footing with the Council (See European Parliament study, 2014 p. 23). In this regard, more than half of the Parliament’s amendments on the most sensitive issues of the reform were incorporated in the final texts. Though only fully in force since 2015, an early evaluation concluded that co-decision reinforces the need for civil society actors and stakeholders to work at European level in order to influence the decision-making process. This may help explain how Europeans have become more aware of the CAP – although few claim to know the details (see Europeans, Agriculture and the CAP, p. 87). Public opinion is generally positive towards EU efforts to ensure food products are of good quality, healthy and safe. Europeans are also generally supportive of payments to farmers for undertaking agricultural practices beneficial to the environment.

### Potential for better implementation and further EU action

The CAP reform introduced significant changes, including a new system of direct payments involving more selective, better targeted and greener forms of support. At Member-State level, implementation is still ongoing. In this context, a key priority for the Commission has been CAP simplification, with the first actions announced in May 2015 along with further steps.

Discussion on the CAP’s future has only just begun, notes a recent paper of the Netherlands Presidency, Food for the Future – the Future of Food. It examines the changing context and challenges facing both global agriculture and food issues. Making the case for a shift to a Common Agricultural and Food Policy, the paper highlights a range of issues. These include: (i) whether the CAP should be broadened to a Common Agriculture and Food Policy, (ii) the contribution the CAP could make to innovation and ICT, (iii) the role the CAP could play in climate adaptation and climate mitigation of the agricultural sector, (iv) the extent to which farmers can be better equipped to improve their position in the supply chain, (v) how different financing possibilities can provide a contribution (such as instruments offered by the EIB, and finally (vi) how the external dimension of EU agricultural policy can be strengthened, both in terms of international trade and the Sustainable Development Goals of the United Nations.

A range of policy development and implementation issues impact on both farmers and consumers. These include: the impact of low market prices on the agricultural sector; the most appropriate actions to reduce price volatility, how best to promote innovation at the individual farm level, how to encourage new entrants and young farmers, and ways to simplify the CAP, as well as issues such as greening, the environmental and climate performance of agriculture, and meeting expectations on food quality and food safety, including on animal welfare and the use of pesticides. In addition, developments in the circular economy will bring opportunities for both agriculture and forestry sectors. A new Agricultural Markets Task Force is expected to report by late autumn 2016. Its work should help to improve the position of farmers in the food chain. Some of the above issues could be considered in the mid-term review planned for 2017.
In all of this, the role of the European Parliament as co-legislator is significant, both over the short term and in any future decisions in respect of the post-2020 CAP.

The EU budget and agriculture

Agricultural spending’s share of the EU budget reflects its history as one of the first and most important common European policies. The financial envelope for the CAP was €60.9 billion in commitment appropriations in 2016, or 39.3% of the EU budget. The CAP accounts for 38.8% of the €1 082.6 billion 2014-2020 Multiannual Financial Framework (MFF) – the EU’s seven-year financial plan. The two pillars of the CAP – the European Agricultural Guarantee Fund (EAGF) (Pillar I) and the European Agricultural Fund for Rural Development (EAFRD) (Pillar II) – are financed under MFF Heading 2, ‘Sustainable Growth: Natural Resources’. The EAGF is the larger of the two: its budget for 2016 is €42.2 billion, compared with €18.7 billion for the EAFRD. Within the EAGF, approximately 88%, or €39.4 billion in 2016, is in the form of direct payments to farmers.

Most agriculture spending at EU level comes under the CAP (MFF Heading 2). Roughly 2% of Horizon 2020’s 2016 budget, €214.2 million, is allocated to research and innovation related to agriculture (MFF Heading 1a), while €118.9 million is channelled via the Instrument for Pre-accession Assistance and other international assistance (MFF Heading 4).

Financial instruments outside the EU budget

The European Investment Bank (EIB) provides loans, financial instruments and advice for projects in the agricultural and rural sector in the EU and abroad.

Potential for further financing at EU level

The general trend of agricultural and rural development spending in the EU budget, and of the CAP in particular, is of gradual reduction, or ‘spending less but better’. The CAP’s share of the EU budget has fallen from 41.4% in 2007 to 39.6% in 2016; down from a peak of over 70% in the 1980s. In future, ‘greening’ – linking direct payments to farmers in part to practices that benefit the environment and climate change – and environmentally friendly rural development will make up an increasing share of EU agricultural and rural aid, as moves towards a multi-functional support system continue. Greening will account for approximately a quarter of the €224.2 billion allocated through the EAGF in the 2016-2020 period.

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FOREIGN POLICY

OVERVIEW

Citizens who think EU engagement in foreign policy is sufficient are almost as numerous as those wishing the EU does more in this area – and nearly one fifth confess they are not able to evaluate EU action. This can be explained as the remit of EU foreign policy is not easy to identify, since it brings together missions for which the EU has full responsibility and competences shared with EU Member States, or even the UN or WTO. However, since its inception, EU foreign policy has adapted to an ever-changing global context: most international issues have multiple impacts – on climate, migration flows or security – and need to be comprehensively addressed. Building on the Treaties’ provisions, the EU and its Member States are moving from ‘silo’ policies (trade, development, humanitarian aid) towards more integrated strategies.

PUBLIC EXPECTATIONS AND EU COMMITMENT ON FOREIGN POLICY – IS THERE A GAP?

According to a new Eurobarometer survey of the European Parliament on ‘perceptions and expectations’, 50% of EU citizens surveyed would like the EU to intervene more in foreign policy. The differences across Member States are significant, with the strongest support for increased EU action in Cyprus (77%), Spain (66%) and Greece (64%). The weakest support for increased EU involvement in foreign policy is shared by citizens from Denmark (31%), Sweden (35%) and Finland (39%). Some 11% of EU citizens would like to see less EU involvement in foreign policy, which is one of the highest results among the areas surveyed. When asked about their evaluation of current EU involvement in foreign policy, 40% of EU citizens say it is insufficient while almost the same proportion of citizens (37%) evaluate it as adequate. This is one of the policy areas with the highest proportion of citizens not able to evaluate the current involvement of the EU (17% answered ‘do not know’). There is a gap between the perception of current EU
involvement in foreign policy and the expectations of citizens in that area in only some Member States, which tend to be in the southern part of the continent. However, the study as a whole shows that there are significantly higher expectations for EU involvement in specific aspects of foreign policy rather than ‘foreign policy’ as a whole, e.g. migration, promotion of peace and democracy in the world, security and defence policy.

The strongest support for more EU involvement in foreign policy is from women between 35 and 54 years old and men between 45 and 74 years old.

Legal framework

EU foreign policy has multiple aspects, reflected in the Treaties: the Treaty on European Union (TEU) includes provisions on the Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy: they are mainly designed by the Member States, through the Council ('intergovernmental method'). The Treaty on the Functioning of the EU (TFEU) also includes related matters on which the European Parliament and Council act as co-legislators ('ordinary legislative procedure'). This is the case for the EU's 'external action' which encompasses development, humanitarian aid, sanctions, and a range of international agreements and participation in international fora. A third level of action lies in the 'external dimension of internal policies' such as migration policy and the fight against terrorism. Although prior foreign policy coordination mechanisms existed, CFSP was institutionalised by the Maastricht Treaty (1993) as the then ‘second pillar’ of the EU. The function of High Representative for CFSP was put in the hands of the Secretary-General of the Council by the Amsterdam Treaty (1999). The close relationship between CFSP, EU external action, and the ‘external dimension’ has been embodied by the Lisbon Treaty (2009) in the High Representative of the Union for Foreign Affairs and Security Policy, Vice-President of the Commission (HR/VP). The consent of the European Parliament is required for most types of international agreements, it has also broad supervisory powers.

Current implementation and EU action

A large toolbox is available for what is called ‘foreign policy’, for ease of reference. Internal policies with clear relations to external aspects – such as the fight against terrorism and the issue of migration – and by contrast, security and defence policy, a foreign policy with clear internal impact, are among those in which most citizens would like the EU to intervene more. If the role of the EU in negotiating trade agreements has recently caught the media’s attention, in other areas the EU touch is less visible because it acts along with many other actors.

Trade negotiations are conducted by the European Commission on behalf of the EU, this competence is not shared with the Member States, and ratification by the Council with Parliament’s consent is sufficient for trade agreements to become binding for the Member States. However the Commission’s position has to be in line with the mandate given by the Member States in the Council and the WTO framework. Moreover, trade-only agreements are rare; most often, conditions such as respect for the rule of law are added, for which ratification by all Member States is needed – this will be for example the case for a Transatlantic Trade and Investment Partnership (TTIP). The EU has conducted negotiations on a very large number of trade agreements, and contributed to shaping new global trade standards.

The High Representative is constantly promoting international cooperation to foster peace and security. The EU has been actively involved in the Iran talks and in a number of peace talks around the world. Development cooperation is a major aspect of the EU external policy: its main objective ‘the reduction ... of poverty’ should be a guiding principle for all other EU foreign policies in developing countries (Article 208 TFEU). Several policy frameworks provide guidance
for action to all EU stakeholders – institutions and Member States – which together fund more than half of global development aid. These frameworks aim at complying with the UN Sustainable Development Goals (SDGs) and build upon the concepts of policy coherence and efficiency, to ensure that no EU action has negative impact on development and that the money is well spent. In the field, however, coherence has sometimes proved difficult to assess. Efforts have been made to implement measures aimed at reconciling the objectives of other policies (such as trade, climate action, or security) with those of development. Humanitarian aid is also a domain where competences are shared between EU institutions and Member States (Art. 4 TFEU), together the first world donor. Guided by a ‘European Consensus’, the Commission’s DG ECHO has a coordinating role. Coherence and efficiency are primary principles, all the more so since most needs cannot be addressed, despite the ever-growing humanitarian spending.

The European Neighbourhood Policy (ENP) was developed in 2004 to prevent fault lines between the enlarged EU and its closest neighbours growing too big. It consists of tailor-made agreements between the EU and each of 16 countries sharing its external borders, financed by a specific budgetary programme, the European Neighbourhood Instrument. Aimed at stabilising the neighbourhood through spreading the EU’s values and prosperity, the ENP has fallen short in settling ‘frozen’ (in Azerbaijan, Georgia, Moldova and Ukraine) stalled (Western Sahara, Israel/Palestine) and full-blown (Libya and Syria) conflicts. It has not been flexible enough to adapt to quick regime changes in the ‘Arab Spring’ countries, and lacked leverage over Russia in Ukraine. However, lessons have been learned and the reviewed neighbourhood policy acknowledges that the EU’s values are not shared by all its partners, and focuses more on the EU’s own interests (energy security, counter-terrorism and migration). The ‘EU’s neighbours’ neighbourhood’ is probably the area where the whole range of EU foreign policy tools has been deployed. The EU strategies in the Sahel or for the Horn of Africa, bring together most stakeholders (EU, Member States, regional partners) and tools (CSDP missions, humanitarian aid, trade and development programmes) towards integrated programming and common goals: climate action, better migration policy, and the fight against terrorism.

Potential for better implementation and further EU action

CFSP/CSDP, external action, and the external dimension of internal policies are well differentiated in the Treaties, but in practice specific actions build upon a mix of all levels of decision-making and budgeting. Indeed, risks are so intertwined that most often a single tool is not sufficient: for example, population displacement triggered by a conflict over natural resources has to be addressed by humanitarian aid, itself secured by a CSDP mission, and its effects mitigated by adequate migration and development policies, while peace talks are conducted. Coordination between all stakeholders is challenging but vital, not only to respond to, but to prevent risks. The EU made concrete proposals to shape synergy between the actors globally, in order to respond to new challenges such as humanitarian access in conflict areas, to find new sources of funding and enhance crisis prevention through shared expertise. Current reflections within the EU build on the concept of ‘resilience’: the future foreign policy framework (EU Global Strategy) aims at mapping tools and resources best designed to help all of society in the EU and its partners to better withstand natural and manmade shocks. This means breaking silos between actors and between traditional policy areas. This approach is supported by the European Parliament, which often highlighted the need for proactive action to prevent crises. Parliament also insisted that the core values of the Treaties – democracy promotion and the fight against poverty – should not be subordinated to security objectives. Scrutiny over TTIP has also triggered more transparency in the negotiation of trade agreements.

The EU budget and foreign policy

EU foreign policy is mainly financed under Heading 4, ‘Global Europe’ (see figure 2). For the 2014-2020 MFF, the Global Europe heading was allocated a total of €66 262 million. The overall package for Global Europe represents 6.12% of the 2014-2020 MFF, while it was 5.71% in the previous MFF (2007-2013). Among the most significant programmes under Global Europe are: the Development Cooperation Instrument (DCI), that focuses on combating poverty in
developing countries, and has a total amount €19 661.64 million (current prices) for the MFF; the European Neighbourhood Instrument (ENI) benefits the countries included in the European Neighbourhood Policy (ENP) for better political cooperation and better economic integration between the EU and its neighbouring countries; it has a total amount €15 432.63 million (current prices) for the 2014-2020 MFF; and the Instrument for Pre-Accession (IPA II), which provides financial support to countries with a view to eventual EU accession, has a total amount of €11 698.67 million for the 2014-2020 MFF. In the 2016 annual budget, these three programmes combined amount to more than 70% of the Global Europe financing package, with Humanitarian Aid being the fourth biggest programme. With the continued instability in neighbouring countries and the refugee crisis, the requests for funding under Heading 4 are expected to grow. In order to guarantee existing levels of external action and not compromise them at the expense of the increased migration-related requests, a report of the Budget Committee of the EP on the mid-term review/revision of the MFF calls for upward revision of the relevant 2014-2020 MFF ceilings.

Financial instruments outside the EU budget

The European Development Fund is the most significant programme outside the EU budget. It is financed through EU Member States’ contributions and it has specific provisions for its implementation. It is the main instrument for providing development aid in African, Caribbean and Pacific countries. The 11th EDF (2014-2020) has been allocated €30.5 billion; in addition, €2.6 billion will be made available by the European Investment Bank in the form of loans from its own resources.

Potential for further financing at EU level

New EU Trust Funds could be an option to circumvent the lack of resources and flexibility of the EU budget. In November 2015, the EU Trust Fund for Africa, aimed at addressing root causes of irregular migration and displaced persons, was signed at the Valetta Summit on Migration. Although it has existed since 2007, Blending (an Innovative Financial Instrument) has recently caught the attention of media and development aid actors. Blending combines EU funding with resources from public and private financiers.

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Industrial policy

OVERVIEW

Industrial policy has recently attracted the attention of EU policy-makers seeking sources of economic growth. It is a key element of the Europe 2020 strategy, and the Commission has set itself the target of increasing industry’s share of GDP to 20% by 2020. The policies and programmes contributing to the EU’s industrial policy are significant (amounting to almost €200 billion), and the policy coverage is wide in scope.

On the other hand, it seems that European citizens still perceive industrial policy as predominantly national in character. The Commission is addressing the challenge of reindustrialisation of Europe with a number of horizontal tools such as the Investment Plan, the Digital Single Market Strategy and the Single Market Strategy.

Public expectations and EU commitment on industrial policy – is there a gap?

Percentage of respondents who would like the EU to intervene more than at present

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Fight against terrorism</td>
<td>82%</td>
</tr>
<tr>
<td>Fight against unemployment</td>
<td>77%</td>
</tr>
<tr>
<td>Fight against tax fraud</td>
<td>75%</td>
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<tr>
<td>The issue of migration</td>
<td>74%</td>
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<tr>
<td>Protection of external borders</td>
<td>71%</td>
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<tr>
<td>Promotion of democracy</td>
<td>68%</td>
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<tr>
<td>Environmental protection</td>
<td>67%</td>
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<tr>
<td>Security and defence policy</td>
<td>66%</td>
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<tr>
<td>Health and social security</td>
<td>63%</td>
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<tr>
<td>Equal treatment of men and women</td>
<td>55%</td>
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<tr>
<td>Energy supply and security</td>
<td>53%</td>
</tr>
<tr>
<td>Economic policy</td>
<td>52%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>50%</td>
</tr>
<tr>
<td>Foreign policy</td>
<td>50%</td>
</tr>
<tr>
<td>Industrial policy</td>
<td>47%</td>
</tr>
</tbody>
</table>

Data source: EuroBarometer 85.1

According to a new Eurobarometer survey of the European Parliament on 'perceptions and expectations', industrial policy is not high on the EU public’s agenda in terms of perceived importance, awareness of the policy area, or support for increased EU intervention in the area. The survey results do not show a significant gap between citizens’ expectations and actual EU involvement in this policy area. Less than half of citizens would like the EU to intervene more strongly. Roughly equal numbers of people assess the current level of EU involvement in industrial policy as adequate and as insufficient (36% and 37% respectively).

Of all the policy areas mentioned in the survey, industrial policy is the one in which citizens are least likely to feel strongly about their responses: 21% cannot say whether current EU involvement is excessive, adequate or insufficient, and 17% do not have an opinion on whether the EU should intervene more, less or keep its involvement as it is.
There is considerable variation in opinion across Member States, with northern and western Member States expressing weaker support for EU intervention than countries in the south and east. The lowest level of support was registered in Denmark (22%) and the highest in Cyprus (76%). Men and older generations tend to express stronger support for EU involvement in industrial policy than women and younger generations.

Legal framework
The foundations of a European industrial policy were laid by the Treaty of Paris and the Euratom Treaty, but it was only with the Maastricht Treaty in 1992 that competitiveness of industry became an objective of Community action.

Article 173 of the Treaty on the Functioning of the European Union is the basis for action to support industry. Competitiveness-enhancing measures should aim to accelerate industry's adaptation to structural change; create a favourable environment for establishing and developing companies (particularly SMEs); and exploit the industrial potential of innovation, research and technological policies.

Current implementation and EU action
While the EU puts in place the framework conditions to boost industry's competitiveness, primary responsibility remains with the Member States. The Union's remit is to support, coordinate or supplement Member State action. Over the years, the focus of industrial policy has broadened from supporting specific sectors to a combination of sectoral and cross-sectoral measures. As such, industrial policy is horizontal in nature and integrated into a number of other policies (in which the EU exercises regulatory power), such as those relating to the internal market, trade, research and innovation, competition, the business environment, intellectual property rights, energy, and environmental protection.

The policy is implemented through an array of initiatives within different policy fields and support programmes. Some of these – cohesion policy, Horizon 2020, the Connecting Europe Facility, COSME, Galileo and Copernicus – draw on the EU budget. Two recurring priorities across these programmes are to promote entrepreneurship and SMEs, and to spur innovation. Furthermore, key industrial sectors in the EU (such as chemicals, the automotive industry, textiles, tourism, electrical engineering, raw materials, biotechnology, and the aeronautics and maritime sectors) are supported by sector-specific action plans and, in some instances, 'smart' legislation.

Developing an integrated industrial policy became one of the flagships of the Europe 2020 strategy, which aims to boost science and innovation, competitiveness and employment in the EU. In three communications the Commission stressed the need for a re-industrialisation of the EU with a view to increasing growth and jobs. It developed a multi-pillar strategy to promote industrial competitiveness, identified six priority areas for investment in innovation, set a target of increasing industry's share of GDP to 20% by 2020, and proposed to lay the basis for post-crisis growth and modernisation. The 2014-2019 Commission put in place a number of horizontal policy instruments designed to help strengthen the industrial base in the EU: the Investment Plan to finance the infrastructure needed to modernise industry; the Digital Single Market Strategy to promote the digitalisation of industry; and the Single Market Strategy to ease the free movement of industrial inputs and outputs.
Potential for better implementation and further EU action

New EU tools

The Capital Markets Union will focus on facilitating access to various sources of financing for entrepreneurs and SMEs by fostering a conducive capital market environment and overcoming information barriers to SME investment. Measures planned as part of the Energy Union and the Circular Economy Package will also help to boost industrial investment.

In April 2016, the Commission unveiled its Digital Industry package. Proposed measures include the European Cloud Initiative, which will help build the cloud and data infrastructure for science and engineering. The package also includes a list of priority areas where EU standardisation is to commence, and proposes a regular process of adapting them in the future. This will pave the way for a Joint Initiative on Standardisation, which, together with measures to increase interoperability of new technologies, will help to make EU industry more competitive. Furthermore, the Commission plans to invest €500 million in a pan-EU network of digital innovation hubs; set up large-scale pilot projects to strengthen the Internet of Things, advanced manufacturing and technologies; and encourage public-private partnerships to mobilise €50 billion for digitalising industry. To further encourage industrial innovation, the Unitary Patent System will become operational after ratification of the agreement on the Unified Patent Court by the majority of the 26 participating Member States. The Commission will also consolidate and modernise its intellectual property framework, including sectoral and SME-supporting measures to strengthen EU-based manufacturing and competitiveness. Furthermore, the Commission will revise the Mutual Recognition Regulation to make it easier for industrial sectors to expand abroad, and propose new actions to keep non-compliant products out of the EU market.

Possible ways forward

Under the Treaties, there is a scope for further development of European industrial policy. The Member States will most likely retain control of this policy area, since different countries have different traditions and approaches to state intervention, which in turn has a significant impact on industrial development and performance. The EU is likely to continue contributing as a platform for exchange and learning, helping the Member States to better integrate existing initiatives and programmes in order to exploit existing synergies.

In the coming years, digitalisation of industrial sectors will be necessary if the Union is to remain competitive. Since industrial policy cuts across various sectors and policies, and is undergoing transformation, it might be useful to better define the EU’s mandate in this area, to ensure consistency with energy, climate, environmental and trade policies. Such a clear mandate would also help to foster ownership of industrial policy at EU level. The policy should also take into account differences in the national expectations, competitive positions and needs. It is also worth underlining the industry policy potential of further European economic integration. The report 'Mapping the cost of Non-Europe 2014-19' shows that better integrating European energy markets and boosting energy efficiency could reduce the currently high energy costs faced by European industry, in turn making it more competitive. Furthermore, financial market integration is expected to reduce financing costs for European SMEs.

The EU budget and industrial policy

A significant amount of EU resources have been allocated to industrial policy under the EU 2020 strategy, which was launched in 2010 to generate jobs and growth and create the conditions for smart, sustainable and inclusive growth of the EU’s economy. 'Apart from the EU 2020 strategy, there are at least seven initiatives financed from the EU budget which can be classified as elements of an 'EU industrial policy', including Horizon 2020 (sub-initiatives 'Key Enabling Technologies', 'SME instrument', 'Eurostars', 'Fast track to innovation', 'Sustainable Industry Low Carbon II', representing a total budget of €10.1 billion); the Connecting Europe Facility (sub-
initiatives 'Energy infrastructure', 'Broadband infrastructure', 'Transport infrastructure', totalling €29.8 billion); the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME – sub-initiatives 'Access to markets', 'Framework conditions', 'Entrepreneurship', with a total budget of €100 million); the Programme for Employment and Social Innovation (EaSI – sub-initiatives 'Progress Axis', 'EURES Axis' and 'European Progress Microfinance Facility', representing a total budget of €814.9 million); Cohesion Policy (specifically the European Regional Development Fund, the European Social Fund (ESF) and the Cohesion Fund, with a total budget of €163.4 billion); the European Agricultural Fund for Rural Development (EAFRD – totalling €100 billion); and the European Maritime and Fisheries Fund (EMFF – with a total budget of €6.6 billion).

Financial instruments outside the EU budget

The main instruments for the financing of industrial policy outside the EU budget come from the European Investment Bank (EIB) and from the newly established European Fund for Strategic Investments (EFSI). The areas supported by the EIB include innovation (with projects worth €18.7 billion financed in 2015), SME access to finance (€29.2 billion in 2015) and strategic infrastructure (€18.9 billion in 2015), while EFSI, with a potential total budget of €315 billion, invests among other things in key enabling technologies, the space industry, fashion, textiles, and cultural and creative industries, the circular economy and tourism. These instruments could contribute significantly to the modernisation of European industry, and thus to the objectives of industrial policy.

Potential for further financing at EU level

The Member States could increase the financial envelope for programmes such as Horizon 2020, COSME and the Connecting Europe Facility, which could generate substantial returns, but whose proposed budgets were cut by the Council during negotiations on the Multiannual Financial Framework (2014-2020). Furthermore, the creation of additional own resources for the European budget could allow it contribute more to reindustrialisation in Europe. The plethora of European funds financing energy efficiency improvements in industry could be better targeted and reprioritised. Some mapping of different funding and financing instruments may be necessary to help increase their efficiency. Regarding financial investment in renewable energy sources and energy efficiency projects in industrial sectors, revenue derived from auctions under the EU Emissions Trading System could be used for this purpose.

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The Eurobarometer survey of the European Parliament’s ‘Europeans in 2016: Perceptions and expectations, fight against terrorism and radicalisation’ aimed to identify across a range of different policy fields the level of awareness of citizens of EU action in each field, and to assess how content they were with EU involvement in each field.

This compendium brings together a set of short briefings by the European Parliamentary Research Service (EPRS) following up on the survey. Taking each of 15 policy fields in turn, they look at what the Union is already doing, identify gaps between citizens’ expectations and current EU activity, and potential areas for additional EU action.