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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

Stocktaking of the follow-up to the Annual Policy Strategy for 2003

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1. INTRODUCTION: FROM THE ANNUAL POLICY STRATEGY TO THE WORK PROGRAMME FOR 2003

The Commission's Strategic Planning and Programming (SPP) cycle was launched for the first time in 2001. The added value of this first exercise was widely recognised in the Commission, even though some of its components needed to be further developed and improved.

The SPP cycle is a policy-driven, integrated cycle with 5 components:

- At the beginning of the cycle (in February), the Annual Policy Strategy (APS) identifies priorities and related initiatives and establishes the global framework for resources.
- On the basis of this framework, the Preliminary Draft Budget specifies the detailed forecasts for the allocations of resources (in May/June).
- Later in the year (in October), the Commission's Legislative and Work Programme translates the political priorities into a concrete action plan.
- The Commission's services establish their operational programming in their Annual Management Plans (in December), which link the resources available to the activities and actions foreseen in the policy domain concerned.
- To close the cycle, each Director-General or Head of Service produces a report on the work carried out (in July of the year after), the use made of resources and the results achieved by his/her service, accompanied by a declaration in which he/she assumes responsibility¹.

One of the aspects to which the Commission wanted to give a higher profile in the Annual Policy Strategy process was inter-institutional dialogue. It was decided that each year, after adopting the Annual Policy Strategy for the coming year, the Commission should initiate a dialogue with the European Parliament and the Council on the priorities identified in the Annual Policy Strategy. On this basis it would present a Stocktaking document that reflected the dialogue with the institutions before adopting its Legislative and Work Programme.

For this reason, the Commission and the European Parliament agreed on an understanding that set up the timeframe and operational details for a dialogue with the European Parliament on the Annual Policy Strategy and the Legislative and Work Programme. A similar dialogue has subsequently been established with the Council. On the basis of this understanding, the President of the Commission presents the Annual Policy Strategy in February to the Conference of Presidents in the European Parliament, followed by a presentation to the Plenary session in March, introducing the State of the Union debate. In parallel the President also presents the Annual Policy Strategy to the General Affairs Council in March.

¹ White Paper on Reform, Action 82

Between March and June a structured dialogue takes place between the Parliamentary Committees and the relevant Commissioners on the political priorities within their portfolios. During this exercise, the Commission remains in a 'listening mode' – i.e. it expects Parliament to react to its Annual Policy Strategy. In July, the Commission adopts a Stocktaking document updating the Annual Policy Strategy on the basis of the results of the inter-institutional dialogue and taking into account any major changes in the Annual Policy Strategy priorities and resource framework adopted in February. Finally, in September the Stocktaking document is sent both to Parliament and the Council and the Vice-President of the Commission presents the Stocktaking document to the Conference of Committee Chairmen.

In the Council the Annual Policy Strategy priorities are discussed at both working group level and in COREPER before the General Affairs Council adopts its conclusions.

Any changes to the Annual Policy Strategy priorities adopted by the Commission on the basis of the inter-institutional dialogue will subsequently be reflected in the Commission's Legislative and Work Programme, which will be adopted and transmitted to Parliament and the Council every year in October.

The Annual Policy Strategy for 2003 is the first APS to benefit from this structured inter-institutional dialogue, thus adding a new dimension to the Annual Policy Strategy. The Commission welcomes this improvement to the discussion on the definition of priorities and key initiatives for 2003 and is committed to continue and develop this dialogue in the future with the European Parliament and the Council.

This Stocktaking document reports on the results of the structured dialogue with the European Parliament and the Council and sets out possible changes to the Annual Policy Strategy for 2003 as a consequence either of the inter-institutional dialogue or of other major changes stemming from Commission decisions adopted since February.

2. DIALOGUE WITH THE EUROPEAN PARLIAMENT AND THE COUNCIL: STOCKTAKING AND PROSPECTS

After the presentation of the Annual Policy Strategy priorities to the Parliament on 27 February the structured dialogue started at the end of March. By the end of June all Commissioners had met with relevant Parliamentary Standing Committees, presented the key Annual Policy Strategy initiatives within their area of competence and heard the views of the Committees on the Annual Policy Strategy priorities. Some 25 meetings took place between Commissioners and Committees in the period from March to June. The meetings were seen as useful and the Commission has welcomed the opportunity to explain and, where needed, clarify its intentions for 2003 within particular policy areas.

In general, the Parliamentary Committees welcomed and supported the political priorities set out in the Annual Policy Strategy document and few of the structured dialogue meetings resulted in specific proposals for additions or adjustments to the key initiatives listed within the Annual Policy Strategy proposed for 2003. However, where the Commission has agreed to a proposal for an addition under the Annual Policy Strategy key initiatives, these additions are reflected in the lists of concrete actions under point 3. Most discussions focused on the implementation of the

Legislative and Work Programme for 2002, current issues within a specific policy area and, in many cases for 2003, the immediate challenges posed by the forthcoming enlargement.

In general the dialogue signalled the phasing-in of a new procedure although it is recognised that it will take time to make effective use of this new tool for specific political results. Next year it will be important to ensure that the meetings are held within the agreed time frame and with greater clarity for both sides with respect to the nature and purpose of the Structured Dialogue meetings.

A parallel dialogue with the Council resulted in the General Affairs Council welcoming the Annual Policy Strategy priorities after detailed discussions and suggestions by Member States on different aspects of the priorities. The President presented the Annual Policy Strategy for 2003 at the General Affairs Council on 11 March 2002. In its conclusions, the Council welcomed his presentation and entrusted COREPER with the task of continuing the dialogue with the Commission in preparation of a discussion at the General Affairs Council on 13 May 2002.

A Council working group met three times (on 8, 22 and 29 April) to analyse the Annual Policy Strategy, seek clarification on a number of points from the Commission services, and COREPER prepared draft conclusions for the General Affairs Council.

The General Affairs Council discussed the Annual Policy Strategy on 13 May 2002. Member States made a number of individual comments and suggestions on the priorities and key initiatives proposed for 2003 in the course of the dialogue that took place between March and May 2002. In its conclusions, the Council welcomed the three main priorities proposed by the Commission for 2003, took note of the key initiatives that the Commission proposed to undertake in furtherance of these priorities and invited the Commission to take due account of the remarks made by Member States when preparing the Stocktaking document.

The Council reserved its position on the budgetary consequences of the priorities and key initiatives, noting that these would have to be studied in the budgetary process.

In general the Council welcomed the opportunity provided by the Annual Policy Strategy for dialogue on strategic planning and programming, confirming the need for reinforced programming of EU activities and the timely identification of political priorities in an enlarged European Union.

Globally the European Parliament and the Council confirmed that efforts for sound preparations for a successful enlargement are the main priority for the Institutions in 2003. However, doubts have been expressed about the availability of sufficient resources to support these essential efforts, given the tight situation of resources available in 2003 for administrative expenditure under heading 5 of the financial perspective. The Commission restates that activities foreseen under the three Annual Policy Strategy priorities require the appropriate resources, as described in the Preliminary Draft Budget (PDB), and that if the Budgetary Authority reduces these, or calls upon other financing measures without the necessary guarantees that these will be fulfilled, the Commission will be obliged to review its activities in 2003 and possibly reduce the actions foreseen under these priorities. This would lead to serious delays in the implementation of enlargement.

Finally, while the Commission is open to new ideas on initiatives from the budgetary authority, given financial and human resource constraints and the provisions of Activity-Based Management new actions will require a review and are likely to require reduction of existing activities. Changes compared with the Annual Policy Strategy for 2003 and details on the operational translation of the key initiatives and the resource aspects resulting from the inter-institutional dialogue and the Commission's decisions are described below.

3. MAIN POLITICAL AND RESOURCE CHANGES COMPARED WITH THE ANNUAL POLICY STRATEGY FOR 2003

The Commission's fundamental priority remains to make enlargement a success. For this reason, enlargement, which was already a political priority for the current year, has been retained as the central priority for 2003. Two closely associated priorities have also been chosen: stability and security, an expression of the new continental responsibilities of Europe after enlargement and a sustainable and inclusive economy, as the socio-economic and environmental base on which an enlarged Europe will be built.

The recent flooding in Germany, Austria and in some candidate countries lead the Commission to propose establishing a solidarity mechanism as well as other complementary measures in order to bring help quickly to the victims of natural disasters.

The Commission needs to communicate better on these priorities to the citizen. For this reason, it has prepared a Communication on an Information Strategy for the European Union, which identifies selected themes within the political priority areas about which an additional communication effort towards the citizens will be made. In addition, it has launched a separate and specific Communication strategy on enlargement. These themes were selected following discussions with Council and Parliament.

3.1. The Enlarged Europe

Both the European Parliament and the Council have expressed their support for the central priority for 2003. Following discussions and remarks made by the two institutions, the Commission has decided to give more prominence to the question of reinforcing the administrative and legal capacities of the candidate countries, namely in the fields of food safety and the management of the Community funds, and in addition to pay more attention to nuclear safety issues in the candidate countries. Special attention will also be paid to communication policy in the future and in the current Member States, in order to show to the citizens the reasons for enlargement and the advantages they will derive from it.

Making a success of enlargement will require unprecedented efforts. As the executive arm of the Union and as guardian of its Treaties, the Commission will be in the front line working to pursue the policies of the Union within an enlarged framework. To this end, the Commission, like the other Institutions, has to continue improving its management and its working methods, in particular by concentrating resources more on its essential activities.

In its Communication on "Activities and Human Resources of the Commission in the enlarged European Union"², the Commission presented its evaluation of the impact of enlargement on its activities and human resources for the period 2003-2008, retaining a scenario envisaging that up to 10 applicant countries could accede to the Union in 2004.

From day one of accession, the Commission will have to be in a position to implement the *acquis communautaire* in the enlarged Europe. In most cases, the workload resulting from enlargement will increase substantially from day one since the Commission will have the task of managing Community policies and programmes and controlling EU legislation for 25 countries rather than just 15. Only if the Commission has been given the means to prepare in the course of 2003 can it be ready for enlargement in 2004.

This is why, in the framework of its Annual Policy Strategy decision for 2003, the Commission evaluated its priority human resource needs in order to carry out the preparation of enlargement correctly in 2003. This evaluation takes account of all possibilities for redeployment of staff. On this basis, therefore, the Commission has requested the recruitment of 500 external staff to ensure that the *acquis communautaire* is implemented correctly from the first day of accession. The recruitment of the 500 external staff will be front-loading the additional human resources requested in the above-mentioned Communication.

a) Objectives:

In light of discussions with the institutions, and in the framework set by the Annual Policy Strategy for 2003, the Commission identifies the following key objectives for 2003:

- To prepare the future Member States to assume fully all the responsibilities arising from accession;
- To guarantee that the Commission will fully meet its obligations from the very first day of accession, from the point of view of applying Community legislation, policies and programmes and in terms of the measures needed to receive the new Member States;
- To conduct an in-depth rethinking of Community policies that reflects the qualitative dimension of the most significant enlargement in the history of European integration.

b) Key Initiatives

To achieve this, several key initiatives were identified in the Annual Policy Strategy for 2003. In the framework of these key initiatives and following the inter-institutional dialogue, the Commission presents the following highlights:

1. Monitor the process of signature and ratification of the accession Treaties to enable the candidate countries with which negotiations have been concluded in 2002 to

² COM(2002)311 final, of 5 June 2002

actually achieve membership in 2004 and participate in the European Parliament elections as members:

- Delivery of the Commission's opinion on the applications for accession to the EU;
 - Updating Partnerships for Bulgaria, Romania and Turkey;
 - Negotiation of all Structural Fund interventions for new Member States to ensure full use of resources upon accession;
 - Support to a reconciliation between the two Cypriot communities following achievement of a political agreement.
2. Strengthen the future Member States' administrative and judicial capacities through:
- Reinforcement of the administrative and judicial capacities of the candidate countries with concrete measures (twinning, specific projects);
 - Measures to ensure the Community standards for food safety;
 - Mobilise the necessary investments in the candidate countries so that they can participate fully in the Trans-European networks and assure the strong functioning of the internal market;
 - Measures to ensure the implementation of the institutional and administrative process for the sound management and efficient use of the structural funds.
3. Prepare the application of Community legislation, programmes and surveillance procedures and the open method of co-ordination in the new Member States, including by:
- Incorporating the review of candidate countries' economic, employment and environmental policies in the Spring synthesis report of 2003 and follow up progress;
 - Associate candidate countries to the Community research Programmes before 2003;
 - Participation of Candidate countries in the e- Europe Action Plan.
 - Take measures to ensure common measures for nuclear safety within the European Union .
4. Prepare the concrete application of the Common Agriculture Policy to the future Member States, notably through:
- Technical adaptations of farming legislation;
 - Preparation of rural development programmes with a view to launching them right from the start of 2004.
5. Progressively set in place the structures needed to extend the Community's anti-fraud arrangements to the candidate countries, namely through:

- Ensuring that the candidate countries take the actions necessary to enable them to manage the customs union;
 - Strengthening appropriate structures for fraud avoidance and control and extending interchanges and training on the protection of the financial interests of the European Union.
6. Intensify and complete administrative and linguistic preparations for enlargement by:
- Completing the publication of the Treaties;
 - Proceeding with the consolidation of legislation and start codification in the existing languages. Publish the *acquis communautaire* in the new official languages;
 - Ensuring the administrative preparations for selection, recruitment and integration of officials into the Commission from the new Member States.
7. Continue implementation of the administrative reform of the Commission to ensure effective modernisation of Commission by 2004.
8. Continue to review the main Community policies, their procedures and their impact to provide a basis for preparing in 2004 a Commission Communication on the main prospects for the development of policies in the enlarged Union and the future financial framework after 2006.
9. Contribute to the work of the Convention on the future institutional framework for an enlarged European Union.

3.2. Stability and Security

On this priority, welcomed by both the European Parliament and the Council, the inter-institutional dialogue was fruitful. In particular, the European Parliament underlined the need to ensure the right balance between the measures designed to enhance security on the one hand, and respect for fundamental rights on the other, especially in relation to immigration policy and criminal law. Both the European Parliament and the Council underlined that the need for efficient external border regimes to counter illegal immigration into the EU should be balanced by a genuine Community immigration policy. The European Parliament also stressed the danger of linking the release of development aid with the willingness of third countries to co-operate with the Union in this field.

a) Objectives

In light of discussions with the institutions, and the framework set by the Annual Policy Strategy for 2003, the Commission identifies the following key objectives for 2003:

- To make substantial progress, as provided for by the European Council in Laeken, and further defined in Seville, towards the establishment of a European area of freedom, security and justice, and in particular:

- To gradually develop an integrated European system of border management, to safeguard the enlarged European Union's external borders, to reinforce the common visa policy and to improve police and judicial co-operation to combat crime including terrorism;
 - to promote the timely adoption by the Council of the legislative measures proposed by the Commission for the creation of an area of freedom, security and justice, in particular as regards the establishment of common European policies on immigration and asylum in accordance with the deadlines set by the Seville European Council;
 - to ensure that the necessary security measures are balanced by guaranteeing respect for fundamental rights and liberties and promoting easier access to justice.
- To improve transport safety and security as well as security of information and communication networks and in civil protection;
 - to work for peace and stability at the external borders of the enlarged European Union and beyond;
 - to respond effectively to crises when peace is challenged;
 - to develop mechanisms to increase contact and understanding between the peoples and cultures of Europe and of other parts of the world.

b) Key Initiatives

To achieve this, several key initiatives were identified in the Annual Policy Strategy for 2003. In the framework of these key initiatives and following the inter-institutional dialogue, the Commission presents the following highlights:

1. Legislative and non-legislative measures to make further progress towards an integrated European system of border management including measures to fight illegal immigration, in accordance with the programme agreed by the Seville European Council:
 - Legislative measures to revise and consolidate the rules set out in the Common Manual on external borders;
 - Measures to enhance the common visa policy and in particular to establish a common visa identification system;
 - Examination of the legal, institutional and budgetary implications concerning burden-sharing for the management of external borders and for developing joint training of border services;
 - Establishment of a rapid alert system of illegal immigration and trafficking in human beings.
2. Propose measures to tackle the financing of terrorism and to fight against corruption, to facilitate effective implementation of criminal sentences in the Union and to

contribute to combating and preventing crime and terrorism, whilst ensuring that these measures are properly balanced with measures to protect individual rights:

- Framework Decision on the freezing and confiscation of funds from entities controlled by physical persons involved in the funding of terrorist activities to ensure that legitimate business activities are not used to finance terrorism;
 - Framework Decision fixing common standards regarding procedural safeguards for persons accused in criminal proceedings throughout the EU;
3. Make further proposals for measures to consolidate common European immigration and asylum policies, including increased funding for the European Refugee Fund and greater co-operation with third countries in the field of migration:
 - Establishment of a Community Action Programme aimed at encouraging the integration of third country nationals who are legally resident in the Union;
 - establishment of an instrument relating to a ‘one-stop shop’ for the processing of applications for asylum in the Member States.
 4. Reinforce the application of the anti-money laundering directives, implement the measures on payment systems announced in the Fraud Prevention Action Plan and enhance co-operation between Finance Intelligence Units:
 - Evaluation of the existing Third Pillar measures in the fight against financial crime, and examination of the need for an instrument to create an EU-wide system to combat money laundering involving large-scale cash payments.
 5. Follow up of the Green Paper on the protection of the financial interests of the European Union and the establishment of a European Public Prosecutor.
 6. Ensure effective implementation of the security provisions in the Commission.
 7. Improve all aspects of transport, energy, public health and information and communications network security:
 - Establishment of common EU standards for the safety of nuclear power plants, as well as enhancing civil protection through legislative proposals and other initiatives and ensuring the safe transport, treatment and disposal of nuclear waste;
 - Proposal for a Regulation establishing a European Centre for disease control;
 - Implementation of a Cyber security task force.
 8. Make a significant contribution towards resolving the conflict in the Middle East and develop the Mediterranean partnership, notably by taking forward the Barcelona process, focusing on promoting reform, economic co-operation and investments in the region and continuing to improve the effectiveness of MEDA.
 9. Develop association and stabilisation process in the Balkans and further co-operation with Russia and the Newly Independent States:
 - Negotiation of a Stabilisation and Association Agreement with Albania.

10. Support financially and politically the process of reconstruction led by the representative government in Afghanistan.
11. Reinforce the rapid reaction mechanism and make an active contribution to the Common Foreign Security Policy and to the civilian dimension of the Common Security and Defence Policy.
12. Erasmus World Programme to enhance quality in higher education and to promote inter-cultural understanding through co-operation with third countries(2004-2008).

3.3. Sustainable and Inclusive Economy

The European Parliament and the Council have expressed a number of views on this priority. The Commission in particular agrees with the importance of the following points: the importance of mainstreaming gender equality, which represents a significant aspect of sustainable development; the focus on the environmental, social and economic impact of new legislation through the introduction of impact assessment; an increase in global investments in research in Europe; and the need to fight against poverty through improved conflict prevention, regional trade agreements and specific attention to Africa and the least developed countries in general.

a) Objectives

In light of discussions with the institutions, and in the framework set by the Annual Policy Strategy for 2003, the Commission identifies the following key objectives for 2003:

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

b) Key Initiatives

To achieve this, several key initiatives were identified in the Annual Policy Strategy for 2003. In the framework of these key initiatives and following the inter-institutional dialogue, the Commission presents the following highlights:

1. Measures to complete the internal market for services, through measures to eliminate barriers to the provision and take-up of services, from which both business and consumers can benefit, in particular for energy, transport and telecommunications, and reach final agreement on the most important measures of the Financial Services Action Plan:

- Communication on the main achievements of the internal market since 1992 particularly focusing on the benefits to European citizens on the occasion of the 10th anniversary of the internal market;
 - Implementation of the new Framework Programme ‘Intelligent energy for Europe’;
 - Implementation of the remaining actions in the Financial Services Action Plan;
 - Implementation and management of the new Regulatory Framework for electronic communication Services (including spectrum management);
 - Green paper launching a debate on our role in ensuring the wide availability of high quality services of general interest for all citizens.
2. Measures to enhance the competitive conditions in the internal market, in particular in the field of State aid and taxation, to create the necessary environment for consumer confidence in cross-border transactions and to pursue the continuing expansion of trans-European transport and energy networks:
- Implementation of new measures to ensure effective enforcement of competition rules and those with regard to state aid particularly regarding the postal and energy sectors;
 - Green Paper on entrepreneurship to stimulate discussion of Europe’s competitiveness;
 - Proposal for a Directive on fair trade;
 - Measures to ensure co-ordination of national fiscal systems;
 - Legislative and non-legislative measures that will adapt the VAT system to the modern economy, in particular to e-commerce;
 - Cost-related measures in support of sustainable development particularly in relation to environment, transport and energy policies.
3. Initiatives to improve economic policy co-ordination, in particular budgetary policies so as to ensure the smooth functioning of Economic and Monetary Union:
- Measures to improve policy co-ordination between Member States on the assessment of public finances, integrated financial system and structural policies and monitoring the implementation of common standards on economic policy;
 - Implementation of the new streamlined economic policy-co-ordination cycle.
4. Initiatives to promote the knowledge-based society in particular through the development and implementation of an integrated strategy for a European knowledge area
- Implementation of the joint Commission/Council work programme on objectives for education and training systems in Europe;

- Implementation of the Information society for all' notably through e- Europe 2005;
 - Measures to develop good practices in life-long learning and e-learning;
 - Measures to increase research expenditure to 3% of EU GDP in 2010, in particular by increased private investment and action plan to promote investment in research;
 - Launching of the sixth framework programme for research and technological development;
 - Implementation of an action plan on biotechnology;
 - Adoption and implementation of a new action programme on e-learning that will integrate new technologies in education and training.
5. Measures to ensure sustainability and coherence in a number of key policies, notably agriculture (CAP mid-term review), fisheries, transport, energy, cohesion policy and Structural Funds (third report on cohesion policy), food safety and public finance in the context of monetary union as well as effective follow-up to the Göteborg Conclusions; improve implementation of Community-wide environmental legislation:
- Further to the mid-term review of the CAP, other sectors will undergo a review; this concerns wine, sugar, olive oil, tobacco, cotton and possibly other products. The Commission will present a Communication to the other Institutions that later will be followed by legislative proposals;
 - Legislative proposals and measures to implement the Fisheries reform such as setting up the first Regional Advisory Councils, establishment of a Joint Community Inspection Structure for Fisheries, establishment of multi-annual management plans for some major fisheries stocks and proposals for the necessary implementing measures for the application of the new fleet policy;
 - Third Cohesion Report at the end of 2003 including, as appropriate legislative proposals for the Structural Funds after 2006;
 - Implementation of the Regulatory Framework for Food Safety and proposal for a regulation on nutrition, functional and health claims made on food;
 - Preparation and implementation of the 7 thematic strategies within the 6th Environmental Action Programme;
 - Legislative proposals for a new chemicals strategy and finalising risk reduction measures required under existing legislation for dangerous substances.
6. Implementation of the Cotonou Agreement with a view to effectively relieving poverty, health and education problems in Africa and ensuring effective implementation of our co-operation and partnership agreements prioritising the fight against poverty:

- Finalisation of the ACP partnership agreements and implementation of programmes. Implementation of programme on communicable diseases.
7. Intensification of the Doha trade round negotiations, with a view to conclusion by the end of 2004. Bilateral negotiations continued in particular with Mercosur, Africa, Caribbean and the Pacific States the Gulf Co-operation Council and the Mediterranean countries. Establishing coherence between the European Union's external relations and development policies in a way that ensure the right balance between our trade interests and the best developmental and environmental results.
 8. Implementation of the Social Policy Agenda, combining all Community instruments (open method of co-ordination, legislation, social dialogue, and support via the Structural Funds) so as to help achieve the strategic objectives set at the Lisbon European Council:
 - Adoption of a Communication on the mid-term review of the Social Policy Agenda;
 - Effective implementation of the open method of co-ordination by the adoption of a revamped employment package, a second joint report on social inclusion and the launch of this working method in the field of pensions;
 - Ensure appropriate follow-up of ongoing social partners' consultation according to article 138 of the Treaty on data protection of workers, social aspects of corporate restructuring and portability of supplementary pensions.
 9. Effective application of the new impact assessment tool to achieve better lawmaking and progress towards sustainable development.
 10. Prepare the establishment of a financial mechanism to help victims of natural disasters.
 - Implementation modalities and the cost of the initiative will be defined and estimated in the course of September 2002 and submitted to the budgetary authority in the frame of the Work Programme for 2003.

4. MAIN CHANGES RELATED TO THE RESOURCE FRAMEWORK GIVEN BY THE ANNUAL POLICY STRATEGY FOR 2003

On the resource side, the framework provided by the Annual Policy Strategy is detailed in the Preliminary Draft Budget (PDB). As far as human resources are concerned, no major change has to be pinpointed. Globally, the framework presented in the Annual Policy Strategy and translated in detail in the PDB with a number of minor amendments remains unchanged. In terms of the enlargement priority, in April the Commission presented a Communication on the impact of enlargement on the activities and human resources of the Commission which puts the estimated needs for additional human resources from 2003 to 2008 at 3900 staff. As part of this total, the 500 external staff requested with the Annual Policy Strategy and the PDB for 2003 will cover the first influx of resources needed for preparations the year before the enlargement.

The tight budgetary ceilings in Heading 5 require concentrating the human resources assigned to this effort in 2003 on the most essential activities and tasks. The Commission therefore foresees allocating the 500 external staff requested for 2003 to the three large families of activities that it considers essential for the success of enlargement:

- **Implementation of the Structural Funds and of the CAP:** the aim of implementing the structural programmes and the CAP as early as possible in 2004 implies programming and support for the setting up of the necessary administrative structures (management and control) in the applicant countries.
- **Full implementation of the 'acquis communautaire':** All the work undertaken in the pre-accession phase shows a particular challenge: the implementation of the *acquis communautaire* must be controlled from the first days following enlargement in the areas of **competition, health and consumer's protection, environment, and the fight against fraud.**
- **The legal and linguistic framework:** The *acquis communautaire* will have to be published in the new languages of the Union (up to 10), the translation and interpretation tasks will increase from 2003 and the services concerned will have to prepare themselves in order to be able to work effectively in an enlarged linguistic framework from day one of accession.

The effective availability of the 500 external staff in 2003, a major part of which should be made up of nationals from the applicant countries, constitutes a *sine qua non* condition for an effective preparation of enlargement.

The Commission stresses the absolute necessity to ensure the appropriate financing in 2003 of the expenses for 500 staff for preparations of enlargement. Only sufficient appropriations for the recruitment of staff for enlargement already in 2003 will enable the Commission to guarantee adequate preparation of enlargement and full application of the 'acquis communautaire' as from the first day of accession.

Where financial resources are concerned, two main events need to be recalled: first of all, instead of the Euro-Mediterranean bank provided for in the Annual Policy Strategy, a Euro-Med facility has, as a first step, been set up inside the MEDA programme; secondly, on the reform of the Common Fisheries Policy, the Commission adopted a package of reform proposals on 28 May whose main budgetary impact is to require €272 million for fleet reduction between 2003 and 2006. Some €240 million will be found under Heading 2 through reprogramming while the remainder (€32 million) will require mobilisation of the flexibility instrument in 2003.

5. CONCLUSIONS

This follow-up to the Annual Policy Strategy for 2003 is the first document of its kind, confirming that the strategic planning and programming cycle is moving towards a greater degree of maturity both internally and in relation with the other institutions. The structured dialogue with the European Parliament and the Council are a positive step forward towards the identification of political priorities for the

Union as a whole. The following exercises, however, will have to take account of the lessons learned during this first exercise.

The main result to retain from these discussions is that the three institutions agree on the political priorities for 2003. However, a significant implication of this document is that the necessary resources will have to be made available for the actions identified under the key priorities. In this regard, the negative reaction of Parliament and Council in the first reading of the budget to the Commission's proposal to use, on an exceptional basis, the flexibility instrument in order to finance these staff needs during the transitional year of 2003 raises a serious issue which deserves urgent and special attention.

The Commission stresses that it is now essential to ensure the appropriate financing in 2003 of the expenses for 500 staff which are the vital minimum needed in order to prepare for enlargement. Without this additional staff, the Commission will no longer be in a position to guarantee adequate preparation of enlargement and full application of the *acquis communautaire* as from the first day of accession.

If the Union really wants enlargement as of 2004, it cannot deprive the Commission of the personnel considered necessary to fulfil all its obligations vis-à-vis the new Member States from day one of the accession.

To this end, the Budgetary Authority should explore together with the Commission all possibilities to ensure the financing of those posts, including anticipating in 2002 certain administrative expenditures (frontloading), and wherever possible making supplementary appropriations available via transfers between institutions. The Commission will deploy all the political efforts needed in order to secure the support of the Council and Parliament, and the candidate countries for this objective.

Technical annex – list of key initiatives and related responsibilities

The enlarged Europe

1. Monitor the process of signature and ratification of the accession Treaties to enable the candidate countries with which negotiations have been concluded in 2002 to actually achieve membership in 2004 and participate in the European Parliament elections as members:
 - Delivery of the Commission's opinion on the applications for accession to the EU (DG ELARG/VERHEUGEN);
 - Updating Partnerships for Bulgaria, Romania and Turkey (DG ELARG/VERHEUGEN);
 - Negotiation of all Structural Fund interventions for new Member States to ensure full use of resources upon accession (DG REGIO/BARNIER; DG EMPL/DIAMANTOPOULOU AND DG AGRI/ FISH/ FISCHLER);
 - Support to a reconciliation between the two Cypriot communities following achievement of a political agreement. (DG ELARG/VERHEUGEN and DG REGIO/BARNIER)
2. Strengthen the future Member States' administrative and judicial capacities through:
 - Reinforcement of the administrative and judicial capacities of the candidate countries with concrete measures (twinning, specific projects) (DG ELARG/VERHEUGEN AND DG JAI/VITORINO);
 - Measures to ensure the Community standards for food safety (DG SANCO/BYRNE);
 - Mobilise the necessary investments in the candidate countries so that they can participate fully in the Trans-European networks and assure the strong functioning of the internal market (DG TREN/DE PALACIO; DG REGIO/ BARNIER; DG ELARG/ VERHEUGEN);
 - Measures to ensure the implementation of the institutional and administrative process for the sound management and efficient use of the structural funds (DG REGIO/BARNIER).
3. Prepare the application of Community legislation, programmes and surveillance procedures and the open method of co-ordination in the new Member States, including by:
 - Incorporating the review of candidate countries' economic, employment and environmental policies in the Spring synthesis report of 2003 and follow up progress (SG/PRESIDENT; DG ECFIN/SOLBES; DG EMPL/DIAMANTOPOULOU; DG ENV/WALLSTROM; DG EAC /REDING; DG TREN/ DE PALACIO; DG ENTR/LIIKANEN);

- Associate candidate countries to the Community research Programmes before 2003 (DG RTD/BUSQUIN);
 - Participation of Candidate countries in the e- Europe Action Plan (DG INFSO/LIIKANEN).
 - Take measures to ensure common measures for nuclear safety within the European Union (DG TREN/DE PALACIO; DG ELARG/ VERHEUGEN)
4. Prepare the concrete application of the Common Agriculture Policy to the future Member States, notably through:
 - Technical adaptations of farming legislation; (DG AGRI/FISCHLER)
 - Preparation of rural development programmes with a view to launching them right from the start of 2004. (DG AGRI/FISCHLER)
 5. Progressively set in place the structures needed to extend the Community's anti-fraud arrangements to the candidate countries, namely through:
 - Ensuring that the candidate countries take the actions necessary to enable them to manage the customs union (DG TAXUD/BOLKESTEIN);
 - Strengthening appropriate structures for fraud avoidance and control and extending interchanges and training on the protection of the financial interests of the European Union. (OLAF/SCHREYER)
 6. Intensify and complete administrative and linguistic preparations for enlargement by:
 - Completing the publication of the Treaties (OPOCE/REDING);
 - Proceeding with the consolidation of legislation and start codification in the existing languages. Publish the *acquis communautaire* in the new official languages (SDT/SCIC/KINNOCK) (OPOCE/REDING; LS/PRESIDENT);
 - Ensuring the administrative preparations for selection, recruitment and integration of officials into the Commission from the new Member States. (DG ADMIN/KINNOCK)
 7. Continue implementation of the administrative reform of the Commission to ensure effective modernisation of Commission by 2004. (ALL COMMISSIONERS/ ALL DGs)
 8. Continue to review the main Community policies, their procedures and their impact to provide a basis for preparing in 2004 a Commission Communication on the main prospects for the development of policies in the enlarged Union and the future financial framework after 2006. (ALL DGs / All COMMISSIONERS)
 9. Contribute to the work of the Convention on the future institutional framework for an enlarged European Union. (SG/PRESIDENT; BARNIER and VITORINO)

Stability and security

1. Legislative and non-legislative measures to make further progress towards an integrated European system of border management including measures to fight illegal immigration, in accordance with the programme agreed by the Seville European Council:
 - Legislative measures to revise and consolidate the rules set out in the Common Manual on external borders (DG JAI/VITORINO);
 - Measures to enhance the common visa policy and in particular to establish a common visa identification system (DG JAI/ VITORINO);
 - Examination of the legal, institutional and budgetary implications concerning burden-sharing for the management of external borders and for developing joint training of border services (DG JAI/VITORINO);
 - Establishment of a rapid alert system of illegal immigration and trafficking in human beings. (DG JAI/VITORINO)
2. Propose measures to tackle the financing of terrorism and to fight against corruption, to facilitate effective implementation of criminal sentences in the Union and to contribute to combating and preventing crime and terrorism, whilst ensuring that these measures are properly balanced with measures to protect individual rights:
 - Framework Decision on the freezing and confiscation of funds from entities controlled by physical persons involved in the funding of terrorist activities to ensure that legitimate business activities are not used to finance terrorism (DG JAI/VITORINO);
 - Framework Decision fixing common standards regarding procedural safeguards for persons accused in criminal proceedings throughout the EU (DG JAI/VITORINO);
3. Make further proposals for measures to consolidate common European immigration and asylum policies, including increased funding for the European Refugee Fund and greater co-operation with third countries in the field of migration:
 - Establishment of a Community Action Programme aimed at encouraging the integration of third country nationals who are legally resident in the Union (DG JAI/VITORINO; DG EMPL/ DIAMANTOPOULOU);
 - establishment of an instrument relating to a ‘one-stop shop’ for the processing of applications for asylum in the Member States. (DG JAI/VITORINO)
4. Reinforce the application of the anti-money laundering directives, implement the measures on payment systems announced in the Fraud Prevention Action Plan and enhance co-operation between Finance Intelligence Units:
 - Evaluation of the existing Third Pillar measures in the fight against financial crime, and examination of the need for an instrument to create an EU-wide system

to combat money laundering involving large-scale cash payments. (DG JAI/VITORINO)

5. Follow up of the Green Paper on the protection of the financial interests of the European Union and the establishment of a European Public Prosecutor. (OLAF/SCHREYER)
6. Ensure effective implementation of the security provisions in the Commission. (DG ADMIN/KINNOCK)
7. Improve all aspects of transport, energy, public health and information and communications network security:
 - Establishment of common EU standards for the safety of nuclear power plants, as well as enhancing civil protection through legislative proposals and other initiatives and ensuring the safe transport, treatment and disposal of nuclear waste (DG TREN/DE PALACIO; DG ENV/WALLSTRÖM);
 - Proposal for a Regulation establishing a European Centre for disease control (DG SANCO/BYRNE);
 - Implementation of a Cyber security task force. (DG INFSO/LIIKANEN; DG JAI/VITORINO)
8. Make a significant contribution towards resolving the conflict in the Middle East and develop the Mediterranean partnership, notably by taking forward the Barcelona process, focusing on promoting reform, economic co-operation and investments in the region and continuing to improve the effectiveness of MEDA. (DG RELEX/AIDCO PATTEN)
9. Develop association and stabilisation process in the Balkans and further co-operation with Russia and the Newly Independent States:
 - Negotiation of a Stabilisation and Association Agreement with Albania. (DG RELEX/PATTEN)
10. Support financially and politically the process of reconstruction led by the representative government in Afghanistan. (DG RELEX/PATTEN and AIDCO/NIELSON)
11. Reinforce the rapid reaction mechanism and make an active contribution to the Common Foreign Security Policy and to the civilian dimension of the Common Security and Defence Policy. (DG RELEX/PATTEN)
12. Erasmus World Programme to enhance quality in higher education and to promote inter-cultural understanding through co-operation with third countries(2004-2008). (DG EAC/ REDING)

Sustainable and inclusive economy

1. Measures to complete the internal market for services, through measures to eliminate barriers to the provision and take-up of services, from which both business and

consumers can benefit, in particular for energy, transport and telecommunications, and reach final agreement on the most important measures of the Financial Services Action Plan:

- Communication on the main achievements of the internal market since 1992 particularly focusing on the benefits to European citizens on the occasion of the 10th anniversary of the internal market (DG MARKT/BOLKESTEIN);
- Implementation of the new Framework Programme ‘Intelligent energy for Europe (DG TREN/DE PALACIO);
- Implementation of the remaining actions in the Financial Services Action Plan (DG MARKT/BOLKESTEIN);
- Implementation and management of the new Regulatory Framework for electronic communication Services (including spectrum management) (DG INFSO/LIIKANEN);
- Green paper launching a debate on our role in ensuring the wide availability of high quality services of general interest for all citizens. (SG/PRESIDENT)

2. Measures to enhance the competitive conditions in the internal market, in particular in the field of State aid and taxation, to create the necessary environment for consumer confidence in cross-border transactions and to pursue the continuing expansion of trans-European transport and energy networks:

- Implementation of new measures to ensure effective enforcement of competition rules and those with regard to state aid particularly regarding the postal and energy sectors (DG COMP/MONTI);
- Green Paper on entrepreneurship to stimulate discussion of Europe’s competitiveness (DG ENTR/LIIKANEN);
- Proposal for a Directive on fair trade (DG SANCO / BYRNE);
- Measures to ensure co-ordination of national fiscal systems (DG TAXUD/BOLKESTEIN);
- Legislative and non-legislative measures that will adapt the VAT system to the modern economy, in particular to e-commerce (DG TAXUD/BOLKESTEIN);
- Cost-related measures in support of sustainable development particularly in relation to environment, transport and energy policies. (DG TREN/DE PALACIO, DG ENV/WALLSTRÖM, DG TAXUD/BOLKESTEIN)

3. Initiatives to improve economic policy co-ordination, in particular budgetary policies so as to ensure the smooth functioning of Economic and Monetary Union:

- Measures to improve policy co-ordination between Member States on the assessment of public finances, integrated financial system and structural policies and monitoring the implementation of common standards on economic policy (DG ECFIN/SOLBES);

- Implementation of the new streamlined economic policy-co-ordination cycle. (DG ECFIN/SOLBES; DG EMPL/ DIAMANTOPOULOU)
4. Initiatives to promote the knowledge-based society in particular through the development and implementation of an integrated strategy for a European knowledge area
- Implementation of the joint Commission/Council work programme on objectives for education and training systems in Europe (DG EAC/REDING);
 - Implementation of the Information society for all' notably through e- Europe 2005 (DG INFSO/LIIKANEN);
 - Measures to develop good practices in life-long learning and e-learning (DG EAC/REDING);
 - Measures to increase research expenditure to 3% of EU GDP in 2010, in particular by increased private investment and action plan to promote investment in research (DG RTD/BUSQUIN);
 - Launching of the sixth framework programme for research and technological development (DG RTD/BUSQUIN);
 - Implementation of an action plan on biotechnology (DG RTD/BUSQUIN);
 - Adoption and implementation of a new action programme on e-learning that will integrate new technologies in education and training. (DG EAC/REDING)
5. Measures to ensure sustainability and coherence in a number of key policies, notably agriculture (CAP mid-term review), fisheries, transport, energy, cohesion policy and Structural Funds (third report on cohesion policy), food safety and public finance in the context of monetary union as well as effective follow-up to the Göteborg Conclusions; improve implementation of Community-wide environmental legislation:
- Further to the mid-term review of the CAP, other sectors will undergo a review; this concerns wine, sugar, olive oil, tobacco, cotton and possibly other products. The Commission will present a Communication to the other Institutions that later will be followed by legislative proposals (DG AGRI/FISCHLER);
 - Legislative proposals and measures to implement the Fisheries reform such as setting up the first Regional Advisory Councils, establishment of a Joint Community Inspection Structure for Fisheries, establishment of multi-annual management plans for some major fisheries stocks and proposals for the necessary implementing measures for the application of the new fleet policy (DG FISH/FISCHLER);
 - Third Cohesion Report at the end of 2003 including, as appropriate legislative proposals for the Structural Funds after 2006 (DG REGIO/BARNIER ; DG EMPL/DIAMANTOPOULOU; DG AGRI/FISH/FISCHLER);

- Implementation of the Regulatory Framework for Food Safety and proposal for a regulation on nutrition, functional and health claims made on food (DG SANCO/BYRNE);
 - Preparation and implementation of the 7 thematic strategies within the 6th Environmental Action Programme (DG ENV/WALLSTRÖM AND COMMISSIONERS CONCERNED);
 - Legislative proposals for a new chemicals strategy and finalising risk reduction measures required under existing legislation for dangerous substances. (DG ENTR/LIIKANEN)
6. Implementation of the Cotonou Agreement with a view to effectively relieving poverty, health and education problems in Africa and ensuring effective implementation of our co-operation and partnership agreements prioritising the fight against poverty:
- Finalisation of the ACP partnership agreements and implementation of programmes. Implementation of programme on communicable diseases. (DG DEV/NIELSON and AIDCO/PATTEN and DG TRADE/LAMY for the Cotonou Economic Partnership Agreements)
7. Intensification of the Doha trade round negotiations, with a view to conclusion by the end of 2004. Bilateral negotiations continued in particular with Mercosur, Africa, Caribbean and the Pacific States the Gulf Co-operation Council and the Mediterranean countries. Establishing coherence between the European Union's external relations and development policies in a way that ensure the right balance between our trade interests and the best developmental and environmental results. (DG TRADE/LAMY; DG RELEX/PATTEN; DG DEV/NIELSON; DG AGRI/FISCHLER)
8. Implementation of the Social Policy Agenda, combining all Community instruments (open method of co-ordination, legislation, social dialogue, and support via the Structural Funds) so as to help achieve the strategic objectives set at the Lisbon European Council:
- Adoption of a Communication on the mid-term review of the Social Policy Agenda (DG EMPL/DIAMANTOPOULOU);
 - Effective implementation of the open method of co-ordination by the adoption of a revamped employment package, a second joint report on social inclusion and the launch of this working method in the field of pensions (DG EMPL/DIAMANTOPOULOU);
 - Ensure appropriate follow-up of ongoing social partners' consultation according to article 138 of the Treaty on data protection of workers, social aspects of corporate restructuring and portability of supplementary pensions. (DG EMPL/DIAMANTOPOULOU)
9. Effective application of the new impact assessment tool to achieve better lawmaking and progress towards sustainable development. (ALL DGs / COMMISSIONERS)

10. Prepare the establishment of a financial mechanism to help victims of natural disasters:
 - Implementation modalities and the cost of the initiative will be defined and estimated in the course of September 2002 and submitted to the budgetary authority in the frame of the Work Programme for 2003. (ALL DGs / COMMISSIONERS)