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**The EU in 2016
General Report on the Activities of the European Union**

**Published in accordance with Article 249(2) of the Treaty on the Functioning of the
European Union**

THE EU IN 2016

General Report on the Activities of the European Union

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Foreword

[CH00-PH01]



Jean-Claude Juncker, President of the European Commission, gives his State of the Union address for 2016 in the European Parliament, Strasbourg, France, 14 September 2016.

Throughout a year in which the European and global political landscape shifted further than many imagined, the EU remained a source of resilience, stability and forward momentum for its citizens. By focusing on the areas that matter and make most sense for Europeans, no time was lost on delivering on the EU's most pressing challenges.

That progress was facilitated by a renewed sense of unity and commitment within the EU. September's Bratislava Declaration and Roadmap saw all 27 Member States present agree on the positive agenda for collective action that I presented in my State of the Union address. Coming just 3 months after the United Kingdom referendum on EU membership, this was a crucial moment for the EU's members to come together and look forward. Building on that momentum, the European Parliament, the Council and the Commission agreed the first ever [Joint Declaration on the EU's legislative priorities for 2017](#), signed by the three EU institutions in December.

Only by working together can we tackle our common challenges and build a European Union that protects; that preserves the European way of life; that empowers its citizens; that defends at home and abroad; and that takes responsibility.

Over the last year we have made progress towards that, but we have a lot more to do. Unemployment is now at its lowest in the EU since 2009. Youth unemployment has dropped by 10 % in the last year alone but remains too high, especially in the parts of the EU where the recovery has taken more time.

That is why in 2016 the Commission committed itself to reinforcing the Youth Guarantee, which has already helped 9 million young people take up an offer of work, education or training. To back that up, the Commission proposed to increase funding for the Youth

Employment Initiative by €2 billion. This will help support 1 million more young people by 2020.

But when it comes to the young people of the EU — our future — we need to invest more than money. There is one 2016 initiative that is particularly close to my heart: the launch of the European Solidarity Corps. The Corps will enable young people to volunteer for solidarity activities across the EU to help the most vulnerable, develop new skills and forge new bonds. That is an investment in our future. It was only launched in early December but by the end of the month more than 18 000 young Europeans had registered. We are in safe hands!

We need to support those young people by getting our economy working for them. That is why in September I announced a large-scale expansion of the European Fund for Strategic Investments, which was endorsed by the [European Council](#) in December.

The numbers speak for themselves: €164 billion of investment has already been triggered across all 28 Member States and €22.4 billion of financing has been secured for infrastructure projects.

It is also an investment in keeping pace with the digitisation of our economy and society. That is why in 2016 the Commission proposed a reform of the EU's telecommunications markets. If we invest in new networks and services we will create at least 1.3 million new jobs over the next decade.

2016 also saw us make good progress on migration. The EU now has a comprehensive strategy to save lives, secure our borders and enable us to deal with those seeking asylum on our shores. We set up a European Border and Coast Guard in record time. We worked together with Turkey to implement the EU–Turkey Statement to help destroy the business model of people smugglers and traffickers and offer safe and legal ways to the EU for those who need our protection. We are tackling the root causes of illegal migration by working with our African friends through new migration partnerships. And we are reforming our asylum policy to put in place a genuinely Common European Asylum System.

An EU that protects is an EU that defends and empowers — at home and abroad. Last year the Union continued to stand up for its values of openness, freedom, tolerance and solidarity. This is what the rest of the world expects from us as a positive global force. In 2016 we continued to forge links with our partners, and the new trade partnership with Canada shows our commitment to working with like-minded partners to create opportunities in the EU and beyond.

The barbaric terrorist acts on our soil in the past year have shown us again what we are fighting for — the European way of life. In the face of the worst of humanity we have to stay true to our values and to ourselves. It is about defending the beliefs that our society is built on: democracy, openness, tolerance and diversity. And it is about defending ourselves from those who wish us harm.

That is why we have prioritised security — criminalising terrorism and foreign fighters across the EU, cracking down on the use of firearms and on terrorist financing, working with internet companies to get terrorist propaganda offline and fighting radicalisation in the EU's schools

and prisons. We will also defend our borders: for every short-term visitor to the EU, the Commission proposed that there be a record of when and where he or she entered and exited.

But in order to do all this we need to keep the unity shown by the EU-27 and the EU institutions in 2016.

Our ambition now, as the European Union, must not simply be to adapt to a changing world, but to shape it. Our goal is not only to protect what we have today, but to build a better society for tomorrow.

Our children deserve a Europe that preserves their way of life. They deserve a Europe that empowers and defends them. They deserve a Europe that protects. It is time we — the institutions, the governments and the citizens — all took responsibility for building that Europe. Together.

Jean-Claude Juncker

[CH00-VD01]



The EU in 2016. (video)

Chapter 1

A new boost for jobs, growth and investment

‘My first priority as Commission President will be to strengthen Europe’s competitiveness and to stimulate investment for the purpose of job creation.’

Jean-Claude Juncker, political guidelines, 15 July 2014

Since the global economic and financial crisis the European Union has been suffering from low levels of investment. Collective and coordinated efforts at Union level are needed to put the EU on the path towards economic recovery. Boosting jobs and growth was a top priority for the EU in 2016, building on what had been achieved the year before.

The Investment Plan for Europe mobilised over €163 billion of new investments across the EU in 2016. The success of the Plan led to the announcement in September by Jean-Claude Juncker, President of the European Commission, of the extension of the Plan’s initial target of €315 billion of new investments by 2020 to at least €500 billion, and beyond that to €630 billion by 2022. The proposal to extend the duration of the European Fund for Strategic Investments was backed in December by the **European Council**. The Commission also proposed a new European External Investment Plan to encourage investment in Africa and the EU neighbourhood in order to strengthen the EU’s partnerships and contribute to achieving the Sustainable Development Goals.

The Commission simplified the procedure for detecting and assessing macroeconomic imbalances and put greater focus on employment and social considerations in the European Semester (the EU’s economic policy coordination cycle). It also proposed a new set of recommendations for structural reforms, with a greater emphasis on growth-enhancing policies such as research and innovation.

Throughout the year, boosting the EU economy was supported by policies in areas such as research and innovation, regional policy, transport, employment, the environment, agriculture and fisheries. Particular emphasis was placed on providing small businesses with greater access to finance and technical support, with the launch of the new **European Investment Advisory Hub**, the continued success of the EU’s **programme for small and medium-sized enterprises** and the increase in funding under the Investment Plan.

The Investment Plan for Europe

[CH01-PH02]



Commission Vice-President Jyrki Katainen answers questions from the press on the progress of the Investment Plan for Europe, Brussels, 1 June 2016.

The Commission, together with the [European Investment Bank](#), launched the [Investment Plan for Europe](#) in 2015. The [European Fund for Strategic Investments](#) was created with an initial €21 billion of EU money.

[CH01-PH03]

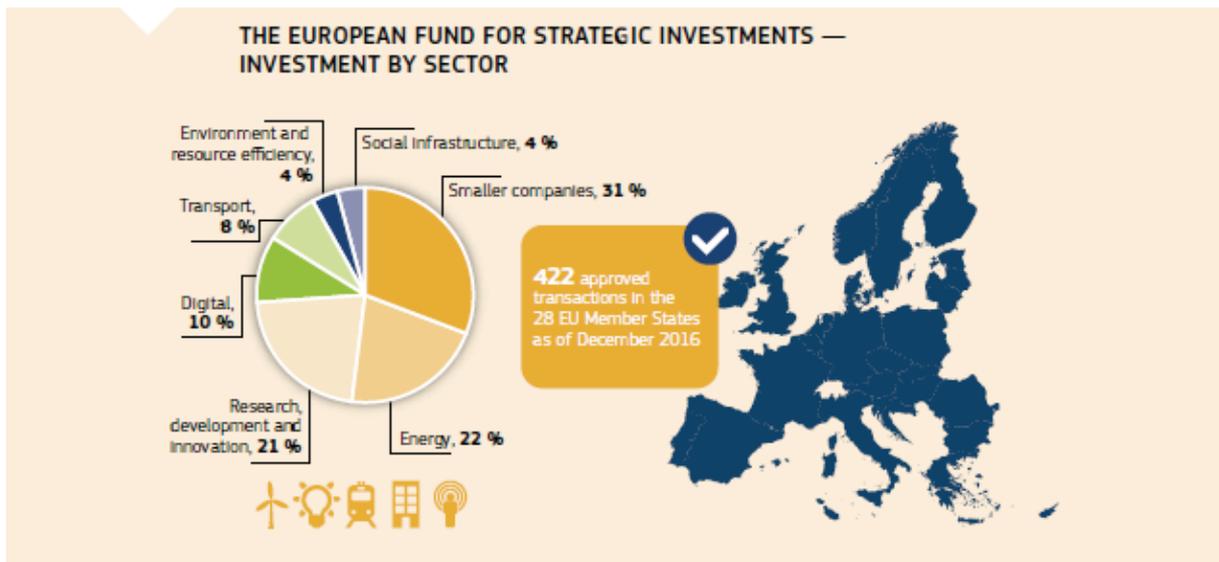


Werner Hoyer, President of the European Investment Bank, addresses the Brussels Economic Forum 2016, Brussels, 9 June 2016.

In 2016 the fund remained firmly on track to deliver on mobilising at least €315 billion in additional investments in the real economy by mid 2018. It was active in all 28 Member States and, as of December 2016, was expected to trigger just under €164 billion in total investment.

By the end of 2016, 175 infrastructure projects representing financing of €22.4 billion had been approved under the fund. In addition, 247 financing agreements, worth €8.2 billion, had been approved for smaller companies. Close to 385 000 small businesses were expected to benefit.

[CH01-GR01]



Given the success of the Investment Plan, the Commission proposed in September to extend its duration and financing, targeting at least €500 billion of investments by 2020. The European Council endorsed this in December 2016.

[CH01-VD02]



The Investment Plan reaches the real economy. (video)

The EU is reinforcing the social dimension of the fund for both microfinance and social entrepreneurship. Overall, the total amount of support to these areas is expected to increase from €193 million under the Employment and Social Innovation Programme to about €1 billion, mobilising some €3 billion in additional investment. Agreements have been signed with more than 100 microfinance providers to support over 100 000 micro-entrepreneurs in EU Member States.

Helping small and medium-sized companies

Help for small businesses came from many different sources.

In view of its success, the European Fund for Strategic Investments' allocation for small businesses was increased in July 2016 by an extra €500 million.

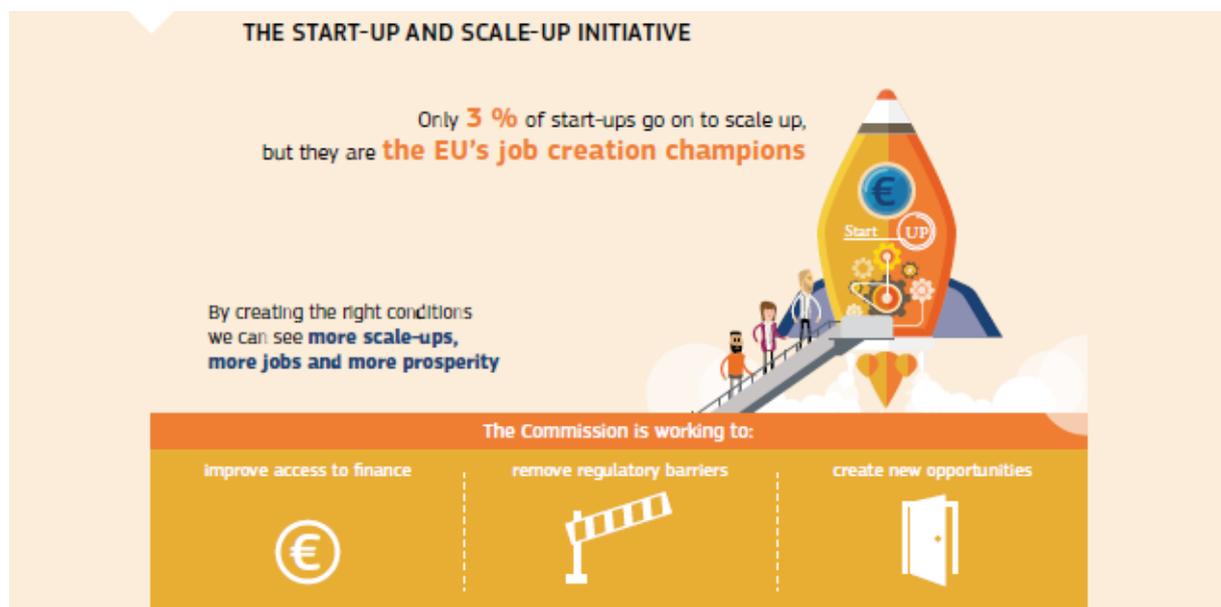
In addition to the Investment Plan, the COSME programme, [the EU's programme for small and medium-sized enterprises](#), is running from 2014 to 2020 with a budget of €2.3 billion to

help the creation and growth of companies. It helps companies access markets, creates a favourable business environment and promotes entrepreneurship. The mid-term budget review proposed to increase the budget for financial instruments by €200 million.

In 2016 a further €45 million was used to help small and medium-sized companies find business partners, understand EU legislation and access EU funding through the [Enterprise Europe Network](#). About 450 000 companies received services from 625 participating organisations in all EU regions and 35 non-EU countries.

In November the Commission adopted the [Start-up and Scale-up Initiative](#) to give the EU's many innovative entrepreneurs every opportunity to become world leaders. It pulls together all the possibilities that the EU already offers and adds a new focus on venture capital investment, insolvency law, taxation and intellectual property.

[CH01-GR02]



Boosting the EU economy

Throughout the year the creation of jobs and growth was supported by policies in many areas, including regional policy, research and innovation, transport, agriculture, employment and education.

Regional policy

[CH01-PH04]



Commissioner Corina Crețu visits the Smart City Experience Lab, Amsterdam, the Netherlands, 22 April 2016.

The European Structural and Investment Funds, with a budget of €454 billion for 2014-2020, continued to invest in the Union's priority areas. Strategically investing in key growth-generating areas, regional policy is a vital pillar of the EU's Jobs and Growth Agenda.

In the years 2014-2020 the funds will invest €121 billion in research and innovation, digital technologies and support for small businesses throughout the EU.

Two million businesses and start-ups will be directly supported by the funds to boost their competitiveness and increase their research and innovation capacity.

In 2016 the EU simplified access to the funds for small businesses and cities. It also increased the uptake of financial instruments and ensured that an increased number of combinations could be made with other EU funds, especially the European Fund for Strategic Investments.

The [evaluation of the Regional Development and Cohesion Funds for the 2007-2013 period](#) was published in September. Key achievements included €2.74 of additional gross domestic product for every €1 invested through cohesion policy, over 1 million jobs created, 5 000 km of new roads and 1 000 km of new railways built.

Research and innovation

[Horizon 2020](#) is the biggest EU research and innovation programme ever, with €77 billion of funding available over the 2014-2020 period. It supports world-class research, builds industrial leadership in the EU and aims to provide solutions to societal challenges in areas such as climate change, energy, health and security.

[CH01-VD03]



A budget focused on results in research and innovation. (video)

The European Fund for Strategic Investments continued to complement Horizon 2020, in particular through its support for innovative small and medium-sized companies. The fund helped satisfy extraordinary demand for support from the [EU Finance for Innovators](#) initiative, a joint initiative launched by the Commission and the European Investment Bank under Horizon 2020.

EU research and innovation policy was refocused on three strategic objectives: open innovation, open science and open to the world. These were implemented through initiatives at three levels: increasing the recognition of research and innovation as a key driver of economic growth and job creation (notably through the European Semester and the Horizon 2020 Policy Support Facility); improving the framework conditions for research and innovation; and continuing the strategic programming of Horizon 2020. New initiatives included the [Innovation Deals](#) pilot scheme, which was launched in 2016 with the aim of reducing barriers to innovation and boosting the circular economy, and the [European Open Science Cloud](#). Preparatory work started on longer-term measures to improve the innovation environment in the EU, including a call for ideas on a possible [European Innovation Council](#).

Space for innovation and investment

In October 2016 the Commission published a [Space Strategy for Europe](#). It aims to maximise the benefits of the European Union’s space programmes to society and to unlock the potential of the space sector to boost innovation, jobs and growth creation in the EU’s economy. It will help the EU space industry to remain a world leader. The Strategy also confirmed the importance of the sector for EU security and in strengthening the EU’s role as a global actor.

The [Galileo programme](#), the EU’s initiative for a state-of-the-art global satellite navigation system, reached a major milestone in 2016 following the successful launch of four additional satellites using the European Ariane 5 rocket. The initial services — navigation, search and rescue and the public regulated service — were announced in December 2016.

Sustainable growth

In 2016 the EU made further progress on the [Circular Economy Package](#) proposed in 2015. Many natural resources are finite, and the EU is a net importer of many raw materials. To ensure sustainable growth it has to use its resources in a smarter, more sustainable way. Waste

prevention, better design of products, recycling, reuse and similar measures could bring net savings of €600 billion for businesses in the EU while reducing total annual greenhouse gas emissions by 2-4 %.

In March the Commission proposed a Regulation that will create an internal market for fertilisers from secondary raw materials, thereby turning waste management problems into economic opportunities. This could create about 120 000 jobs thanks to the recycling of bio-waste into organic-based fertilisers.

In November the Commission adopted the Eco-Design Working Plan for 2016-2019 as part of the [Clean Energy for All Europeans](#) package. This will help establish product requirements relevant for the circular economy, increasing the durability of products and making them easier to repair, reuse and recycle.

Protecting Europe's seas

The EU fishing industry is the world's fourth largest, supplying some 6.4 million tonnes of fish each year. Fishing and fish processing provide jobs for over 350 000 people. Using the resources of Europe's oceans sustainably is at the heart of the European Union's fisheries and maritime policies. In November 2016 the Commission published its proposals for better international ocean governance. This sets out how the EU could contribute to achieving the United Nations Sustainable Development Goals by ensuring that the world's oceans are managed more wisely. Commissioner Karmenu Vella also launched the [MedFish4Ever](#) initiative in April 2016, drawing attention to the critical state of fish stocks in the Mediterranean Sea, where more than 90 % of the assessed stocks are currently overfished.

[CH01-PH09]



Commissioner Karmenu Vella at the launch of the MedFish4Ever initiative, Brussels, 27 April 2016.

Connecting Europe

[CH01-PH05]



Commissioner Violeta Bulc participates in a demonstration of self-driving cars at the Innovation Expo, Amsterdam, the Netherlands, 14 April 2016.

To contribute to the digitalisation and decarbonisation of transport, in June the Commission put forward a list of [195 transport projects](#) that are to receive €6.7 billion of EU funding under the [Connecting Europe Facility](#). The investment is expected to create up to 100 000 jobs by 2030.

Selected projects are primarily located within the [core trans-European transport network](#). Among the beneficiaries are initiatives such as the rehabilitation of the Brasov–Sighisoara rail section in Romania, the Aveiro–Vilar Formoso railway connection in Portugal, the development of a standard-gauge railway line on the North Sea-Baltic Corridor and the implementation of the [Single European Sky Air Traffic Management Research Deployment Programme](#). In October 2016 the Commission launched the third round of calls for proposals under the Connecting Europe Facility for transport, making €1.9 billion available to finance key transport projects.

Jobs and growth through agriculture

[CH01-PH07]



Jean-Claude Juncker, President of the European Commission (centre), meets with a delegation of dairy producers, St. Vith, Belgium, 15 November 2016.

Agriculture in the European Union provides a variety of quality food products and environmental public goods for citizens and contributes to the cultural and social fabric of rural areas. The agri-food sector accounts for **nearly 44 million jobs** in the EU, while **EU agri-food exports** are worth over €120 billion per year.

The common agricultural policy supports this with an annual budget of roughly €59 billion, providing support for farm income, for farmers to deliver environmental benefits and for other activities to increase the sector's competitiveness, resource-efficiency and life in rural areas.

Annual direct payments to farmers provide basic protection of farm income against the specific shocks to which agriculture is exposed.

In March 2016 the Commission **activated exceptional measures** to strengthen the position of livestock producers. In July it **announced a package** worth €500 million to reduce milk production and support milk producers and farmers in other livestock sectors. Further support was made available to the fruit and vegetable sector, which was affected by the Russian import ban.

[CH01-PH08]



Commissioners Violeta Bulc and Phil Hogan, together with Dejan Židan, Slovenian Minister for Agriculture, Forestry and Food (right), visit Pustotnik Farm, a dairy farm promoting the consumption of local products, Gorenja vas-Poljane, Slovenia, 14 July 2016.

In January the Commission created the **Agricultural Markets Task Force** to give recommendations on how to improve the functioning of the food supply chain and offer farmers an attractive perspective for economic stability and growth. It published its **report** in November. A **Meat Market Observatory** was set up to improve market transparency for the beef, veal and pork sectors, helping operators to read market signals and to cope better with market volatility.

Together with other members of the Commission, Commissioner Phil Hogan ran a concerted campaign to tackle non-tariff barriers to trade in non-EU countries where there is a potential market for EU products. These efforts resulted in the opening up of markets in China,

Colombia, Japan and the United States for certain EU exports in 2016. Promising new markets in Indonesia, Mexico and Vietnam were also targeted in high-level trade missions.

New skills, better protection, more jobs for the young

[CH01-PH06]



Commissioner Marianne Thyssen meets with students from the Vocational Training School of Athens, Greece, 21 April 2016.

EU funding, in particular through the European Social Fund, is set to support the upskilling of 8 million EU workers between 2014 and 2020. With its budget of €14.7 billion, [Erasmus+](#) will provide opportunities for over 4 million people to study, train, gain experience and volunteer abroad. The programme also provides support for activities helping Member States modernise and transform their education and training systems.

In May the European Platform Tackling Undeclared Work was launched, the purpose of which is to turn undeclared work into declared work. The Platform ensures social protection for millions of people in the EU who lose out through risky job arrangements, including dependent work relationships hidden as self-employment.

The Commission launched a [New Skills Agenda for Europe](#) in June with 10 actions to improve the quality of skills and their relevance for the labour market. These include an initiative to help low-skilled adults improve their literacy, numeracy and digital skills and/or help them progress towards an upper secondary education qualification or equivalent.

To combat youth unemployment the EU continued to support the roll out of the Youth Guarantee in Member States. In October a progress report showed how the 2013 Youth Guarantee, backed by the Youth Employment Initiative, the European Social Fund and national funding, has made a difference on the ground. Three years on from its launch in 2013 there are 1.4 million fewer young people unemployed in the EU. Around 9 million young people have taken up an offer for a job, a traineeship or an apprenticeship. It has led to bold structural reforms in many Member States and helped build business-education partnerships.

To ensure the full and sustainable implementation of the Youth Guarantee the Commission has proposed the continuation of the Youth Employment Initiative until 2020 and the extension of its resources. Furthermore, the Commission announced a new dedicated long-duration (between 6 and 12 months) mobility scheme for apprentices, Erasmus Pro, within the existing Erasmus+ programme, to support work-based learning abroad.

[CH01-VD04]



The Youth Guarantee and the Youth Employment Initiative. (video)

Connecting people

In 2016 the [Erasmus+](#) programme for education, training, youth and sport, with a budget of €2.2 billion, enabled around 497 000 young people to study, train, volunteer and participate in youth exchanges abroad. It also enabled around 141 000 members of staff from educational institutions and youth organisations to improve their competencies by teaching and training abroad. In 2016 the programme made available more than €400 million from the overall budget for cooperation projects, including those prioritising the promotion of citizenship and the common values of freedom, tolerance and non-discrimination through education.

The European Solidarity Corps

In December, 2 months after President Juncker had [announced](#) it in his State of the Union speech, the Commission launched the European Solidarity Corps. Young people between the ages of 17 and 30 can sign up for new opportunities to make an important contribution to society across the EU, and to gain experience and acquire skills. Participants may be placed with a project either for volunteering or for a traineeship, an apprenticeship or a job for a period of between 2 and 12 months. Participants will be able to engage in activities such as education, health, social integration, assistance in the provision of food, shelter construction, the support and integration of migrants and refugees, environmental protection and the prevention of natural disasters. By the end of December over 18 000 people had registered.

Economic and fiscal policy

Economic policy coordination in the EU is organised annually in a cycle known as the European Semester. It is launched towards the end of each year with the publication of the Annual Growth Survey and a recommendation on the economic policy of the euro area. The Commission published [country reports](#) in February 2016 analysing the economic and social

challenges in the EU's Member States individually. They served as the basis for discussion with Member States of their policy choices ahead of their national reform programmes and medium-term budgetary plans in April. In late spring these reports led to the formulation of the Commission's [country-specific recommendations](#).

These recommendations provide guidance to Member States on how to boost jobs and growth, with a renewed focus on growth-enhancing reforms in areas such as research and innovation, while maintaining sound public finances. In 2016 recommendations were also addressed to Cyprus as it rejoined the full economic governance framework in spring after exiting its economic adjustment programme.

On the fiscal front the recommendations made by the Commission in 2016 showed that the Stability and Growth Pact can be applied with intelligent flexibility. The Commission took into account the specificity of expenditure related to unusual events outside the control of the government (such as the refugee crisis and counterterrorism) when assessing Member States' medium-term budgetary plans. Spain and Portugal were given more time to correct their excessive deficit and the Council followed the recommendation of the Commission to cancel the fine that could have been imposed given their respective past fiscal performance. The year saw further progress concerning excessive deficits, which allowed the number of Member States found in [excessive deficit](#) to be reduced to six, down from 24 in spring 2011. Three Member States corrected their excessive deficits in 2015 and the related excessive deficit procedures were formally closed by the Council in June 2016.

Looking at the euro area in particular, the Commission called for a significantly more [positive fiscal stance](#) for the currency area as a whole to overcome the risk of 'low growth, low inflation' and to support the monetary policy of the European Central Bank.

The Commission also assessed whether the euro-area Member States' draft budgetary plans for 2017 complied with the provisions of the Stability and Growth Pact. In several cases the Commission found that the planned fiscal adjustments fell short, or risked doing so, of what is required by the Stability and Growth Pact.

Concerning the monitoring of macroeconomic imbalances, the Commission concluded that 13 Member States still experience either imbalances or excessive imbalances. Along with noting progress in addressing imbalances, the Commission also made the implementation of the procedure clearer and more transparent by [reducing the number of categories for imbalances from six to four](#) and brought a greater focus on employment and social considerations into the European Semester.

[CH01-VD05]



Ensuring healthy public finances. (video)

Continuing support for EU Member States

Negotiations continued in the Parliament and the Council on the Structural Reform Support Programme proposed by the Commission in November 2015.

[Cyprus](#) successfully completed its 3-year economic adjustment programme at the end of March 2016. The Commission continued to support the Cypriot authorities, through its [Structural Reform Support Service](#), in implementing growth-enhancing administrative and structural reforms.

In the course of 2016 good progress was made in implementing the Greek programme, which was designed to create the conditions for the return of confidence and to lay the foundation for a lasting economic recovery in Greece. The first review was concluded, allowing the second tranche of funding from the programme, amounting to €10.3 billion, to be paid. This second tranche was disbursed in several steps, with the last disbursement approved in October. The Commission supported the work of the [Eurogroup](#), which decided on debt measures in May. These measures will be implemented on a gradual basis. A first discussion on short-term debt measures took place in early December. On the programme implementation front, good progress was made towards the completion of the second review.

Greece also received economic support through the Investment Plan for Europe. A first deal backed by the European Fund for Strategic Investments was signed in Greece in May. On this occasion the European Investment Fund signed three deals with Greek intermediary banks and funds to provide additional investment to very small, small and medium-sized companies in Greece.

Extending support beyond EU borders

The Commission supported [Georgia](#), [Kyrgyzstan](#), [Jordan](#), [Tunisia](#) and [Ukraine](#) with macrofinancial assistance programmes. The aim is to help countries geographically, economically and politically close to the EU to restore a sustainable external financial situation, while encouraging economic adjustments and structural reforms. The programmes are a complement to International Monetary Fund financing.

In September the Commission proposed a new European External Investment Plan that would boost investment in African and EU neighbourhood countries and contribute to addressing the root causes of migration. It aims to support social and economic infrastructure and small businesses, with a focus on job creation, by removing obstacles to private investment. With an input of €3.35 billion from the EU budget and the European Development Fund, the Plan would support innovative guarantees and similar instruments in support of private investment.

The Plan enables the mobilisation of up to €44 billion in investments. If Member States and other partners match the EU's contribution, the total amount could double, reaching €88 billion.

An EU budget focused on results

[CH01-PH10]



Commission Vice-President Kristalina Georgieva (2014-2016) addresses a conference on an 'EU budget focused on results', Brussels, 27 September 2016.

In 2016 the Commission made progress with the EU Budget Focused on Results initiative to ensure that EU resources are put to good use for the benefit of citizens and that all EU-funded projects demonstrate clear benefits and value for money.

The EU budget continued to be invested according to the Commission's policy priorities, such as stimulating growth, jobs and competitiveness and responding swiftly and effectively to emergencies.

[A database of successful projects funded by the EU budget](#), available on the Commission's website, displayed more than 1 000 projects in 2016.

On the occasion of President Juncker's State of the Union address in September, the Commission presented its [Mid-term Review of the Multiannual Financial Framework \(2014-2020\)](#), including a package of legislative proposals aiming to:

- provide additional financial means for efficiently tackling migration and security risks and foster economic growth, job creation and competitiveness;

- increase the flexibility of the EU budget and its ability to quickly and efficiently address unforeseen circumstances;
- simplify financial rules and thus reduce the administrative burden on recipients of EU funds.

Chapter 2

A connected Digital Single Market

‘We must make much better use of the great opportunities offered by digital technologies, which know no borders. To do so, we will need to have the courage to break down national silos in telecoms regulation, in copyright and data protection legislation, in the management of radio waves and in the application of competition law.’

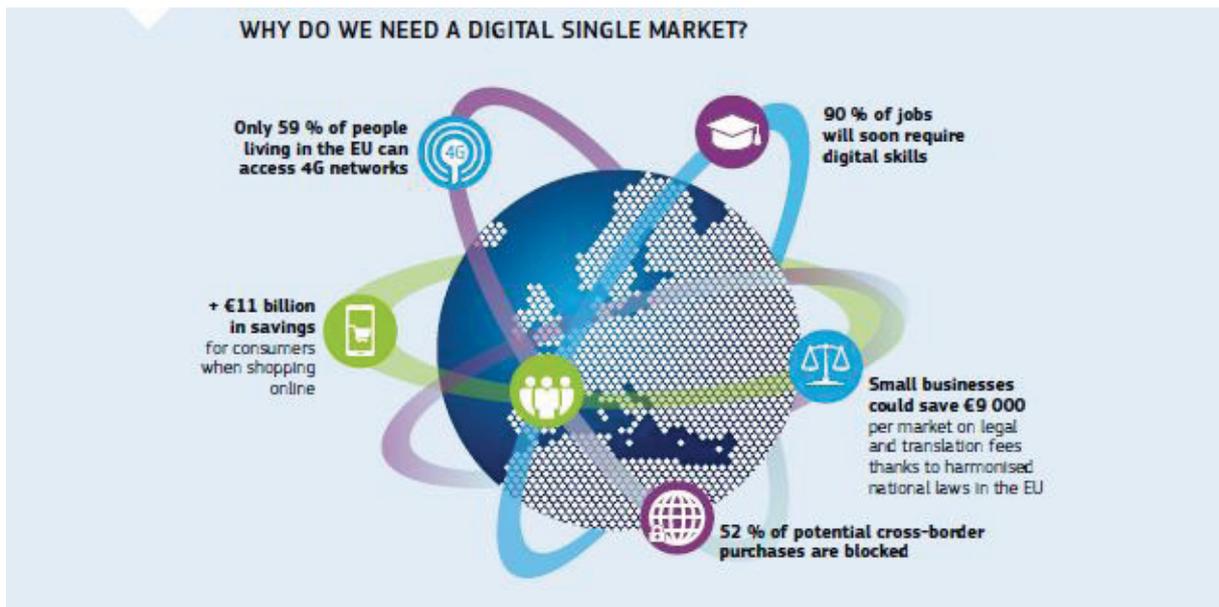
Jean-Claude Juncker, political guidelines, 15 July 2014

The Digital Single Market Strategy aims to remove online barriers that lead to people in the EU missing out on goods and services. These barriers also mean that internet companies and start-ups cannot take full advantage of digital growth. In 2016 the European Commission presented almost all of its proposals on completing the Digital Single Market, with the adoption of the remaining proposals expected in early 2017. The Commission presented new rules to help people and companies buy and sell products and services online more easily and outlined plans to ensure a fairer and more transparent online market place. It also outlined a strategy to help industry, companies, researchers and public authorities to make the most of new technologies.

To increase trust in the digital world the Commission launched a major partnership with industry on cybersecurity in July. EU artists, creators and cultural diversity were in the spotlight during year-long celebrations of 25 years of the EU MEDIA Programme. In addition, modernisation of the EU’s copyright and broadcasting rules created more opportunities for innovation and creative content online and across borders.

In September’s State of the Union speech, President Juncker announced [WiFi4EU](#), a €120 million plan to bring free Wi-Fi to parks, squares, libraries and public buildings in towns and villages across the EU. In addition, the Commission wants all households in the EU to have access to an internet connection of at least 100 megabits per second, which can be upgraded to gigabit speed.

[CH02-GR03]



Better access to goods and services

New e-commerce rules to help people and companies

In May 2016 the Commission presented measures to allow consumers and companies to buy and sell products and services online more easily across the EU. The Commission [proposed a Geo-Blocking Regulation](#) so that people buying products and services in another EU Member State are not discriminated against.

[CH02-VD06]



The E-commerce package: towards an EU Single Market. (video)

People and small businesses often complain that high charges and [problems with parcel delivery](#) prevent them from selling or buying more across the EU. The [Regulation](#) adopted by the Commission in May aims to increase price transparency and regulatory oversight. To boost consumer trust the Commission wants to [update the Consumer Protection Cooperation Regulation](#).

Investigating e-commerce

The Commission gathered evidence from nearly 1 800 companies operating in e-commerce for consumer goods and digital content and analysed around 8 000 distribution contracts. In March [initial findings](#) revealed that geo-blocking was widespread in e-commerce throughout the EU, especially for digital content. In September the Commission published a [preliminary report](#) that confirmed the fast growth of e-commerce in the EU — more than half of adults in the EU ordered goods or services online in 2015. The report identified business practices that might restrict competition and limit consumer choice. The final report is due in 2017.

Simplifying VAT rules

The current VAT system for cross-border e-commerce is complex and costly for Member States and businesses. For businesses the average annual costs of supplying goods to another Member State are estimated at €8 000 per Member State. Moreover, EU businesses are at a competitive disadvantage, as non-EU suppliers can supply VAT-free goods to consumers in the EU under the exemption for imports of small consignments. The complexity of the system also makes it difficult for Member States to ensure compliance, with losses estimated at around €5 billion annually.

As part of the Digital Single Market Strategy the Commission presented a legislative package to modernise and simplify VAT for cross-border e-commerce, in particular for small and medium-sized companies. It will remove the need for businesses selling to consumers in other Member States to register for VAT in any Member State where a customer is located. A further proposal will ensure that electronic publications can benefit from the same reduced rates as physical publications.

Modern EU copyright rules

Today, according to Eurobarometer (the Commission's public opinion survey service), 73 % of young people in the EU listen to music, watch TV series and films or play games online. Almost 20 % have tried to access services providing content in another Member State, but broadcasters find it complicated to meet this growing demand. To improve choice and access to content the Commission proposed a [Regulation](#) to make it easier for broadcasters to get clearance from rights holders. The Regulation also simplifies the transmission of online programmes in other Member States and enables channels from other countries to be included in consumer packages.

This is complemented by a proposal for a new [Copyright Directive](#). The draft Directive will help museums, archives and other institutions to digitise, and make available across borders, books and films that are protected by copyright but no longer available to the public.

Students and teachers want to use digital materials and technologies, but almost a quarter of teachers face copyright-related restrictions in their digital teaching activities. The proposed Copyright Directive will allow educational establishments to use materials to illustrate teaching through digital tools and in online courses across borders. It will make it easier for researchers to use [text- and data-mining](#) technologies to analyse large sets of data. The draft

Directive also includes a new mandatory EU exception so that cultural heritage institutions can preserve works digitally.

Also according to Eurobarometer, 57 % of people in the EU get their online news from social media, search engines or news aggregators, and 31 % listen to music from online video or music sharing sites. The digital era has brought more consumer choice, broader audiences and fresh opportunities for rights holders, creators and publishers, but many find it difficult to receive fair remuneration or to negotiate with video-sharing and other online platforms. The proposed Copyright Directive aims to create a fairer and more sustainable marketplace by clarifying the obligations of online platforms. It will also strengthen the position of rights holders to negotiate and be remunerated, while recognising the important role press publishers play in investing in and creating quality journalistic content.

Creating the right conditions

Farewell to roaming charges

In April 2016 calling, texting and surfing online from another Member State (roaming) became cheaper, with people only paying a small amount on top of their domestic prices: up to €0.05 per minute for calls made, €0.02 per SMS sent and €0.05 per MB of data used (excluding VAT) from their mobile devices. As of 15 June 2017 people living in the EU will bid farewell to roaming charges when travelling periodically within the Union.

During the year the Commission presented a number of measures to make this happen through a proposal to regulate [wholesale roaming charges](#) (the prices that operators charge each other for the use of their networks) and [rules to make the end of roaming work for everyone living in the EU](#). All EU travellers will enjoy the ‘roam like at home’ opportunity by paying the same price for mobile calls, SMSs and data when they travel away from their home (their country of residence or with which they have stable links). In April new rules took effect that for the first time guarantee the [principle of net neutrality](#) in EU law.

[CH02-VD07]



Roaming: a big day in a long battle. (video)

More and better internet connectivity

By 2020 there will be nearly eight times as much mobile internet traffic as there is today. In 2016 the European Commission set out major legislative and policy initiatives to meet this growing demand. In February [the Commission proposed to better coordinate radio frequencies in the 700 megahertz band](#), to improve mobile internet access and to allow connected cars, remote healthcare and other innovative services to work across the continent.

In September [the Commission proposed an overhaul of EU telecoms rules](#) and further plans to meet the growing connectivity needs of people in the EU. The Commission has the following three objectives.

- All schools, universities, research centres, transport hubs, hospitals, public services and businesses should have access to gigabit connectivity (allowing users to download/upload 1 gigabit of data per second) by 2025.
- All households in the EU should have access to connectivity offering a download speed of at least 100 megabits per second, which can be upgraded to gigabits per second, by 2025.
- All urban areas should have uninterrupted 5G coverage, the fifth generation of wireless communication systems, by 2025. 5G should be commercially available in at least one major city in each Member State by 2020.

These objectives can only be achieved with massive investments. The new [European Electronic Communications Code](#) includes rules that make it more attractive for all companies to invest in new top-quality infrastructure, everywhere in the EU, both locally and across national borders, while maintaining effective competition. The Commission also outlined a plan to deploy 5G across the EU. In his 2016 State of the Union speech President Juncker presented the [WiFi4EU initiative](#), a €120 million investment to promote access to wireless connectivity in public places. Free Wi-Fi would then be available in parks, squares, libraries and public buildings to benefit citizens and institutions with a public mission.

[CH02-PH11]



Commission Vice-President Andrus Ansip (centre) tries out next-generation wireless technology at the Mobile World Congress 2016, Barcelona, Spain, 22 February 2016.

In April the need for government and industry to work together to improve data infrastructure for transport was underlined in the [Amsterdam declaration](#), discussed by transport ministers from all 28 EU Member States. The Dutch Presidency of the [European Council](#), the European Commission, Member States and the transport industry pledged to draw up rules and regulations that will allow autonomous vehicles to be used on EU roads.

New EU audiovisual rules for cultural diversity

Today, people increasingly view programmes via video-on-demand services (such as Netflix) and video-sharing platforms (such as YouTube), whether on their smartphones or gathered around the family television. To respond to this new reality, the Commission presented a proposal in May for an [updated Audiovisual Media Services Directive](#).

The new legislation aims to achieve a better balance of the rules that today apply to traditional broadcasters, video-on-demand providers and video-sharing platforms, especially when it comes to protecting children. It will strengthen the EU's cultural diversity — video-on-demand providers will need to ensure at least a 20 % share of European content in their catalogues.

Platforms

In May the Commission presented the results of a [comprehensive assessment](#) of the social and economic role of platforms such as online marketplaces, search engines, payment systems, social media, video and content-sharing sites. The Commission outlined a principles-based approach to fixing problems flagged during the assessment. This included a commitment that comparable digital services should follow the same or similar rules. Online platforms should behave responsibly, in particular through voluntary efforts by industry such as [the code of conduct on combating hate speech online](#).

Stepping up cybersecurity

According to the [Global State of Information Security Survey 2017](#) over 80 % of EU companies have experienced at least one cybersecurity incident over the last year. This undermines trust and growth in the Digital Single Market. In July the Commission launched a new [public-private partnership on cybersecurity](#) to foster cooperation in the early stages of the research and innovation process and to build cybersecurity solutions for various sectors, such as energy, health, transport and finance. This is one of several initiatives to better equip the EU against cyberattacks and to strengthen the competitiveness of its cybersecurity sector. These build on the first EU-wide rules on cybersecurity: the Directive on the Security of Network and Information Systems, which was [adopted by the Parliament and the Council in July](#).

Improving online privacy

Over the summer the Commission carried out a [public consultation](#) on reviewing and updating the EU rules on e-privacy, which, together with the General Data Protection Regulation, will ensure better protection of the electronic communications (such as telephone calls, web calls and emails) of citizens in the EU.

Maximising growth potential

Digitising EU industry

According to recent studies the digitisation of products and services could add over €110 billion of revenue per year for industry in the EU over the next 5 years.

In April the Commission unveiled plans to help EU industry, small and medium-sized businesses, researchers and public authorities make the most of new technologies. The Commission aims to support and link up existing national initiatives for the digitisation of industry and to focus investments in the EU's public-private partnerships. For example, the Commission will invest €500 million in a pan-EU network of [digital innovation hubs](#) where businesses can obtain advice and test digital innovations.

Billions of connected devices, including phones, computers and sensors, should communicate safely and seamlessly, regardless of their manufacturer, technical details or country of origin. For this they need a common language. The Commission [wants to speed up the standard setting process](#), for example by focusing on 5G, cloud computing, the internet of things, data technologies and cybersecurity.

People and businesses are still not reaping the full benefit from digital public services that should be available seamlessly across the EU. The [2014-2020 eGovernment Action Plan](#) outlined 20 measures to modernise digital public services and make the EU a better place to live, work and invest. This includes establishing a single digital gateway to provide user-friendly access to information, e-procedures and advice services throughout the EU. A [public consultation](#) carried out in 2016 will help to develop this.

The Commission also presented a blueprint for cloud-based services and world-class data infrastructure so that science, businesses and public services can join the big data revolution. The Commission will set up a [European open science cloud](#). This will give the EU's 1.7 million researchers and 70 million science and technology professionals a virtual environment to store, manage, analyse and reuse a large amount of research data. To kick-start this, the Commission will make all scientific data produced by the Horizon 2020 programme open by default as of 2017. The open science cloud will rely on the [European data infrastructure](#), which will combine high-bandwidth networks, large-scale storage facilities and supercomputer capacity to access and process large datasets stored in the cloud.

Digital skills

According to studies carried out by the Commission's Directorate-General for Communications Networks, Content and Technology in 2016, 47 % of the EU population have either no or low digital skills, yet in the near future 90 % of jobs and most of citizens' day-to-day lives will require some level of digital know-how. As part of the [New Skills Agenda for Europe](#), the Commission called on Member States' governments to increase their efforts, for example by bringing digital competencies to all levels of education and training. December saw the launch of the [Digital Skills and Jobs Coalition](#), bringing together Member States and education, employment and industry stakeholders to develop a large digital talent

pool and ensure that individuals and the labour force in the EU are equipped with adequate digital skills.

Stimulating EU culture and creativity in the digital world

The connected Digital Single Market creates huge opportunities for cultural and creative sectors within the EU to grow. However, they also face challenges in this changing environment, such as how to find financing. In June the Commission, together with the European Investment Fund, [launched a €121 million loan guarantee facility](#) to support more than 10 000 small and medium-sized businesses in sectors including audiovisual, festivals, music, cultural heritage, design, performing arts, publishing, radio and visual arts.

[CH02-VD08]



Since 1991 the MEDIA Programme has invested in a strong audiovisual sector, able to convey the EU's rich cultural diversity. The Programme helps talents in the European Union to work together across borders. (video)

2016 was the 25th anniversary of the EU MEDIA Programme, part of [Creative Europe](#), the main EU programme dedicated to the cultural and creative sectors. Since 1991 MEDIA has invested over €2.4 billion in creativity and cultural diversity in the EU. Each year it supports around 2 000 European films, television series and other projects. MEDIA has helped train more than 20 000 producers, directors and screenwriters and enabled them to adapt to new technologies. MEDIA has helped audiences for European cinema to grow. According to a Commission study into the MEDIA Programme, 33 % of all cinema admissions in the EU in 2014 were for European films, up from 25 % in 2010.

Chapter 3

A resilient Energy Union with a forward-looking climate change policy

‘Current geopolitical events have forcefully reminded us that Europe relies too heavily on fuel and gas imports. I therefore want to reform and reorganise Europe’s energy policy into a new European Energy Union.’

Jean-Claude Juncker, political guidelines, 15 July 2014

The EU headed into 2016 with a commitment to deliver secure and affordable energy to its citizens and businesses and to fight the causes of climate change through its Energy Union and forward-looking climate change policies.

Throughout the year the EU focused on maintaining the political momentum of the Paris Agreement, which legally [entered into force](#) in November, 30 days after the EU’s ratification pushed it past the threshold it had to reach to take effect. In July the Commission presented binding greenhouse gas emission targets for the period from 2021 to 2030 for each Member State in the transport, buildings, agriculture, waste and land use, and forestry sectors. The Commission also presented a European Strategy for Low-Emission Mobility and continued work to address international aviation emissions.

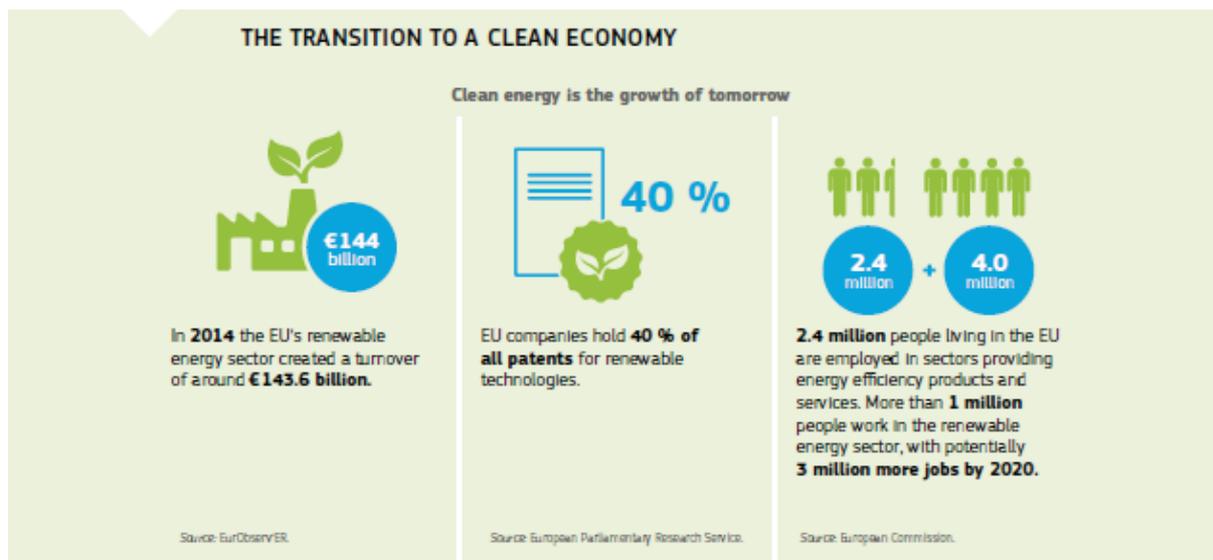
In November the Commission presented its Clean Energy for All Europeans package, which includes legislative proposals in the areas of energy efficiency, renewables, internal market and governance to help the transition to clean energy and maximise investment, jobs and growth in the EU.

Clean Energy for All Europeans

The global transition to clean energy is ongoing and irreversible, and the European Union not only wants to adapt, but to lead. It is its global responsibility.

Clean energies in 2015 attracted global investment of over €300 billion. The EU is well placed to use its research, development and innovation policies to turn this transition into a driver for jobs and growth. By mobilising up to €177 billion of public and private investment per year from 2021 the Clean Energy package can generate up to a 1 % increase in gross domestic product over the next decade and create 900 000 new jobs.

[CH03-GR04]



Energy efficiency

The cheapest and cleanest energy is the one that is not used at all. That is why the Commission in 2016 presented new and innovative energy-efficiency measures focused on:

- setting the framework for improving energy efficiency in general;
- improving energy efficiency in buildings;
- improving the energy performance of products (Ecodesign) and informing consumers (energy labelling);
- financing energy efficiency with the Smart Finance for Smart Buildings proposal.

To underpin these proposals the Commission put forward a new binding EU-wide energy-efficiency target of 30 % by 2030. Ambitious energy efficiency targets are designed to reduce Member States' dependence on energy imports, boost the local economy, increase competitiveness and create additional green jobs.

World leader in renewables

Renewables will play a major role in the transition to a clean energy system. The EU has set itself the target of collectively reaching a share of at least 27 % for renewables in final energy consumption by 2030. The proposal for a new Renewable Energy Directive will provide investor certainty and a level playing field for all technologies. The Commission's proposals focus on creating the right conditions for renewables to thrive and make the EU a flourishing market for clean energy. The sector already employs more than 1 million people and creates a turnover of around €144 billion every year.

Solar and wind technology prices declined respectively by 80 % and 30-40 % between 2009 and 2015. This cost reduction is enabling consumers increasingly to produce their own renewable energy. With the revised Directive consumers will benefit from stronger rights to produce their own electricity to consume at home or sell back to the grid.

A fair deal for consumers

Consumers are at the centre of the Energy Union. Everyday operations like billing, changing suppliers and getting a new contract when moving house will become easier, quicker and more accurate for consumers thanks to the improved management of digital customer information. Consumers will get access to reliable and clear information on the best deals on the market, using certified online price-comparison tools that assist them in making informed choices.

Consumers will be able to switch suppliers more easily, thanks also to the proposal to restrict the use of switching fees. The average difference between the incumbent supplier's standard offer and the cheapest offer in the market is more than €50 a year in the EU.

If they wish, consumers will be able to request a smart meter from their energy supplier and benefit from market-based energy prices, and new technologies will allow them to consume more when energy is cheap and reduce consumption when prices are high. This means that consumers will have better control of their spending on energy services.

Energy security, solidarity and trust

The [Energy Security of Supply](#) package proposed in February 2016 built on the progress the EU has achieved over recent years in keeping energy-security risks at bay. The package focused on gas, drawing on lessons learnt from the 2014 gas stress tests, but also on intergovernmental energy agreements and on heating and cooling.

The co-legislators adopted the Commission proposal for intergovernmental agreements in December, only 9 months after the initial proposal. The new rules will allow the Commission to guarantee that no energy deal will jeopardise the security of supply in a Member State or hamper the functioning of the EU's energy market.

In April the EU strengthened its ties with Iran, a major world player and a crucial partner for the EU on energy. The [joint declaration on energy security](#) and fighting climate change goes a long way to building a lasting clean and sustainable energy partnership with one of the fastest-growing major economies.

A fully integrated EU market

2016 was an important year for EU energy infrastructure projects, with €800 million made available through the Connecting Europe Facility. This support is key to unlocking the additional investment needed to eliminate bottlenecks that prevent the free flow of energy.

In spring two grant agreements, amounting to €5.6 million, were signed for studies on the construction of the Midcat gas pipeline. When built this pipeline will contribute to integrating the gas markets of the Iberian peninsula with the rest of Europe. €29.9 million of funding was allocated to the construction of a 140 km electricity line in Bulgaria that will boost grid access for renewables and enhance the capacity of the Bulgarian power grid.

In October a €187 million grant agreement was made for the Balticconnector — the first gas pipeline connecting Estonia and Finland. When the gas starts flowing by 2020 this project will unite the eastern Baltic Sea region with the rest of the EU energy market.

Throughout 2016 the Investment Plan for Europe remained a key instrument for completing the Energy Union. The European Fund for Strategic Investments continued to create jobs and trigger investments in the real economy. The fund continued to strongly support intelligent, forward-looking investments in energy efficiency, renewables, innovation and modern energy infrastructure.

From 2014 to 2020, €69 billion of cohesion policy funds are available for investments supporting the objectives of the Energy Union.

Accelerating clean energy innovation

[CH03-PH12]



Commission Vice-President Maroš Šefčovič and Commissioner Miguel Arias Cañete give a joint press conference on the Clean Energy package, Brussels, 30 November 2016.

At the end of the year the Commission put forward its ideas on Accelerating Clean Energy Innovation. This strategy proposes a set of concrete measures to step up and scale up energy-efficient and low-carbon innovative solutions with a view to improving the EU's global competitiveness in this field.

In June the Commission joined [Mission Innovation](#), a global initiative on clean energy, and signed up to the Clean Energy Ministerial Framework on behalf of the EU to facilitate multilateral cooperation on innovation. In addition, a number of action plans were agreed at the G20 Energy Ministerial Meeting in China.

In 2016 four Horizon Prizes were launched to encourage innovation and find solutions to challenges in the area of [energy innovation](#). The prizes are worth a total of €6.75 million and are funded under Horizon 2020, the EU's research and innovation programme. They will reward innovative approaches to [integrating solar energy into historical buildings](#), [using renewable energy in hospitals](#), developing products that help cut emissions by [reusing carbon dioxide](#) and [inventing the cleanest engine of the future](#).

Relations with the EU's key energy partners continued to be high on the agenda throughout the year. In June the Commission participated in the G20 Energy Ministerial Meeting in

Beijing. It was an opportunity to discuss energy technology innovation, renewable energy, energy efficiency, energy access and the role of the energy system in the implementation of the Paris Climate Change Agreement with international partners. The agreement on the [EU–China Energy Roadmap](#) was signed on the occasion of the EU–China Summit in July.

[CH03-PH13]



Commissioner Carlos Moedas (right) receives a presentation of the ‘Extreme light infrastructure’ project from its director, Nicolae-Victor Zamfir, Măgurele, Romania, 11 October 2016.

Decarbonisation of the economy

Taking the Paris Climate Change Agreement forward

In October 2014 EU leaders agreed to a [binding, economy-wide emissions reduction target of at least 40 % by 2030, compared to 1990 levels](#). This became the EU’s contribution to the Paris Climate Change Agreement signed in December 2015.

In April 2016, 175 parties set a new record for the most first-day signatures to an international agreement, underlining the global political will to deliver on the promises made in Paris.

[CH03-PH14]



Commission Vice-President Maroš Šefčovič, Giovanni La Via, Member of the European Parliament, Jean-Claude Juncker, President of the European Commission, Ségolène Royal, French Minister for the Environment, Energy and Marine Affairs, Ban Ki-moon, Secretary-General of the United Nations, Martin Schulz, President of the European Parliament, Commissioner Miguel Arias Cañete and Ivan Korčok, Secretary of State at the Slovak Ministry of Foreign and European Affairs, at the signing ceremony for the EU's ratification of the Paris Climate Change Agreement, Strasbourg, France, 4 October 2016.

Having brokered the first ever legally binding, global climate deal and built the coalition of developed and developing countries that made agreement in Paris possible, it was fitting that the swift ratification of the agreement at EU level in October enabled its global entry into force in November. The EU's Member States have also already individually ratified or will ratify the agreement.

[CH03-VD09]



The European Parliament approves the ratification of the Paris Climate Change Agreement. (video)

In November countries met again at the [United Nations Climate Conference in Marrakesh](#) to continue work on the detailed rulebook for the implementation of the Paris Climate Change Agreement. Heads of State or Government issued the [Marrakesh Action Proclamation](#), a call for the highest political commitment to tackle climate change, which sent a message of global unity and continued resolve to deliver on the Paris objectives and the transition to a global low-carbon economy.

Progress was made on the key elements of the Paris package, including access to finance, assistance with technology and developing and strengthening the skills and processes needed in developing countries to implement their domestic climate plans.

Implementing the Paris Climate Change Agreement in the EU

Work to deliver on the EU's pledge began even before the Paris conference with a proposal to [revise the EU Emissions Trading System](#), the EU's main policy instrument for reducing emissions. To complement this proposal, in July 2016 the Commission presented [binding greenhouse gas emission targets for Member States from 2021-2030](#) for the transport, building, agriculture, waste and land use, and forestry sectors.

Ambitious climate action creates business opportunities and opens up new markets for innovation and use of low-carbon technologies. The Commission has also [brought land use and forestry into the EU's 2030 emissions-reduction efforts](#). The sector not only emits

greenhouse gases but can also remove carbon dioxide from the atmosphere, with EU forests absorbing the equivalent of nearly 10 % of total EU greenhouse gas emissions each year.

In July the Commission published the [European Strategy for Low-Emission Mobility](#), setting the course for the development of EU-wide measures on low- and zero-emission vehicles and alternative low-emission fuels. This Strategy sets out the planned initiatives in the coming years and maps the areas in which it is exploring options.

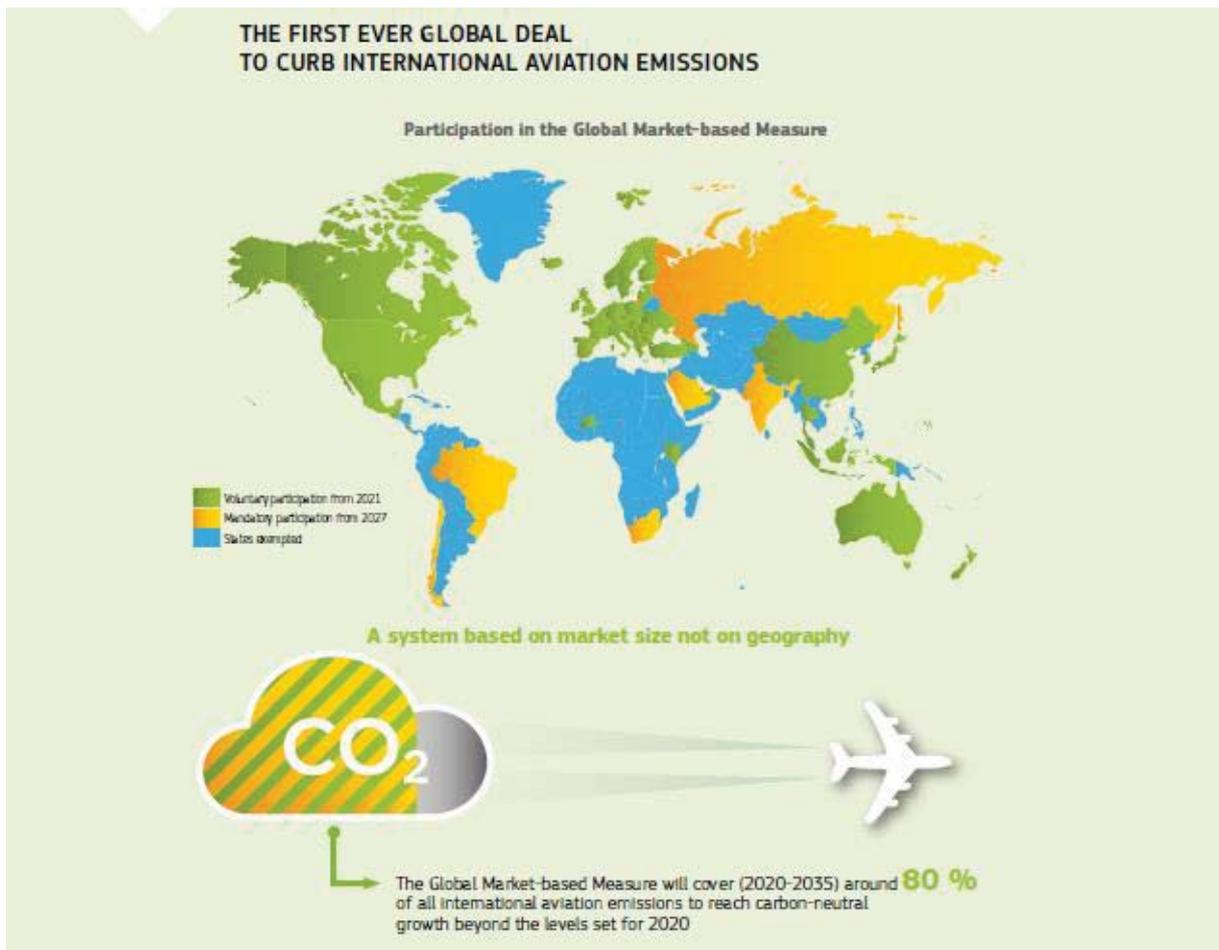
Work continued on strengthening the link between decarbonisation, the transition to a circular economy, the quality of air and the environment. The implementation of the [Circular Economy Action Plan](#) has the potential to reduce annual greenhouse gas emissions by 2 to 4 % and has already started to deliver. The implementation of the [Clean Air Policy Package](#), on which interinstitutional agreement was reached in June 2016, will provide significant benefits for tackling climate change. The Investment Plan for Europe has also been mobilised to help to deliver on the transition to a resource-efficient, circular and zero-carbon economy, with 5 % of the European Fund for Strategic Investments covering the environment and resource-efficiency sector.

Building on the momentum of the Paris Climate Change Agreement

In October parties to the Montreal Protocol, which has been successful in phasing out ozone-depleting substances, agreed in Kigali, Rwanda, to bring the control of climate-warming hydrofluorocarbon gases used in refrigeration and air-conditioning systems within its scope. This is a fast and cost-effective way of delivering on the pre-2020 objectives of the Paris Climate Change Agreement. The Kigali Amendment requires developed and developing countries to gradually limit their consumption and production of hydrofluorocarbons, with developed countries moving first. The EU is leading the world in restricting the use of hydrofluorocarbons. By 2030 EU emissions of these gases will be cut by two thirds compared to current levels.

Also in October the International Civil Aviation Organisation, with the active involvement of the EU, reached a [landmark agreement](#) on international carbon dioxide aviation emissions. The so-called global market-based measure aims to stabilise international aviation emissions at 2020 levels and will oblige airlines to offset the growth of their carbon dioxide emissions beyond that threshold. The scheme is due to start in 2021 with a first phase based on voluntary participation. In its second phase (2027-2035) participation will be mandatory, except for countries with low levels of aviation activities. This means that around 80 % of the emissions needed to achieve the objective of carbon neutrality from 2020 will be offset between 2021 and 2035.

[CH03-GR05]



The EU and its Member States have been among the main advocates of addressing greenhouse gas emissions in the maritime sector. At the October meeting of the Marine Environment Protection Committee of the International Maritime Organisation a global and mandatory system to collect fuel-consumption data from ships was agreed. In practice, as of 2019 ships over a certain threshold capacity will be required to collect data on fuel consumption and energy efficiency and report it to the flag state.

Chapter 4

A deeper and fairer internal market with a strengthened industrial base

‘Our internal market is Europe’s best asset in times of increasing globalisation. I therefore want the next Commission to build on the strength of our Single Market and to fully exploit its potential in all its dimensions.’

Jean-Claude Juncker, political guidelines, 15 July 2014

The Single Market is one of the EU’s major achievements and its best asset in times of increasing globalisation. By allowing people, goods, services and capital to move more freely it opens up new opportunities for citizens, workers, businesses and consumers, creating the jobs and growth the EU so urgently needs. Work continued in 2016 in line with the [2015 Single Market Strategy](#).

In March the Commission presented a [targeted revision of the Posting of Workers Directive](#), covering workers sent by their employer to work temporarily in another Member State. In June the Commission expressed its opinion on how existing EU legislation should apply to the [collaborative economy](#). Other initiatives included the Start-Up and Scale-Up Initiative and the [European Professional Card](#).

In April new EU rules came into force that changed the way Member States and public authorities spend a large part of the €1.9 trillion spent on public procurement annually.

Strengthening the EU’s industrial base remained a priority. The Commission tabled legislative proposals to ensure that car manufacturers comply strictly with all EU safety, environmental and production requirements. A new automotive industry high-level group, [GEAR 2030](#), was created to reinforce the car industry’s competitiveness and technological leadership.

A [Communication](#) set out how the European steel sector can overcome its challenges with the help of the EU.

The Commission continued to put in place the building blocks of the Capital Markets Union, based on the 2015 Action Plan.

The fight against tax avoidance remained an important priority in 2016. In January the Commission put forward an Anti-Tax Avoidance Package, including two legislative proposals that were adopted by the Council. In April it presented a proposal on public country-by-country reporting by multinational companies, which was followed in October by a major Corporate Tax Reform Package.

The Single Market

In a [Communication](#) in June the Commission clarified how existing EU legislation applies to the [collaborative economy](#), covering aspects such as market access requirements, liability and consumer protection.

Standards reduce costs, promote innovation, allow interoperability between different devices and services and help companies to access markets. In June the Commission presented a package of initiatives to modernise and enhance the European Standardisation System in light of technological developments, political priorities and global trends.

Making mobility easier for professionals and workers

One objective of the Single Market Strategy is to enable EU citizens to work wherever they choose in the Member States. The [European Professional Card](#) simplifies the lengthy procedures that professionals face before being allowed to work in another Member State. The Card became available in January 2016 for five professions (general care nurses, physiotherapists, pharmacists, real-estate agents and mountain guides), with a possible extension to other professions in the future.

In March the Commission presented a [targeted revision of the Posting of Workers Directive](#), covering workers sent by their employer to work temporarily in another Member State. The revision introduces changes in three main areas: the remuneration of posted workers, including in situations of subcontracting; the rules applicable to temporary agency workers; and long-term posting.

Higher efficiency of public procurement

[CH04-GR06]



From April new rules changed how public authorities in the EU spend a large part of the €1.9 trillion annual public procurement budget. National legislation must conform to the [three Directives on public procurement and concessions](#), which make it easier and cheaper for small and medium-sized businesses to bid for public contracts, ensure the best value for public money and respect EU principles of transparency and competition. The rules also allow environmental, social and innovation aspects to be taken into account.

Strengthening the EU's industrial base

[CH04-PH16]



Commissioner Günther Oettinger examines a machine at a trade fair in Hanover, Germany, 25 April 2016.

In April the Commission proposed a [set of measures](#) to support and link national initiatives for the digitisation of industry and related services and to boost investment.

In June an EU-level Smart Specialisation Platform for Industrial Modernisation was set up to support cooperation between regions, clusters of companies, business networks and industrial partners and to develop ambitious investment projects that can benefit from EU programmes, the Investment Plan for Europe and private funds.

More robust and realistic testing methods for both nitrogen oxide and carbon dioxide emissions from cars were introduced. The Commission also tabled legislative proposals to overhaul the system that allows cars to be placed on the market. The proposed [Regulation](#) aims to make vehicle testing more independent, increase surveillance of cars in use and introduce more EU oversight.

In June the Commission published the [European Strategy for Low-Emission Mobility](#) to develop EU-wide measures on low- and zero-emission vehicles and alternative low-emission fuels.

To help the EU automotive industry remain competitive by meeting the challenges of the future a new high-level group for the automotive industry, GEAR 2030, was established to work on challenges of the future, such as automated driving, connected cars and zero-emission vehicles.

The steel industry represents 1.3 % of EU gross domestic product and plays a significant role in many other industrial sectors such as the automotive industry. Despite the significant efforts made to innovate and modernise, the EU's competitive position on the global steel market has deteriorated in recent years. Excess production of steel in non-EU countries such as China has given rise to a wave of unfair trading practices, distorting the global market. In March the Commission presented a Communication addressing the serious challenges the sector faces. The Commission is taking a range of actions such as imposing provisional anti-dumping measures, adopting a prior surveillance system for steel products, providing funds to support the modernisation of the steel industry and fostering a highly skilled workforce.

[CH04-PH17]



Commissioner Elzbieta Bieńkowska learns about technologies developed by the Fraunhofer Institute of Optronics, System Technologies and Image Exploitation at a trade fair in Hanover, Germany, 25 April 2016.

Protecting intellectual property

The [Single Market Strategy](#) highlighted the role of intellectual property protection in promoting innovation and creativity, which generates jobs and improves competitiveness.

The Commission launched an evaluation of the current legal framework on enforcing intellectual property rights. The Commission's approach is to ensure that the legal measures and remedies are fit for purpose, in particular across borders and in the online environment. It is putting the focus on commercial-scale abuses and the 'follow-the-money' approach to deprive commercial-scale infringers of their revenue flows, rather than pursuing individuals. In June, with the Commission's support, internet platforms, brand owners and trade associations signed a voluntary agreement on stopping the online sale of counterfeit goods.

EU businesses also benefit from the trade mark reform that entered into force in March, making EU trade mark protection more accessible for EU businesses. It has lower costs, modern requisite standards for filing new types of trade marks, decreased registration time and stronger means for fighting counterfeiting.

In November, with strong support from the European Parliament and Member States, the Commission issued a [clarification](#) of certain provisions of the Biotech Directive, stating that products deriving from essentially biological processes should not be patented.

Delivering better services to rail passengers

[CH04-VD10]



The Fourth Railway Package. (video)

The Parliament and the Council agreed in April on measures to make railways in the EU more innovative and competitive. The [Fourth Railway Package](#) will gradually open domestic passenger rail markets to competition, favouring the emergence of new business models and more choice for consumers (increased frequency, better services and lower fares).

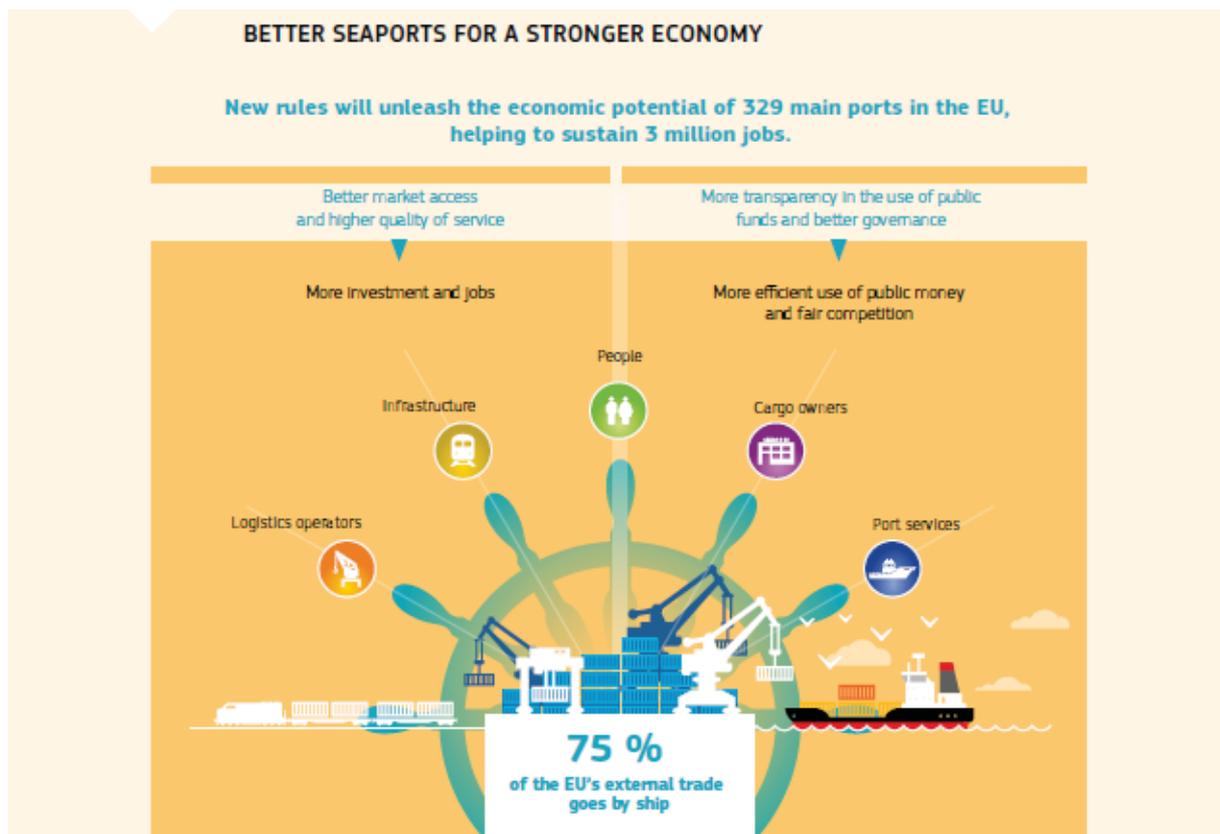
Strengthening ports

[CH04-PH18]



Commissioner Pierre Moscovici visits the customs facilities of the port of Rotterdam with Eric Wiebes, Dutch Secretary of State for Finance, Rotterdam, the Netherlands, 31 May 2016.

In June the Parliament and the Council reached agreement on a [Common European Framework for Seaports](#). The Ports Regulation will guarantee financial transparency and optimal resource use, giving investors more confidence, ensuring fair competition and stimulating investment. More investment will result in more jobs and more prosperity. The sector currently employs 469 000 people directly and helps sustain 3 million jobs. The Regulation will ensure high-quality services at EU ports and give ports more autonomy, for example to define their infrastructure charges.



Undistorted competition

Competition policy contributes to a properly functioning Single Market in which companies compete on their merits and efficiencies are passed on to EU consumers. Healthy companies facing strong competition in domestic markets are best equipped to compete in the global market place.

The fight against cartels is one way to keep competition strong. The Commission decided in July that five truck manufacturers had colluded for 14 years on pricing and passing on the costs of compliance with stricter emission rules. They were fined a record €2.9 billion.

Antitrust rules also ensure that the conduct of a dominant company does not distort competition in a specific market. During the year the Commission had three investigations ongoing against Google for alleged abuse of its dominant position.

Close monitoring of state aid fostered competitiveness and innovation in 2016. This aimed to prevent public money from being granted to ailing companies, allowing the development of more innovative companies.

The Commission also published a [notice](#) on the scope of EU state aid control of public spending. This will help public authorities and companies know when public support measures do not constitute state aid and are not subject to state aid rules.

In January the Commission concluded that Belgium broke EU state aid rules by giving a select number of multinationals substantial tax advantages worth at least €700 million. This put smaller, non-multinational competitors at a disadvantage. At least 35 multinationals,

mainly from the EU, must now return unpaid taxes to Belgium. In August the Commission decided that Ireland had granted undue tax benefits of up to €13 billion to Apple, the equivalent of a substantial subsidy not available to other businesses. Three other cases, involving Luxembourg's tax treatment of Amazon, McDonald's and GDF Suez (Engie), were ongoing at the end of the year.

One of the purposes of the Commission's competition law enforcement is to prevent mergers from harming competitive markets. The vast majority of notified mergers in 2016 posed no competition problems and were cleared after a routine review. However, the Commission decided in May to prohibit the proposed acquisition of Telefónica UK by Hutchison since it had strong concerns that mobile customers in the United Kingdom would have had less choice and paid higher prices as a result of the takeover, and that the deal would have harmed innovation in the mobile sector.

[CH04-PH19]



Commissioner Margrethe Vestager addresses members of the press following the EU's decision that Ireland must recover illegal state aid paid to Apple of up to €13 billion, Brussels, 29 August 2016.

Transparency and the fight against tax avoidance

In January the Commission adopted an [Anti-Tax Avoidance Package](#), which calls on Member States to take a stronger and more coordinated stance against companies seeking to avoid paying their fair share of tax and to implement international standards against base erosion and profit shifting. Key features of the proposals are:

- legally binding measures to block the most common methods used by companies to avoid paying tax (the proposal for an Anti-Tax Avoidance Directive);
- a proposal on country-by-country reporting between Member States' tax authorities of tax-related information on multinationals operating in the EU (amendment to the Directive on Administrative Cooperation);
- a recommendation on preventing tax treaty abuse;
- actions to promote good governance internationally, including a new EU process for listing non-EU jurisdictions that refuse to play fair.

[CH04-VD11]



Fair taxation: the Commission presents new measures against corporate tax avoidance. (video)

The Anti-Tax Avoidance Directive was adopted by the Council in July. Member States must transpose the rules into their own legislation by the end of 2018 and apply them from January 2019. The new rules on country-by-country reporting between tax authorities were agreed by the Council in March, and Member States must transpose them into national law by mid 2017.

Agreements were signed with Andorra and Monaco under which, from 2018, the EU's Member States and these two neighbouring countries will automatically exchange information on the financial accounts of each other's residents.

In April the Commission proposed that large multinational companies active in the EU Single Market with a turnover in excess of €750 million should publicly disclose the corporate income tax they pay, on a country-by-country basis. The proposed rules will ensure greater corporate tax transparency, enabling citizens to assess multinationals' tax strategies and their contribution to welfare.

[CH04-PH20]



Commissioner Jonathan Hill (2014-2016) outlines proposals on public tax transparency at the European Parliament, Strasbourg, France, 12 April 2016.

Also in April the Commission presented measures to modernise VAT in the EU. The [Action Plan](#) is the first step towards a single EU VAT area equipped to tackle fraud, support business and help the digital economy and e-commerce.

In July the Commission presented the next steps to boost tax transparency and the fight against tax evasion and avoidance at the EU and international levels. Initiatives focused on closing existing gaps in the tax framework that allow cross-border tax abuse and illicit financial flows.

In September the Commission presented a ‘scoreboard of indicators’ (economic, financial, stability and tax good governance indicators) to help Member States identify the non-EU jurisdictions to be prioritised for screening in the common EU listing process. Considerable progress has been made by Member States towards creating a first common EU list of non-EU jurisdictions that refuse to adhere to international tax good governance standards.

In October the Commission adopted a major Corporate Tax Reform Package that includes three new proposals: to create a more modern and fairer tax system for businesses; to close loopholes between EU Member States and non-EU countries; and to provide dispute-resolution rules to relieve problems with double taxation for businesses.

More concretely, the Package included the relaunch of the [Common Consolidated Corporate Tax Base](#), which will overhaul the way companies are taxed in the Single Market, ensuring a fairer, more competitive and more growth-friendly corporate tax system. The Common Consolidated Corporate Tax Base also contains important new elements to improve its anti-avoidance and growth-promoting capacities.

The Commission also proposed an [improved system to resolve double taxation disputes in the EU](#), adjusting current dispute-resolution mechanisms to better meet the needs of businesses for which double taxation is a major obstacle.

The Corporate Tax Reform Package also includes a proposal to extend the already-agreed internal EU rules against hybrid mismatches to those involving non-EU countries.

Financial markets working for consumers

Financial firms should make the most of the economies of scale in a truly integrated EU market, while online services offer new opportunities and innovative solutions.

The Member States should have implemented the [Mortgage Credit Directive](#) by March 2016. By the end of the year, 19 Member States had fully enacted the Directive. The new rules will ensure that consumers who purchase a property or take out a loan secured against their home are adequately informed and protected against risks. The Directive should promote competition in mortgage markets and offer new business opportunities to lenders and intermediaries alike, leading to cost reductions in the future that directly benefit consumers.

By September Member States were also required to implement [the Payment Accounts Directive](#), which creates a right for all consumers to access basic payment account services irrespective of their financial situation. Only 14 Member States (Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Lithuania, Hungary, Malta, Austria, Poland,

Slovenia, Slovakia and the United Kingdom) had done so by the end of the year. France and Finland had notified partial transposition measures.

Building the Capital Markets Union

The Commission continued to build a Capital Markets Union based on the Action Plan on [Capital Markets Union](#) adopted in 2015. It presented a Communication on accelerating the implementation of the Action Plan and developing further priorities, including a pan-EU personal pension product.

The first measure entered into force in April 2016. It makes infrastructure investment more attractive for insurance companies that are well equipped to provide the long-term financing needed.

In July the Commission proposed changes to existing legislation to encourage an increase in the uptake of [European venture capital funds](#) and [European social entrepreneurship funds](#), making it easier and more attractive for private investors to invest in small and growing companies.

In September the Commission announced a broader strategy on sustainable finance to support investment in clean technologies. In November the Commission made available up to €300 million of co-investment in a large-scale, pan-EU venture capital fund-of-funds. This will help strengthen the EU venture capital industry's capacity to offer attractive returns to institutional investors and extend the reach of this channel to a wider set of Member States.

Also in November the Commission tabled a [legislative proposal](#) on business restructuring and second chance. The proposal aims to enable honest entrepreneurs to benefit from a second chance after overcoming bankruptcy, contributing to a dynamic business environment and promoting innovation.

Chapter 5

A deeper and fairer Economic and Monetary Union

‘Over the next 5 years, I want to continue with the reform of our Economic and Monetary Union to preserve the stability of our single currency and to enhance the convergence of economic, fiscal and labour market policies between the Member States that share the single currency.’

Jean-Claude Juncker, political guidelines, 15 July 2014

Economic integration through a completed Economic and Monetary Union brings the benefits of greater size, internal efficiency and robustness to the EU economy as a whole and to the economies of the individual Member States. This in turn offers opportunities for economic stability, higher growth and more employment — outcomes of direct benefit to EU citizens. While there is still much progress to be made, work towards completing the Economic and Monetary Union moved ahead apace through many European Commission initiatives in 2016.

The major challenges continued to be further reducing the number of people exposed to the risk of social exclusion and supporting the trend of falling unemployment. Though still too high, unemployment reached a 7-year low of 9.8 % in November in the euro area.

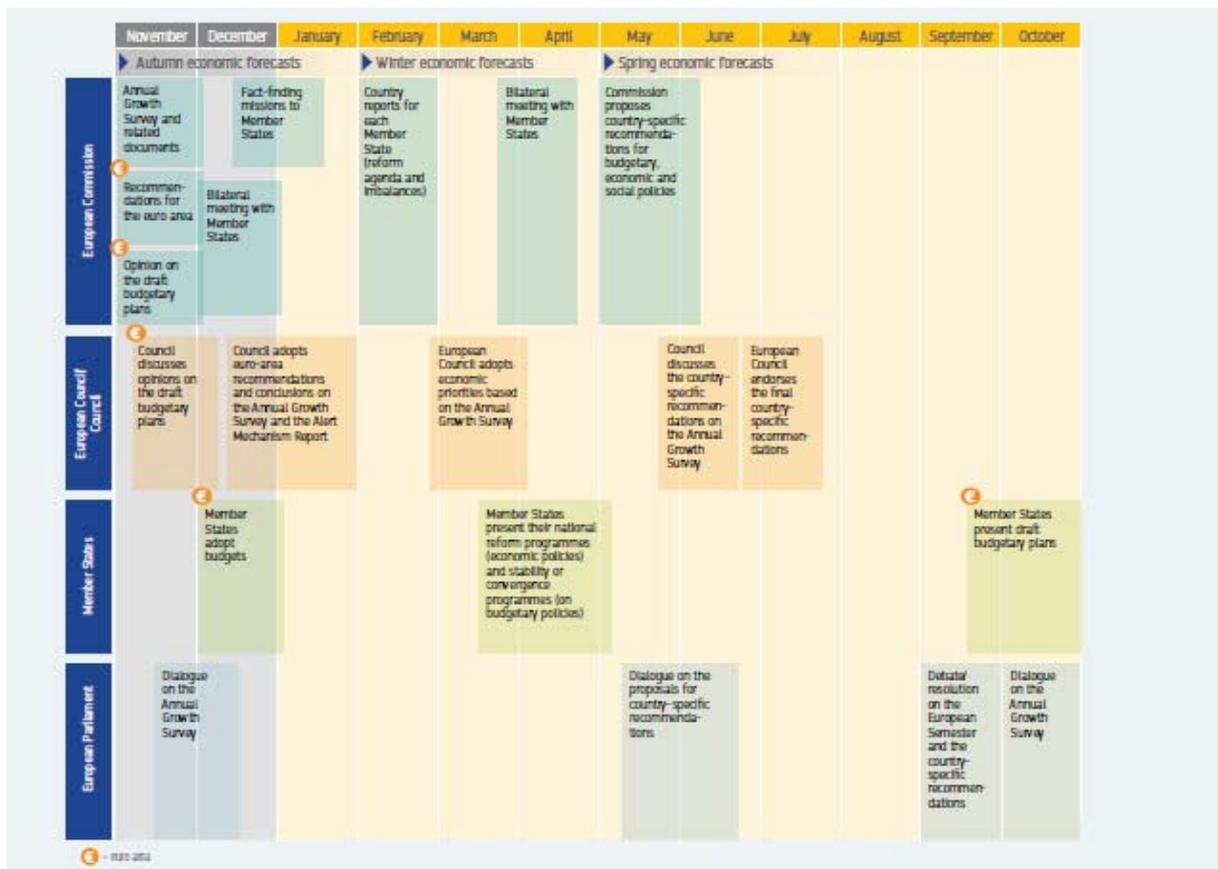
Moreover, the EU continued working towards the completion of the Banking Union as a key building block of Economic and Monetary Union.

Progress was made throughout 2016 on streamlining the procedures of the [European Semester](#), the EU’s cycle of economic and fiscal policy coordination. Recommendations adopted during the 2016 semester process provide guidance for all Member States and the euro area as a whole, and aim to promote policies and reforms that create more jobs, increase social fairness and convergence and inspire growth by supporting investment strategies.

The 2017 cycle of the European Semester was launched in mid November. The Commission reiterated its call to Member States to redouble their efforts in line with the principles of the ‘virtuous triangle’ of boosting investment, pursuing structural reforms and ensuring responsible fiscal policies, and, in doing so, to put the focus on a fair and just relationship between the individual and society and delivering more inclusive growth.

The European Semester: a new approach to country-specific recommendations

[CH05-GR09]



Controlling state aid and ensuring fair competition

State aid control has an important role to play in ensuring a level playing field within the Banking Union. Since the beginning of the financial crisis in 2008, 113 banks in the EU, representing around 30 % of the EU's banking system by assets, have restructured under state aid conditionality following the receipt of public money. Member States have supported the banks by injecting €655.3 billion in capital (4.5 % of the EU's gross domestic product in 2015) and providing €1 293.1 billion, or 9.2 % of gross domestic product, in guarantees and other liquidity support. The aid has been given to secure citizens' savings, avoid uncontrolled bankruptcy and prevent the subsequent collapse of the banking system across the continent. Since then, most banks that received aid during the crisis have returned to viability after implementing a considerable part of their restructuring plans. Those whose business models failed beyond repair (42 out of 113 banks) were wound down in an orderly way.

In July the Commission closed its antitrust investigation into credit derivative swaps by making commitments binding upon data provider Markit and the International Swaps and Derivatives Association. The two entities will, for 10 years, license key data and intellectual property rights to exchanges on fair, reasonable and non-discriminatory terms. This measure will help make credit derivative swaps trading safer and cheaper for investors.

In March the Commission announced its preliminary view that the Insurance Block Exemption Regulation should not be prolonged. This preliminary position was subsequently endorsed in December following an impact assessment. The Regulation will therefore expire in March 2017.

According to the European Central Bank, card payments in 2014 accounted for 46 % of electronic payments in the EU. Multilateral interchange fees, collectively agreed by banks and imposed on retailers for the acceptance of cards, can translate into higher prices for consumers. This is addressed by the Interchange Fees Regulation, which entered into force at the end of 2015 and capped these fees at competitive levels. A second set of rules under the Regulation became applicable in June 2016, making payment costs more transparent to retailers and consumers and allowing them to make efficient choices.

In parallel the Commission continued its antitrust proceedings against multilateral interchange fees agreed by Visa and MasterCard for interregional transactions, which are not covered by the Interchange Fee Regulation. Interregional multilateral interchange fees are the fees that EU merchants pay for accepting payments made with cards issued outside the European Economic Area.

In June the General Court confirmed the Commission's findings that Groupement des Cartes Bancaires (which manages the 'CB' card payment system in France) had restricted competition in the French issuing market by making it difficult for new players to enter. The General Court's judgment is subject to appeal.

New boards to bolster the deepening process

Economic governance in the EU was strengthened by the establishment of an independent advisory European Fiscal Board. Implementing the proposal contained in the [Five Presidents' Report](#) — a document compiled by the President of the Commission and his counterparts in the European Parliament, the European Central Bank, the Eurogroup and the Euro Summit — and based on the Commission's Decision of October 2015, the Board became operational in November 2016. Its role is to evaluate the implementation of the EU fiscal framework and to advise the Commission on the fiscal stance appropriate for the euro area as a whole. The Board also cooperates with Member States' national fiscal councils and provides specialist advice at the request of President Juncker.

The Board is independent and is composed of respected specialists who provide independent expertise in their fields, appointed after consultations with the Member States, the national fiscal councils and the European Central Bank.

In September, as a further step in implementing the Five Presidents' Report, the Council recommended that euro-area Member States establish or identify national productivity boards. These boards should analyse developments and policies in the field of productivity and competitiveness and contribute to fostering ownership and implementing the necessary reforms at the national level. In this way they will promote sustained economic growth and convergence. The boards will regularly publish reports on their analysis.

[CH05-PH21]



Commission Vice-President Valdis Dombrovskis meets with Mario Draghi, President of the European Central Bank, Brussels, 8 June 2016.

Banking Union

The EU continued working towards the completion of the Banking Union as a key building block of a resilient and dynamic Economic and Monetary Union. The Banking Union was conceived to ensure that banks in the euro area are stronger and better supervised. Should problems arise it will be possible to resolve them more easily and without using taxpayers' money.

In January another milestone of the Banking Union, the Single Resolution Mechanism, became fully operational. The Single Resolution Mechanism is an essential complement to the European Central Bank-led Single Supervisory Mechanism for more integrated bank oversight and crisis management in the Banking Union. The Single Resolution Mechanism bolsters the resilience of the financial system and helps avoid future crises in the Banking Union by making sure that banks are resolved effectively and on time.

Negotiations also continued in the Parliament and the Council on the third pillar of the Banking Union, the European deposit insurance scheme, which builds on the existing national deposit guarantee schemes. The bank-funded European deposit insurance scheme would ensure an additional safety net for savers across the EU. It would improve risk-sharing within the banking sector across a bigger pool of institutions. Vulnerability to large local shocks would be reduced.

[CH05-VD12]



The final pillar of the Banking Union: building a fund to keep savings secure. (video)

In parallel to the work on the European deposit insurance scheme Member States recognised that further steps have to be taken in terms of reducing and sharing risks in the financial sector in order to address a number of remaining challenges. The Commission's proposed rules on total loss absorption capacity are designed to help ensure that banks' creditors, rather than tax payers, pay for problems in banks.

Moreover, by the end of 2016 a majority of Member States had transposed and implemented in national law the relevant legal provisions of the single rulebook, ensuring even more consistent regulation and high-quality supervision in the Banking Union. All but eight Member States had enacted the Bank Recovery and Resolution Directive, setting out harmonised and improved tools for dealing with banking crises, while 20 Member States had also fully implemented the Deposit Guarantee Directive, thus ensuring that EU citizens' savings in those Member States are protected.

Financial markets

[CH05-PH22]



Commission Vice-President Valdis Dombrovskis is interviewed at the New York Stock Exchange, United States, 5 October 2016.

Benchmarks are vital for the functioning of the financial market. The Benchmarks Regulation entered into force in June. It improves the functioning and governance of benchmarks and

ensures that they are not subject to manipulation. The new rules will help to protect investors and consumers.

In November the Commission proposed new rules for key players in the financial market to ensure that both central counterparties and national authorities in the EU have the means and are prepared to act decisively if a crisis scenario occurs. Central counterparties act as the counterparty to both sides of a transaction in a financial instrument. The main objective of the proposal is to ensure that central counterparties' critical functions are preserved while maintaining financial stability and preventing the costs associated with the restructuring and the resolution of failing central counterparties from falling on taxpayers.

In the same month, the Commission proposed amendments to the Capital Requirements Regulation and the Capital Requirements Directive, which spell out prudential requirements for institutions and rules on governance and supervision of institutions respectively. It also proposed the amendment of the Bank Recovery and Resolution Directive and the Single Resolution Mechanism Regulation, which spell out the rules on the recovery and resolution of failing institutions and establish the Single Resolution Mechanism. The amendments contain measures that will strengthen the resilience of the EU banking sector and thereby increase markets' confidence in it.

Making sure it all works

During the year the Commission announced its EU Regulatory Framework for Financial Services follow-up on the main findings and next steps resulting from the call for evidence. This is an initiative to gather feedback from stakeholders and gauge the cumulative impact and interaction of current financial rules. The Commission plans to focus, among other things, on removing unnecessary regulatory constraints on bank finance and small and medium-sized enterprise financing and on enhancing the proportionality of rules in banking, derivatives markets, insurance asset management and the credit rating sector. Other measures, some of which have already been proposed, will reduce undue regulatory burdens such as supervisory reporting and public disclosure requirements for the EU financial industry. The Commission intends to make rules more consistent and forward looking and address inconsistent interactions and gaps in the EU regulatory framework.

Public consultation on the European Pillar of Social Rights

In March the Commission put forward a first, preliminary outline of what will become the European Pillar of Social Rights. As mentioned by President Juncker in his [State of the Union address](#) in September 2015, 'We have to step up the work for a fair and truly pan-European labour market ... As part of these efforts, I will want to develop a European Pillar of Social Rights, which takes account of the changing realities of Europe's societies and the world of work. And which can serve as a compass for the renewed convergence within the euro area.' In his 2016 address President Juncker reiterated his commitment to the European Pillar of Social Rights, saying that the EU is not social enough and that the Commission will continue to work with energy and enthusiasm to change that.

The European Pillar of Social Rights: three priorities

[CH05-GR08]



The Pillar will identify a number of essential principles in the areas of access to employment, working conditions and social protection, focusing on new challenges such as ageing, globalisation, technological change and social divergence inside the Economic and Monetary Union.

Throughout 2016 the Commission engaged in a debate with other EU institutions and with national authorities, social partners, civil society, academics and citizens on the content and role of the Pillar to move towards a **deeper and fairer Economic and Monetary Union**. The outcome of this debate will feed into an initiative that will be published in spring 2017.

The Pillar should build on, and complement, the EU's social rules in order to guide policies in a number of fields essential for properly functioning and fair labour markets and welfare systems. Once established, the Pillar should become the reference framework to screen the employment and social performance of participating Member States, to drive reforms at national level and, more specifically, to serve as a compass for the renewed process of convergence within the euro area.

A new start for social dialogue

In June the Commission signed a statement on 'A new start for social dialogue', together with the Dutch Presidency of the Council of the European Union and the European cross-industry social partners (the European Trade Union Confederation, BusinessEurope, the European Association of Craft, Small and Medium-Sized Enterprises and the European Centre of Employers and Enterprises providing Public Services). The statement is part of the **new start for social dialogue** initiated by President Juncker at a **high-level conference in March 2015**, together with European, national and sectoral social partners and with the other EU institutions.

The statement underlines the fundamental role of the European social dialogue as a significant component of EU employment and social policymaking.

The Commission will continue to involve social partners in policymaking and lawmaking in the EU, as well as in economic governance and the European Semester. Member States have agreed to closely involve the social partners in the design and implementation of reforms and policies and to improve social dialogue at national level. Member States have also committed to involve the national social partners throughout the European Semester in order to contribute to the successful implementation of country-specific recommendations.

Europe 2020, the European Semester and human capital

Skilled people are one of the main drivers of long-term economic growth, competitiveness and jobs. This important link was further emphasised in the Commission's [Communication 'Improving and modernising education'](#). To compete in a global economy the EU relies on the quality of its human capital. Investing in people via high-performing and efficient education and training systems is a prerequisite for long-term prosperity. The EU's highly skilled workforce drives research and development and translates new ideas into innovation. Knowledge and skills gained in the education system help guarantee employment and a stable income, reducing the risk of poverty and social exclusion.

[CH05-VD13]



The European Semester: the tool to keep EU Member States in the all-clear. (video)

Consequently, reforms to education and training systems are a high priority in most Member States and also feature prominently in the 2016 [European Semester](#). A total of 21 Member States received a country-specific recommendation in the area of education and training.



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PART 2/2

REPORT FROM THE COMMISSION

of 24.2.2017

**The EU in 2016
General Report on the Activities of the European Union**

**Published in accordance with Article 249(2) of the Treaty on the Functioning of the
European Union**

Chapter 6

A reasonable and balanced free trade agreement with the United States

‘Under my presidency, the Commission will negotiate a reasonable and balanced trade agreement with the United States of America, in a spirit of mutual and reciprocal benefits and transparency ... I will also be very clear that I will not sacrifice Europe’s safety, health, social and data protection standards or our cultural diversity on the altar of free trade.’

Jean-Claude Juncker, political guidelines, 15 July 2014

Open trade strengthens the EU’s economy and creates jobs. It also provides consumers in the EU with more choice and buying power and helps firms compete abroad.

In 2016 over 31 million jobs in the EU were supported by exports to non-EU countries.

The EU–United States economic relationship is the world’s biggest. Every day, the two trade goods and services worth €2 billion, so every trade and investment barrier that is removed could bring significant economic gains.

Agreeing on the Transatlantic Trade and Investment Partnership — one of the European Commission’s 10 priorities — will not be a deal at any price, however. The EU will safeguard regulators’ independence, the precautionary principle and governments’ right to regulate to protect their people and the environment.

The EU is ready to engage with the new administration in the United States following the natural pause in negotiations after the presidential elections held in November.

Throughout 2016 the EU sought to maintain the [global trading system](#) and to ensure it continued to adapt to a fast-changing world. It played an active role in the World Trade Organisation to keep the global economy open for trade in a way that reflects and respects the needs and concerns of developing countries. EU trade policy also sought to ensure that others respected international trade rules and that trade was a force for sustainable development.

For the EU, free trade must be fair. That is why significant steps were taken in the course of 2016 to have robust trade-defence instruments in place.

Trade as a motor for jobs and growth

The European Union is one of the world’s most open economies. Open trade strengthens its economy, creates jobs, gives citizens more choice and buying power as consumers and helps EU firms compete abroad.

Every day the EU exports hundreds of millions of euros’ worth of goods and imports hundreds of millions more. The EU is the world’s largest exporter of manufactured goods and services, and is itself the biggest export market for around 80 countries. Together the 28 Member States account for 16 % of world imports and exports.

[CH06-PH23]



Jean-Claude Juncker, President of the European Commission, Chrystia Freeland, Canadian Minister for International Trade, Justin Trudeau, Prime Minister of Canada, Donald Tusk, President of the European Council, Commissioner Cecilia Malmström, Martin Schulz, President of the European Parliament, High Representative/Commission Vice-President Federica Mogherini and Robert Fico, Prime Minister of Slovakia, at the signing ceremony of the Strategic Partnership Agreement and the Comprehensive Economic and Trade Agreement between the EU and Canada, Brussels, 30 October 2016.

In October the EU's Comprehensive Economic and Trade Agreement with Canada was signed at the EU–Canada Summit in Brussels. As the EU's most advanced and progressive trade agreement to date, the Comprehensive Economic and Trade Agreement is a landmark accord that sets the benchmark for future agreements. It includes the most ambitious chapters on sustainable development, labour and the environment ever agreed upon in bilateral trade agreements. The deal will benefit exporters both big and small, creating opportunities for EU and Canadian companies and their employees, as well as for consumers.

[CH06-GR10]

**THE EU–CANADA TRADE AGREEMENT —
A PROGRESSIVE MILESTONE IN EU TRADE AGREEMENTS**



| | | |
|---|---|---|
| Helping to generate growth and jobs at home | Protecting EU innovators and traditional products | Ensuring good cooperation in the future |
| Ending customs duties | Streamlining trade in services | Protecting democracy, consumers and the environment |
| Letting EU businesses bid for Canadian public contracts | Stepping up regulatory cooperation | Promoting and protecting investment |

“Our new trade deal with Canada is the best and most progressive agreement we have ever, as a European Union, negotiated. On top of the new opportunities it creates for businesses and citizens, it also marks a new approach to investment protection that is transparent and that is impartial.”

President Juncker, G20 Summit, 4 September 2016

In addition, the EU continued negotiations on several other free trade agreements. The aim was to help create jobs and growth for EU citizens and companies. For example, in 2016

negotiations continued with Japan and began with Indonesia and Tunisia, and the EU was engaged in plurilateral negotiations for an environmental goods agreement and a trade in services agreement negotiated with a number of members of the World Trade Organisation.

Towards a permanent multilateral Investment Court System

The EU wants firms to invest with confidence, knowing they are protected if things go wrong. In the negotiations for a Transatlantic Trade and Investment Partnership the Commission has included a proposal for an Investment Court System of the sort that it has already included in the trade agreements with Canada and Vietnam, and will include in future negotiations. Built around the same key elements as domestic and international courts, the Investment Court System enshrines governments' right to regulate and ensures transparency and accountability.

Free trade must be fair trade

For the EU, free trade must be fair. Significant steps were therefore taken in the course of the year to have robust trade-defence instruments in place to ensure a level playing field for EU producers and to address the harm from unfair foreign competition that has led to the loss of thousands of jobs, notably in the steel industry.

The Commission has been using these instruments to their fullest extent, putting in place an unprecedented number of anti-dumping and anti-subsidy measures — 41 on steel products, including 18 on products originating in China.

Breaking a deadlock that has lasted for years, the Council finally agreed on its negotiating position on a proposal to modernise the EU's trade-defence instruments, allowing the final stage of negotiations with the Parliament and the Commission to begin. This proposal, tabled by the Commission, aims to provide the EU's trade defence instruments with more transparency, faster procedures and more effective enforcement, and in some cases to impose higher duties.

In the same field, another proposal was put forward on a new method for calculating dumping on imports from countries where there are significant market distortions, or where the state has a pervasive influence on the economy. The purpose is to make sure that the EU has trade-defence instruments that are able to deal with the current realities in the international trading environment while fully respecting the EU's international obligations within the framework of the World Trade Organisation.

What the EU negotiated with the United States

Better access to the US market

In 2016 the EU continued to pursue its aim of negotiating better access for the EU to the US market by removing [customs duties](#) and other barriers to trade and by facilitating new trade and investment opportunities in new areas. This would apply to all companies, however large or small.

The Transatlantic Trade and Investment Partnership would help generate jobs and growth, cut prices and give citizens more choice of goods and services. At the same time, it would uphold

the high standards of protection existing in the EU. The partnership could also help the EU and the United States to protect and strengthen shared values such as democracy and the rule of law.

With the partnership, firms in the EU could export more to the United States and import more of the goods and services they need to make their final products. Services account for nearly three quarters of the EU's economy, yet EU firms still face hurdles when they try to sell their services on the US market. According to Eurostat the United States buys 15 % of the EU's agricultural exports, especially high-value-added products. The EU would like to see the partnership make it possible to increase these exports further. Under the partnership the EU also wants European firms to be able to bid for US [government contracts](#) on equal terms with US companies.

Regulatory cooperation — cutting red tape and costs without cutting corners

The EU sought to break new ground for a trade deal by getting regulators in the EU and the United States to [work together](#) much more closely than they do now. To export to the United States EU firms must meet Washington's rules and standards. Often these [rules](#) and standards ensure the same level of safety or quality, but differ in their technical details — for example the colour of the wiring in the plugs and sockets used on either side of the Atlantic. In some cases checks on [technical requirements](#) unnecessarily repeat those already done on the other side of the Atlantic. These factors can be costly, especially for smaller firms and consumers. Working together on regulations could cut these costs while upholding the EU's strict levels of protection for people and the environment.

Trade rules to make it easier and fairer to export, import and invest

The EU continued its efforts to put in place new, or further develop, trade rules to help all EU firms benefit fully from the Transatlantic Trade and Investment Partnership.

[CH06-VD14]



Exporters' stories: how the EU's trade agreements benefit companies and communities. (video)

Under the agreement, the EU wants:

- to ensure that smaller companies can benefit from the partnership;

- to promote free and [fair competition](#), including rules to stop firms colluding to fix prices or abusing market power and provisions relating to state-owned enterprises and subsidies;
- to help firms save time and money on paperwork at [customs](#);
- firms to be able to access the sustainable [energy and raw materials](#) resources they need;
- to protect EU firms' [intellectual property](#);
- to put [sustainable development](#) at the heart of the agreement.

Under the partnership, as in all its other trade agreements, the EU will protect public utilities at all levels of government, including the local level. The partnership will not require countries to liberalise, deregulate or privatise public services at national or local level. This includes public health, state education, public transport, and water collection, purification, distribution and management.

How the EU negotiated with the United States

The Commission negotiated the Transatlantic Trade and Investment Partnership on the basis of a mandate agreed unanimously by the governments of the EU's Member States. Negotiations began in June 2013. In 2016 four rounds of talks took place. In an intensification of the negotiations, [Trade Commissioner Cecilia Malmström](#) met her US counterpart Michael Froman nine times in the course of the year. [Progress](#) continued to be made across a range of areas. However, the EU always made it clear that getting a good agreement was more important than simply concluding negotiations as quickly as possible.

On its dedicated [website](#) the Commission continued to publish EU [textual proposals](#) — the EU's initial proposals for legal text on topics in the partnership — in areas such as services and regulatory cooperation. The Commission also published detailed reports of each round of negotiations on its website. In addition, the Commission published dozens of documents about the partnership, some in all of the official EU languages. These included [brochures](#) explaining in plain terms the aims and potential content of the agreement. These actions continued as negotiations progressed and, together, made the negotiations the most transparent ever undertaken for an EU trade agreement.

As is usual when negotiating a trade agreement the Commission used the weekly meetings of the Council's [Trade Policy Committee](#) to keep the governments of the Member States informed of progress in the negotiations. The Commission also kept the [European Parliament](#) — in particular the [International Trade Committee](#) — abreast of the negotiations, with both Trade Commissioner Malmström and partnership negotiators appearing before Parliament and its committees. The Member States and Members of the European Parliament had access to partnership negotiating documents in line with the practices agreed with them.

This ensured democratic oversight throughout the negotiations. It also meant that the governments of the Member States and directly elected Members of the European Parliament were fully informed of the state of play of the negotiations and of the EU's negotiating positions. The European Parliament continued to follow the talks closely.

The Commission was particularly active in [publicising discussions about the proposed agreement](#) and explaining what the EU sought to get out of them. It also [addressed concerns](#) about the claimed negative impacts of the partnership. In particular the Commission made significant efforts to ensure that any interested stakeholder could engage directly with negotiators and to publish [information](#) about the negotiations online. During each negotiating round EU and US negotiators convened joint meetings with hundreds of stakeholders representing a wide field of interests. The Commission used social media to inform citizens, including a dedicated [Twitter](#) account that had over 26 500 followers by the end of 2016.

In the course of the negotiations the Commission continued to draw on the [advisory group](#) it had set up to provide additional expert input for EU negotiators. It comprises [men and women](#) representing environmental, health, consumer and workers' interests, along with various business sectors.

After the negotiations

Once a text has been agreed the proposed Transatlantic Trade and Investment Partnership document will be published online. It will then be submitted for ratification through the relevant procedures.

Chapter 7

An area of justice and fundamental rights based on mutual trust

‘I intend to make use of the prerogatives of the Commission to uphold, within our field of competence, our shared values, the rule of law and fundamental rights, while taking due account of the diversity of constitutional and cultural traditions of the 28 Member States.’

Jean-Claude Juncker, political guidelines, 15 July 2014

In 2016 the Security Union gave an urgent and firm response to terrorism, while progress was also made on the rights of citizens and internal market issues in the field of civil justice.

The EU is currently facing a very serious terrorist threat. Attacks on European soil, returning foreign terrorist fighters and the evolving nature of terrorism have presented EU Member States with new and unprecedented challenges.

The European Commission therefore insisted on developing a genuine and effective Security Union. A series of measures were taken in 2016 to address all dimensions of the terrorist threat: the prevention of radicalisation, including online; the criminalisation and detection of travel for terrorist activities and support for terrorists; the exchange of information; tackling terrorism financing; cutting access to firearms and explosives; and supporting partner countries, particularly around the Mediterranean.

Elsewhere, the EU agreed on new Directives to improve the procedural rights of citizens involved in criminal proceedings. In the area of civil justice, legislation was introduced to help families and couples by simplifying family and civil law.

As regards corporate governance, rules were agreed to improve shareholders’ rights. The Commission also proposed more proportionate remuneration rules for credit institutions and investment firms.

The Commission took action to improve the protection of fundamental rights in the areas of data protection, the sharing of personal information and consumers’ rights, and stepped up efforts to boost gender equality, fight discrimination and eradicate human trafficking.

Addressing security threats in the EU

[CH07-PH24]



Charles Michel, Prime Minister of Belgium (lighting a candle), and Jean-Claude Juncker, President of the European Commission (centre), pay tribute to the victims of the terrorist attacks in Brussels, 22 March 2016.

In 2016 the EU began a series of initiatives to help counter the threat of terrorism at home and abroad.

The Commission's proposal to check EU citizens against the relevant databases whenever they cross external borders was the subject of a political agreement between the Parliament and the Council in December. Systematic checks of non-EU nationals are already mandatory.

[CH07-VD15]



Views on the fight against terrorism. (video)

In January the [European Counter Terrorism Centre](#) was launched at Europol's headquarters in The Hague. The main aim of the centre is to promote more efficient operational cooperation and improve the communication of security information between Member States. In addition, the Commission adopted the [Action Plan on Terrorist Financing](#), designed to cut terrorists off from their sources of revenue and to trace them through their financial activities. In December the Commission adopted a package of measures to strengthen the EU's capacity to fight the financing of terrorism and organised crime. The proposals presented by the Commission will complete and reinforce the EU's legal framework in the areas of money laundering, illicit cash flows and the mutual recognition of the freezing and confiscation of assets.

Following the adoption in 2015 of the Directive on the Prevention of the use of the Financial System for the Purposes of Money Laundering or Terrorist Financing, the Commission stepped up its support to Member States for a more efficient transposition of the Directive into their national legislation. In July the Commission adopted a new proposal to amend the Anti-Money Laundering Directive, with the aim of further enhancing the EU legal framework following the terrorist attacks that took place in 2015 and 2016 and the revelations contained in the ‘Panama Papers’. The Commission also stepped up its support to Member States for a more efficient transposition of the fourth Anti-Money Laundering Directive and gave more power to Member States in the fight against terrorism. In July the Commission adopted a list of non-EU countries that have strategic deficiencies in their anti-money laundering and countering terrorist financing regimes.

Another priority was to work towards the improved exchange of information, in particular for law-enforcement purposes. The Commission prioritised the enforcement of the existing Prüm Framework (an information-exchange tool that can offer automated comparison of DNA profiles, fingerprint data and vehicle registration data) and made proposals to improve information exchange on criminal convictions through the European Criminal Records Information System.

[CH07-GR11]



In July the [EU Passenger Name Record Directive](#) was adopted. The Directive obliges air carriers to transfer data on passengers on international flights to the Member States of arrival or departure. The data will be analysed and used for the purpose of fighting serious crime and terrorism. The Commission has started working with Member States to ensure its quick implementation.

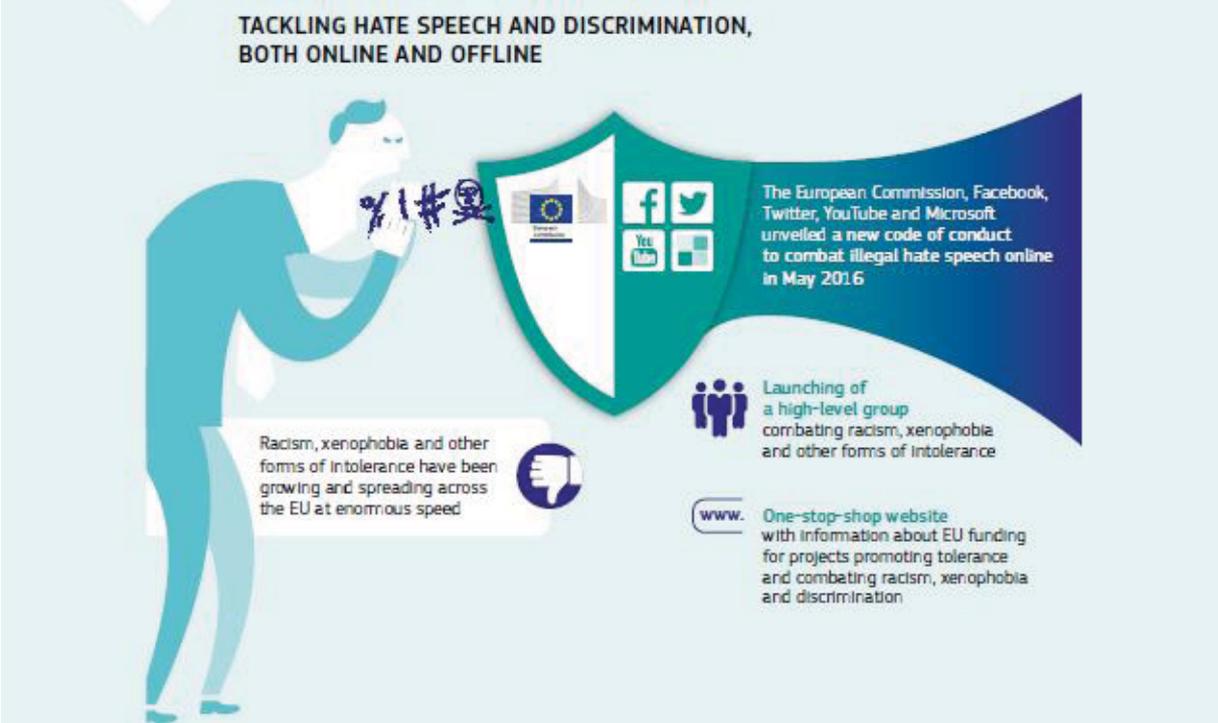
The final adoption of the revised Europol Regulation took place in autumn 2016. It further increases Europol’s accountability, effectiveness and efficiency and ensures scrutiny of its activities by the European Parliament, together with national parliaments.

The EU Internet Forum held in December provided a framework for joining together the efforts of industry and law-enforcement agencies in tackling terrorist material online, while involving and engaging with civil society in the development of more efficient counter and alternative messages. The EU Internet Referral Unit established at Europol helps to reduce the volume of terrorist material online.

The [Radicalisation Awareness Network Centre of Excellence](#) was established to bolster the support provided to practitioners and to provide tailor-made support services to Member States and non-EU countries.

In September the Commission adopted a Communication on enhancing security in a world of mobility. In November it proposed to establish a European Travel Information and Authorisation System to determine the eligibility of all visa-exempt non-EU nationals to travel to the Schengen area, and whether such travel poses security or migration risks. This System will contribute to more efficient management of the EU’s external borders and improve internal security, while facilitating legal travel across Schengen borders.

[CH07-GR12]



In order to protect minorities and combat the rising wave of racism and xenophobia the Commission reached an agreement in May with Facebook, YouTube, Twitter and Microsoft on a code of conduct to counter the spread of illegal hate speech online.

In April the Commission began work on an effective EU Security Union that would address the need for a common approach to transnational threats. In December the Commission presented its third [Progress Report on the Security Union](#), which outlined the new Terrorist

Financing Package, an important step in stemming the financial resources that sustain terrorism. The report also welcomed the adoption of a set of proposals to strengthen the effectiveness and efficiency of the Schengen Information System. The report underlined the significant progress made on key EU legislative files to counter terrorism and organised crime and to reinforce security at the EU's borders. The Parliament and the Council reached political agreement on the Directive on Combating Terrorism, the revision of the Firearms Directive and the revision of the Schengen Borders Code to allow systematic checks on EU citizens.

Upholding the rule of law

[CH07-PH25]



Commissioner Věra Jourová receives Koen Lenaerts, President of the Court of Justice of the European Union, Brussels, 28 April 2016.

During the year the Commission pursued its efforts to promote and uphold the respect of the rule of law in the European Union.

The Commission also continued to encourage Member States to improve the quality, independence and efficiency of their national justice systems, as effective justice systems support economic growth and defend fundamental rights. The Commission adopted the [2016 EU Justice Scoreboard](#), which shows that, despite a positive overall trend, certain Member States are still facing particular challenges in this area.

In July the Commission adopted a Rule-of-Law Recommendation on the situation in Poland, setting out the Commission's concerns and recommending how these can be addressed. Believing that there is a systemic threat to the rule of law in Poland, the Commission assessed the overall situation and reached the conclusion that important issues of concern regarding the

rule of law in Poland remain. The Commission laid out further concrete recommendations to the Polish authorities in December on how to address these concerns.

[CH07-PH26]



Commission First Vice-President Frans Timmermans addresses the European Parliament on recent developments in Poland and their impact on fundamental rights, Strasbourg, France, 13 September 2016.

Criminal justice

Improving procedural rights and judicial cooperation

The Parliament and the Council adopted three new Directives on procedural rights of suspects and accused persons:

- the [Directive on Strengthening the Presumption of Innocence](#) and on the right to be present at the trial in criminal proceedings;
- the [Directive on Procedural Safeguards for Children Suspected or accused](#) in criminal proceedings;
- the [Directive on Legal Aid for Suspects or accused persons](#) in criminal proceedings and requested persons in European arrest warrant proceedings.

On judicial cooperation in criminal law, the EU concluded a review of the 2010 [Mutual Legal Assistance Agreement](#) with the United States, agreeing on actions to improve and speed up cooperation.

[CH07-VD16]



The first EU Regulation protecting minors in criminal proceedings. (video)

Finally, the Member States agreed to begin work on improving access to digital evidence in criminal investigations through the [Council conclusions on improving criminal justice in cyberspace](#) adopted in June.

Civil justice

Simplifying family and civil law

In 2016 the EU adopted legislation to help [international couples](#) manage their property and share it in case of divorce or the death of one of them.

The EU also adopted legislation simplifying the circulation of [certain public documents between Member States](#). There will be no more need for an apostille stamp on public documents such as birth certificates, and the process for obtaining certified copies and translations will be made simpler.

The Commission proposed [improvements to the EU rules that protect children in the context of cross-border parental responsibility disputes](#) related to custody, access rights and child abduction. The new rules will speed up legal and administrative proceedings and ensure that the child's best interest is always taken into account.

The Commission also presented a legislative proposal on early restructuring and second chance, along with other insolvency-related matters. The initiative addresses the most important barriers to the free flow of capital, building on national regimes.

Improving corporate governance rules

In 2016 negotiations between the Parliament and the Council on the [revision of the Shareholder Rights Directive](#) led to a political agreement that will still need to be formally approved by the two institutions.

As regards credit institutions and investment firms, the Commission assessed the remuneration rules in the [Capital Requirements Directive](#) and adopted a targeted amendment to take into account proportionality considerations following the assessment of the rules.

Fundamental rights and judicial systems

Standing up for EU fundamental rights

In May the Commission published its *2015 report on the application of the EU Charter of Fundamental Rights*, highlighting how fundamental rights were taken into account and promoted in its policy and legislative work.

The report focused on the [first Annual Colloquium on Fundamental Rights](#), on the theme of ‘Tolerance and respect: preventing and combating anti-Semitic and anti-Muslim hatred in Europe’. [The Colloquium resulted in a list of concrete actions](#) in the areas of combating racism, xenophobia, hate speech and hate crime and promoting tolerance, diversity and non-discrimination.

The second Annual Colloquium on Fundamental Rights focused on ‘Media pluralism and democracy’ and led the Commission to define follow-up actions aiming to protect media from political pressure and safeguard their financial independence, to support the protection of journalists facing threats and hate speech and to monitor freedom of expression in the Member States.

Improving data protection

[CH07-PH27]



Giovanni Buttarelli, European Data Protection Supervisor, meets with Commissioner Julian King, Brussels, 24 November 2016.

The [Data Protection Reform Package](#) was adopted in April 2016. It will become applicable in 2018. The General Data Protection Regulation is an essential step to strengthen citizens’ fundamental rights in the digital age and facilitate business by simplifying rules for companies in the Digital Single Market. A single law will also do away with the current fragmentation and costly administrative burdens, leading to savings for businesses. In addition, a specific Data Protection Directive for the police and criminal justice sector will ensure a consistently

high level of data protection and thereby facilitate the exchange of information and cooperation between Member States' police and judicial authorities.

[CH07-VD17]



Data protection: problems and solutions. (video)

Protecting EU citizens' personal data when transferred to US law enforcement

In June the EU–US Data Protection Umbrella Agreement was signed. It sets high standards for the protection of personal data transferred by law-enforcement authorities. The European Parliament gave its consent to the conclusion of the Agreement in December.

Making EU–US data transfers safer

In July the Commission adopted the Decision putting in place the EU–US Privacy Shield, allowing for safe personal data transfers from the EU to companies in the United States. The Privacy Shield puts in place strong obligations on companies' handling of data, clear safeguards and transparency obligations on United States government access, effective protection of individual rights and an annual joint review mechanism.

Consumers' rights

Increasing respect for consumer rules in the online world

The Commission proposed to revise the [Consumer Protection Cooperation Regulation](#) to bring enforcement of EU consumer laws up to speed with the online world. The [European consumer centres](#) regularly inform enforcement authorities about key issues for consumers.

At the trilateral EU–China–US Consumer Product Safety Summit in 2016 the authorities agreed to strengthen product safety cooperation, particularly on products sold online.

New online tool to solve disputes

In 2016 the European Commission launched the [Online Dispute Resolution](#) platform. It facilitates the online, out-of-court resolution of disputes between EU consumers and traders related to online shopping.

Keeping EU consumers safe

The [Rapid Alert System for Dangerous Non-Food Products](#) allows for the quick exchange at EU level of information on dangerous products found on the market and on the measures taken to prevent them from reaching consumers. In 2016, 2 126 alerts on dangerous products were circulated among the 31 European national authorities participating in the System and the European Commission. This is a slight increase on the 2 072 alerts recorded in 2015. These alerts mostly concerned products posing a risk of injuries (such as motor vehicles) or posing a chemical risk (such as toys containing phthalates).

Protecting consumers against misleading and aggressive commercial practices

To ensure that national enforcement authorities have adequate tools to better protect consumers in the online and offline world the Commission adopted [an updated version of the 2009 guidance on the application of the Unfair Commercial Practices Directive](#). The document aims to make the application of the Directive simpler.

[CH07-PH28]



Commissioner Vytenis Andriukaitis addresses the ‘Food and drinks: connecting with the mindful consumer’ session at the 14th European Business Summit, Brussels, 2 June 2016.

Gender equality

Boosting gender equality

In December 2015 the Commission published a [Strategic Engagement for Gender Equality](#), to shape the Commission’s policy on gender equality until 2019. In June 2016 the Council adopted [Conclusions](#) on the Commission’s strategic engagement.

In March the Commission also proposed [EU accession to the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence](#), which sets legally binding standards to prevent violence, protect victims and punish perpetrators.

Mapping out actions on gender equality

The *Report on equality between women and men 2015* shows some progress in employment and decision-making. Nevertheless, significant gender gaps remain in pay and pensions.

The Commission is committed to addressing the challenges related to [work–life balance](#). Providing a better balance between a person’s family life and their professional responsibilities will encourage better sharing of care responsibilities between women and men, strengthen gender equality, reduce the pay and pension gaps, address the demographic challenges in the EU and enable businesses to fully benefit from all available talents.

In 2016 the Commission awarded funding for [awareness-raising and education activities to prevent and combat violence against women](#), to be carried out by national authorities.

Fighting against discrimination

The Commission started implementing the [list of actions to advance lesbian, gay, bisexual, transgender and intersex equality](#), including activities in areas such as non-discrimination, education, health, hate crime and hate speech.

The [2016 Roma Report](#) revealed serious bottlenecks, such as residential and educational segregation and forced evictions of Roma people.

Rights of people with disabilities

Around 80 million people in the EU have some degree of disability. The adoption of the European Accessibility Act, which started to be discussed in the Parliament and the Council in 2016, would improve the accessibility of everyday products and services, such as mobile phones, transport and banking services. In October the Parliament and the Council formally approved the first EU-wide rules to make the websites and mobile apps of public sector bodies accessible for the blind, deaf and hard of hearing. Public sector bodies include the state, regional and local authorities and bodies governed by public law, such as public hospitals, universities and libraries. As part of the September Copyright Package the Commission [proposed legislation](#) to implement the Marrakesh Treaty to facilitate access to published works for people who are blind, have other visual impairments or are otherwise print disabled.

To help people with disabilities travel more easily between Member States the EU launched the [EU Disability Card](#) initiative. The card will provide equal access to certain specific benefits, mainly in the areas of culture, leisure, sport and transport, based on a system of mutual recognition.

Addressing trafficking of human beings

In May the Commission presented its [first report on the progress in the fight against trafficking of human beings](#). This is crucial in order to increase the number of investigations and prosecutions, to establish appropriate mechanisms for the early identification and protection of victims and to enhance measures to prevent the trafficking of human beings.

The Commission published a [study](#) on the gender dimension of trafficking of human beings, in line with the requirements of the EU legal and policy framework.

The Commission will develop knowledge on the gender dimensions of human trafficking, including the gender consequences of the various forms of trafficking and potential differences in the vulnerability of men and women to victimisation and its impact on them. Its specific objectives and tasks are to address: the gender dimension of vulnerability, recruitment and victimisation; gender issues related to traffickers and to those creating demand; and an examination of law and policy responses to the trafficking of human beings from a gender perspective.

Chapter 8

Towards a new policy on migration

‘The recent terrible events in the Mediterranean have shown us that Europe needs to manage migration better, in all aspects. This is first of all a humanitarian imperative. I am convinced that we must work closely together in a spirit of solidarity.’

Jean-Claude Juncker, political guidelines, 15 July 2014

In 2015 and 2016 the EU experienced an unprecedented influx of refugees and migrants. According to Eurostat, more than 1 million people applied for international protection in the European Union, most of them fleeing from war and terror in Syria and other countries.

Numerous new measures were introduced in 2016 in order to deal with the situation. These included focusing on rescue operations while carrying out border surveillance with the support of European agencies and saving more lives at sea; securing the EU’s external borders, notably through the ‘hotspot’ approach; stepping up efforts in the relocation and resettlement of people in need of protection; and developing new measures in the fight against migrant smuggling. In addition, the Commission proposed revised EU asylum legislation and increased its efforts to ensure the full and correct implementation of the existing EU legislative framework.

The EU also focused on opening new channels for legal migration. The aim was to improve the EU’s ability to attract and retain highly skilled workers and better integrate non-EU nationals, to enhance the competitiveness of the EU’s economy and to cope with demographic challenges.

2016 also saw increasing cooperation with countries of origin and transit to help them effectively address the root causes of irregular migration.

Finally, through the Asylum, Migration and Integration Fund and the Internal Security Fund, the EU increased its financial support to Member States for the development of a common approach to migration and the efficient management of migration flows.

The European Agenda on Migration

In 2016 the European Commission followed up on the [European Agenda on Migration](#), proposing measures to tackle the immediate challenges of the ongoing migration and refugee crisis. It also sought to equip the EU with the tools to better manage migration in the medium and long term, in the areas of irregular migration, borders, asylum and legal migration.

[CH08-VD18]



The European Agenda on Migration: 2 years on. (video)

Protecting those in need of international protection

In April the Commission published a Communication presenting options for how to reform the EU's existing rules on migration and asylum.

Based on the feedback received, in May the Commission presented a first package of legislative proposals on the reform of one aspect of the Common European Asylum System, proposing new rules to reform the Dublin System, which determines which Member State is responsible for an asylum claim. At the same time the Commission proposed to transform the European Asylum Support Office into a fully fledged European Union agency for asylum that will facilitate implementation and improve the functioning of the Common European Asylum System.

[CH08-PH29]



Commissioner Christos Stylianides visits a refugee camp in Elaionas, Greece, 19 April 2016.

In July the Commission completed the proposed overhaul of the Common European Asylum System with a second package of proposals revising the three remaining pieces of legislation making up the EU's asylum system. The reforms simplify, clarify and shorten the asylum

process, creating a fairer and more efficient EU procedure for dealing with asylum claims — one that is generous to the most vulnerable but strict with those who try to abuse it. The reforms will also allow for both the quick identification of people in genuine need of international protection, offering them protection for as long as they need it, and the ability to return those who do not have the right to receive protection in the EU. The reforms will also make sure that, wherever they arrive, asylum seekers can benefit from the same dignified reception standards.

In December the Commission adopted its fourth Recommendation on the specific measures Greece needs to take to fully implement the EU asylum standards under the Dublin Regulation. The Recommendation noted that despite the difficult situation Greece was confronted with it had made significant progress in putting in place the essential institutional and legal structures for a properly functioning asylum system, and there is a good prospect for a fully functioning asylum system to be in place in the near future. It was therefore recommended that transfers to Greece under the Dublin Regulation be resumed gradually after 15 March 2017, based on individual assurances for each applicant and excluding vulnerable categories of migrants. The aim is to encourage relocation efforts and restore a fully functioning Dublin System as a key element re-establishing the normal functioning of the Schengen area, and with a view to the future reform of the System.

[CH08-PH30]



Commissioners Tibor Navracsics and Dimitris Avramopoulos speak with young refugees and football players, Kraainem, Belgium, 2 March 2016.

Relocation and resettlement

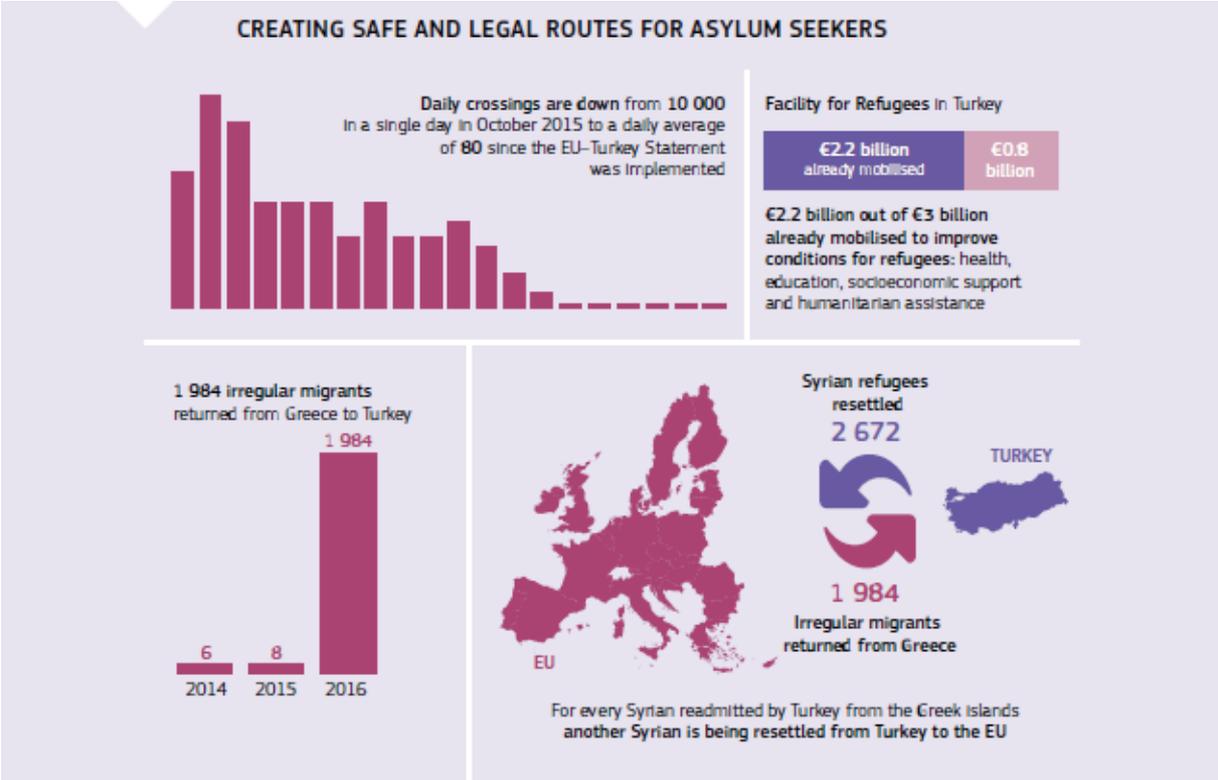
In March and October the [European Council](#) called for an acceleration in the implementation of relocation in order to alleviate the huge pressure on Greece and Italy.

The temporary emergency relocation scheme was established in 2015, with Member States committing to relocate 98 255 people from Italy and Greece by September 2017. Member States also agreed in 2015 to resettle over 22 000 people in clear need of international protection from outside of the European Union.

By the end of 2016, 9 602 refugees had been relocated — 7 198 from Greece and 2 404 from Italy — to 24 participating states. Moreover, by early December 13 887 people had been provided safe and legal pathways to the EU through resettlement in 21 resettling states.

In March the members of the **European Council** and their Turkish counterparts agreed to end irregular migration from Turkey to the EU and replace it with legal channels for the resettlement of refugees in the European Union. An **EU–Turkey Statement** was agreed in which it was announced, among other things, that all new irregular migrants or asylum seekers crossing from Turkey to the Greek islands would be returned to Turkey, after an individual assessment of their asylum claims in line with international and EU law and on the basis that they would receive protection in Turkey. In addition, for every Syrian being returned to Turkey from the Greek islands another Syrian would be resettled in the EU from Turkey directly. By the end of the year 2 672 Syrian refugees had been resettled from Turkey under this provision.

[CH08-GR13]



In September the Commission reported on the sharp decrease in the numbers of people crossing irregularly or losing their lives in the Aegean Sea. From June onwards an average of 80 people arrived daily, compared with over 10 000 arriving in a single day in October 2015.

The Commission worked together with Greece and Italy to develop the procedures needed to facilitate relocation, including appropriate security screening of relocation candidates supported by the European Border and Coast Guard Agency and Europol. Both in Greece and in Italy, a Protocol for Relocation was endorsed in June 2016 by all EU Member States, the United Nations High Commissioner for Refugees, the International Organisation for Migration and the European Asylum Support Office.



Testimonies from people that have benefited from relocation. (video)

Return and readmission

As part of the Common European Asylum System Reform package the Commission proposed to reinforce the EU's fingerprint database for identifying asylum seekers and irregular border-crossers. The proposal would allow Member States to store and search data belonging to non-EU nationals or stateless persons who are not applicants for international protection and are found to be staying irregularly in the EU. A new Regulation on the European Border and Coast Guard reinforced the role of the Agency in supporting Member States during return operations. In addition, the Council adopted the Commission's proposal for a European travel document, introducing a uniform format with enhanced security features to facilitate the return of irregularly staying non-EU nationals.

Within the framework of the [Schengen Evaluation Mechanism](#), the Commission, together with experts from Schengen countries, evaluated the return systems in 10 EU Member States and associated countries between 2015 and 2016. Six evaluation reports were adopted by the Commission, and recommendations were made to the Council to address weaknesses detected in the national return systems.

Enhancing return and readmission is also one of the key objectives of the new Migration Partnership Framework, launched by the Commission in June 2016 to tackle the root causes of irregular migration and to better manage migration in cooperation with non-EU countries. (For more information on the Partnership Framework see Chapter 9).

The fight against migrant smuggling

In February a European Migrant Smuggling Centre was established in Europol and an agreement was reached on closer operational cooperation between the European Border and Coast Guard Agency and Europol. This included the sharing of personal data gathered from voluntary interviews with migrants involved in joint operations coordinated by the European Border and Coast Guard Agency in order to better investigate smugglers.

Saving lives at sea and implementing the ‘hotspot’ approach

The European Border and Coast Guard

The European Border and Coast Guard Agency contributed to the rescue of over 169 000 people in 2016 in the central Mediterranean alone.

By the end of 2016 the European Border and Coast Guard had more than 1 550 officers deployed to support Member States at the external borders, complementing the Member States’ existing national capacities of over 100 000 border guards.

[CH08-PH31]



Commissioner Dimitris Avramopoulos at the launch of the European Border and Coast Guard, Kapitan Andreevo, Bulgaria, 6 October 2016.

Building on a proposal from December 2015, political agreement was reached in June 2016 on the Regulation on the European Border and Coast Guard, which entered into force in October. The European Border and Coast Guard comprises two pillars — the strengthened European Border and Coast Guard Agency, built from the ‘old’ Frontex agency, and the border management authorities of the Member States, including coast guards to the extent that they deal with border-control tasks.

Under the new mandate the Agency’s role and activities were significantly expanded. Since October important progress has been made in making the new Agency fully operational, including the setting up of mandatory rapid-reaction pools for border guards and equipment and the launch of new pools for return intervention teams. These can be deployed in support of Member States, which have the primary role and competence in reinforcing controls at the external borders.

Hotspots

As part of the effort to manage the migration crisis the implementation of the ‘hotspot’ approach continued in Greece and Italy. Operational and financial support was provided by the EU and the relevant EU agencies (the European Asylum Support Office, the European Border and Coast Guard Agency and Europol), including through the deployment of Member States’ experts and guest officers.

Located at key arrival points in the most affected Member States, such as Italy and Greece, hotspots are reception areas where all those arriving are identified, registered and properly processed. The hotspot workflow and the relocation process also include integrated and systematic security checks and require the provision of adequate reception conditions to avoid overcrowding, with a specific attention to vulnerable groups including children.

The implementation of the hotspot approach is primarily the responsibility of the Member State concerned. However, since March 2016 Europol personnel have performed secondary security checks in the Greek hotspots. To make the security process at the external borders more robust Europol set up a pool of 116 guest officers — experts seconded by national services — to support Member States in need. The first two groups of guest officers were deployed in the Greek hotspots in order to support Europol personnel. Five hotspots were operational in Greece and four in Italy in 2016, with other ports of disembarkation in Italy performing similar functions.

Better control of the EU's external borders

Back to Schengen — a roadmap

In March the Commission presented a detailed [roadmap](#) with the concrete steps needed to return to a Schengen area that is functioning normally, as the system had been severely tested by the migration and refugee crisis.

Due to the large number of irregular migrants and asylum seekers arriving in Greece, huge pressure was put on the EU external borders in Greece, revealing serious deficiencies and having consequences for the Schengen area as a whole. In view of this Greece was asked to adopt and implement an action plan to respond to the Council and Commission recommendations, while other Member States were asked to assume responsibility and provide immediate support to Greece.

In May the Council adopted a [Recommendation](#) to Austria, Germany, Denmark, Sweden and Norway allowing for temporary internal border controls. Despite the progressive stabilisation of the overall situation in the Schengen area, in November the Commission [recommended](#) that the Council allow those countries to maintain internal border controls under strict conditions and for a limited period.

The Smart Borders Package

In April the Commission proposed a [Smart Borders Package](#) with the aim of modernising the Schengen area's external border management and helping Member States deal with the increasing traveller flows, while contributing to the fight against terrorism and serious crimes.

At the core of the Package is the establishment of the [Entry–Exit System](#) to modernise border control and to provide precise and automated information to border guards during border checks. The System also allows access to assigned national law-enforcement authorities and Europol to contribute to the prevention, detection and investigation of terrorist offences or other serious criminal offences.

At the same time the Commission proposed a [Communication on ‘Stronger and smarter information systems for borders and security’](#), which sets out actions to improve the functioning and interoperability of existing information systems and potential new systems to address information gaps.

In November the Commission proposed to establish a [European Travel Information and Authorisation System](#) to strengthen security checks on visa-free travellers.

In December the Commission proposed to [strengthen the operational effectiveness and efficiency of the Schengen Information System](#) to enhance the System’s ability to fight terrorism and cross-border crime, improve border and migration management and ensure the effective exchange of information between Member States to increase the security of EU citizens.

Western Balkans leaders’ weekly videoconferences

Weekly videoconferences of the western Balkans leaders led to strong coordination and improved information sharing between EU Member States and their immediate neighbours along another important migratory route.

Improving channels for legal migration

A [proposal for a revised Blue Card](#), presented by the Commission in June, aims to improve the EU’s ability to attract and retain highly skilled workers in order to enhance the competitiveness of its economy and cope with demographic challenges. Blue Card holders will be given more flexible access to highly skilled work across the EU, with the possibility for a self-employed side activity, immediate family reunification and faster access to long-term residence status in the EU.

Integration of non-EU nationals

In the field of integration, the Commission adopted an [Action Plan on the Integration of Third-Country Nationals](#) in June. It aims to support Member States in their efforts to integrate non-EU nationals. The Action Plan provides a common policy framework that should help Member States as they further develop and strengthen their national integration. It presents 50 concrete actions in key areas such as pre-departure and pre-arrival integration, education, employment and vocational training, access to basic services, active participation and social inclusion.

Visas

The Commission tabled legislative proposals in early 2016 to transfer Georgia, Kosovo (this designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/1999 and the International Court of Justice Opinion on the Kosovo declaration of independence), Turkey and Ukraine to the visa-free list for short stays following the positive assessment of these countries’ visa liberalisation action plans or roadmaps. The proposals for Kosovo and Turkey were made on the understanding that the Kosovan and Turkish authorities would fulfil the outstanding benchmarks of their respective

visa liberalisation roadmaps before the adoption of the respective proposals by the Parliament and the Council. The Commission also proposed a legislative amendment to strengthen the suspension mechanism, which will allow the EU to suspend visa-free travel for citizens of a non-EU country in case of a significant increase in migratory or security risks. Political agreement was reached between the Parliament and the Council on the revised suspension mechanism and on visa liberalisation for Georgia.

During the year the EU signed visa waiver agreements with Kiribati, the Marshall Islands, Micronesia, Peru, the Solomon Islands and Tuvalu.

Negotiations were launched with Tunisia in October on an agreement to facilitate the process of issuing short-stay visas and an agreement to establish procedures for the readmission of irregular migrants.

In November negotiations on visa facilitation and readmission were launched with Jordan.

In 2016 the Canadian government announced that it intends to lift the visa requirement for all Bulgarian and Romanian citizens travelling to Canada as from December 2017.

Financial support for the efficient management of migration

The EU also increased its financial support to Member States for the development of a common approach to migration and the efficient management of migration flows, mainly through the Asylum, Migration and Integration Fund and the Internal Security Fund. The emergency assistance component of these funds allowed the EU to provide a swift and flexible response to migration challenges by making available additional funding to those Member States facing huge migratory pressure. In March the Commission proposed an Emergency Assistance Instrument to be used within the EU to provide a faster, more targeted response to major crises, including helping Member States cope with large numbers of refugees. Up to 2018 some €700 million of EU funding will be made available through this instrument via partner organisations, such as UN agencies, the Red Cross and non-governmental organisations. €198 million has already been allocated to organisations for projects carried out in Greece, in close consultation with the Greek authorities.

On top of this, the EU increased the 2015-2016 budgets of the European Asylum Support Office, the European Border and Coast Guard Agency and Europol, reinforcing their capacity to provide on-the-ground responses to migration challenges.

[CH08-GR14]

FUNDING UNDER THE ASYLUM, MIGRATION AND INTEGRATION FUND AND THE INTERNAL SECURITY FUND 2014-2020



State of play on 31 December 2016

* Asylum, Migration and Integration Fund emergency assistance was awarded to the following Member States: Belgium, Bulgaria, Germany, Greece, France, Croatia, Italy, Cyprus, Hungary, Netherlands, Austria, Slovenia, Finland and Sweden. Internal Security Fund emergency assistance was awarded to the following Member States: Belgium, Bulgaria, Greece, France, Croatia, Italy, Hungary and Slovenia.

Source: European Commission.

Chapter 9

A stronger global actor

‘We need a stronger Europe when it comes to foreign policy. The Ukraine crisis and the worrying situation in the Middle East show how important it is that Europe is united externally.’

Jean-Claude Juncker, political guidelines, 15 July 2014

The EU needs a strong common foreign policy to respond efficiently to global challenges, including the crises in its neighbourhood, project its values and contribute to peace and prosperity in the world.

With that in mind the EU put promoting international peace and security, development cooperation, human rights and responding to humanitarian crises at the heart of its foreign and security policies throughout 2016.

Internationally, the EU used its diplomatic and economic influence to press for political solutions to conflicts in Syria, Libya and Ukraine. It continued to work intensively to foster the normalisation of relations between Kosovo and Serbia.

In spring 2016 High Representative of the Union for Foreign Affairs and Security Policy/Commission Vice-President Federica Mogherini and several other European Commissioners visited Iran to launch discussions on cooperation on trade, investment, energy and climate change, and human rights.

A [Global Strategy for the EU’s Foreign and Security Policy](#) was presented in June by High Representative/Commission Vice-President Federica Mogherini. The strategy outlines priorities and objectives to maximise the EU’s ability to tackle international challenges. The follow-up on security and defence has been particularly swift, leading to the adoption of substantial conclusions by the Council of the European Union in November and proposals for EU–NATO cooperation in December. The European Commission also proposed a European Defence Action Plan in November with the aim of setting up a European Defence Fund. This comprehensive defence package was endorsed by the [European Council](#) in December, with concrete follow-up tasks for 2017.

During the year the EU began implementing the UN Sustainable Development Goals. The EU Emergency Trust Fund for Africa was set up and closer cooperation on migration was agreed with five African countries.

Humanitarian crises continued to take a heavy toll, and in 2016 the EU allocated relief assistance of over €2.1 billion for food, shelter, protection and healthcare to 120 million people in over 80 countries.

The EU’s neighbourhood

Relations with countries that lie to the south and east of the EU are crucially important. This relationship is guided by the European neighbourhood policy, which was revised in 2016. The

policy offers genuine partnerships between the EU and neighbouring countries based on good governance, political, economic and security issues and migration.

The eastern neighbourhood

The EU's policies towards countries to its east are comprehensive and tailor-made for the needs of the individual countries. They are therefore wide reaching and focus on a number of priority areas, for example social and economic development, good governance and energy efficiency, and they make it easier for people in the EU and the eastern neighbourhood to meet, work and study in and travel between the regions.

The EU has association agreements, which include deep and comprehensive free trade areas, with Georgia, Moldova and Ukraine. Agreements with Georgia and Moldova came into force in July. Closer relations with Armenia, Azerbaijan and Belarus were also pursued. Significant progress was made in agreeing visa-free travel for Ukrainians and Georgians to visit the EU.

Supporting political and economic reform in [Ukraine](#) was an EU priority throughout the year, with substantial financial support being provided under the European Neighbourhood Instrument (€200 million for new programmes focusing on transparent and accountable governance), humanitarian assistance (€22.4 million) and macrofinancial assistance (€2.21 billion). Brussels and Kyiv also held talks on gas deliveries.

The EU continued to insist on the peaceful settlement of the conflict in eastern Ukraine through the full implementation of the Minsk agreements. It continued its sanctions against Russia for its illegal annexation of Crimea and Sevastopol and its role in destabilising Ukraine.

Russia

In early 2016 the EU Member States affirmed the principles guiding the EU's approach to Russia. These include full implementation of the Minsk agreements, strengthening relations with eastern partners and other neighbours, particularly in central Asia, strengthening internal EU resilience, engaging selectively with Russia on issues of EU interest such as foreign policy and global matters and intensifying the EU's support for Russian civil society and contacts between EU and Russian citizens. In the absence of the complete implementation of the Minsk agreements the sanctions imposed in 2014 in response to Russian actions in Ukraine remained in place. The further deterioration of the human rights situation in Russia and growing restrictions on civil society continued to be at the top of the EU's agenda.

The southern neighbourhood

In the EU's southern neighbourhood region the neighbourhood policy is about supporting individual countries in areas where the EU can make a specific and positive contribution.

Particular attention is given to countries affected by the refugee crisis. The Commission continued to implement the [EU Regional Trust Fund in Response to the Syrian Crisis](#) and launched activities under the [EU Emergency Trust Fund for Africa](#) to address the migration crisis. Following the Supporting Syria and the Region conference held in London in February, agreements were reached with Jordan and Lebanon to help them cope with the large influx of

Syrian refugees. The EU notably increased trade with Jordan to help create jobs, in particular for Syrian refugees inside the country.

Tunisia benefited from particular attention in 2016 as the EU supported its democratic transition.

Syria

The crisis in Syria remained one of the gravest challenges the international community faced in 2016. The EU continued its diplomatic and humanitarian efforts in close coordination with the UN and with UN Special Envoy Staffan de Mistura. The EU scaled up its financial assistance, with over €9 billion in aid since the crisis began. This was reaffirmed when [EU leaders met in October to discuss Syria](#). High Representative/Vice-President Federica Mogherini also tried to facilitate a regional understanding on the future of Syria, leading the EU regional initiative that aims to identify common ground on post-conflict arrangements with regional players, examining the scope for reconciliation and reconstruction once a credible political transition is firmly under way.

Libya

Throughout the year the EU remained fully committed to Libya and the country's transition towards an inclusive and stable democracy, and to supporting UN mediation efforts in that process. The EU currently provides substantial funding for projects and activities in Libya across six sectors corresponding to the priorities of its bilateral cooperation: civil society; democratic governance; health; youth, active citizenship and socioeconomic integration; migration and protection; and political process, security and mediation.

The western Balkans and enlargement negotiations

The EU's enlargement process is vital for the stability of the [western Balkans](#). Supporting security and prosperity in the western Balkans is an investment in the future of the region and is in the EU's interest. Bosnia and Herzegovina applied for EU membership and the Council decided to take the process forward, while Albania, with support from the EU, passed key laws to reform its judiciary. This should improve life for Albanians and help take the country forward on its path towards the EU. The EU and Kosovo concluded a stabilisation and association agreement. In the former Yugoslav Republic of Macedonia mediation from the EU and other international players enabled an agreement that led to calm and orderly parliamentary elections in December.

Talks between Kosovo and Serbia on normalising relations also progressed. Meanwhile, EU membership talks with both Montenegro and Serbia advanced steadily.

Turkey

[CH09-PH32]



Commissioner Johannes Hahn visits a supermarket for refugees managed by the World Food Programme, Turkey, 26 April 2016.

In 2016 relations between the EU and Turkey developed in many areas, as had been agreed at the EU–Turkey Summit of November 2015. A key development was the EU–Turkey deal in March, in which the EU focused on the handling of the migration flows and on fighting the smuggler model and trafficking in human beings. A Facility for Refugees in Turkey was established to support Syrian refugees and their overstretched communities, coordinating €3 billion in funding for 2016 and 2017. The EU supported Turkish democracy after the coup attempt in July, and called on the authorities to observe the highest standards of the rule of law and fundamental rights in its wake.

[CH09-VD20]



The visit by Martin Schulz, President of the European Parliament, to Turkey. (video)

Western Europe

Non-EU western European countries are closely connected to the EU. Norway and Switzerland are among the EU's main trade and investment partners and are important partners in research and innovation. However, challenges remain with Switzerland. Although the vote in December by the Swiss Federal Assembly on amendments to the Foreigners Act was a step in the right direction, an institutional framework agreement for managing and

updating the complex system of sector-by-sector agreements to fully unlock the potential of the bilateral relations is still missing.

North America

United States

Priorities in the relations between the EU and the United States in 2016 included counterterrorism, strengthening economic growth and addressing the global refugee crisis. This was reflected at the meeting between Barack Obama, President of the United States, Donald Tusk, President of the European Council, and Jean-Claude Juncker, President of the European Commission, in Warsaw in July.

Several rounds of talks on the Transatlantic Trade and Investment Partnership took place.

In June the EU and the United States signed an agreement to ensure a data protection framework for data transfers to the United States within the framework of judicial and law-enforcement cooperation. In December the Council adopted the decision authorising the European Union to conclude the agreement.

In July the EU–United States Privacy Shield was adopted to protect the personal data of citizens and provide clarity for businesses.

Washington and Brussels also cooperated on the European Border and Coast Guard and in tackling the refugee crisis.

In December the United States and the EU signed an acquisition and cross-servicing agreement on logistical support for each other's military operations.

[CH09-PH33]



Commission Vice-President Maroš Šefčovič, High Representative/Commission Vice-President Federica Mogherini, John Kerry, US Secretary of State, and Dr Ernest Moniz, US Secretary of Energy, at the US–EU Energy Council meeting at the State Department in Washington DC, United States, 4 May 2016.

Canada

The year was also an important one in the [EU's relations with Canada](#), with the signature of two ground-breaking agreements — the Strategic Partnership Agreement and the Comprehensive Economic and Trade Agreement. Once in force the two agreements will upgrade the overall cooperation framework between the EU and Canada. The Strategic Partnership Agreement will enhance political dialogue on a broad range of areas, including international peace and security, economic and sustainable development, justice, freedom and security. The Comprehensive Economic and Trade Agreement will promote jobs and growth and bring important economic benefits on both sides of the Atlantic by generating trade and investment, along with setting global standards on the protection of labour rights and the environment.

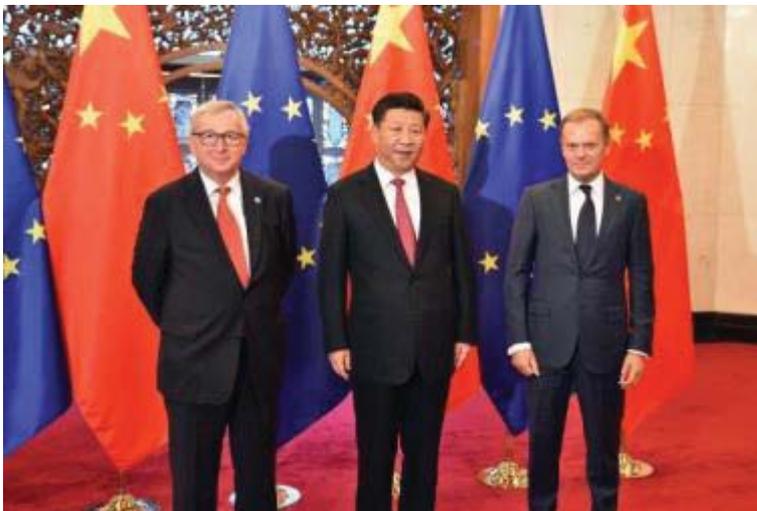
China

A new EU strategy on China was agreed in July. The EU's engagement with China will be principled, practical and pragmatic and will stay true to its interests and values — in particular to international rules and norms and respect for human rights.

The EU–China Summit in Beijing in July provided the opportunity for strategic discussions on issues of shared interest, including economic reforms and overcapacity in the steel sector.

The EU–China 2020 Strategic Agenda for Cooperation has been the basis for relations since 2013, and an environment policy dialogue has been ongoing since 2005.

[CH09-PH34]



Jean-Claude Juncker, President of the European Commission, Xi Jinping, President of China, and Donald Tusk, President of the European Council, at the 18th EU–China Summit, Beijing, China, 12 July 2016.

The Middle East

Iran

Following the historic nuclear agreement reached in July 2015 between the international community and Iran, High Representative/Vice-President Federica Mogherini visited Tehran

in April 2016 with seven European Commissioners to increase cooperation in areas such as economic relations, transport, science, humanitarian issues, energy and human rights.

[CH09-PH35]



High Representative/Commission Vice-President Federica Mogherini and Mohamad Javad Zarif, Iranian Minister for Foreign Affairs, at a joint press conference in Tehran, Iran, 16 April 2016.

Iraq

The EU's efforts in Iraq focused on supporting the government in carrying out urgently needed political, economic and human rights reforms, not least within the framework of the EU–Iraq Partnership and Cooperation Agreement. Cooperation with Iraq continued in the battle against ISIL/Da'esh. The EU is providing humanitarian aid to cover the most urgent needs of displaced Iraqis and is supporting the stabilisation of liberated areas.

Latin America

In 2016 the EU strengthened its relations with Latin America and the Caribbean. The EU and Mexico launched negotiations to modernise the global agreement in order to, among other things, enhance the framework of the bilateral dialogue on global issues (notably on climate change, energy, food security, the global economy and security) and adapt EU–Mexico relations to the new realities of global trade and investment policies and flows. The EU and Cuba continued their formal political dialogue, and in December signed a political dialogue and cooperation agreement, which constitutes the new legal framework for the relationship. In May the EU and the Common Market of the South (Mercosur) reinvigorated negotiations for a bi-regional association agreement with the first exchange of offers since 2004.

The EU provided political support to the peace process in Colombia. The EU Trust Fund launched in December 2016 will be a key element in the EU's efforts to support the implementation of the peace agreement.

A meeting of foreign ministers from the EU and the Community of Latin American and Caribbean States was held in Santo Domingo, Dominican Republic, in October. It contributed

to strengthening the strategic partnership and paved the way for a summit to be held between the EU and the Community of Latin American and Caribbean States in 2017.

EU–Africa partnership

[CH09-PH36]



Commissioner Neven Mimica meets with locals in Matam, Senegal, 27 April 2016.

In the Horn of Africa the EU approved a new political and economic agreement with Ethiopia and was a prime supporter of elections in Somalia. The EU continued supporting the fight against terrorism in the region, as well as in the Sahel. The year saw the signature and entry into force of the [Economic Partnership Agreement](#) between the EU and the Southern African Development Community.

Migration

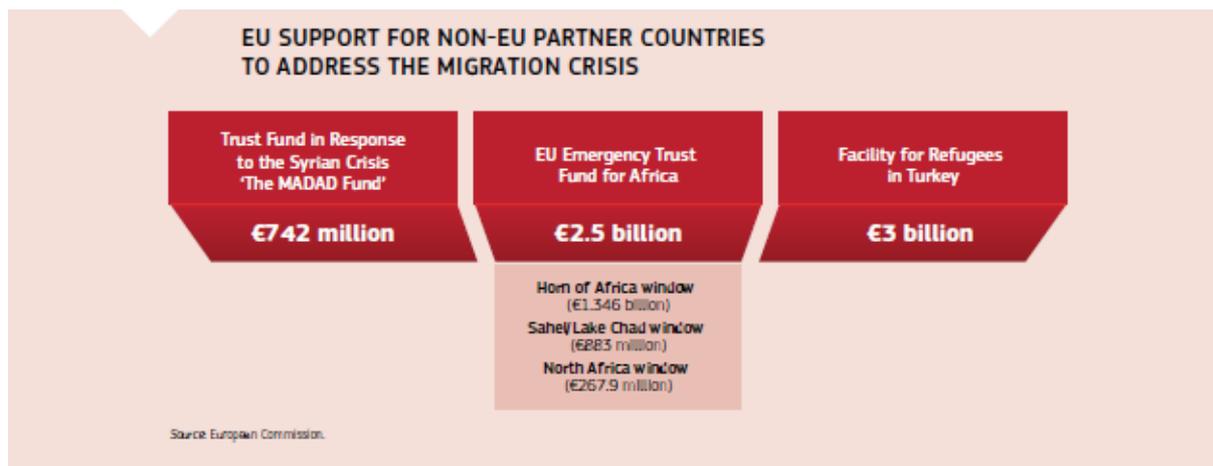
In 2016 the EU sought tailor-made partnerships with non-EU countries of origin and transit using all policies at its disposal. In June the [European Council](#) adopted the proposal by the High Representative/Vice-President and the Commission to launch a new partnership framework on migration with key partners in Africa to better manage the situation together.

As part of the European Agenda on Migration the priorities are saving lives at sea, increasing returns, enabling migrants and refugees to stay closer to home and, in the long term, helping countries address the root causes of irregular migration.

Under the partnership framework, work was launched with five priority countries — Ethiopia, Mali, Niger, Nigeria and Senegal. In parallel, dialogues on migration with countries of origin and transit continued in order to implement the outcome of the 2015 Valletta Summit.

During the year the EU Emergency Trust Fund for Africa started to deliver on concrete projects, and cooperation with the EU's partners is showing its first results.

[CH09-GR15]



Human rights

[CH09-PH45]



In 2016, on the International Day for the Elimination of Violence against Women (25 November), the European Commission launched a campaign on the elimination of violence against women.

2016 was marked by serious violations of human rights and increasing harassment and attacks on human-rights defenders and non-governmental organisations internationally. The Global Strategy for the EU's Foreign and Security Policy, launched in June, restated that human rights are at the heart of the EU's external action and are fully consistent with the EU's interests. High Representative/Vice-President Federica Mogherini launched the [#EU4HumanRights](#) campaign to raise awareness of the EU's and Member States' efforts to pursue the priorities identified in the 2015-2019 Action Plan on Human Rights and Democracy. These included advocating, defending and promoting human rights worldwide.

The 2030 Agenda: Sustainable Development Goals

The EU is committed to the 2030 Agenda and to implementing the Sustainable Development Goals. Commissioner Karmenu Vella and Dutch Minister Sharon Dijksma attended the second UN Environment Assembly in May in Kenya. The ministers present agreed to implement the Sustainable Development Goals on issues such as sustainable production, consumption, chemicals, waste, climate change and oceans.

The Commission has set out a strategic approach for achieving sustainable development in the EU and around the world. [Proposals were presented on 22 November](#) by High-Representative/Vice-President Federica Mogherini, First Vice-President Frans Timmermans and Commissioner Neven Mimica. In this context the Commission issued a Communication on the next steps for a sustainable European future that joins up the sustainable Development Goals of the 2030 Agenda with the EU policy framework and Commission priorities. This will assess levels of progress, identify the most relevant sustainability concerns and ensure that all actions and policy initiatives, within the EU and globally, take the Sustainable Development Goals on board at the outset.

International development

In 2016 the EU began implementing the Sustainable Development Goals in international cooperation.

In September the EU launched the European [External Investment Plan](#) to implement commitments on financing for development and the 2030 Agenda for Sustainable Development.

In November the Commission proposed a revised [European Consensus on Development](#), putting forward a shared vision and framework for action for development cooperation for the EU and its Member States. It proposes a blueprint for aligning the Union's development policy with the UN 2030 Agenda for Sustainable Development. It forms part of the international community's agreed response to new trends and challenges posed by globalisation. The [European Development Days](#) forum was the first major international gathering to discuss this. The EU also continued its work on a [new partnership with the African, Caribbean and Pacific countries after 2020](#). It has proposed an umbrella agreement, complemented by tailored regional partnerships for Africa, the Caribbean and the Pacific addressing the specific regional opportunities and challenges faced.

To show the EU's continued support for Afghanistan a major international conference was held in Brussels in October. In November a donors' conference was held for the [Central African Republic](#) at which international donors pledged over €2 billion.

Research and innovation

Science diplomacy is a key part of the EU's international activities. During the year the joint communication on 'An integrated EU policy for the Arctic' included Arctic research and emphasised the role of science in international cooperation.

The Global Research Collaboration for Infectious Disease Preparedness mobilised funders worldwide to implement urgent research into the Zika outbreak. Following a [specific call](#) in 2016, Zika research projects worth €30 million were selected for Horizon 2020 funding.

Decent work on the EU global agenda

At the International Labour Conference held in June Jean-Claude Juncker, President of the European Commission, made a [pledge](#) prioritising a social Europe, youth employment and

social dialogue. He also promoted the Commission initiative on a [European pillar of social rights](#). Together with Commissioner Marianne Thyssen he stressed the importance of International Labour Organisation standards and highlighted the need to reflect on the future of work. The EU made a key contribution to the work and outcomes of the conference. Comprehensive guidance on [decent work in global supply chains](#) was adopted, addressing due diligence, cross-border [social dialogue](#), trade and transparency.

Security and defence

[CH09-PH46]



High Representative/Commission Vice-President Federica Mogherini and Jens Stoltenberg, Secretary General of NATO, give a joint press conference following the meeting of NATO Ministers for Foreign Affairs, Brussels, 6 December 2016.

In November EU foreign and defence ministers agreed to implement the Global Strategy for the EU's Foreign and Security Policy in the area of security and defence. These conclusions were based on an implementation plan on security and defence, which was presented to ministers by the High Representative/Vice-President and Head of the European Defence Agency, Federica Mogherini.

The strategy includes proposals to strengthen civilian and military capabilities, deepen defence cooperation, improve the EU's rapid response to crises, establish a permanent planning and conduct capability at the strategic level for non-executive military missions, explore the potential for greater cooperation with partner countries on security and defence and further implement the work on capacity-building in support of security and development.

This was the first of three elements of the new EU defence package endorsed by the [European Council](#) in December. The second element was the European Defence Action Plan proposed by the Commission, aiming to set up a European Defence Fund to support investment in joint research and the joint development of defence equipment and technologies. It also proposed measures for a strengthened single market for defence. The third element comprised cooperation between the EU and NATO as a follow-up to their joint declaration signed in Warsaw in July 2016.

In April EU Member States agreed on greater coordination to [strengthen the EU's response to hybrid threats](#) such as cyberattacks, the disruption of energy supplies or financial services, the undermining of public trust in government institutions and the exploitation of social tensions.

Responding to humanitarian crises and emergencies

[CH09-VD21]



Reshaping aid at the World Humanitarian Summit. (video)

The EU continued to help those caught up in natural disasters and human-made crises around the world by allocating relief assistance of €2.1 billion for food, shelter, protection and healthcare to more than 120 million people in over 80 countries.

The EU is at the forefront in financing humanitarian aid in all major conflict zones where massive numbers of people are displaced, from Iraq and Syria to the Central African Republic, South Sudan and Yemen.

For the first time ever the EU provided humanitarian assistance within its borders, with support for Greece to cope with the flow of refugees. For the period from 2016 to 2018 €700 million of EU funding is being made available through humanitarian partners.

[CH09-GR16]



New initiatives also took shape. As a direct follow-up to the lessons learned from the Ebola crisis that hit west Africa in 2014 the EU set up a European Medical Corps, which was

deployed to provide a rapid response to emergencies with health consequences both inside and outside the EU.

Some 4 % of the EU's overall humanitarian budget was dedicated to education for children affected by emergencies, representing one of the most underfunded sectors of humanitarian aid. More than 3.8 million children obtained access to educational activities in 47 countries. Commissioner Stylianides also announced a further increase to 6 % in 2017.

International cooperation

EU–United Nations

[CH09-PH37]



Donald Tusk, President of the [European Council](#), Ban Ki-moon, Secretary-General of the United Nations, and Commission First Vice-President Frans Timmermans at the 71st plenary session of the United Nations General Assembly, New York, United States, 18 September 2016.

A high-level EU delegation participated in the UN General Assembly ministerial week and the summit on large movements of refugees and migrants, where the EU successfully advocated for global responsibility. The Syrian crisis, climate change and the implementation of the 2030 Agenda dominated discussions. Throughout the year [United Nations–EU](#) cooperation ensured coordination across a wide area of activities from peace missions to diplomatic efforts, human rights, tackling hunger, building inclusive societies, good governance and fighting criminality. The close ties between the two organisations were also stressed by High Representative/Vice-President Federica Mogherini during her speech at the United Nations Security Council in June.

EU–NATO

In Warsaw in July Donald Tusk, President of the [European Council](#), Jean-Claude Juncker, President of the European Commission, and Jens Stoltenberg, Secretary General of NATO, signed the first ever [EU–NATO](#) joint declaration, giving new impetus to their partnership. It underlined their joint commitment to working together on countering hybrid threats; operational cooperation, including maritime issues; cybersecurity and defence; defence industry research; exercises and defence; and security capacity-building. In December, the EU

and NATO endorsed, in a parallel process, a common set of proposals for the implementation of the joint declaration.

Cooperating on the international stage

[CH09-PH38]



(Clockwise from left) François Hollande, President of France, David Cameron, Prime Minister of the United Kingdom, Justin Trudeau, Prime Minister of Canada, Jean-Claude Juncker, President of the European Commission, Donald Tusk, President of the European Council, Matteo Renzi, Prime Minister of Italy, Angela Merkel, Chancellor of Germany, Barack Obama, President of the United States, and Shinzō Abe, Prime Minister of Japan, at the G7 Summit, Ise, Japan, 26 May 2016.

The EU engaged actively with global partners in forums such as the G7 and the G20 to address global political and economic challenges. In their Hangzhou summit communiqué in September G20 leaders emphasised the need for greater inclusiveness so that economic growth serves the needs of everyone and benefits all countries and all people.

Chapter 10

A Union of democratic change

‘The proposal and election of the President of the European Commission in the light of the outcome of the European Parliament elections is certainly important, but only a first step in making the European Union as a whole more democratic. A European Commission under my leadership will be committed to filling the special partnership with the European Parliament ... I am also committed to enhanced transparency when it comes to contact with stakeholders and lobbyists.’

Jean-Claude Juncker, political guidelines, 15 July 2014

In September 2016 President Juncker’s State of the Union address took stock of the achievements of the past year and presented his priorities for the year ahead. He outlined how the Commission will address the most pressing challenges, such as migration, terrorism, economic growth and employment. The doubling of the duration and value of the Investment Plan was at the forefront of the Commission’s proposed actions and was widely supported by the Parliament and the Council.

Two days later, all EU Member States except the United Kingdom gathered in Bratislava, Slovakia, to begin a political reflection on the further development of an EU of 27 Member States. It followed a national referendum on the United Kingdom’s EU membership, held in June, which resulted in a vote to leave the EU.

The [Bratislava Declaration and Roadmap](#), agreed by EU leaders, set out the objectives until March 2017. It included restoring full control of external borders, ensuring internal security and fighting terrorism, strengthening EU cooperation on external security and defence, boosting the Single Market and offering better opportunities for young people.

The European Parliament

[CH10-PH39]



Jean-Claude Juncker, President of the European Commission, delivers his 2016 State of the Union address to the European Parliament, Strasbourg, France, 14 September 2016.

In 2016 the European Parliament addressed all major issues of EU politics and debated topics ranging from the refugee and migration crisis to the referendum in the United Kingdom, and from security and the threat of terrorism to corporate taxation. It took important legislative decisions to enable EU action in areas including [passenger name records](#), [data protection](#) and the [Digital Single Market](#). Many high-profile visitors addressed the Parliament during the year, including King Willem-Alexander of the Netherlands, Toomas Hendrik Ilves, President of Estonia, Rosen Plevneliev, President of Bulgaria, Reuven Rivlin, President of Israel, and Mahmoud Abbas, President of the Palestinian Authority, as well as the heads of EU institutions.

[CH10-VD22]

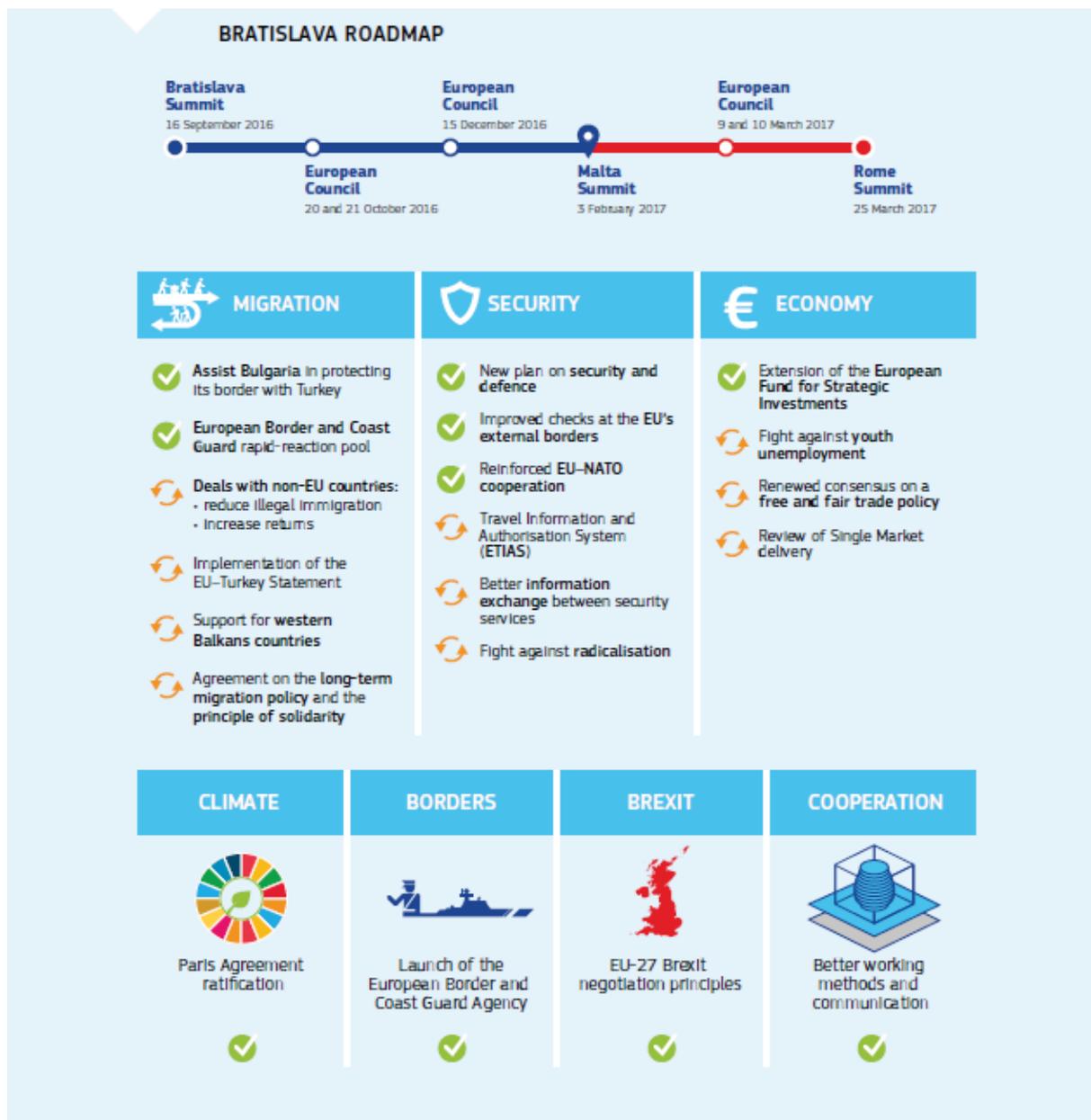


The European Parliament awarded the 2016 Sakharov Prize for Freedom of Thought to Nadia Murad Basee Taha and Lamiya Aji Bashar, two Yazidi victims of ISIL/Da'esh brutality. (video)

The European Council

In 2016 the European Council met in [February](#), [March](#), [June](#), [October](#) and [December](#). Heads of State or Government addressed and provided orientations on key issues such as boosting growth, jobs and competitiveness, completing the Single Market, EU trade policy, internal and external aspects of migration policy, security, and energy and climate change. The leaders also met in an informal setting in Bratislava to discuss the state of the Union and their common future in the aftermath of the UK referendum.

[CH10-GR**]



The Council of the European Union

The rotating presidency of the Council was held by the [Netherlands](#) and [Slovakia](#) in 2016. The ongoing migration crisis, armed conflicts around the world and the fight against terrorism were major topics discussed in the Council during the year. The Council made progress in a number of areas, including taxation, energy and climate change, the financing of the economy and the deepening of the Single Market.

The European Economic and Social Committee and the Committee of the Regions

[CH09-PH40]



Jean-Claude Juncker, President of the European Commission (right), receives a visit from Georges Dassis, President of the European Economic and Social Committee, Brussels, 26 September 2016.

The European Economic and Social Committee took a significant stance on the [refugee crisis](#) in 2016. At the request of the Commission, the Committee also provided an exploratory opinion on the European Pillar of Social Rights. In September the Committee adopted, at the request of the Commission, an exploratory opinion on sustainable development.

The Committee of the Regions organised a European Summit of Regions and Cities in Bratislava, Slovakia, in July. It adopted a declaration calling for a forward-looking vision for Europe based on strengthening investment for promoting cohesion, sustainable growth and job creation in the EU's cities and regions. The Committee also hosted the [European Week of Regions and Cities](#) in October.

[CH09-PH41]



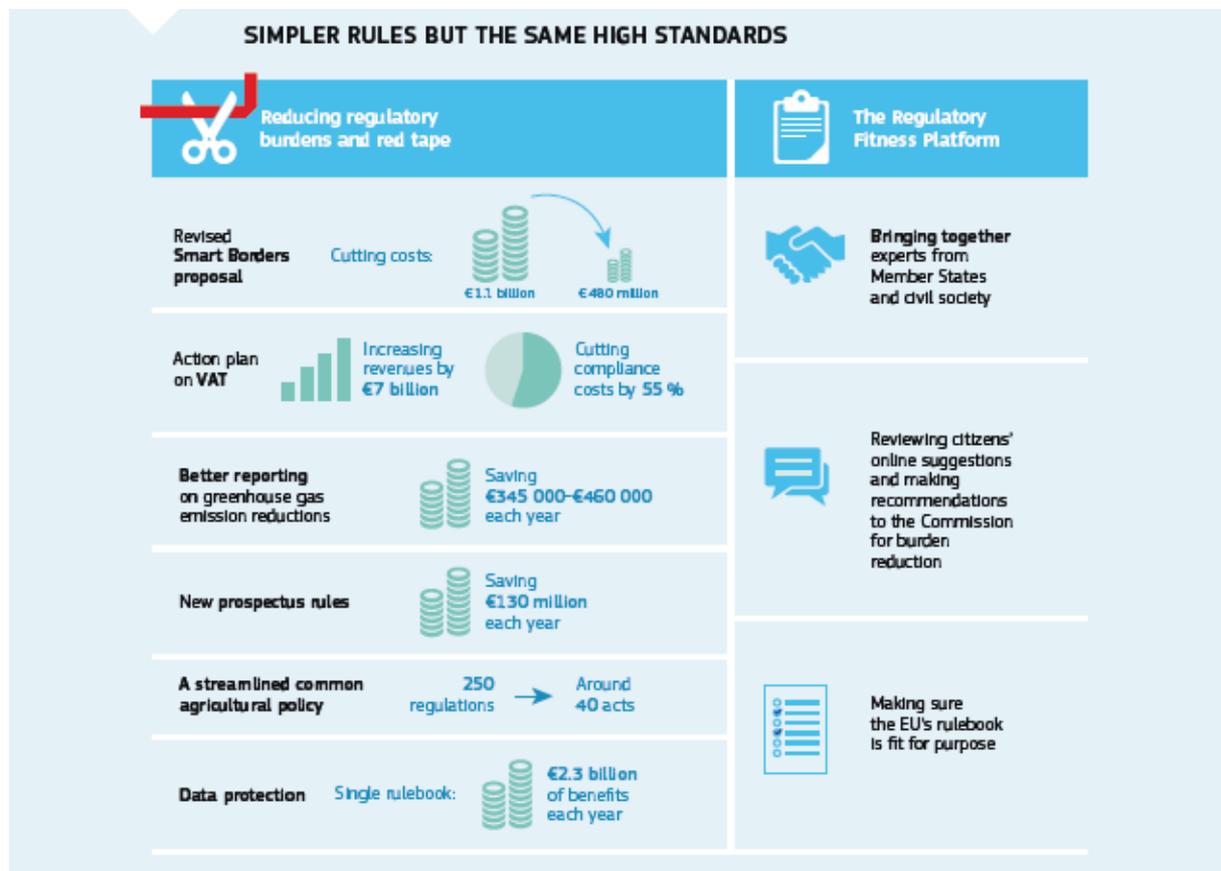
Commissioner Corina Crețu with Markku Markkula, President of the Committee of the Regions of the European Union, at the 14th European Week of Regions and Cities, Brussels, 10 October 2016.

Better regulation

Interinstitutional Agreement on Better Law-making

In April the European Parliament, the Council of the European Union and the European Commission signed a new [Interinstitutional Agreement on Better Law-making](#), based on a Commission proposal, to improve the application of better regulation principles by all institutions. This means taking ambitious action where needed to tackle problems in the EU and designing such action in the most effective, efficient and open manner possible. The Agreement promotes evidence-based policymaking throughout the legislative cycle along with a systematic evaluation of how legislation performs in practice. The Agreement will make the EU legislative process more transparent, open to stakeholder input and easier to follow.

[CH09-GR17]



The 2017 European Commission Work Programme

In October the Commission adopted its [Annual Work Programme for 2017](#), setting out a list of actions that it will take in the coming year and identifying where it intends to withdraw already-tabled proposals or review existing legislation. The 2017 Work Programme follows up on the 10 political priorities of the Commission.

REFIT Scoreboard

The Commission's work on a wide range of actions to evaluate, revise and simplify EU legislation and to reduce regulatory burdens was reflected in the [REFIT Scoreboard](#) presented together with the 2017 Work Programme. The REFIT Scoreboard showed the state of play on 231 initiatives for simplifying and reducing administrative burdens in existing legislation. The Commission also published a [Scoreboard Summary](#) outlining the key elements of the REFIT Scoreboard and providing detailed information on the first 22 REFIT Platform opinions, along with the way in which the Commission intends to follow up.

REFIT Platform

The [REFIT Platform](#) brings together 48 high-level experts from a diversity of stakeholders, the European Economic and Social Committee, the Committee of the Regions and all Member State governments. It advises the Commission on how to make EU Regulations more efficient and effective while reducing administrative burden without undermining policy objectives. Much of the work of the Platform is based on stakeholder input (often communicated through the [Lighten the load — Have your say](#) website). Meetings took place in January, April, May, June, September and November, and 24 opinions were adopted across a wide area of EU regulation.

Regulatory Scrutiny Board

The [Regulatory Scrutiny Board](#) is an independent body of the Commission that scrutinises the quality of draft impact assessments and of major retrospective evaluations and fitness checks. It was established in July 2015, replacing the Impact Assessment Board. In the course of 2016 the board reviewed and issued opinions on 60 impact assessments and seven evaluations.

New web presence and feedback mechanisms

During the year the [Commission took further steps to open up the EU decision-making process to stakeholder and citizen input](#). Draft delegated and implementing acts were, from the end of June, [open for public feedback for a period of 4 weeks](#). By the end of the year 106 draft delegated and implementing acts had been published.

Roadmaps or inception impact assessments for new initiatives, evaluations and legislative proposals have been open for stakeholder comments and contributions since July 2015. By the end of 2016, 338 roadmaps and inception impact assessments had been published for feedback. During the same period 147 legislative proposals were published for feedback.

Monitoring the application of EU law

In July the Commission adopted its [33rd annual report on monitoring the application of EU law](#), which reviewed the Member States' performance in applying EU law and highlighted the main trends in enforcement policy in 2015. The report showed that the total number of infringement procedures was at a consistently lower level compared to 5 years before.

The Commission has reinforced its preventive action to support Member States in the implementation process for Union legislation. When Member States fail to transpose a

directive within the agreed deadline the Commission continues to make full use of the financial sanctions system, including the provision introduced by the Treaty of Lisbon for late transposition of directives.

In December the Commission, in its Communication entitled '[EU law: better results through better application](#)', set out how it will step up its efforts on the application, implementation and enforcement of EU law for the benefit of all citizens, consumers and businesses in the EU.

Transparency and accountability

Proposal for a mandatory transparency register

In September the Commission proposed to establish a mandatory transparency register, covering the European Parliament, the Commission and, for the first time, the Council.

Access to documents

The right of public access to documents is an important tool in the field of transparency. In August the Commission adopted its 2015 report on requests for access to documents. Requests increased by more than 8 % (6 752 applications in 2015 compared to 6 227 in 2014). The requested documents were fully or partially disclosed in 84 % of cases.

Control of the EU budget

After a positive recommendation from the Council, the Parliament gave its final approval in April to the way the Commission implemented the EU budget in 2014.

In July the Commission presented an [Integrated Financial Reporting Package](#) on the EU budget, putting together all of the available information on the EU's revenue, expenditure, management and performance in 2015. The reports demonstrated that the EU budget delivered results in line with the Commission's priorities and was implemented properly. They also provided important input into the annual [discharge procedure](#) for 2015.

[CH10-PH42]



Klaus-Heiner Lehne, President of the European Court of Auditors (right), presents the Court of Auditors' annual report for 2015 to the Committee on Budgetary Control of the European Parliament, Brussels, 13 October 2016.

When deciding whether to grant, postpone or refuse a discharge the Parliament takes into consideration the annual report of the European Court of Auditors. In October the Court presented its annual report on the implementation of the EU budget in 2015. The external auditor of the Commission gave the EU accounts a clean bill of health for the ninth year in a row, and also confirmed that both the revenue side and administrative expenditure continued to be free from significant errors. Moreover, the Court estimated a decreased overall error rate (3.8 %) for the third consecutive year.

It is important to note that for around 80 % of the EU's annual budget, notably in the areas of agriculture and cohesion policy, Member States are the ones primarily responsible for the daily management of EU funds, with the Commission exercising an important control function.

National parliaments

In July the Commission adopted two annual reports for 2015 on [subsidiarity and proportionality](#) and [relations with national parliaments](#).

Subsidiarity issues in 2016

During the year the Commission received 68 reasoned opinions from national parliaments under the [Subsidiarity Review Mechanism](#), claiming that legislative acts presented by the Commission did not comply with the subsidiarity principle. A total of 14 of these reasoned opinions concerned the Commission proposal to review the [Posting of Workers Directive](#). After careful analysis the Commission concluded that the proposal complied with the subsidiarity principle and decided to maintain it, [giving reasons for its decision](#) in July.

Relations with national parliaments

In 2016 the Commission continued to strengthen its relations with national parliaments. The number of opinions received from national parliaments increased from 350 in 2015 to 613 in 2016, an increase of 75 %. Commissioners met with national parliamentarians during their many visits to Member States, at interparliamentary meetings and at other events.

The European Ombudsman

[CH10-PH43]



Pascal Diethelm, President of OxyRomandie, Commissioner Vytenis Andriukaitis, James Crisp, News Editor of EurActiv, Emily O'Reilly, European Ombudsman, and Roberto Bertolini, Chief Scientist and World Health Organisation Representative to the EU, participate in the Ombudsman's event on improving transparency in tobacco lobbying, Brussels, 27 April 2016.

The European Ombudsman investigates complaints about maladministration in the institutions and bodies of the European Union. Inquiries carried out in 2016 covered topics ranging from the composition of Commission expert groups, to rules on access by tobacco lobbyists to the Commission, Commission Special Advisors, the code of conduct for Commissioners and the transparency of trilogues between the European Parliament, the Council and the Commission during the legislative procedure.

The European Citizens' Initiative

A European Citizens' Initiative allows 1 million citizens from at least one quarter of EU Member States to invite the Commission to propose a legal act in areas where the Commission has the power to do so. In 2016 the Commission registered three new initiatives, and announced in its 2017 Work Programme plans to legislate on issues raised by an earlier initiative (Right2Water).

Citizens' dialogues

[CH10-PH44]



Jean-Claude Juncker, President of the European Commission, addresses a citizens' dialogue in St. Vith, Belgium, 15 November 2016.

Throughout the year the Commission continued to engage with the public through citizens' dialogues. The Commission President, Vice-Presidents and Commissioners, along with a number of Members of the European Parliament and national politicians, took part in dialogues during the year. The 73 dialogues provided citizens with a unique opportunity to discuss face-to-face with decision-makers regarding what is happening in the European Union, how the EU is tackling key challenges and how its actions benefit citizens, while enabling EU and national politicians to listen to and learn from citizens from right across the Union on a wide range of topics.