



European
Commission

EU budget 2014

Financial report





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Foreword



The 2014 EU budget is the first budget implemented under the 2014-2020 multiannual financial framework. It came in a still difficult economic and financial environment: while there were some encouraging signs of post-crisis recovery, growth remained slow to pick up. In this context and with ongoing restraint in public spending, the EU budget remains an indispensable source of funding for most Member States — in many cases, the main source of investment. The EU's main objective is therefore to emphasise growth, jobs and competitiveness.

The 2014 EU budget set out EUR 143 billion in commitment appropriations, representing around 1 % of EU gross national income (GNI). For the first time in EU history, the budget agreed by the European Parliament and EU Member States was lower than the previous year's. This came despite the fact that the number of Member States had significantly increased during the two previous programming periods (2000-2006 and 2007-2013), and that the EU had continued taking on duties and competences. The EU is asked to do more with less, which requires setting clear priorities for its budget.

Over 90 % of total commitments in 2014 are invested directly in Member States. Funding is allocated to thousands of projects, supporting regions and cities, businesses, small and medium enterprises, researchers and students. The budget contributes to building better transport, energy and digital infrastructure, protecting the environment, improving education and training, stimulating innovation, and increasing social cohesion. EU funds help make Europe more competitive, better connected, less energy dependent and better adapted to the digital age. Addressing the unprecedented level of youth unemployment in the EU also remains a key priority. And with conflicts and crises in our neighbourhood, we have to deal with a growing refugee crisis by showing solidarity with those seeking refuge and solidarity amongst Member States. The EU also uses its financial clout to maintain and further develop its role as a strong global actor, including remaining collectively the world's largest aid donor.

Most of the payments made to Member States in 2014 related to programmes from the previous programming period. The new programmes from the 2014-2020 multiannual financial framework largely began being implemented in late 2014. They are subject to new rules that put an even stronger emphasis on results. For instance, the conditions placed on EU funding allocated under cohesion policy mean that only projects that can demonstrate real potential to achieve tangible and measurable social or economic effects will now receive funding.

Before I took over in the new Commission, three EU Commissioners were responsible at one point or another for the EU budget in 2014. So I would like to thank my predecessors Janusz Lewandowski, Andris Piebalgs and Jacek Dominik for their hard work. Through their management of the budget, they ensured effective planning, results-focused spending and increased transparency and accountability.

As Vice-President of the European Commission responsible for the EU budget, I will ensure that the financial resources of the Union are used in the best possible way for the benefit of the European people. That includes using the budget to unlock further investment. In late 2014, Commission President Juncker presented an ambitious Investment Plan for Europe, designed to revive the EU economy by mobilising at least EUR 315 billion of public and private capital over the next 3 years. The EU budget provides the guarantee for the European Fund for Strategic Investments that is the cornerstone of the plan. Furthermore, the Commission's intention is to align EU budget funding with the priorities set for this fund, to ensure that this initiative delivers significant results in terms of economic growth, competitiveness, job creation and the wellbeing of EU citizens.

Over the course of the year, the EU also continued simplifying its procedures and reducing red tape in order to make it easier to access EU funding, while ensuring full transparency and accountability. In times when finances are stretched, the EU must spend responsibly and be able to demonstrate clearly to taxpayers that their money is making a real difference. The EU budget must be more focused on results.

Having faced the worst financial and economic crisis since its founding, the EU is on the right track to restoring its economic strength, financial stability and high level of social responsibility. The EU budget is for all of the more than 500 million EU citizens. Its positive effects are visible for all to see, in every corner of Europe and beyond.

Kristalina Georgieva
Vice-President for Budget and Human Resources, European Commission

Executive summary: The EU budget in 2014

The 2014 EU budget was the first one to be implemented under the 2014-2020 multi-annual financial framework (MFF). It was also the first budget in EU history that was lower than the previous year's.

It amounted to EUR 143 billion in commitments, representing around 1 % of EU gross national income (GNI), and EUR 139 billion in payments.

The 2014 budget had a transitional character as it was at the crossroads of two programming periods: the 2014-2020 programmes needed to start swiftly while the 2007-2013 programmes had to be finalised, thus leading to a record level of payment needs to honour past commitments.

It was more than ever an 'investment tool'. In many EU Member States it was even the main source of investment. It focused primarily on boosting growth, jobs and investment, for example through the creation of the Youth Employment Initiative targeting young people who were not already working, studying or training. It also supported enhanced access of small and medium-sized enterprises (SMEs) to finance via a new programme, 'Competitiveness of enterprises and small and medium-sized enterprises' (COSME).

Moreover, during this year all EU institutions continued to reduce their staff levels by 1 % so as to meet the 5 % staff reduction target over 5 years.

Multiannual financial framework: the EU's long-term spending plan

Since 1988, EU leaders have agreed on long-term spending plans (multiannual financial frameworks) that provide a stable basis for the appropriate planning and implementation of programmes throughout a period of at least 5 years. The current financial framework is the first agreed under the Lisbon Treaty and covers 7 years: from 2014 to 2020. It is structured around five categories of expenditure ('headings'), which correspond to different areas of EU activities.

When negotiating the EU budget of a given year, the EU institutions have to respect some annual limits (also known as 'ceilings'). These are the annual limits that the current multiannual framework sets for both the commitments (legal pledges to finance specific initiatives) and the payments (actual money to be paid from the EU budget to the beneficiaries) for each of the 7 years.

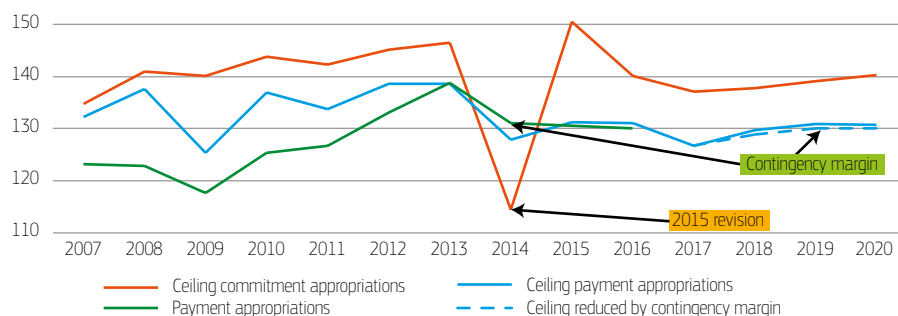
The 2014-2020 financial framework set an **overall ceiling of EUR 1 082 555 million for commitments, which represent 1.04 % of the EU's gross national income (GNI). The ceiling for payments was EUR 1 023 954 million, or 0.99 % of GNI.**

For the first time, the current multiannual financial framework has lower ceilings for commitments and payments than the previous one. There are, however, some 'reserves' that can be mobilised in case of unforeseen events such as crisis and emergency situations: the Emergency Aid Reserve, which finances humanitarian, civilian crisis management and protection operations in non-EU countries; the EU Solidarity Fund, which releases emergency financial aid following a major disaster in a Member State or candidate country; the Flexibility Instrument, which can provide additional funding for a given year for clearly identified expenses that cannot be covered by the EU budget without exceeding the ceilings; and the European Globalisation Adjustment Fund, which helps workers reintegrate into the labour market after they have been made redundant.

The 2014-2020 financial framework gives the EU even more flexibility to find money whenever needed via: the contingency margin (a last resort instrument to react to unforeseen circumstances amounting to 0.03 % of the EU's GNI), the global margin for commitments (the difference between the final adopted budget and the ceiling of a given year) and the global margin for payments (the difference between the executed payments and the payment ceilings of a given year).

For example, the European Commission made **use of the 'contingency margin'** to make up for the particularly low level of payments **in 2014** (due to the lower ceiling set by the multiannual financial framework for that year and the increasing level of bills that had to be paid from the past programming period).

Comparison of ceilings 2007-2020 (in 2011 prices - billion EUR)



Comparison of payments appropriations in 2013, 2014 and 2015 (million EUR)

Headings (2014-2020 MFF)	Implementation 2013 (2)	Implementation 2014	Change compared to 2013	Budget 2015 (3)	Change compared to 2014
1.A Competitiveness for growth and jobs	12 653	11 848	-6.4 %	15 910	34.3 %
1.B Economic, social and territorial cohesion	56 321	54 149	-3.9 %	51 141	-5.6 %
2. Sustainable growth: natural resources	57 773	55 083	-4.7 %	56 901	3.3 %
3. Security and citizenship	1 876	1 656	-11.7 %	1 868	12.8 %
4. Global Europe	6 808	6 909	1.5 %	7 464	8.0 %
5. Administration	8 225	8 340	1.4 %	9336(4)	11.9 %
Total (1)	143 786	138 440	-3.7 %	143 007	3.3 %

(1) Including 6. Compensations and 9. Special instruments.

(2) Converted into 2014 nomenclature.

(3) Voted budget in 2015 + carryover from 2014.

(4) The increase in 2015 is mostly apparent, as there will be a significant automatic carryover of non-differentiated payment appropriations to 2016.

An annual budget to adjust to changing circumstances

Every year the European Commission prepares a draft EU budget respecting the maximum annual amounts set by the multiannual financial framework and following the guidelines of the EU leaders for the coming year. On that basis, the European Parliament and the Council engage in a negotiation process (known as 'conciliation') in order to find a compromise and adopt the budget by the end of the year.

Once the new year has started, the Commission may propose to modify the budget to respond to changing conditions. Usually this is done either through transfers (money from the reserves added to the budget or transfers between the lines of a chapter or between budget headings) or through amending budgets (amendments to the adopted budget of a given year, for example in order to mobilise assistance from the European Solidarity Fund).

A budget of a given year can only be considered as final once the year in question has ended and all changes to it (such as transfers or amending budgets) have been adopted by the European Parliament and the Council. Only then can we say with certainty how much of the foreseen payments have actually taken place. For example, **EUR 138 440 million — or almost 99 % — has been spent of the final budget for 2014, which totalled EUR 140 444 million in payment appropriations.**

The annual budget is mainly implemented on the ground by the Member States themselves (80 %), while only the remaining 20 % is managed directly by the Commission. So most EU-funded projects are selected and managed by national or regional authorities.

In order to process payments from the EU budget, the Commission holds accounts with Member States' treasuries, central banks and commercial banks. From there, it transfers the necessary funds to its accounts with commercial banks, from which payments are made to EU beneficiaries. However, the Commission only transfers the funds needed to carry out its daily payments (the 'just in time' principle).

In 2014, 99.5 % of a total of 2 166 241 payments were made through commercial banks and 0.5 % through treasuries and central banks.

Nevertheless, the latter represented 72 % in terms of the total value of payments.

A balanced budget: revenues must equal expenditure

The EU budget shall always be in balance, so that when the European Parliament and the Council approve the annual budget, total revenue must equal total expenditure.

The 2014 budget was financed by the EU's revenue — the so-called **'own resources' (EUR 132 961 million), other revenue (EUR 9 973 million) and the surplus carried over from the previous year (EUR 1 005 million).**

The bulk of the funding comes from 'own resources', which are funds that belong to the EU but are collected on its behalf by Member States. They are divided into three categories: the traditional own resources, including sugar levies and customs duties; a participation in the national collection of the value added tax (VAT); and the GNI own resource.

Customs duties are levied on all imports to the EU. In 2014, **traditional own resources (customs duties and sugar levies) represented 11.41 % of total revenue.**

A uniform rate of 0.3 % was levied in 2014 on each Member State's VAT base, which cannot exceed 50 % of the Member State's GNI. In 2014, five Member States saw their VAT contribution reduced thanks to this 50 % cap (Croatia, Cyprus, Luxembourg, Malta and Slovenia). **Revenue from the VAT own resource represented 12.27 % of total revenue.**

The GNI own resource serves as a balancing resource: it finances all spending not covered by other sources of revenue so that revenue and expenditure are always in balance. It is thus the difference between total expenditure and the sum of all other revenue. The same percentage, calculated according to EU rules, is levied on each Member State's GNI. **In 2014, the GNI resource accounted for 68.83 % of revenue.**

The own resources system also includes the 'UK correction' (also known as the 'UK rebate'), a specific mechanism for correcting the imbalance between what the United Kingdom pays to and receives from the EU budget. **The UK correction paid in 2014 was EUR 6 066.3 million.**

The key for determining the own resources is the 'Own Resources Decision'. The current one was agreed on 26 May 2014 ⁽¹⁾ and, once ratified by all EU Member States, will enter into force with retroactive effect from 1 January 2014.

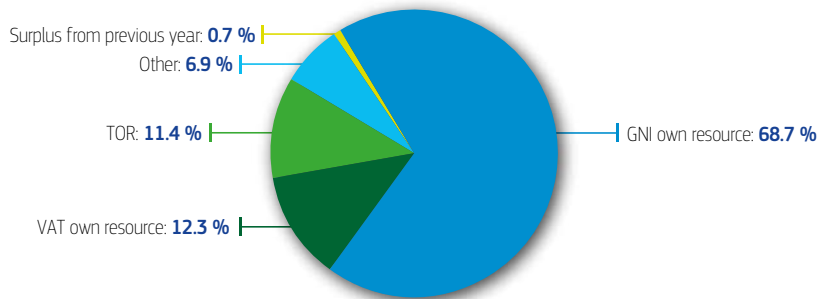
The revenue other than own resources includes taxes levied on the salaries of EU staff, interests on late payments and fines, contributions from non-EU countries to certain programmes, as well as other diverse items. **In 2014, other revenue totalled EUR 9 973 million.** This amount was high mainly due to competition fines cashed into the budget.

Whereas the EU budget must always be in balance, at the end of the year there can be a positive difference (surplus) or a negative balance (deficit) in comparison to the budget estimates.

⁽¹⁾ Council Decision 2014/335/EU, Euratom on the system of own resources of the European Union.

Usually the balance is positive and the money is returned to the Member States in the form of reduced contributions the following year. This was the case in 2013, which enabled the EU to carry over to 2014 a **surplus of EUR 1 005 million**.

EU revenue 2014 (after the UK correction)



Expenditure: 94 % for projects affecting the daily lives of citizens

Payments executed in 2014 (million EUR)

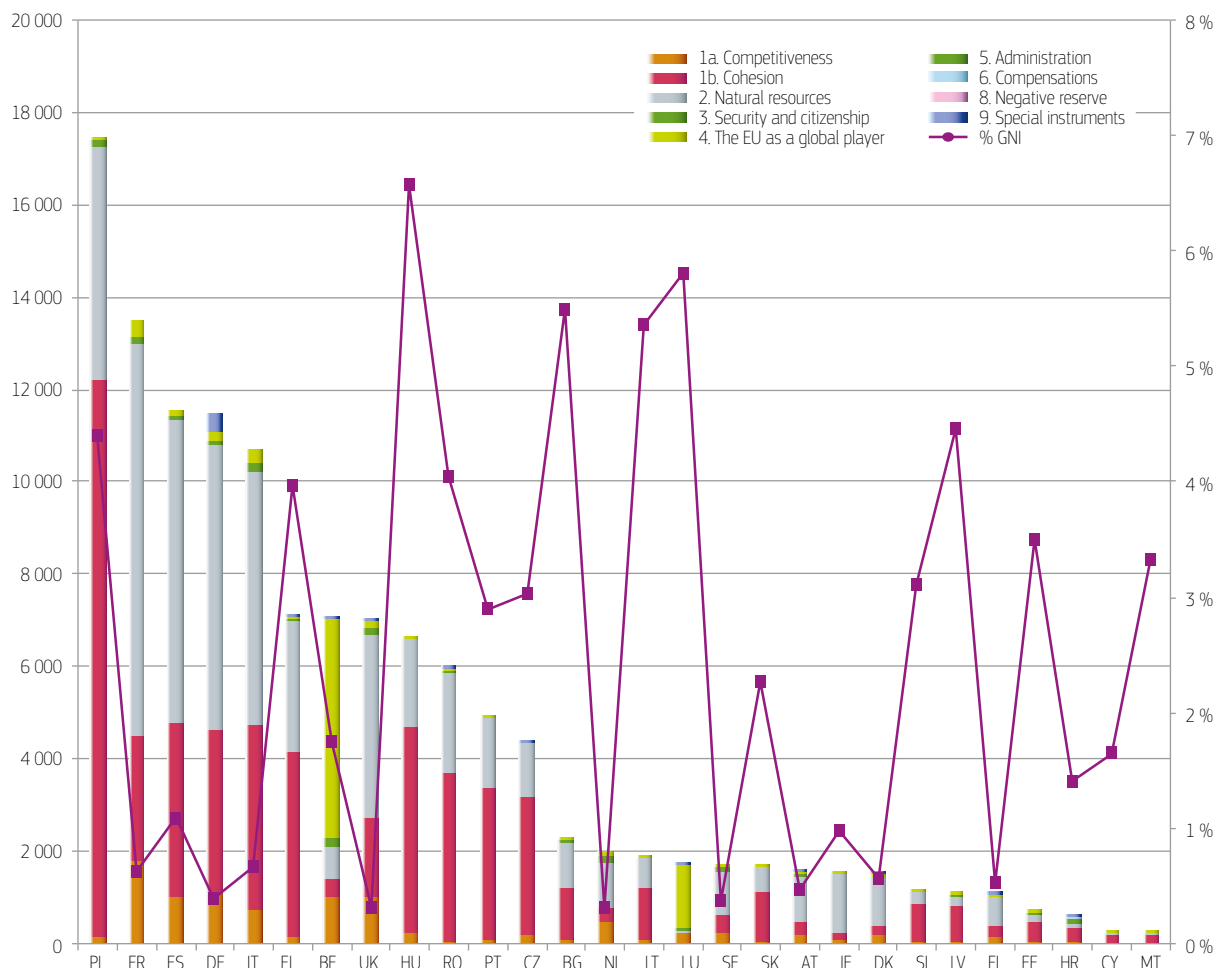
Heading	Payments
1a Competitiveness for growth and jobs	11 848
1b Economic, social and territorial Cohesion	54 149
2 Sustainable growth: Natural resources	55 083
3 Security and citizenship	1 656
4 Global Europe	6 909
5 Administration	8 340
6 Compensations	29
Special instruments	427
Total	138 440

The annual EU budget expenditure is broken down into headings and subheadings (see graph), as decided by the multiannual financial framework. In total, **94 % of the 2014 EU budget was used for funding policies and projects both in Member States and outside the EU and only 6 % for financing the administrative cost of the EU institutions.**

The following chart provides an overview of how each country benefited from the budget and illustrates the relative importance of EU funding to each Member State by expressing this as a proportion of GNI.

The 2014-2020 multiannual financial framework having only just started, the payments made in 2014 corresponded mainly to the completion of programmes from the previous period (2007-2013) and to the pre-financing of the 2014-2020 programmes. Only in the areas of common agricultural policy and administration did the payments actually cover expenses made in 2014.

Expenditure by Member State in 2014 (million EUR)



1a. Competitiveness for growth and employment

Special focus was given to stimulating economic growth and creating new jobs through investments in research, innovation and education. To this end, **EUR 16 466 million were committed in 2014, which represented an increase of 5 % compared to 2013.**

Major programmes with tangible benefits to the citizens were funded, such as 'Horizon 2020' (the biggest EU research and innovation programme ever with nearly EUR 80 billion in funding available over 7 years), 'Erasmus+' (a programme that supports various actions in the areas of education, training, youth and sport) and the Connecting Europe Facility (CEF), which supports trans-European networks and infrastructures in the sectors of transport, telecommunications and energy.

For instance, European actions under the new programme COSME helped to decrease time to start up a business from 5.4 working days in 2012 to 3.5 in 2014.

1b. Economic, social and territorial cohesion

In 2014, EUR 27 944 million were committed for reducing disparities between EU regions and between individual EU Member States so as to achieve balanced economic, social and territorial development all over the EU.

Funding is delivered through the so-called 'Structural and Investment Funds': under this subheading they are the European Regional Development Fund, the European Social Fund and the Cohesion Fund. For example, the extension of broadband coverage is now close to 100 % in nearly all EU regions thanks to financing from the European Regional Development Fund. Thanks to the use of digital networks, people in less developed regions thus no longer have a disadvantage in doing business in comparison to citizens from other regions.

There were very high accumulated unpaid bills in cohesion at the end of 2013 due to the late adoption of the 2007-2013 programmes. Therefore, a significant part of the 2014 budget for this subheading was used to pay these pending bills.

2. Sustainable growth: natural resources

Agriculture is one of the EU's most significant policy areas from a budgetary point of view. In 2014, the Common Agricultural Policy, the only policy completely financed by the EU, ensured that the negative impact of difficult economic circumstances on the EU agricultural sector (the fall of agricultural and energy prices, the Russian ban on EU food products, etc.) was limited.

EUR 42 910 million were committed in 2014 for direct aid given to farmers as income support and measures to manage market risks. To increase the economic potential of rural areas, **EUR 3 310 million were also committed for the European Agricultural Fund for Rural Development.**

3. Security and citizenship

EUR 1 466 million were committed in 2014 for protecting EU citizens, their freedom and their property, which are core EU objectives.

The area of security and citizenship includes justice and home affairs, border protection, immigration and asylum policy, public health, consumer protection, culture and young people, as well as information and communication actions. It still represents a small part of the total EU budget (less than 1.5 %), but its importance is growing.

For instance, the evaluation of the EU's Civil Protection Mechanism, which offers assistance from the participating states to victims of natural and man-made disasters in Europe and elsewhere, confirmed that coordinated emergency response at EU level was efficient.

4. Global Europe

The EU continued to strengthen its role in international affairs by preventing, managing and resolving conflicts and building stability, peace and growth in the world.

In 2014, **EUR 8 286 million were committed for a number of policy instruments for international cooperation and humanitarian and development aid.** For example, the EU has provided shelter, food, water and healthcare in Eastern Ukraine and thus addressed the basic needs of more than 1 million displaced people.

5. Administration

Some EUR 8 314 million (around 6 % of the EU budget) were committed in 2014 for ensuring the smooth operation of all EU institutions, the administrative bodies serving the interests of over 500 million EU citizens.

Expenditure in this area covered, for example, staff salaries and pensions, as well as buildings and infrastructure, information technology and security.

Examples of results achieved with funding from the EU budget.

- ▶ Direct payments to farmers, financed by the European Agricultural Guarantee Fund, accounted, on average, for almost half of family farm income in 2014 and supported more than 8 million European farmers.
- ▶ Gas emissions from the agricultural sector have continued to decline by an average of 1.7 % every year between 2001 and 2012.
- ▶ In 2014, two former EU-funded researchers were awarded, respectively, the Nobel Prize in Medicine and the Nobel Prize in Chemistry.
- ▶ The European Commission alone provided over EUR 1 354 million in humanitarian aid in 2014 to the most vulnerable in more than 80 countries, reaching almost 121 million beneficiaries.
- ▶ The EU provided over EUR 128 million worth of humanitarian assistance to the Central African Republic, where over half of 4.6 million people suffered from the conflict, and to refugees in neighbouring countries. It also made sure that both aid workers and relief material arrived in the region.
- ▶ Thanks to the European Regional Development Fund, a total of 769 000 jobs were created between 2007 and 2013, of which 34 800 were in research and 274 100 in SMEs. Across Europe, 25 700 km of road and 4 800 km of rail have been built or reconstructed, 32 400 renewable energy projects were supported and seven million people have benefited from flood protection measures.
- ▶ 5.7 million participants in European Social Fund-financed projects for the period 2007–2012 found a job, almost 8.6 million obtained a qualification and 550 000 either created their own job as self-employed or started a new enterprise. Over 913 000 employees benefited from trainings intended to strengthen administrative capacity.
- ▶ The EU's Civil Protection Mechanism was activated 30 times, mainly in relation to natural disasters, but also in response to nine man-made disasters (civil unrests and conflict, oil pollution and accidents).
- ▶ The European Fisheries Fund supported the sustainable development of fisheries through local action groups. Between 2007 and 2014, more than 9 800 projects were approved, as a result of which around 8 000 jobs were created, 12 500 jobs were maintained and 220 new businesses were set up.

- ▶ The EU provided funding to essential European networks working in the area of violence against women and children, such as Missing Children Europe, Women Against Violence Europe, Child Helpline International, the European Network for work with the perpetrators of domestic violence and the European Network of Ombudspersons for Children.
- ▶ Over 500 new initiatives supporting democracy and human rights were launched in 2014 under the European Instrument for Democracy and Human Rights, covering over 135 countries. These are in addition to the more than 1 500 ongoing projects in this area.



Section I

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2014 EU budget

Financial framework

Since 1988, the annual EU budget has been set within a multiannual financial framework. This is in order to ensure budgetary discipline, to improve the functioning of the budgetary procedure and to encourage interinstitutional cooperation. The 2007-2013 multiannual financial framework was the fourth and last framework adopted via an interinstitutional agreement. The current financial framework was adopted for a period of 7 years (2014-2020) through the multiannual financial framework regulation, and was the first to be adopted under the new arrangements introduced by the Lisbon Treaty.

Structure

Multiannual financial frameworks are composed of a number of headings (some of which are then broken down into subheadings), for each of which an annual limit (ceiling) for commitment appropriations is set. The total of the ceilings for all headings gives the total ceiling for commitment appropriations. An estimate of the corresponding annual ceiling to apply to payment appropriations is then calculated. Total annual ceilings are expressed in millions of euros and as a percentage of EU gross national income (GNI).

The total annual ceiling for payment appropriations, expressed as a percentage of EU GNI, is compared to the reference own resource ceiling (1.23 % of EU GNI). The margin created by the difference between the two percentages performs a dual role: first, it leaves a safety margin that ensures (as far as is possible within the limits of the own resources ceiling) that the resources available to the EU would not be reduced as a consequence of a lower-than-forecast economic growth rate; second, it allows the payment ceilings of the financial framework to be revised if needed, meaning that any unforeseen expenditure could be covered within the 1.23 % ceiling.

Technical adjustment

In accordance with Article 6 of the multiannual financial framework regulation, the Commission is to make a technical adjustment to the financial framework each year, to take account of the movement there has been in EU GNI and in prices. It calculates the technical adjustment needed before the start of the budgetary procedure for every year, and informs the two arms of the budgetary authority (the European Parliament and the Council) of the results of these adjustments. For the 2014-2020 multiannual financial framework, a fixed deflator of 2 % per year was applied for the whole period to express the ceilings in current prices in the technical adjustment for 2014. No further adjustment as regards prices are necessary. Technical adjustments are made also to update the expression of the ceilings as a percentage of EU GNI. The movement in GNI used as a basis for setting the level of the technical adjustment includes the latest economic forecasts available. The technical adjustment for 2014 was made in December 2013.

Before the preparation of the draft budget for the next year, the Commission also calculates in the technical adjustment:

1. the margin available under the own resources ceiling set in accordance with Council Decision 2007/436/EC, Euratom on the system of the European Communities' own resources ⁽¹⁾ (the Own Resources Decision);
2. the absolute amount of the contingency margin provided for in Article 13 of the multiannual financial framework regulation;
3. the global margin for payments provided for in Article 5 of the multiannual financial framework regulation (calculated for the first time in 2015 in the technical adjustment for 2016);
4. the global margin for commitments provided for in Article 14 of the multiannual financial framework regulation (also calculated for the first time in 2015 in the technical adjustment for 2016); and
5. where relevant, the adjustment needed to be made to the subceiling of heading 2 to take account of transfers between the two pillars of the common agriculture policy, as provided for in Article 3 of the multiannual financial framework regulation.

Revision and adjustment

Article 17 of the multiannual financial framework regulation provides for the framework to be revised in the event of unforeseen circumstances. The revised programme must still comply with the own resources ceiling set in accordance with the Own Resources Decision. Proposals for revisions of the multiannual financial framework are to be presented and adopted before the start of the budgetary procedure for the year or the first of the years concerned. No revision has yet been adopted on the grounds of unforeseen circumstances.

Article 19 of the multiannual financial framework regulation provides for the framework to be revised if new rules or programmes under shared management are adopted after 1 January 2014. As a result of the late agreement on relevant legal acts, a significant number of programmes could not be adopted in 2014 and EUR 21 billion was therefore transferred to 2015, 2016 and 2017 by means of a revision of the multiannual financial framework regulation adopted in April 2015 ⁽²⁾.

Summary of updated figures (all data in current prices):

- The overall ceiling for commitments (EUR 154 738 million) represents 1.05 % of EU gross national income (GNI), instead of the 1.08 % forecast in spring 2014.
- The overall ceiling for payments (EUR 144 685 million) represents 0.98 % of EU GNI. This leaves a margin below the 1.23 % own resources ceiling of EUR 37 282 million (0.25 % of EU GNI) for 2016.

⁽¹⁾ Council Decision of 7 June 2007 on the system of the European Communities' own resources (2007/436/EC, Euratom) (OJ L 163, 23.6.2007, p. 17).

⁽²⁾ Council Regulation (EU, Euratom) 2015/623 of 21 April 2015 amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 103, 22.4.2015, p. 1).

- ▶ The absolute amount of the contingency margin (the last 'buffer' in place to cover unforeseen circumstances) for 2016 is EUR 4 438 million (0.03 % of EU GNI).
- ▶ The subceiling for heading 2 (agriculture: market-related expenditure and direct payments) has been reduced by EUR 3 580 million for the years 2015-2020, following transfers made at Member States' request from the first pillar (direct payments) to the second pillar (rural development) of the common agricultural policy.
- ▶ The global margin for commitments (the difference between the final adopted budget and the ceiling in 2014) has been calculated for the first time. As a result, an additional amount of EUR 543 million will be available in 2016.
- ▶ The global margin for payments (the difference between the executed payments and the payment ceilings set for 2014 under the multiannual financial framework) is EUR 106 million. This will be available in 2015 (and the 2014 and 2015 ceilings are adjusted accordingly).

The budgetary procedure

The Lisbon Treaty ⁽¹⁾ sets out the four specific stages that must be completed when adopting the EU budget (Article 314 of the Treaty on the Functioning of the European Union ⁽²⁾).

Commission's draft budget ⁽³⁾

The Commission adopted the draft budget for 2014 on 28 June 2013. Commitment appropriations were set at EUR 142 011 million, 5.8 % lower than in the 2013 budget, and equivalent to 1.05 % of GNI. The level of payment appropriations proposed was also reduced by 5.8 %, to EUR 135 866 million, or 1.01 % of GNI. The margins left by these amounts, relative to the ceilings set for 2014 in the multiannual financial framework, were EUR 583 million for commitment appropriations and EUR 0.2 million for payment appropriations, the latter reflecting the substantial lowering of the payment ceiling in 2014 (as compared to the payment ceiling set for the 2013 budget). The appropriations proposed for 2014 for special instruments outside the multiannual

⁽¹⁾ Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community (OJ C 306, 17.12.2007, p. 1)

⁽²⁾ <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=OJ:C:2008:115:TOC>

⁽³⁾ http://ec.europa.eu/budget/library/biblio/documents/2014/DB2014_WD_0_en.pdf

financial framework totalled EUR 456 million for commitment appropriations and EUR 200 million for payment appropriations.

Council's reading of the draft budget ⁽¹⁾

In July 2013, the Council adopted its position on the 2014 draft budget. It set commitment appropriations at EUR 141 771 million, EUR 241 million lower than in the draft budget adopted by the Commission. Payment appropriations were reduced by EUR 1 061 million to EUR 134 805 million, equivalent to 1.00 % of GNI. The largest reductions were made to subheading 1a **Competitiveness for growth and jobs** (a reduction of EUR 60 million in commitments and EUR 427 million in payments); subheading 1b **Economic, social and territorial cohesion** (EUR 3 million in commitments and EUR 202 million in payments); heading 2 **Sustainable growth: natural resources** (EUR 1.6 million in commitments and EUR 113 million in payments); heading 4 **Global Europe** (EUR 17 million in commitments and EUR 157 million in payments); and heading 5 **Administration** (EUR 153 million in commitments and payments).

Parliament's reading ⁽²⁾

Parliament's amendments to the 2014 draft budget were adopted by vote in October 2013. It set total commitment appropriations at EUR 142 626 million (1.06 % of GNI), EUR 855 million higher than the Council. Payments were set at EUR 136 077 million (1.01 % of GNI), EUR 1 273 million higher than the level set by the Council.

Amending letters

During the course of the procedure, the Commission presented two letters amending the draft budget. Amending letter No 1/2014 covered:

- ▶ the frontloading ⁽³⁾ of commitment appropriations for Horizon 2020, Erasmus+ and COSME (Competitiveness of enterprises and small and medium-sized enterprises), further to the political agreement reached at the end of June 2013 on the 2014-2020 multiannual financial framework;
- ▶ the additional assistance to Cyprus to be provided under the Structural Funds (EUR 100 million), as part of which the Commission proposed using the Flexibility Instrument provided for under heading 1b of the multiannual financial framework to make available an amount of EUR 78 million; and
- ▶ the consequences, in terms of human and financial resources, of the proposed new generation of joint technology initiatives (public-private and/or public-public partnerships). These aim to, for example, provide new and more effective diagnostics and treatments, develop new and competitive bio-based value chains and develop clean energy solutions.

⁽¹⁾ https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/138144.pdf

⁽²⁾ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0437+0+DOC+XML+V0//EN>

⁽³⁾ Incurring or paying off expenditure (for example) early in a given period; focusing efforts, costs or expenditure at the beginning of a project.

Amending letter No 2/2014 covered:

- ▶ a revision of the forecast for traditional own resources (i.e. customs duties and sugar sector levies) to be received in 2014, to take account of the trend observed in traditional own resources received to date in 2013;
- ▶ the standard annual update of the budget requests for the agricultural sector and for the International Fisheries Agreements;
- ▶ the consequences, in terms of human and financial resources, of the delegation of the management of operational programmes to executive agencies, as planned under the new multiannual financial framework; and
- ▶ the integration of the new function group AST/SC ⁽¹⁾ in the EU institutions and bodies' organisational planning.

The net effect of the amending letters was to increase commitments set by the Commission in its initial draft budget by EUR 95 million to EUR 142 107 million, and to reduce payments by EUR 5 million to EUR 135 861 million.

Conciliation Committee

The Conciliation Committee reached an agreement on the 2014 budget within the 21 days allowed. The final compromise, reached in November 2013, contained the following elements:

- ▶ agreement on the overall level of payment appropriations of EUR 135 505 million including special instruments (equivalent to 1.00 % of GNI), EUR 500 million above the level proposed by the Council in its position on the draft budget;
- ▶ agreement on the level of commitment appropriations for headings 1a, 1b, 3 and 4, and for special instruments, with funding for certain political priorities being increased as compared to the levels proposed by the Commission in the draft budget (as modified by amending letters). As part of the agreement, EUR 89 million was made available from the Flexibility Instrument provided for under heading 1b; and
- ▶ agreement on a reduction of the level of appropriations for administration (heading 5), commitment appropriations being reduced by EUR 185 million and payment appropriations by EUR 186 million as compared to the levels set in the draft budget adopted by the Commission (as modified by amending letters).

The final compromise on the 2014 budget set total commitments at EUR 142 640 million and total payments at EUR 135 505 million.

Reserves

The agreed initial budget included the following reserves:

- ▶ European Globalisation Adjustment Fund: EUR 159 million in commitments and EUR 50 million in payments;

⁽¹⁾ Secretaries and administrative staff.

- Emergency Aid Reserve: EUR 297 million in commitments and EUR 150 million in payments; and
- European Union Solidarity Fund: EUR 150 million in payments (in order to implement the measures in favour of the Czech Republic, Germany and Austria adopted in Amending Budget 9/2013).

From the draft budget to the agreed initial budget for 2014 (million EUR)

Commitments

Heading	Final Budget 2013 (1)	Draft Budget 2014 (2)	Council's position (3)	European Parliament's position (4)	Voted Budget 2014 (5)	Difference (5)/(1)= (6)
1a Competitiveness for growth and jobs	15 641	16 433	16 204	16 495	16 484	5 %
1b Economic, social and territorial cohesion	55 108	47 491	47 557	47 637	47 502	-14 %
2 Sustainable growth: natural resources	60 102	59 248	59 246	59 295	59 267	-1 %
3 Security and citizenship	2 197	2 139	2 134	2 179	2 172	-1 %
4 Global Europe	9 315	8 176	8 159	8 385	8 325	-11 %
5 Administration	8 431	8 590	8 442	8 607	8 405	0 %
Compensations	75	29	29	29	29	-61 %
Appropriations for commitments total	150 869	142 107	141 771	142 626	142 184	-6 %
Special instruments	1 179	456	456	456	456	
Grand total	152 048	142 563	142 227	143 082	142 640	-6 %

The agreed commitment appropriations represented 1.06 % of GNI.

Payments

Heading	Final Budget 2013 (1)	Draft Budget 2014 (2)	Council's position (3)	European Parliament's position (4)	Voted Budget 2014 (5)	Difference (5)/(1)= (6)
1a Competitiveness for growth and jobs	12 612	11 695	11 268	11 721	11 441	-10 %
1b Economic, social and territorial cohesion	56 473	51 094	50 891	51 102	50 951	-10 %
2 Sustainable growth: natural resources	58 036	56 532	56 420	56 575	56 459	-3 %
3 Security and citizenship	1 699	1 668	1 658	1 698	1 677	-1 %
4 Global Europe	6 743	6 251	6 095	6 345	6 191	-8 %
5 Administration	8 429	8 592	8 443	8 608	8 406	0 %
Compensations	75	29	29	29	29	-61 %
Appropriations for payments total	144 070	135 861	134 805	136 077	135 155	-6 %
Special instruments	382	200	200	367	350	
Grand total	144 451	136 061	135 005	136 444	135 505	-6 %

The agreed payment appropriations represented 1.00 % of GNI.

Budget management

The EU budget lifecycle

The way in which the EU budget is managed over its lifecycle, from approval of the annual budget onwards, means that the figures for the commitment appropriations and payment appropriations available for a given financial year tend to vary over the course of the year. Procedures similar to that used for adopting the budget also apply to the adoption of subsequent amendments to the budget (allowed where necessitated by exceptional or unforeseen circumstances).

The following factors can cause items in the annual budget to vary over the course of the financial year.

Carryovers

Carryovers are amounts from the previous year's budget that have not been used and that are therefore carried forward to the current financial year. The Commission's decision on carryovers, taken on 11 February 2014, related almost exclusively to amounts available due to the difference between the commitment and the payment appropriation in the previous year's budget.

Amending budgets

Amending budgets are a measure which takes into account political, economic or administrative needs which could not have been foreseen at the point at which the budget was prepared and adopted. They ensure more precise and more economical financing of the EU budget by the Member States.

Seven amending budgets were adopted in 2014. Of the eight draft amending budgets proposed in 2014, one was not adopted — Draft Amending Budget 2/2014, COM(2014) 234. This related to the budgeting of the surplus remaining at the end of the 2013 budget year. No agreement was reached in the budgetary conciliation procedure held on 14 November 2014; the procedure therefore lapsed and the Commission submitted a second proposal, Draft Amending Budget 8/2014, COM(2014) 722.

Amending Budget 1/2014 involved a number of technical adjustments to the budget structure and amendments to budgetary remarks. These changes were necessary in order to be able to implement the 2014 budget in a way which complies with the latest legislative decisions and political orientations, including the immediate need to facilitate SMEs' access to financing. The amending budget was budgetary neutral. The main changes introduced were the following:

- ▶ adjustments needed to implement the proposed increase in capital for the European Investment Fund;
- ▶ changes needed to align the budget structure to the legal base used for Horizon 2020, adopted in December 2013 (thus after the adoption of the 2014 budget); and
- ▶ the creation of the budget structure for the proposed Shift2Rail joint undertaking ⁽¹⁾.

Proposed by the Commission on 11 February 2014 as Draft Amending Budget 1 (COM(2014) 78), Amending Budget 1/2014 was adopted by the Council on 9 April 2014 and approved by the Parliament on 16 April 2014.

Amending Budget 2/2014 introduced the following changes:

- ▶ an increase in the forecast for revenue from fines and interest of EUR 1 417 million (combined);
- ▶ an increase in the forecast for revenue from repayments and revenue paid back to the Facility for Euro-Mediterranean Investment and Partnership ⁽²⁾ of EUR 151 million;
- ▶ reallocations of EUR 717 million of payment appropriations;
- ▶ increases in budget lines amounting to EUR 4 247 million across headings 1a, 1b, 2, 3 and 4, made possible by using the contingency margin, in accordance with Article 13 of the multiannual financial framework regulation. This amendment was made in response to events that had not been foreseen at the point of agreeing the payment ceilings for the 2014-2020 multiannual financial framework; and
- ▶ an adjustment to the organisational planning of the Commission, the Offices, the Committee of the Regions and the European Data Protection Supervisor to take account of the conversion of posts in the function group for assistants (AST) into posts in the new function group for secretaries (AST/SC). This adjustment was made at this point in time as reliable estimates of the number of posts concerned in 2014 had become available. The conversion of posts resulted in a saving of administrative expenditure under heading 5 of EUR 0.4 million (the corresponding payment appropriations being the abovementioned reallocations).

Proposed by the Commission on 28 May 2014 as Draft Amending Budget 3 (COM(2014) 329), Amending Budget 2 was adopted by the Council on 12 December 2014 and approved by the Parliament on 17 December 2014.

Amending Budget 3/2014 introduced the following changes:

- ▶ a revision of the forecasts for traditional own resources (i.e. customs duties and sugar levies), VAT and GNI bases and the budgeting of the relevant UK corrections and their financing, resulting in a change in the relative proportions of total EU own resources that different Member States contribute;
- ▶ a revision of the forecast for revenue arising from interest and fines of EUR 2 433 million;

⁽¹⁾ The Shift2Rail joint undertaking is a new public-private partnership in the rail sector. It was set up under Horizon 2020 to provide a platform for the coordination of research activities, with a view to driving innovation in the rail sector in the years to come.

⁽²⁾ The Facility for Euro-Mediterranean Investment and Partnership was created in October 2002, following the Barcelona European Council. It is run within the European Investment Bank, and its aim is to stimulate economic growth and private sector development in the Mediterranean region (Morocco, Algeria, Tunisia, Egypt, Gaza-West Bank, Israel, Lebanon, Syria and Jordan).

- ▶ a reduction of EUR 0.2 million in the budgetary appropriations for the European Data Protection Supervisor, both commitments and payments, as a result of the postponement of the appointment of the new European Data Protection Supervisor and Assistant European Data Protection Supervisor;
- ▶ an increase of EUR 0.2 million in the payment appropriations for humanitarian aid;
- ▶ a reduction of the commitment appropriations for budget lines 11 03 01, 11 06 62 01 and 11 06 62 04, worth a total of EUR 75 million (of which EUR 71 million from the reserve);
- ▶ a modification of the structure of budget article 13 03 64, relating to the European Regional Development Fund;
- ▶ splitting the item European territorial cooperation into three separate budget items (13 03 64 01, 13 03 64 02 and 13 03 64 03), to reflect the final adoption of the related legal base;
- ▶ the creation of a new budget article 05 03 09 'Reimbursement of direct aids in relation to financial discipline', with a 'p.m.' for 'payment claim'; and
- ▶ the replacement of the dash '-' for payment appropriations on item 11 06 77 03 'Preparatory action — Maritime policy' with a 'p.m.' for 'payment claim'.

Proposed by the Commission on 9 July 2014 as Draft Amending Budget 4 (COM(2014) 461), and revised by the Commission by means of an amending letter, Amending Budget 3 was adopted by the Council on 12 December 2014 and approved by the Parliament on 17 December 2014.

Amending Budget 4/2014 allowed EUR 47 million in commitment appropriations to be made available from the EU Solidarity Fund. This funding was used to support a number of Member States affected by severe natural disasters: floods in Italy (Sardinia) during November 2013, an earthquake in Greece (Kefalonia) at the end of January and beginning of February 2014, and ice storms in Slovenia and Croatia, causing flooding in the latter, from the end of January and throughout February 2014.

Proposed by the Commission on 8 September 2014 as Draft Amending Budget 5 (COM(2014) 564), Amending Budget 4/2014 was adopted by the Council on 12 December 2014 and approved by the Parliament on 17 December 2014.

Amending Budget 5/2014 increased the forecast for traditional own resources (customs duties) by EUR 420 million and revised the forecasts for own resources (VAT and GNI balances).

Proposed by the Commission on 17 October 2014 as Draft Amending Budget 6 (COM(2014) 649) and revised by the Commission by means of an amending letter, Amending Budget 5/2014 was adopted by the Council on 12 December 2014 and approved by the Parliament on 17 December 2014.

Amending Budget 6/2014 allowed EUR 80 million in commitment appropriations to be made available from the EU Solidarity Fund. This funding was used to support a number of Member States affected by severe natural disasters: floods in Serbia and Croatia in May 2014 and floods in Bulgaria in June 2014.

Proposed by the Commission on 15 October 2014 as Draft Amending Budget 7 (COM(2014) 650), Amending Budget 6/2014 was adopted by the Council on 12 December 2014 and approved by the Parliament on 17 December 2014.

Amending Budget 7/2014 incorporated the surplus resulting from the implementation of the 2013 budget, EUR 1 005 million, into the budget for 2014.

Proposed by the Commission on 27 November 2014 as Draft Amending Budget 8 (COM(2014) 722), Amending Budget 7 was adopted by the Council on 12 December 2014 and approved by the Parliament on 17 December 2014.

Summary of amending budgets for the financial year 2014 ⁽¹⁾ (million EUR)

AB No	Date of adoption	OJ Reference	Impact on payment appropriations	Main subject
1	16.04.14	Official Journal L 204 11.7.2014		EIF capital increase, changes in Horizon 2020
2	17.12.14	Official Journal L 73 17.3.2015	EUR 3 599 million (EUR 3 529 million new appropriations and EUR 70 million transferred from provisional appropriations)	Revenue from fines and interest payments and increase of payment appropriations
3	17.12.14	Official Journal L 73 17.3.2015	EUR 0.2 million	Traditional own resources (TOR), VAT and GNI bases
4	17.12.14	Official Journal L 73 17.3.2015		Floods in Sardinia, earthquake in Greece, ice storms in Slovenia, ice followed by floods in Croatia
5	17.12.14	Official Journal L 73 17.3.2015		Revision of TOR, VAT and GNI contributions
6	17.12.14	Official Journal L 73 17.3.2015		Floods in Serbia, Croatia and Bulgaria
7	17.12.14	Official Journal L 73 17.3.2015		Surplus 2013

Transfers

Transfers between budget items are by definition neutral in their effect on the overall budget. They may increase the amount of appropriations available in operational budget lines when reserves are released. Decisions relating to transfers are generally made by the budget authority, but institutions are allowed to carry out internal transfers under specified conditions.

The final budget therefore reflects the effect, at the end of the financial year, of active budget management. In particular, it shows all measures affecting the total EU budget — carryovers, amending budgets and transfers — that have been proposed and adopted during the financial year.

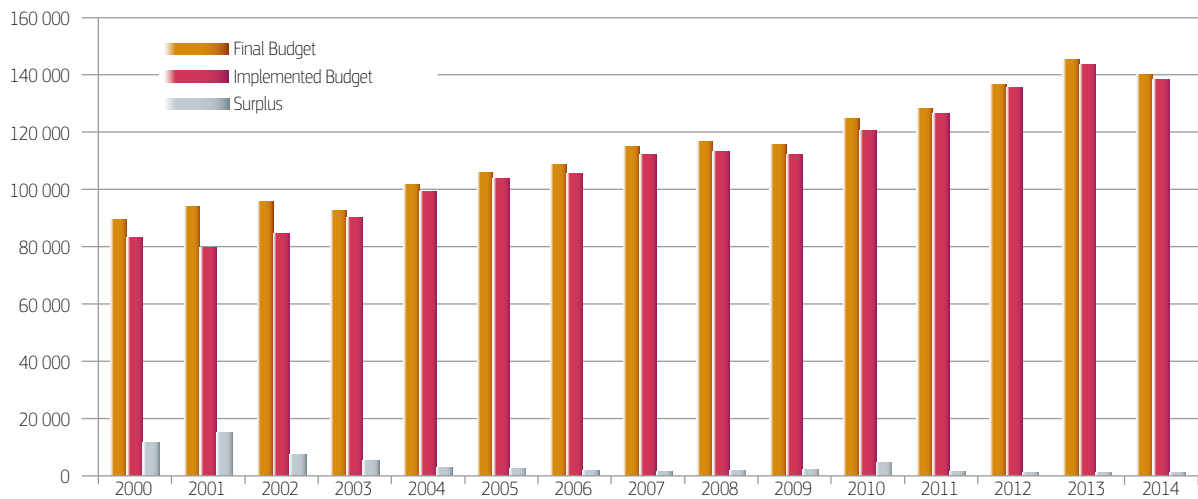
⁽¹⁾ http://ec.europa.eu/budget/biblio/documents/2014/2014_en.cfm

Changes in payment appropriations by heading in 2014 (million EUR)

Heading	Initial voted budget (without reserve)	Carryover from 2013	Amending budgets	Total impact of transfers	Unused reserve	Final budget (without reserve)
1a Competitiveness for growth and jobs	11 439	128	422	-5		11 985
1b Economic, social and territorial Cohesion	50 951	161	2 486	569		54 167
2 Sustainable growth: natural resources	56 347	35	54	-441		55 994
3 Security and citizenship	1 677	10	-12	-6		1 670
4 Global Europe	6 191	35	650	84		6 960
5 Administration	8 406	772	0	1		9 178
6 Compensations	29	0	0	0		29
TOTAL	135 040	1 141	3 599	202		139 982
Special instruments	200	270	0	-7		463
GRAND TOTAL	135 240	1 410	3 599	195	0	140 444

From an accounting point of view, the budget outturn is, in general terms, the difference between total revenue and total expenditure, a positive difference thus indicating a surplus. Of the final budget for 2014 of EUR 140 444 million, EUR 138 440 million — almost 99 % — has been used.

Active budget management 2000-2014 (million EUR)



Financial regulation

The financial regulation ⁽¹⁾ lays down the rules for the establishment and implementation of the EU budget. Both the financial regulation and its rules of application ⁽²⁾ were updated in 2012 as part of a revision of the financial rules for co-funded programmes.

⁽¹⁾ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). http://ec.europa.eu/budget/biblio/publications/publications_en.cfm#finreg

⁽²⁾ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

The revised financial regulation entered into application on 1 January 2013. Simplified procedures have made it easier for potential beneficiaries, including businesses, NGOs, researchers, students and local authorities, to access EU funding. The legislation has increased transparency and introduced stricter requirements on accountability for those involved in managing EU finances. It introduced various changes to the criteria and procedures for applying for funding. Three of the main examples of this are that lump sums and flat rates can now be used more often for smaller amounts, applicants no longer need to fill in the same details each time they apply for EU funds and applications can now be made online.

Accounting framework

Since its introduction in January 2005, accruals-based accounting has become a part of the Commission's continued effort to modernise the management of EU finances. Accruals-based accounts recognise revenue when it is earned, rather than when it is collected. Expenses are recognised when they are incurred rather than when they are paid. This contrasts with cash-basis accounting that recognises transactions and other events only when cash is received or paid out.

The accounting rules in place are based on the internationally accepted standards for the public sector, the International Public Sector Accounting Standards (IPSAS), and, for accounting transactions that are not yet covered by IPSAS, on other relevant international accounting standards, e.g. the International Financial Reporting Standards (IFRS).

Annual accounts

The EU's annual accounts are drawn up in accordance with the financial regulation and with the EU accounting rules. The accounting system of the European institutions comprises two sets of accounts: the general accounts (financial statements) and the budgetary accounts. The two sets of accounts together constitute the annual accounts. The accounts are kept in euro and the accounting year is the calendar year. The annual financial statements aim to provide a fair representation of the financial position and performance of the EU in a given year. Explanatory notes giving further information on the figures are also included. The same accounting rules are used by all consolidated European bodies. The budgetary accounts provide information on the implementation of the EU budget in a given year and include the budget result for the year.

The Commission's Accounting Officer produces two sets of annual accounts: consolidated EU accounts and Commission annual accounts. The EU annual accounts are available online, as is monthly and quarterly reporting on the implementation of the budget ⁽¹⁾. The annual accounts are audited by the European Court of Auditors before being adopted by the Commission. They are then sent to the European Parliament and to the Council for discharge.

⁽¹⁾ http://ec.europa.eu/budget/biblio/publications/publications_en.cfm

Treasury management

The Commission has accounts with Member States' treasuries, central banks and commercial banks. Own resources are the main source of EU finances. These are credited twice a month to the accounts held with Member States' treasuries or central banks. The funds are used to execute payments through commercial bank accounts, that are being funded on the 'just in time' principle.

The Commission's Directorate-General for the Budget carries out cash flow forecasting on a month-by-month basis and for the budgetary year. Member States make their contributions to the budget in their national currencies, while most of the Commission's payments are denominated in euro. The Commission therefore needs to make foreign exchange transactions, in order to convert contributions from Member States that have not yet adopted the euro and to be able to make payments in non-EU currencies.

In 2014, 0.5 % of a total of 2 166 241 payments made were executed through treasuries and central banks, representing 72 % of the total value of payments. The remaining 99.5 % of payments were made through commercial banks (representing 28 % of the total value). The Commission's funds are mainly kept in accounts held with Member States' treasuries and with central banks.



Section II

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Revenue

The EU's budget is financed by own resources, other revenue and the surplus carried over from the previous year. When the European Parliament and the Council approve the annual budget, total revenue must equal total expenditure. The total amount needed to finance the budget follows automatically from the level of total expenditure. However, since outturns of revenue and expenditure usually differ from the budgeted estimates, there is a balance of the exercise resulting from the implementation. Normally, there has been a surplus, which reduces Member States' own resources payments in the subsequent year. In 2014, the EU had own resources of EUR 132 961 million and other revenue of EUR 9 973 million. The surplus carried over from 2013 was EUR 1 005 million.

Own resources

The main rules on the system of own resources are set by a Council decision adopted by unanimity in the Council and ratified by all Member States. The Council decision currently in application, Council Decision 2007/436/EU, Euratom ⁽¹⁾ (ORD 2007), entered into force on 1 March 2009 with retroactive effect from 1 January 2007 (own resources payments for 2009 were thus adjusted to take account of this decision being retroactively applied to 2007 and 2008 ⁽²⁾). A new Council decision, Council Decision 2014/335/EU, Euratom ⁽³⁾ (ORD 2014) is currently subject to ratification by Member States. Once ratified by all Member States, it will enter into force with retroactive effect from 1 January 2014. Own resources can be defined as revenue accruing automatically to the EU in order to finance its budget, without any subsequent decisions needing to be taken by national authorities. The overall amount of own resources needed to finance the budget is determined by total expenditure less other revenue. The total amount of own resources cannot exceed 1.23 % of EU GNI. Own resources can be divided into the following categories:

- ▶ traditional own resources (TOR), i.e. custom duties and sugar levies;
- ▶ the VAT own resource; and
- ▶ the GNI own resource (the 'additional fourth resource'), which serves as the balancing resource.

The own resources system also includes a specific mechanism for correcting budgetary imbalances in favour of the United Kingdom (the UK correction). In addition, some Member States may choose not to participate in certain justice and home affairs policies. Their own resources payments are adjusted accordingly. (This has been done since 2003 for Denmark and since 2006 for Ireland and the United Kingdom.)

Traditional own resources (customs duties and sugar levies)

Traditional own resources (TOR) are levied on economic operators and collected by Member States on behalf of the EU. TOR payments accrue directly to the EU budget, after deduction of the 25 % retained by Member States to cover collection costs. Following changes made to EU law to reflect the outcome of the Uruguay Round agreements

⁽¹⁾ Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of the European Communities' own resources (OJ L 163, 23.6.2007, p. 17).

⁽²⁾ Amending Budget No 3 for the financial year 2009 (2009/457/EC, Euratom) (OJ L 157, 19.6.2009, p. 21).

⁽³⁾ Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union (OJ L 168, 7.6.2014, p. 105).

on multilateral trade, there is no longer any material difference between agricultural duties and customs duties under the current rules of own resources, ORD 2007. Customs duties are levied on imports of agricultural and non-agricultural products from non-EU countries, at rates based on the Common Customs Tariff.

In 2014, the EU's revenue from customs duties was EUR 16 499 million (11.46 % of its total revenue). A production charge paid by sugar producers brought revenue of EUR 131 million. At the same time, however, pursuant to Council Regulation 1360/2013 of 2 December 2013 ⁽¹⁾, the EU was owing Member States reimbursements of sugar levies of EUR 200 million, thus more than cancelling out the revenue. This regulation corrects the sugar levies paid for the years 2001-2006. The correction was, for the most part, entered in the own resources accounts for 2014 (in accordance with Article 2 of the regulation). As a result, total revenue from traditional own resources (customs duties and sugar levies, less the reimbursements) was EUR 16 430 million (11.41 % of the EU's total revenue).

VAT own resource

The VAT own resource is levied on each Member State's VAT base. The VAT bases are first harmonised in accordance with EU rules before calculating the VAT own resource to be paid. The same percentage is then levied on the harmonised base of each Member State. The harmonised VAT base is, however, capped at 50 % of a Member State's GNI.

In 2014, five Member States benefited from the 50 % cap (Croatia, Cyprus, Luxembourg, Malta and Slovenia). Under ORD 2007, the uniform rate of call of the VAT own resource is fixed at 0.30 % from 1 January 2007, with the exception of certain countries which benefited from a reduced rate for the period 2007-2013: Austria (where the rate was fixed at 0.225 %), Germany (0.15 %), the Netherlands and Sweden (both at 0.10 %). The EU's total revenue from the VAT own resource (including balances from previous years of EUR 79 million) was EUR 17 667 million (12.27 % of total revenue) in 2014.

Gross national income own resource

The GNI own resource was introduced in 1988 to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by other revenue. The same percentage is levied on each Member States' GNI, established in accordance with EU rules. The rate is fixed as part of the budgetary procedure. The amount of the GNI own resource needed depends on the difference between total expenditure and the sum of all other revenue.

In 2014, under ORD 2007, the rate of call of GNI was 0.7012 % ⁽²⁾ and the total amount of the GNI resource levied (including balances from previous years of EUR 4 213 million) was EUR 99 074 million (representing 68.83 % of total revenue).

⁽¹⁾ Council Regulation (EU) No 1360/2013 of 2 December 2013 fixing the production levies in the sugar sector for the 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006 marketing years, the coefficient required for calculating the additional levy for the 2001/2002 and 2004/2005 marketing years and the amount to be paid by sugar manufacturers to beet sellers in respect of the difference between the maximum levy and the levy to be charged for the 2002/2003, 2003/2004 and 2005/2006 marketing years (OJ L 343, 19.12.2013, p. 2).

⁽²⁾ Amending budget 7/2014, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2015:073:FULL&from=EN> Table 3, p. 508.

The UK correction

The current UK correction mechanism was introduced in 1985 to correct the imbalance between the United Kingdom's share in payments to the Community budget and its share in the Community expenditure. This mechanism has been modified on several occasions to take account of changes made to the system of EU budget financing, but the essential principles remain the same.

The imbalance is calculated as the difference between the UK share in EU expenditure allocated to Member States, and its share in the total VAT base. The difference in percentage points is multiplied by the total amount of EU expenditure allocated to Member States. The UK is reimbursed 66 % of this budgetary imbalance. The cost of the correction is borne by the other 27 Member States. The distribution of the financing is first calculated on the basis of each country's share in total EU GNI. Germany, the Netherlands, Austria and Sweden only, however, pay one quarter of the amounts calculated on the basis of their respective GNI. The rest is redistributed across the remaining Member States. ORD 2007 introduced several changes to the calculation of the UK correction:

- ▶ fixing the rate of call for the VAT own resource at 0.30 % and temporarily granting reduced rates to Germany, the Netherlands, Austria and Sweden (see above) increased the amount of the UK correction;
- ▶ the adjustment related to pre-accession expenditure was excluded from the calculation of the UK correction for 2013 onwards (therefore affecting the budget for the first time in 2014);
- ▶ an adjustment related to expenditure in the new Member States was introduced. From the UK correction for 2008 onwards (therefore affecting budgeting from 2009), the total allocated expenditure used in calculating the UK correction does not include expenditure allocated to Member States that joined the EU after 30 April 2004, with the exception of agricultural direct payments, market-related expenditure and the part of rural development expenditure originating from the guarantee section of the European Agricultural Guidance and Guarantee Fund. This reduction was phased in progressively according to the following schedule: 20 % for the 2008 UK correction; 70 % for the 2009 UK correction; and 100 % thereafter.

The UK correction paid in 2014, under ORD 2007, was EUR 6 066 million.

Deferred payments

In 2014 the annual adjustments of the VAT and GNI balances, which have an impact on the calculations of national contributions to the EU budget, resulted in exceptionally high additional amounts to be paid by some Member States to the EU budget. Following the request of the Council the Commission proposed a change to the legislation which would allow deferring payments in such an exceptional situation. The amended Council regulation has been approved and applied retroactively. In line with the new legislation eight Member States opted for deferring payments in 2014. These were: Bulgaria, France, Italy, Cyprus, Malta, the Netherlands, Slovenia and the United Kingdom. More specifically, the Netherlands has paid its full balance by 31 December, while Italy has transferred a share of its balance by the same deadline. The remaining amounts and the contributions of the other six Member States had been scheduled for 2015.

Justice and home affairs adjustment for Denmark, Ireland and the United Kingdom

Article 3 of the Protocol on the position of Denmark and Article 5 of the Protocol on the position of the United Kingdom and Ireland, annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union, grant full exemption to these countries from financing certain specific parts of freedom, security and justice policies, with the exception of the related administrative costs. Article 10a of Council Regulation No 1150/2000 ⁽¹⁾ sets out the method for adjusting the contribution to be made by Member States that have been exempted from the financing of a specific EU action or policy in accordance with these Treaties and their protocols referred to above.

The adjustment is calculated by multiplying the total expenditure in question, excluding any amounts contributed by participating non-EU countries, by the percentage that the GNI of the Member State entitled to the adjustment represents of the GNI of all Member States. The adjustment is financed by the participating Member States in proportion to their relative GNI. If the GNI figures are subsequently modified, the adjustments calculated are not revised. The Commission calculates the adjustment during the year following the financial year concerned, at the same time as it determines the GNI balances in accordance with paragraphs 6 and 7 of Article 10 of Council Regulation No 1150/2000.

Other revenue and surplus from the previous year

Revenue other than own resources includes: tax and other deductions from EU staff remunerations; interest earned on bank accounts; contributions from non-member countries to certain EU programmes (e.g. in research); repayments of unused EU financial assistance; interest on late payments and the balance from the previous year's budget. This balance is mainly derived from the difference between the outturn of own resources payments and the outturn of expenditure in the previous year.

In 2014, other revenue totalled EUR 9 973 million, and the surplus carried over from the year 2013 was EUR 1 005 million.

Donations

Pursuant to Article 22 of the financial regulation, the Commission may accept any donation made to the EU, including foundations, subsidies, gifts and bequests.

If no objection has been made within that period, the Commission takes a final decision as to whether or not to accept the donation.

The Commission is required to estimate and explain the financial charges, including follow-up costs, that the acceptance of donations made to the EU would entail (Article 11 of the rules of application of the financial regulation).

The Commission may decide to accept a donation or to renounce it.

⁽¹⁾ Council Regulation (EC, Euratom) No 2028/2004 of 16 November 2004 amending Regulation (EC, Euratom) No 1150/2000 implementing Decision 94/728/EC, Euratom on the system of the Communities' own resources (OJ L 352 of 27/11/2004).

The acceptance of donations with a value of EUR 50 000 or more that involve a financial charge, including follow-up costs, exceeding 10 % of the value of the donation made is subject to the authorisation of the Parliament and the Council. They are both required to act on the matter within 2 months of the date of receipt of the request from the Commission.

In the absence of a negative opinion from the Parliament and the Council, the Commission makes a final decision to accept the donation. If the Parliament or the Council express a negative opinion, the Commission must renounce the donation.

The Directorate-General for the Budget is responsible for measures needing to be taken to execute the Commission decision. In the case of a donation of real estate and its subsequent sale, the publicity rules laid down in the financial regulation must be respected.

The procedure described above also applies when an EU institution other than the Commission receives a donation.

Donations occur very rarely. In 2014, the Commission was not required to take any decisions on donations.

Fines

Fines imposed on companies for infringing EU competition rules are also a source of revenue for the EU. Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU) prohibit various anticompetitive practices. Article 103 gives the European Council powers to put in place an enforcement system, which may include the imposition of fines. Council Regulation 1/2003⁽¹⁾ based on Article 103 TFEU, gives the Commission powers to enforce these rules and to fine companies for infringements.

In 2014, the European Commission imposed 70 individual fines on companies breaching competition law. These related to 14 separate cases and had a combined value of EUR 2.2 billion. Of the 70 fines, 32, worth EUR 1.3 billion, have not been contested by the companies and are thus final. In the other cases, the companies have submitted appeals to the General Court. When a company served with a fine decides to appeal against the Commission's decision before the Court, the fine must be covered either by a provisional payment or by a bank guarantee. Of all pending fines from 2014 and earlier, at 31 December 2014, approximately EUR 1.9 billion was covered by guarantees and provisional cash payments had been made in respect of approximately EUR 5.5 billion.

Article 83 of the financial regulation states that revenues received by way of fines must not be recorded as budgetary revenue as long as the decisions imposing them may be annulled by the Court of Justice. Provisional payments must therefore be kept off budget. Payments received before 2010 are held with commercial banks selected by calls for tender. Those received since 2010 are held in a special fund managed by the Commission composed of a portfolio of high quality sovereign bonds.

The legal proceedings at the General Court or, if its decision is appealed against, the Court of Justice may take up to 8 years. Depending on the final judgment, any fines provisionally paid, including earned interest, are either transferred to the Commission's income account and booked in the budget as other revenue, or are reimbursed to the

⁽¹⁾ Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (OJ L 1, 4.1.2003, p. 1).

companies. Revenue earned from fines in 2014 resulted from a combination of fines imposed during 2014 that were not contested and fines imposed in earlier years that became definitive during 2014. In total, fines worth a total of EUR 4.5 billion became definitive in 2014. This represented around 3.2 % of the EU budget in 2014.

National contribution by Member State and traditional own resources collected on behalf of the EU in 2014 (million EUR)

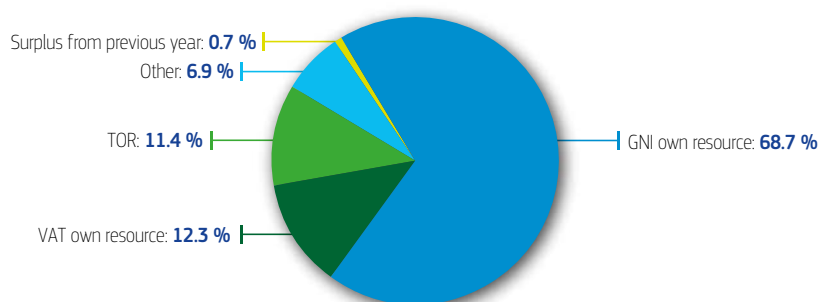
GNI		VAT own resource	GNI own resource	UK correction	Reduction in GNI-OR granted to the NL and SE	Total national contribution		Traditional own resources (TOR) net (75 %)		Total own resources		
		(1)	(2) (*)	(3) (**)	(4) (**)	(5) = (1) + (2) + (3) + (4)	%	% GNI	(6)	(7) = (5) + (6)	%	% GNI
402 665.3	BE	508.6	2 864.4	287.1	0.0	3 660.2	3.1 %	0.91 %	1 572.5	5 232.7	3.9 %	1.30 %
40 972.9	BG	58.7	315.3	29.9	0.0	403.9	0.3 %	0.99 %	56.7	460.5	0.3 %	1.12 %
144 472.9	CZ	183.8	1 023.5	101.4	0.0	1 308.8	1.1 %	0.91 %	197.9	1 506.7	1.1 %	1.04 %
264 872.5	DK	279.5	1 737.7	196.3	0.0	2 213.4	1.9 %	0.84 %	294.2	2 507.6	1.9 %	0.95 %
2 972 188.0	DE	3 698.7	21 737.7	379.6	0.0	25 815.9	22.2 %	0.87 %	3 327.0	29 143.0	21.9 %	0.98 %
19 048.7	EE	25.7	138.3	14.2	0.0	178.2	0.2 %	0.94 %	22.2	200.4	0.2 %	1.05 %
159 732.3	IE	203.2	1 108.0	113.9	0.0	1 425.1	1.2 %	0.89 %	225.6	1 650.6	1.2 %	1.03 %
178 380.6	EL	286.0	1 410.9	129.7	0.0	1 826.6	1.6 %	1.02 %	123.2	1 949.8	1.5 %	1.09 %
1 052 245.0	ES	1 382.0	7 850.3	745.8	0.0	9 978.1	8.6 %	0.95 %	1 132.9	11 111.0	8.4 %	1.06 %
2 179 155.1	FR	2 956.4	15 025.0	1 592.2	0.0	19 573.6	16.8 %	0.90 %	1 394.1	20 967.7	15.8 %	0.96 %
41 772.8	HR	63.0	294.6	29.5	0.0	387.1	0.3 %	0.93 %	42.5	429.6	0.3 %	1.03 %
1 613 794.7	IT	1 760.1	11 443.0	1 165.1	0.0	14 368.2	12.3 %	0.89 %	1 520.4	15 888.6	11.9 %	0.98 %
16 582.8	CY	23.0	107.7	12.1	0.0	142.8	0.1 %	0.86 %	17.8	160.6	0.1 %	0.97 %
23 867.9	LV	32.5	192.7	18.9	0.0	244.1	0.2 %	1.02 %	25.9	270.0	0.2 %	1.13 %
35 202.8	LT	40.3	253.8	26.3	0.0	320.4	0.3 %	0.91 %	64.3	384.7	0.3 %	1.09 %
29 477.4	LU	38.5	171.4	22.2	0.0	232.1	0.2 %	0.79 %	14.0	246.2	0.2 %	0.84 %
100 695.3	HU	118.1	700.8	71.3	0.0	890.3	0.8 %	0.88 %	105.5	995.8	0.7 %	0.99 %
7 628.7	MT	10.6	49.4	5.7	0.0	65.7	0.1 %	0.86 %	10.5	76.1	0.1 %	1.00 %
662 465.0	NL	818.6	5 493.3	79.1	0.0	6 391.0	5.5 %	0.96 %	1 981.7	8 372.7	6.3 %	1.26 %
328 896.7	AT	453.0	2 197.5	40.5	0.0	2 690.9	2.3 %	0.82 %	178.6	2 869.5	2.2 %	0.87 %
396 057.8	PL	445.1	2 787.0	294.4	0.0	3 526.5	3.0 %	0.89 %	428.2	3 954.6	3.0 %	1.00 %
171 107.8	PT	242.3	1 271.1	123.4	0.0	1 636.9	1.4 %	0.96 %	111.0	1 747.9	1.3 %	1.02 %
146 462.1	RO	161.3	1 090.4	101.4	0.0	1 353.1	1.2 %	0.92 %	105.8	1 458.9	1.1 %	1.00 %
36 676.2	SI	52.8	247.2	26.7	0.0	326.8	0.3 %	0.89 %	58.2	385.0	0.3 %	1.05 %
73 854.5	SK	69.0	502.6	53.5	0.0	625.1	0.5 %	0.85 %	95.1	720.2	0.5 %	0.98 %
203 977.0	FI	270.5	1 365.3	141.4	0.0	1 777.2	1.5 %	0.87 %	126.8	1 904.1	1.4 %	0.93 %
445 167.8	SE	553.1	3 219.6	55.5	0.0	3 828.2	3.3 %	0.86 %	466.1	4 294.3	3.2 %	0.96 %
2 174 279.7	UK	2 932.9	14 475.0	-6 066.3	0.0	11 341.6	9.7 %	0.52 %	2 730.7	14 072.3	10.6 %	0.65 %
13 921 700.4	EU-28	17 667.4	99 073.7	-209.3	0.0	116 531.7	100 %	0.84 %	16 429.5	132 961.2	100.0 %	0.96 %

(*) For simplicity of the presentation, the GNI-based own resource includes the JHA-adjustment.

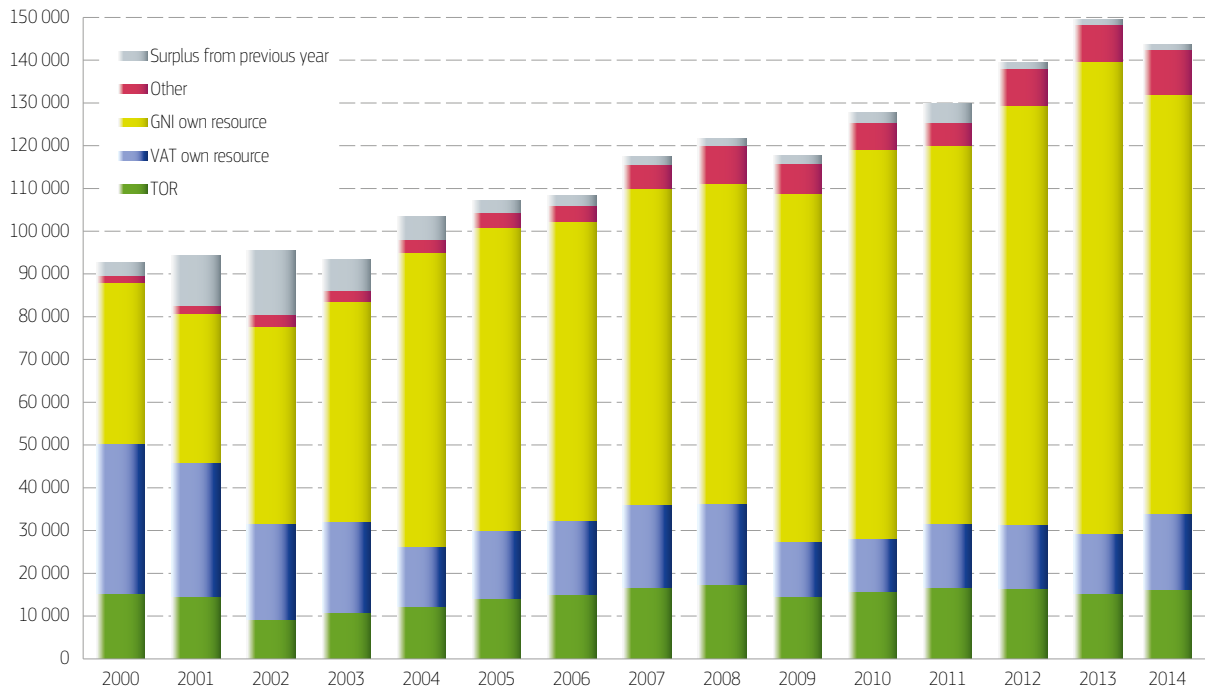
(**) Totals for UK correction payments and GNI reduction granted to NL and SE are not equal to zero on account of exchange rate differences.

Surplus from previous year	1 005.4
Surplus external aid guarantee fund	0.0
Other revenue	9 973.4
Total revenue	143 940.0

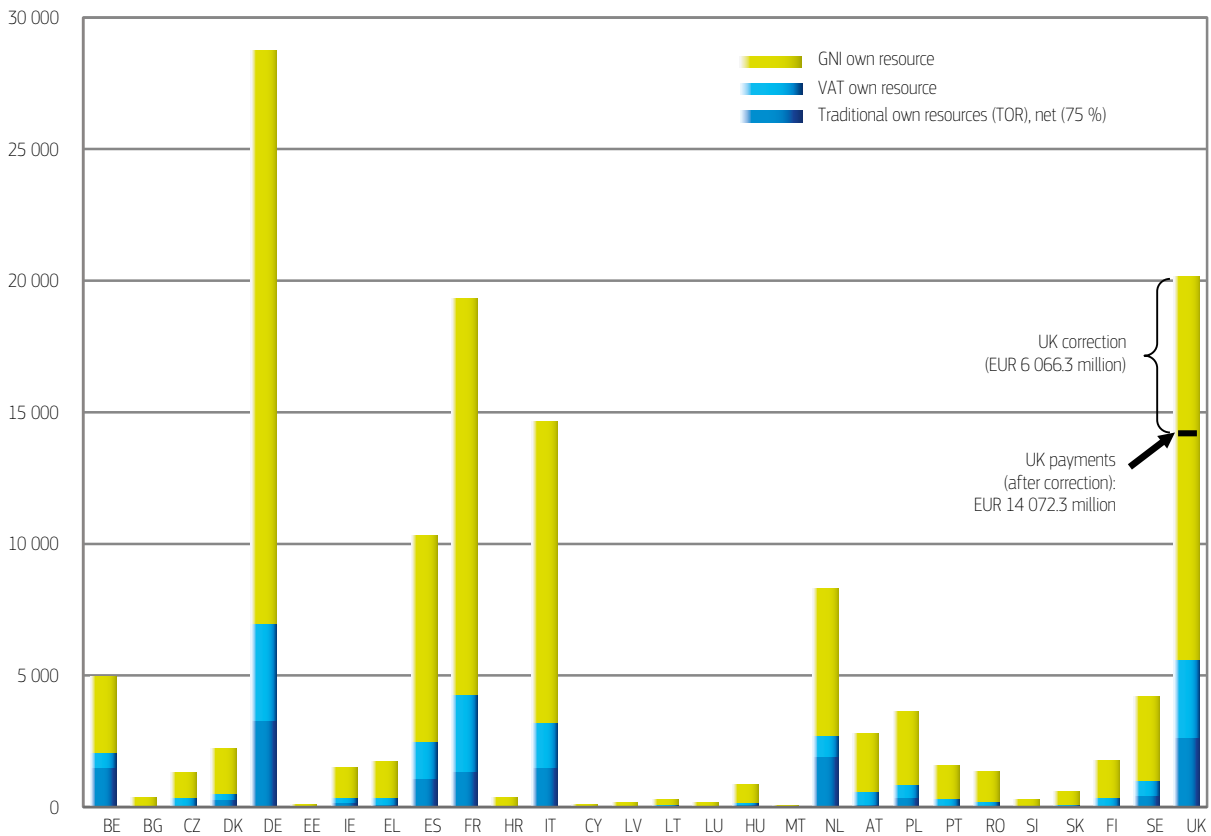
EU revenue 2014 (after the UK correction)



EU revenue 2000-2014 (million EUR)



National contribution per Member State and TOR collected on behalf of the EU in 2014 (million EUR)





Section III

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Expenditure

Allocation of EU expenditure for 2014 by Member State

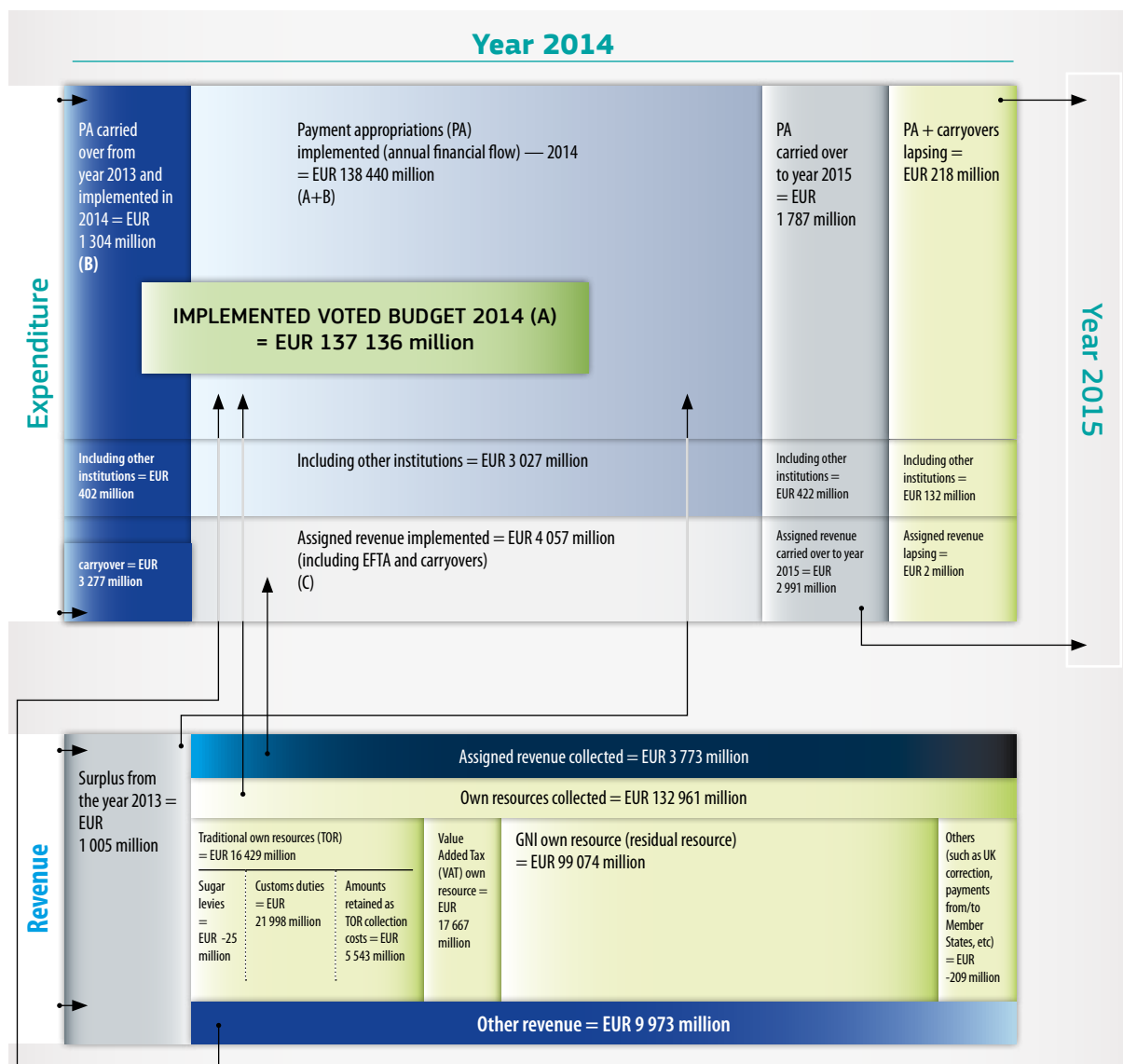
The allocation of expenditure to Member States is merely an accounting exercise. Considering the amounts that Member States receive through this exercise in isolation does not give a full picture of the benefits that each Member State derives from membership of the EU. The Commission continues to stress this point at every opportunity ⁽¹⁾. This accounting allocation, among other drawbacks, is non-exhaustive and gives no indication of many of the other benefits gained from EU policies, including, in particular, those relating to the single market and economic integration, and to political stability and security.

In 2014, EUR 128 565 million (90.22 % of total EU expenditure) was allocated to Member States. See the notes to the tables in the annexes to this document for further details on the methodology used for the allocation of expenditure.

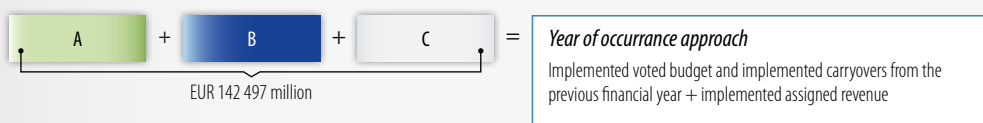
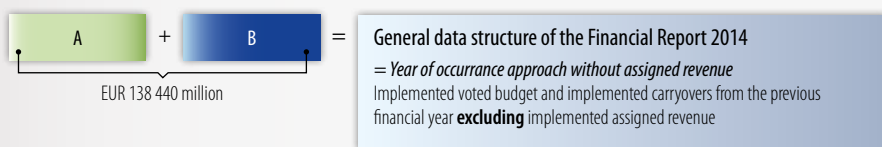
All the commitment figures presented in this chapter exclude assigned revenues. The names of the programmes presented in this chapter are the names of the programmes of the current multiannual financial framework (2014-2020). Please note that commitment appropriations made in 2014 refer to the current programmes, while payments in the same year cover both the current programmes and the completion of previous programmes.

⁽¹⁾ A full statement on this policy and its rationale is found in Chapter 2 of the 1998 Commission report 'Financing of the European Union and in Budget contributions, EU expenditure, budgetary balances and relative prosperity of the Member States', a paper presented by the Commission to the Economic and Financial Affairs Council of 13 October 1997. The Presidency conclusions of the Berlin European Council of 24 and 25 March 1999 endorse this principle: '[...] it is recognised that the full benefits of Union membership cannot be measured solely in budgetary terms' (point 68 of the Presidency conclusions).

Financial data structure in 2014

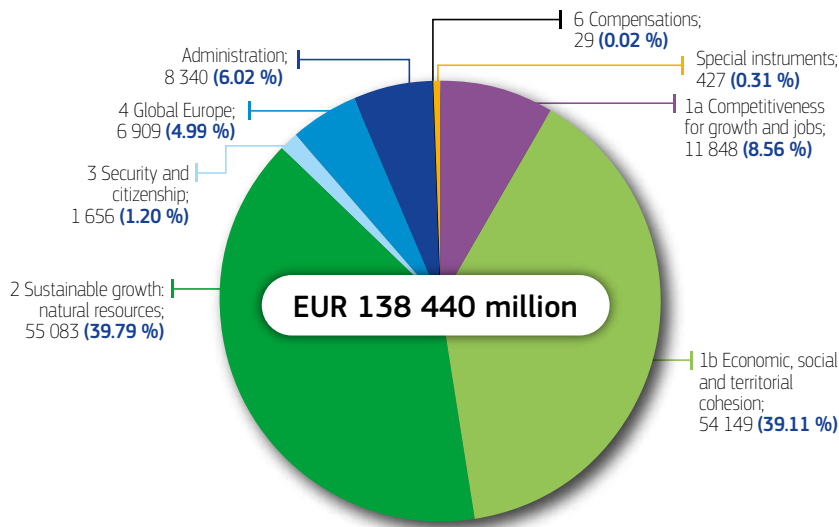


Execution of voted appropriations can be looked at from different perspectives depending on the emphasis one will put on the final information passed:

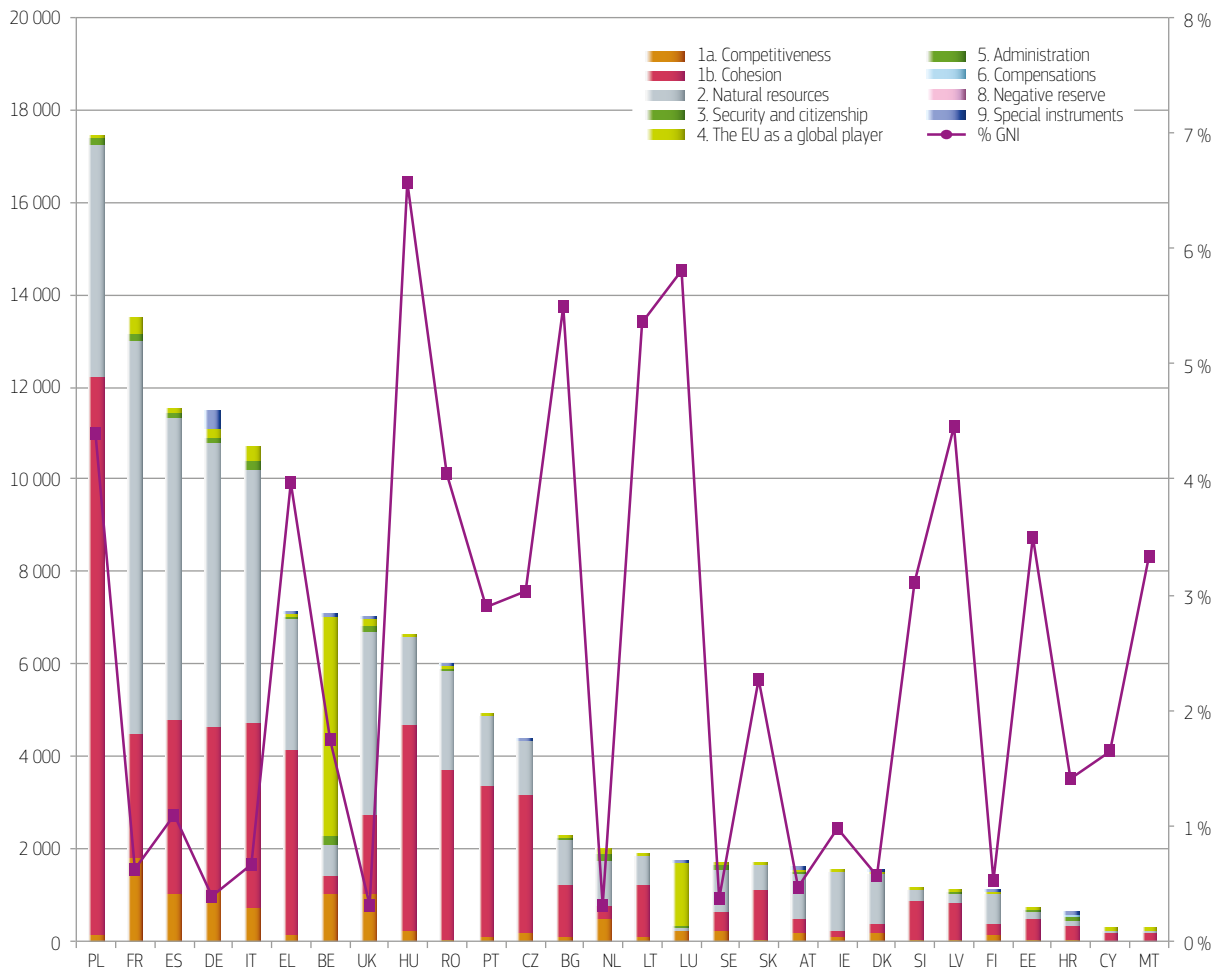


In total, 94 % of the EU budget is allocated to Member States for funding policies and projects being implemented both in the EU and in other countries. The chart below shows the amount allocated to each country from the budget. It also shows each Member State's allocation as a percentage of national GNI, thus making the figures easier to interpret by giving an indication of the relative importance of EU expenditure for each country.

EU budget 2014 — Payments executed (million EUR)



Expenditure by Member State in 2014 (million EUR)



Methodological note: allocation of expenditure in 2014

Executed EU expenditure came to a total of EUR 138 724 million in 2014 excluding the expenditure related to earmarked revenue (EUR 3 773 million) and including that relating to EFTA contributions (EUR 284 million) or EUR 142 497 million including expenditure related to earmarked revenue and expenditure related to revenue from EFTA contributions. Of this total expenditure, EUR 128 565 million (90.22 %) was allocated to Member States and EUR 6 575 million to non-EU countries.

In addition, EUR 3 584 million was allocated in relation to which the country of the final beneficiary cannot be determined.

The table below shows the allocation of expenditure for 2013 and 2014.

	2014 (million EUR)	2013 (million EUR)
Expenditure allocated to Member States	128 565	134 656
Expenditure allocated to non-EU countries	6 575	6 358
Expenditure with an undetermined beneficiary	3 584	3 064
Total executed EU expenditure ⁽¹⁾	138 724	144 078

⁽¹⁾: excluding the expenditure related to earmarked revenue and including that relating to EFTA contributions.

Expenditure allocated to non-EU countries in 2014 (EUR 6 575 million) mainly related to the EU's role as a global player (EUR 5 437 million). Significant amounts were also allocated to research (EUR 444 million), the Connecting Europe Facility (CEF) (EUR 279 million), fisheries (EUR 70 million) and other (EUR 345 million).

Expenditure with an undetermined beneficiary (EUR 3 584 million in 2014) includes the following two categories:

- ▶ expenditure related to the EU's role as a global player (EUR 1 387 million, in addition to the expenditure of this type that was allocated to a specific non-EU country, as referred to above);
- ▶ expenditure benefiting EU Member States but that, by its nature, cannot be attributed to a specific Member State (EUR 2 197 million). This related to administration (EUR 481 million), research (EUR 1 032 million), COSME (Competitiveness of enterprises and small and medium-sized enterprises) (EUR 189 million), the Connecting Europe Facility (CEF) (EUR 128 million) and other (EUR 367 million).

Methodology

Year of reference

Executed and allocated expenditure are actual payments made during a financial year, resulting from that year's appropriations or from carryovers of unused appropriations from the previous year. Expenditure financed from earmarked revenue is presented separately.

Allocation of expenditure

Expenditure is allocated according to the criteria used for the UK correction, i.e. that all possible expenditure must be allocated, with the exception of expenditure related to external actions or to the pre-accession strategy (if paid to the 15 Member States that joined the EU before 1 May 2015), guarantees, reserves and expenditure related to earmarked revenue.

Allocation by Member State

Expenditure is allocated to the country in which the principal recipient resides, on the basis of the information available in the Commission's financial system ABAC. Some expenditure is not (or is improperly) allocated in ABAC, due to conceptual difficulties. In such cases, additional information received from the relevant services is used whenever available (e.g. for Galileo, research and administration).

Competitiveness for growth and jobs

Highlights



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A new dedicated SME instrument will allow SMEs to access EU funds more easily.



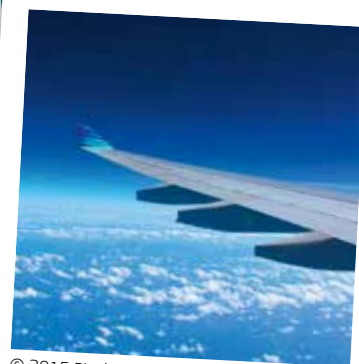
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A Facebook chat on Erasmus+ was organised in November 2014, the aim of which was to help young people to find out more about opportunities for education, training and employment. The event confirmed the worldwide popularity of the programme.



© EC/ECHO/Beatriz Suso

The PEARL project (Preparing for Extreme And Rare events in coastal regions), launched in 2014, brings together experts in hydro engineering and risk reduction to develop ways in which communities and experts can collaborate to reduce the risks posed by floods.

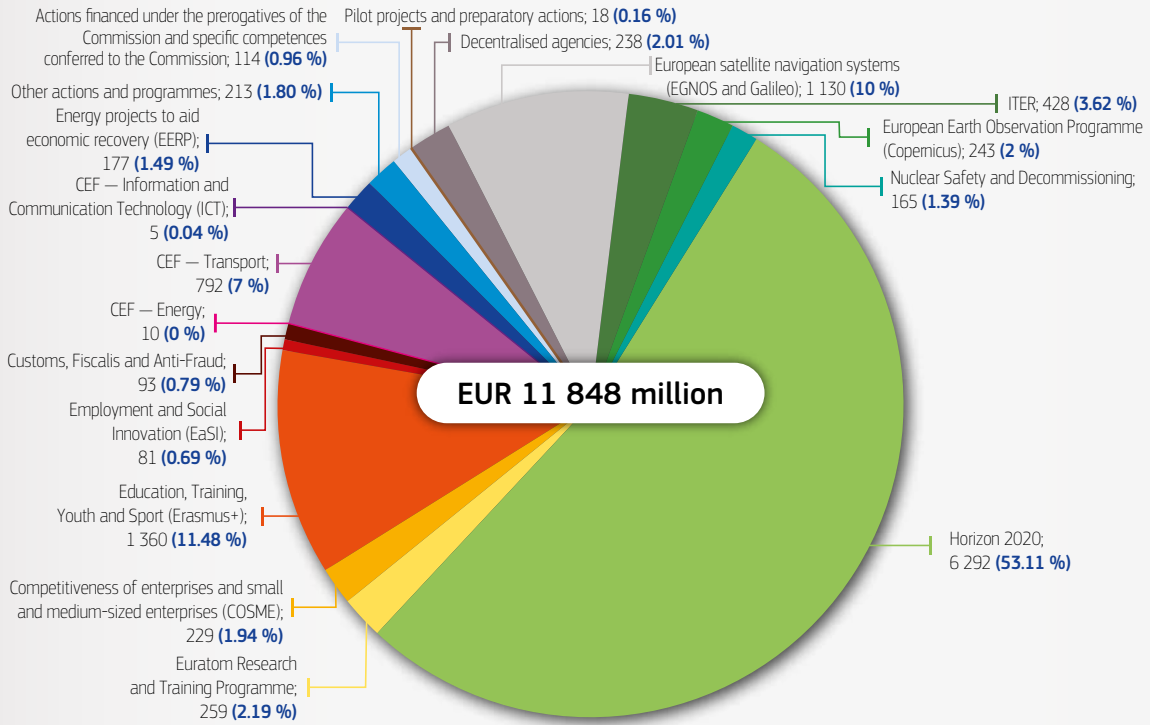


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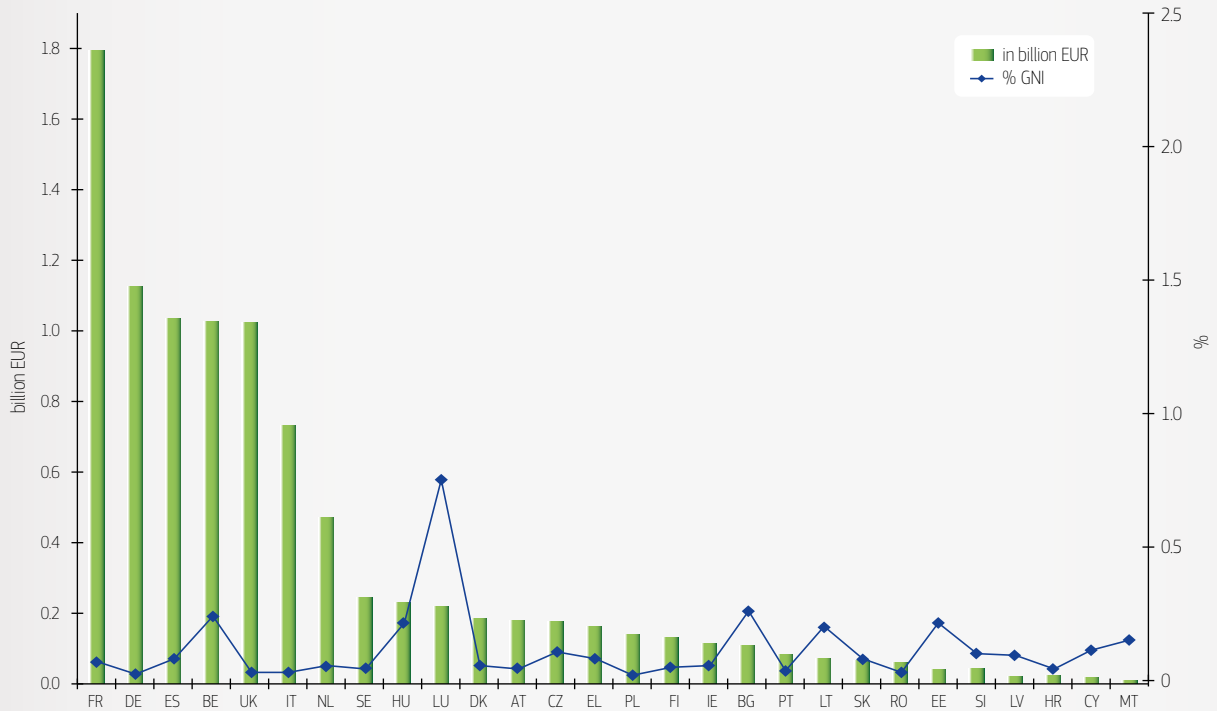
The European research project, HIKARI, promotes cooperation between Europe and Japan in the field of high-speed transport. In particular, it aims to create the aircraft of the future, which will make it possible to fly between Europe and Japan in 3 hours.

'A new boost for jobs, growth and investment' is one of the EU priorities put forward by Jean-Claude Juncker's Commission. The expenditure allocated to the budget sub-heading 'Competitiveness for growth and jobs' therefore plays an ever more important role in boosting growth and creating jobs in the EU. This area includes: research and innovation; education and training; trans-European networks in energy, transport and telecommunications; social policy; and the development of businesses. The main programmes financed under this subheading are Horizon 2020 and large infrastructure projects such as Galileo (global satellite navigation) and EGNOS (the European geostationary navigation overlay service), ITER (fusion energy), Erasmus+ (education, training, young people and sport), the Connecting Europe Facility (CEF) (transport energy and telecommunications) and COSME (Competitiveness of enterprises and small and medium-sized enterprises).

Heading 1A — Payments executed in 2014 (million EUR)



Heading 1A — Expenditure by Member State in 2014



Horizon 2020

In 2014, EUR 9 022 million were committed for Horizon 2020.

Horizon 2020 is the biggest EU research and innovation programme ever. It will lead to more breakthroughs, discoveries and world-firsts by combining the strengths of research and innovation, in order to bring ideas 'from the lab to the market'. Horizon 2020 brings together scientists and industry, with the aim of boosting growth and jobs and finding solutions to the 'big challenges' currently facing our society, including climate change, energy security and health. The research and innovations resulting from the programme will help improve quality of life, protect the environment and make European industry more sustainable and more competitive. Horizon 2020 is open to researchers from all over the world. Almost EUR 80 billion of funding is available from 2014 to 2020, distributed mainly across three priority areas:

- ▶ excellence in science;
- ▶ industrial leadership; and
- ▶ tackling societal challenges.

It is expected that at least 60 % of the overall Horizon 2020 budget will be allocated to measures related to sustainable development, and that climate-related expenditure (including measures to improve resource efficiency) will exceed 35 % of the budget.

Horizon 2020 introduces many reforms compared to the previous framework programmes for research (most recently the sixth and seventh framework programmes, FP6 and FP7). Funding can be awarded to research and innovation projects at every stage, thus supporting activities ranging from basic research to bringing innovations onto the market. The programme goes further in tackling major societal challenges, and rules and procedures for applying for and receiving funding have been greatly simplified. A new measure tailored to the specific needs of SMEs has been introduced, and further new measures will help to promote excellence. Consideration has been given to gender issues in all aspects of the programme and funding for social sciences and humanities is also fully integrated.

A total of 79 calls for proposals, offering around EUR 15 billion of funding, had been published by May 2015, focusing on areas including personalised healthcare, digital security and smart cities. The 26 000 proposals submitted by May 2015 showed a notable increase in the number of applications being received from businesses, compared to the level seen during the seventh framework programme.

EU-industry partnerships for innovation

Eleven partnerships with industry and Member States, worth a combined total of over EUR 23 billion, are being launched under Horizon 2020 as part of the EU's Innovation Investment Package. The EU's contribution of EUR 9 billion will unlock EUR 10 billion in investment from the private sector and EUR 4 billion from Member States.

Most of the funding will go to joint technology initiatives, run as joint undertakings. They organise their own research agenda and award funding for projects on the basis of open calls. The first calls were launched in July 2014, offering EUR 1.1 billion in public funding, to be matched by a comparable amount of private investment. The first round of funding was allocated to projects designed to improve people's quality of life

and boost the competitiveness of European industry. The areas receiving funding include new treatments for diabetes and eye disease and the roll-out of hydrogen-powered road vehicles and refuelling stations.

Expenditure on research and innovation in 2014 related to both Horizon 2020 and to the previous framework programmes for research (FP6 and FP7).

Example:

Fighting cancer with made-to-measure vaccines

A new wave of personalised vaccines could harness the power of patients' own immune systems to fight an aggressive form of brain cancer.

Vaccines are generally thought of as a preventative measure given to a healthy person to protect them from catching an infectious disease. Widely used vaccines such as those against measles, mumps, polio and the flu all fall into this category. In the future, however, the focus is likely to shift towards 'therapeutic vaccination', which involves administering vaccines to people in the early stages of a long-term illness as a way of preventing or reversing its progression.

New vaccines could be designed to prevent the onset of chronic conditions such as Alzheimer's disease and cancer, or viral infections including HIV and dengue fever.

The IMPROVE project, which is funded by the seventh framework programme for research and was launched in 2014, focuses on improving prostate cancer outcomes through vaccines.

Duration of the project: April 2014-March 2018

EU contribution: EUR 6 million



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Marie Skłodowska-Curie actions/the European Institute of Innovation and Technology

The **Marie Skłodowska-Curie actions**, part of the research and innovation programme set under Horizon 2020, are designed to both improve the skills and mobility of researchers and to boost innovation in all stages of the process, from education and research right through to products being brought onto the market.

The Marie Skłodowska-Curie actions support researchers at all stages of their careers, irrespective of nationality. Researchers working across all disciplines, from life-saving

healthcare to 'blue sky research' ⁽¹⁾, are eligible for funding. The Marie Skłodowska-Curie actions also support industrial doctorates that combine academic research with work in companies, and other innovative training that improves employability and career development.

In addition to receiving funding for their research, scientists have the opportunity to gain experience abroad and in the private sector, and to complement their experience in their own field with training in other competences or disciplines that could be useful for their careers.

The **European Institute of Innovation and Technology** was set up to improve Europe's ability to innovate, in order to respond to emerging societal problems and to meet the demands of consumers. Its aim, in particular, is to see ideas from higher education, research and innovation activities picked up by businesses and developed into a form that has commercial applications, in particular through start-up companies. The Institute supports the Knowledge and Innovation Communities. These are excellence-driven partnerships set up between higher education institutions, research organisations, companies and other interested parties within self-supporting networks. The effectiveness of Knowledge and Innovation Communities in the fields of sustainable energy, digital innovation and climate change has started to become visible, with a rising number of business ideas incubated and more than 12 000 applications submitted for courses affiliated to the European Institute of Innovation and Technology since 2010.

The funding awarded over the period 2007-2013 supported around 50 000 researchers of 136 different nationalities working in more than 81 countries. Over 50 % of funded research projects directly address the major societal challenges as defined in the Europe 2020 strategy (e.g. climate change). In the current funding period, the Marie Skłodowska-Curie actions have continued to address the three 2020 flagship initiatives: the Innovation Union, Youth on the Move and An agenda for new skills and jobs.

In 2014, the European Institute of Innovation and Technology selected two new Knowledge and Innovation Communities, in the areas of innovation for healthy living and active ageing, and raw materials (sustainable exploration, extraction processing, recycling and substitution). These areas correspond to challenges currently being faced by the EU: Europe's ageing population and the fall in raw material prices worldwide.

Two years after completing their Marie Skłodowska-Curie fellowships, an estimated 95 % of individual fellows are employed and are approximately 10 % more likely than other researchers to work under a permanent contract, an indicator of their comparatively higher employability. Having a research mobility scheme of this type in place at EU level contributes significantly to the development of the European Research Area in real, practical terms. By promoting healthy competition within the European scientific field, it offers greater benefits than could national schemes. At the same time, it ensures the appropriate level of cooperation between different actors, which, in turn, stimulates investment in R & D-intensive sectors.

Funding was awarded under the Marie Skłodowska-Curie actions in accordance with the timetables for the 2014 and 2015 work programmes. The programme's budget for 2014 was used in full, with 100 % of annual appropriations being committed without any significant deviation from planning.

⁽¹⁾ Blue sky research (also called blue sky science) is scientific research in domains where 'real-world' applications are not immediately apparent.

Example:**Two Nobel Prizes for EU-funded researchers**

The two following examples are good illustrations of the value of Marie Skłodowska-Curie actions in spotting and supporting excellence in individual researchers as well as in the laboratories where they are trained. In 2014, two former Marie Skłodowska-Curie project coordinators were respectively awarded the Nobel Prize in Medicine and the Nobel Prize in Chemistry.

Edvard I. Moser, together with his wife May-Britt Moser and John O'Keefe, received the Nobel Prize in Medicine 2014 for their discoveries of cells that constitute a positioning system in the brain. Edvard I. Moser supervised two incoming fellows awarded Marie Skłodowska-Curie actions fellowships in 2009 and 2012 in Norway. He also received funding from the European Research Council.

The winner of the Nobel Prize in Chemistry 2014, Professor Stefan W. Hell from the German Cancer Research Centre, had been awarded Marie Curie fellowships in 1996 and 1997. He then became coordinator of several Marie Skłodowska-Curie actions fellowships closely connected with the research for which he was awarded the Nobel Prize.



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Projects granted funding during the 2007-2013 programming period (under the predecessor programme, Marie Curie Actions) have continued to be implemented in parallel to the projects funded under the 2014-2020 programmes.

ITER

In 2014, EUR 730 million were committed for ITER.

The ITER project is part of the Strategic Energy Technology Plan ⁽¹⁾. The aim of the project is to build and operate an experimental fusion reactor, a major step towards demonstrating how fusion could be used as a sustainable source of energy.

ITER, as a large-scale and long-term first-of-a-kind research project, cannot be carried out by individual EU Member States or even by the EU alone. It was therefore decided to establish a global framework through an international agreement between the European Atomic Energy Community (Euratom) and six other parties — China, India, Japan, Korea, Russia and the USA.

⁽¹⁾ The European Strategic Energy Technology Plan aims to accelerate the development and deployment of low-carbon technologies. It seeks to improve new technologies and bring down costs by coordinating research and helping to finance projects.

Construction of the reactor began in 2007 in Saint Paul-Lez-Durance (France). Euratom is providing approximately 48 % of all components and is thus the largest contributor to the project. These components are being provided through Fusion for Energy, the European Joint Undertaking for ITER and development of fusion energy. During the period 2014-2020, the EU will continue to contribute to the successful construction of the reactor, in accordance with the ITER international agreement. The financing of ITER has already had a positive impact on industrial competitiveness and job creation, as the project requires procurement of high tech components. More than three quarters of the EU's contribution to ITER leads to contracts with private companies. In the long term, ITER presents a unique opportunity for European high tech industry and construction companies to gain a competitive advantage and become leading actors in the design of the first generation of fusion power plants and their subsequent international commercialisation.

Fusion for Energy awarded 61 operational contracts and seven grants to industries, laboratories and other organisations in 2014, worth a total value of over EUR 400 million, bringing the total value of contracts and grants awarded so far to EUR 3 248 billion. In addition, 86 new procurement and grant procedures were launched.

An important milestone achieved in 2014 was the completion of the foundation slab of the building that will house the reactor. It is a 14 000 m³ concrete construction containing 4 000 tonnes of iron reinforcement bars. Fusion for Energy completed the production of 97 tonnes of superconducting cable for the toroidal field magnets that will hold the hot plasma. Many of the main components for these magnets have entered into series production. Work on the creation of the reactor's vacuum vessel continued, in particular on the components protecting its inside from hot plasma. Fusion for Energy has also continued to develop the reactor's heating systems. The plasma in the reactor must be brought to high temperatures to achieve fusion. Fusion for Energy has signed eight agreements with European research laboratories for the development of detailed designs.

Expenditure on the construction, operation and exploitation of the reactor in 2014 related to funding awarded under the 2007-2013 and 2014-2020 multiannual financial frameworks.



© 2015, ITER Organisation
ITER aerial view

Galileo and EGNOS

EUR 1 326 million were committed for Galileo and EGNOS programmes in 2014.

Galileo is Europe's initiative for a state-of-the-art global navigation satellite system, providing a highly accurate global positioning service under civilian control. Galileo will offer autonomous navigation and positioning services, but will also be compatible with the US GPS satellite navigation system. It will ensure Europe's independence in an area that is of strategic importance to both its economy and security. Galileo will be used for strategic purposes such as civil protection, critical infrastructure protection, defence and peacekeeping missions, for critical business processes that require uninterrupted navigation, and for timing services needed for the synchronisation of electricity grids and telecommunication networks.

The European geostationary navigation overlay service (EGNOS) is the first pan-European satellite navigation system. It makes it possible to use the US GPS system in safety-critical situations such as directing aircraft approaches to airports or navigating ships through narrow channels. Consisting of three geostationary satellites and a network of ground stations, EGNOS achieves its aim by transmitting a signal containing information on the reliability and accuracy of the positioning signals sent out by GPS. It allows users in Europe and beyond to determine their position to around 1 metre.

The satellite navigation sector also provides an enormous market, offering the potential to generate growth and create jobs in the EU. Like the internet, a global navigation satellite system is a service enabler rather than a standalone service. It acts as a catalyst for economic activities, leading to the creation of growth and jobs in a wide range of domains, such as space, receivers and applications. In 2013 the annual global market for navigation satellite products and services was valued at EUR 175 billion. It is expected to grow over the next years to an estimated EUR 237 billion in 2020.

Both programmes are complex space projects, exceeding the financial and technical capacities of a single Member State, and, as such, they fall entirely within EU competence.

The Galileo and EGNOS programmes for the 2014-2020 multiannual financial framework were successfully rolled out in 2014, with a smooth transition being made from the 2007-2013 programmes. Delegation agreements ensured a clear division of tasks between the European Space Agency and the European Global Navigation Satellite Systems Agency. The European Space Agency is responsible for running the Galileo programme, i.e. for the construction and the development of the space and ground infrastructure. The European Global Navigation Satellite Systems Agency is responsible for the use of the Galileo and EGNOS systems, the security of the programmes and the promotion and the marketing of the services.

The infrastructure for Galileo has continued to be put in place. The correct working of the satellite navigation system was validated in orbit. Two Galileo satellites were launched in August 2014. Due to an anomaly at launch, however, the satellites were sent into an incorrect orbit. The root cause of the anomaly was identified and corrective measures were taken. The two satellites were moved into an improved orbit and their future use will be decided over the course of 2015. The launch of Galileo satellites resumed in March 2015, meaning that the overall plan for putting the Galileo system into operation is now back on track. At the same time, preparations for the provision of initial Galileo services continued which are expected to be provided in 2016.

Expenditure on Galileo and EGNOS in 2014 related to both the 2007-2013 and 2014-2020 programmes.

Example:**Ariane and Galileo join forces**

To secure a European launcher for Galileo satellites, a EUR 511 million contract was signed with Arianespace in August 2014 for the acquisition of three Ariane-5 launchers. Each Ariane-5 launcher will have a capacity to carry four Galileo satellites into orbit per launch — as soon as technical adaptation to Galileo satellites is completed.



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Connecting Europe Facility (CEF)

The Connecting Europe Facility is a funding framework for projects of common interest in the areas of transport, energy and information and telecommunications technologies (ICT). In 2014, EUR 1 975 million were committed for the CEF.

Transport:

The CEF provides funding to projects that will tackle bottlenecks in the transport system and provide the 'missing links' in the network, thus creating seamless networks at European level where each Member State has the necessary connections to neighbouring countries. The CEF aims to develop better connections between Member States, and thereby to improve the EU's competitiveness and increase social and economic cohesion between regions and between individual Member States. As part of the CEF, EUR 11.3 billion of investment from the Cohesion Fund has been allocated to projects being carried out in the 'Cohesion Member States' that relate to the main transport network (the core network and corridors) and that have been identified as priorities for the 2014-2020 programming period.

Payments for transport infrastructure were made relating to funding awarded under the predecessor programme to the CEF, the Trans-European Transport Network (TEN-T), in operation during the 2007-2013 programming period.

In 2014, with regard to the funding framework 2007-2013 in the area of transport, the Commission has launched a call for proposals for projects of common interest corresponding to objectives of implementing the priority projects (EUR 50 million), the Motorways of the Sea (EUR 80 million), implementation of the European Rail Traffic Management Systems (ERTMS) (EUR 70 million), implementation of the Air Traffic Management (ATM) (EUR 30 million) and Intelligent Transport Systems (ITS) (EUR 50 million). A separate call for proposals was launched for projects that will contribute to meeting the annual objectives of the CEF. EUR 70 million were available under this call.

The Commission also made payments in respect of the financial instruments entrusted to the European Investment Bank, including for the loan guarantee for the TEN-T projects (EUR 50 million), and for the project bonds (EUR 66 million and EUR 84 million in January 2015, relating to a transaction carried out in 2014).

A total of EUR 13.1 billion in grants is to be awarded to projects proposed under the first call for proposals in the area of transport launched under the 2014-2020 multiannual financial framework. The call was launched in September 2014 with an initial EUR 11.9 billion and the largest part of the funding will be allocated to projects designed to tackle bottlenecks in the transport system and provide the 'missing links' in the network (EUR 6 billion). These projects aim to ensure sustainable and efficient transport (EUR 250 million), optimise the integration and the interconnection of transport modes and improve interoperability, safety and security of transport (EUR 750 million) and contribute to the projects submitted by the Cohesion Member States (EUR 4 billion). EUR 930 million has been allocated to a call for proposals for projects that will contribute to meeting the annual objectives of the CEF.

The total value of all requests for funding was 2.7 times more than the amount available to be awarded. The proposals have been evaluated in the second quarter of 2015 and been approved by the CEF Committee. Decisions relating to individual projects are expected to be implemented as of the third quarter of 2015.

Energy:

Energy infrastructure is typically financed by energy companies and through tariffs paid by consumers. Some of the cross-border pipelines and electricity grids, which are crucial for security of supply or use highly innovative technology, may, however, encounter difficulties in accessing finance from the market as a result of their higher risk level. Furthermore, some projects may not be commercially viable. Funding from the CEF will act as a catalyst for investment from private and public investors.

Support from the EU may take the form of grants for either feasibility studies or environmental impact assessments. Funding may also be given, under certain conditions, for building critical gas pipelines or electricity grids. The EU provides support to projects via the CEF and also by means of financial instruments ⁽¹⁾.

The CEF provides funding for projects that provide significant societal externalities, such as security of supply, solidarity or innovation, and that may not otherwise be commercially viable within the regulatory framework.

To be eligible for financial support under the CEF, projects must first be identified as projects of common interest. These are critical infrastructure projects that will help integrate the energy markets of Member States and, in particular, address the isolation of some Member States from Europe-wide energy networks.

EUR 647 million was allocated to critical priority infrastructure projects through the first CEF call for proposals, which took place in 2014. The largest part of the funding went to gas projects in the Baltic region, central-eastern and south-eastern Europe. These projects will increase Europe's energy security and help to put an end to the isolation of certain Member States from EU-wide energy networks. They will also contribute to the successful completion of the creation of a European energy market and to the integration of renewable energies in the electricity grid. In addition to new pipelines, these projects also involve the construction of terminals for shipping liquefied natural gas.

⁽¹⁾ The Connecting Europe Facility (CEF) provides two types of financial assistance to projects of common interest: grants (i.e. direct co-financing, whereby the EU finances a certain percentage of the eligible costs) and financial instruments (which help project promoters to gain access to finance). Whereas grants are being used to co-finance studies and, under very strict conditions, also construction work being carried out under the projects, financial instruments are used to facilitate access to finance for construction only. The entity currently entrusted with managing financial instruments being used under the CEF is the European Investment Bank. The Bank will initially use a debt instrument, i.e. offering risk sharing for the debt financing used by the promoter to fund the construction work. This can take the form of senior or subordinated debt or guarantees. The assistance provided by the CEF thus allows the project promoter to raise the money needed for construction work more easily.

Of the 34 grants awarded:

- ▶ 16 are for projects in the natural gas sector and 18 for projects in the electricity sector;
- ▶ 28 are for financing studies, such as environmental impact assessments and 6 are for construction works projects.

A number of the projects supported by the CEF have been identified as critical projects for security of supply under the European Energy Security Strategy of 28 May 2014.

Payments for energy were made related to funding awarded under the predecessor programme to the CEF, the Trans-European Energy Network (TEN-E), in operation during the 2007-2013 programming period, and to funding awarded under the legacy programme, European Energy Programme for Recovery. The first grant agreements for the CEF had not yet, however, been concluded, meaning that no payments were made in respect of this programme.

Telecommunications:

The CEF supports the deployment and interoperability of projects in the field of trans-European networks. These projects are expected to contribute to economic growth and to improve the daily life of citizens, businesses and public authorities through the promotion of trans-European digital services infrastructures and broadband networks.

The digital service infrastructures being developed are listed in Regulation 283/2014 (CEF Telecom Guidelines) ⁽¹⁾. The essential components needed to support the entire digital service infrastructure began to be put in place in 2014. Work on digital infrastructures also focused on the following areas: safer internet use for children, digital culture, open data and cybersecurity.

In this context the payments made in 2014 related to the previous programme, the competitiveness and innovation framework programme. In January 2014, the Commission made a payment of EUR 13 million to the European Investment Bank in respect of the pilot project bond instrument launched in 2012 as part of the ICT policy support programme created within the competitiveness and innovation framework programme (CIP-ICT-PSP).

EUR 29.6 million in grants are expected to be awarded in 2015 to projects proposed under the first call for proposals carried out under the 2014-2020 multiannual financial framework. The largest part of this funding has been allocated to the launch and operation of the generic services platforms developed as part of work on Safer internet and electronic Identification and of the core service platform for Europeana ⁽²⁾.

In addition, following calls for tender carried out in 2014, EUR 39.4 million was spent on the launch and operation of core service platforms for the following infrastructures: Safer Internet for Children, electronic identification and eSignature, electronic delivery of documents, eInvoicing, Access to re-usable public sector information — Public Open Data, Automated Translation and Cyber Security.

With respect to financial instruments for broadband projects the Commission also made a global commitment of EUR 17.5 million, through a delegation agreement with the European Investment Bank, the entrusted entity, which is about to be finalised.

⁽¹⁾ http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ%3AJOL_2014_086_R_0014_01&from=EN

⁽²⁾ A multilingual online collection containing millions of digitised items from European museums, libraries, archives and multimedia collections.

A further EUR 10 million will be committed to financial instruments for broadband under a cross-sectoral work programme for CEF financial instruments, which is expected to be adopted in the second half of 2015.

Example — transport

Providing alternative fuel solutions for transport

This project, designed to provide alternative fuel solutions for the maritime sector, allows the sector to use liquefied natural gas (LNG) by creating the infrastructure for the small-scale supply of LNG in the ports of Rotterdam (the Netherlands) and Gothenburg (Sweden). The new break bulk facility in Rotterdam will supply LNG to smaller infrastructure facilities (e.g. smaller terminals in other ports) and provide a truck-loading bay to enable ships to bunker LNG in the port using trucks. The Gothenburg facility, which will serve the Scandinavian LNG bunkering market, will be the first satellite terminal to be supplied by the Rotterdam break bulk facility.

Duration: January 2012 to December 2015

EU contribution: EUR 34 million



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Example — energy

Preparatory studies for a merchant interconnector between France and the UK

ElecLink is a project to create an electricity interconnection between Coquelles (France) and Folkestone (United Kingdom). The aim is to build and operate a 1 000 MW merchant (for-profit) interconnector measuring approximately 70 km in length and passing through the Channel Tunnel to connect the 400 kV electricity grids of France and the United Kingdom.

EU funding for the ElecLink project will cover half the cost of preparatory work needed to be completed in order for construction work to begin (obtaining permits, authorisations, regulatory exemptions and financing). Funding will also cover compliance with environmental requirements and grid operator requirements and the selection of a preferred tenderer for the construction of the interconnector.

Duration: until September 2015

EU contribution: EUR 1.7 million (to cover half the costs of the preparatory work)

Example — information and communication technology

European Open Data Portal

The European Open Data Portal ⁽¹⁾ was launched in 2014 and gives access to open datasets, which are free to use and reuse, provided by local, regional and national public bodies across Europe. The website, which builds on work on a prototype currently available at <http://publicdata.eu>, offers access to 47 864 datasets from 28 different national and regional open data catalogues and is continually being added to. Around 70 000 people visited the site in 2014 (an increase of 64 % from 2013).



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Competitiveness of enterprises and small and medium-sized enterprises (COSME)

EUR 254 million were committed for COSME in 2014.

The COSME programme is the first EU programme designed primarily to benefit small and medium-sized enterprises (SMEs). It aims to support the competitiveness, growth and sustainability of EU businesses and to promote entrepreneurship. It has a budget of EUR 2.3 billion for the 2014-2020 programming period, and has the following four main objectives:

- ▶ making it easier for SMEs to access financing by providing loan guarantees and risk capital;
- ▶ helping businesses to access new markets inside and outside the EU;
- ▶ improving the framework conditions for businesses, e.g. by reducing the administrative burden on SMEs; and
- ▶ encouraging entrepreneurship and an entrepreneurial culture.

SMEs are the backbone of the EU economy and the EU's main asset for job-rich economic growth. They account for over 99 % of all European businesses and provide two thirds of private sector jobs. COSME aims to improve the business environment for SMEs and to encourage the founding and growth of SMEs in Europe. In order to be able to reach SMEs and potential entrepreneurs effectively, the Commission will use local intermediaries, such as banks or venture capital funds for access to finance and local business support organisations (e.g. chambers of commerce and clusters).

⁽¹⁾ <https://open-data.europa.eu/en/data>

COSME builds on the successes of its predecessor, the competitiveness and innovation framework programme (CIP). It allocates more EU funding to fewer initiatives, mainly those which proved successful under the CIP. For example, EUR 1.4 billion is allocated to financial instruments (such as bank loans) under COSME, as part of a 'zero bureaucracy' strategy. To access funding, SMEs simply apply for financing in the usual way (e.g. by applying to the bank for a loan, or looking for direct investment from a risk capital fund).

A new initiative will combine contributions from several EU programmes (COSME, Horizon 2020 and the Structural Funds) and from the European Investment Bank (through the SME Initiative). This involves Member States voluntarily using part of their Structural Fund allocation for SME loans, which will generate significant levels of investment thanks to the fact that the loans are guaranteed and/or are provided through securitisation via the European Investment Bank.

As in previous years, the Enterprise Europe Network continues to be the local point of contact for SMEs, providing information, advice and services free of charge in the local language and based on the in-depth knowledge of local experts. Under COSME, the network is being reformed and its performance monitored to guarantee even higher quality services to SMEs.

The year 2014 was a period of transition between CIP and COSME. The CIP financial instruments were still in operation and the Enterprise Europe Network was still funded by CIP. There was no financing gap. Implementation of CIP (COSME's predecessor) left a positive budget balance.

Example:

Helpdesk to protect intellectual property rights

COSME funds helpdesks that offer frontline advice and support to European SMEs experiencing difficulties relating to intellectual property rights in, or in relation to:

- ▶ China;
- ▶ the countries of the Association of South-east Asian Nations (ASEAN); or
- ▶ the Common Market of the South (Mercosur).

The helpdesks provide expert advice by replying to individual business enquiries.

They also offer e-learning tools and face-to-face workshops. They help SMEs deal with issues such as:

- ▶ counterfeit products entering the EU market;
- ▶ protecting intellectual property rights before and while doing business in the countries concerned; and
- ▶ finding and working effectively with administrations or service providers to enforce their intellectual property rights.



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Erasmus+

EUR 1 559 million were committed for Erasmus+ in 2014.

As of 2014, Erasmus+ has brought together seven previously separate EU programmes in the fields of education, training and young people. It is now, for the first time, also providing support for sport.

Erasmus+ provides opportunities for EU citizens to study, train, gain work experience and volunteer abroad. The programme supports transnational partnerships between institutions and organisations providing education, training and services to young people to encourage cooperation between them. It creates a link between the worlds of work and education, with the aim of tackling the skills gap in Europe. It also supports measures being taken at national level to modernise education, training and youth schemes. In the field of sport, there will be support for projects at local level and for tackling cross-border problems such as match-fixing, doping, violence and racism.

The Erasmus+ programme contributed to the Commission's overall aim of helping to overcome the current economic crisis and to restore confidence in the EU, especially among young people. Over the years, the EU education programmes have helped to improve access to education in Europe. Higher education attainment has improved (2000: 22.4 %; 2010: 33.5 %; 2013: 36.9 %) and early school leaving rates have fallen (2000: 17.6 %; 2010: 14.1 %; 2013: 12.0 %).

In 2014, demand for funding far exceeded the available budget, with proposals for around 21 000 education and training projects and over 11 000 youth projects being submitted.

Funding EU mobility in this way has clearly improved the employability of participants. Half of all European graduates who have studied or trained abroad have benefited from Erasmus (more than 3 million students since its inception) and Erasmus has increased their employability by 45 %. The unemployment rate among Erasmus students 5 years after graduation is 23 % lower than that of other students. Furthermore, EU-funded mobility encourages mobility across all Member States and has a 'ripple effect' on student mobility in general. Similarly, in the area of international mobility, the EU-funded joint masters and doctoral programmes have been shown to be very valuable for graduates, in terms of finding work and/or further research positions. The mid-term evaluation of the Erasmus+ programme showed international and intercultural experience to be one of the most important assets that distinguishes Erasmus+ beneficiaries from other graduates.

The projects launched during the 2007-2013 programming period (the Lifelong learning programme for learners and teachers and the Youth in action programme for young people and youth workers) continued to be implemented in 2014, alongside the projects funded under the 2014-2020 multiannual financial framework ⁽¹⁾.

⁽¹⁾ http://ec.europa.eu/education/tools/u-multirank_en.htm

Example:**New higher education database**

The new European tertiary education register (ETER) published its first results in 2014. This database provides, for the first time at EU level, up-to-date and comparable data on higher education institutions (e.g. university size, subjects covered and degree types, and information about research, international activities and funding). As well as providing valuable detailed information for policymakers, it is also designed to help universities to identify opportunities for research collaboration or specialisation. ETER complements university performance databases, such as U-Multirank, and system-level statistics on higher education (provided by the Unesco Institute for Statistics, the OECD and Eurostat, for example). ETER covers more than 2 600 higher education institutions, with a combined student population of over 16 million across 36 countries, including all EU Member States.



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Economic, social and territorial cohesion

Highlights



© ART ON CHAIRS

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The 'Art on Chairs' project, carried out in Portugal, was one of the winners of the 2014 RegioStar award. The project gave new life to the traditional furniture industry by bringing together traditional furniture makers and the design world to turn chairmaking into an art form.

A new fund, the Fund for European Aid to the Most Deprived (FEAD), was created in 2014 to tackle extreme poverty. It provides non-financial assistance to the most deprived.

From 2014, 20 % of the European Social Fund budget will be allocated to social inclusion. The fund will offer more support to people in difficulties and to those from disadvantaged groups, in order to ensure that they have access to have the same opportunities as others and to help them integrate better into society.

Broadband availability is now close to 100 % in nearly all EU regions, reducing the disadvantages of less-developed regions in doing business through digital networks.

Regional policy aims to promote economic, social and territorial cohesion by helping the least-developed EU countries and regions to catch up with the other Member States, improving competitiveness in all regions and encouraging cooperation between regions. Cohesion policy also promotes more balanced and sustainable territorial development.

The EU's regional policy targets all regions and cities in the EU, in order to support job creation, business competitiveness, economic growth and sustainable development, and to improve the quality of life of EU citizens.

In order to achieve these objectives and to address the diverse development needs of all EU regions, EUR 351.8 billion — almost a third of the total EU budget — has been set aside for cohesion policy over the period 2014-2020.

Regional policy supports hundreds of thousands of projects all over Europe that receive funding from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. (The Cohesion Fund awards funding to programmes in EU Member States that have a GDP lower than 90 % of the EU average.)

Coordination and consistency between cohesion policy and the other EU policies that contribute to regional development (rural development policy and fisheries and maritime policy) have been strengthened for the 2014-2020 budgetary period by a regulation ⁽¹⁾ on the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). Together, these five funds are known as the European Structural and Investment Funds (ESI).

The objectives for 2014-2020 are:

- ▶ a stronger focus on results — clearer and more easily measurable targets for better accountability;
- ▶ simplification — one set of rules for the five funds;
- ▶ conditions — introduction of specific preconditions to be fulfilled before funds can be channelled;
- ▶ a stronger focus on urban areas and on measures to promote social inclusion — a specific amount of the funding to be awarded under the ERDF has been earmarked for projects in cities, and a part of that awarded under the ESF is set aside for projects supporting marginalised communities;
- ▶ a link to economic reform — the Commission may suspend funding for a Member State that does not comply with EU economic rules.

The Commission has set 11 priorities:

1. strengthening research, technological development and innovation;
2. improving access to, and the use and quality of, information and communication technologies;
3. improving the competitiveness of SMEs;
4. supporting the shift towards a low-carbon economy;
5. promoting climate change adaptation, risk prevention and management;
6. preserving and protecting the environment and promoting resource efficiency;
7. promoting sustainable transport and improving network infrastructures;
8. promoting sustainable and quality employment and supporting labour mobility;
9. promoting social inclusion, combating poverty and discrimination;
10. investing in education, training and lifelong learning; and
11. improving the efficiency of government administration.

⁽¹⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=EN>

Cohesion policy is implemented according to the following steps:

- ▶ The budget for the policy and the rules for its use are jointly decided by the European Council and the European Parliament, on the basis of a proposal from the Commission. In addition to common rules for the European Structural and Investment Funds (European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF), there are also rules specific to each fund.
- ▶ The principles and priorities of cohesion policy are refined through a process of consultation between the Commission and the EU Member States. Each Member State produces a draft partnership agreement, which outlines the country's strategy and proposes a list of programmes. In addition to this, Member States also present draft operational programmes that cover entire Member States and/or regions. Cooperation programmes will also be proposed involving more than one country.
- ▶ The Commission negotiates with the national authorities on the final content of the partnership agreement and on each programme. The programmes should reflect the priorities of the country and/or region, or of the cooperation area concerned. Workers, employers and civil society bodies can all participate in the programming and management of the operational programmes.
- ▶ The programmes are implemented by Member States and regions. This involves selecting, monitoring and evaluating hundreds of thousands of projects. This work is organised by 'managing authorities' in each country and/or region.
- ▶ The Commission commits the funds (to allow the countries to start spending on their programmes).
- ▶ The Commission pays the certified expenditure to each country.
- ▶ The Commission monitors each programme, alongside the country concerned.
- ▶ Both the Commission and the Member States submit reports throughout the programming period.
- ▶ The Commission provides support to Member States in order to help them make the best possible use of cohesion policy funding, and to address problems with implementation. This support has been reinforced for the 2014-2020 funding period.

There are four main principles underpinning cohesion policy:

- ▶ Concentration

This principle has three aspects:

- Concentration of resources — the largest proportion of structural fund resources (70 % for 2014-2020) is concentrated on the poorest regions and countries.
- Concentration of effort — focusing investment on the main priority areas for growth
 - research and innovation;
 - information and communication technologies (ICT);
 - improving the competitiveness of small and medium-sized enterprises (SMEs); and
 - supporting the shift towards a low-carbon economy.

- Concentration of spending — at the beginning of each programming period, annual funding is allocated to each programme. These funds must be spent by the end of the second year after their allocation (known as the 'N+2 rule').

► Programming

Cohesion policy does not fund individual projects. Instead, it funds multiannual national programmes set in accordance with EU objectives and priorities.

► Partnership

Each programme is developed collectively by authorities at European, regional and local level, social partners and civil society organisations.

The partnership composed of these various authorities and organisations is responsible for the programme at all stages, from design, through management and implementation, to monitoring and evaluation.

This approach helps ensure that action is adapted to local and regional needs and priorities.

► Additionality

Financing from the European Structural Funds must not replace national spending by a Member State.

The Commission agrees with each country the level of eligible public (or equivalent) national spending to be maintained throughout the programming period, and checks compliance with the agreed level in the middle and at the end of the programming period (in 2018 and 2022).

The objective is to set realistic but ambitious targets for structural public spending in order to ensure that the contribution from the EU Structural Funds does add to existing funding, and thus increase what can be achieved through the programme. As a general rule, average annual spending in real terms should not be less than in the previous programming period.

Although the Structural Funds are part of the EU budget, the way in which they are spent is based on a system of shared responsibility between the Commission and national authorities:

- The Commission negotiates and approves programmes proposed by EU Member States and allocates resources.
- The EU countries/regions manage the programmes, implement them by selecting projects, monitor and assess them.
- The Commission is involved in programme monitoring, commits and pays out approved expenditure and verifies the Member States' control systems.

For each operational programme, the national authority appoints:

- a managing authority (national, regional or local public authority or public/private body to manage the operational programme);
- a certification body (national, regional or local public authority or body to certify the statement of expenditure and the payment applications before they are sent to the Commission); and
- an auditing body (national, regional or local public authority or body to oversee the efficient running of the management and monitoring system).

Commitments

Budgetary commitments for the operational programmes are made on an annual basis, by fund and by objective. The Commission commits the proportion allocated to the first year before the adoption of the operational programme. Subsequent annual amounts are committed by 30 April each year.

Automatic decommitment

A proportion of the budgetary commitment is automatically decommitted by the Commission if it remains unused or if no payment application has been received by the end of the second year following the year of the budgetary commitment.

Conditions for financing

Co-financing ceilings

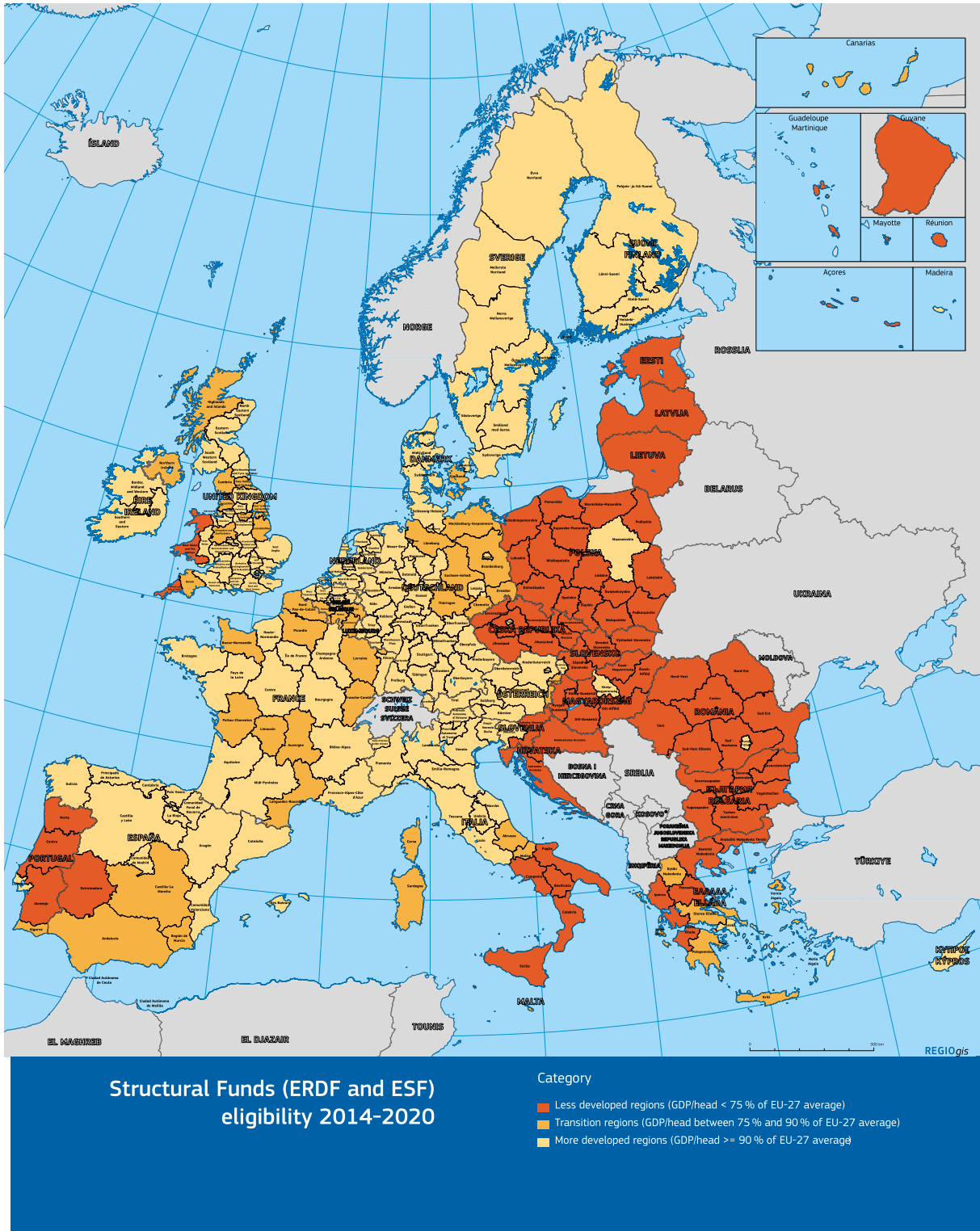
Maximum co-financing rates:

- Less developed regions: **80 or 85 %** (see Article 120 of Regulation (EU) No 1303/2013 for further details)
- Transition regions: **60 %**
- More developed regions: **50 %**
- Cohesion Fund: **85 %**
- European Territorial Cooperation: **85 %**

Eligible expenditure

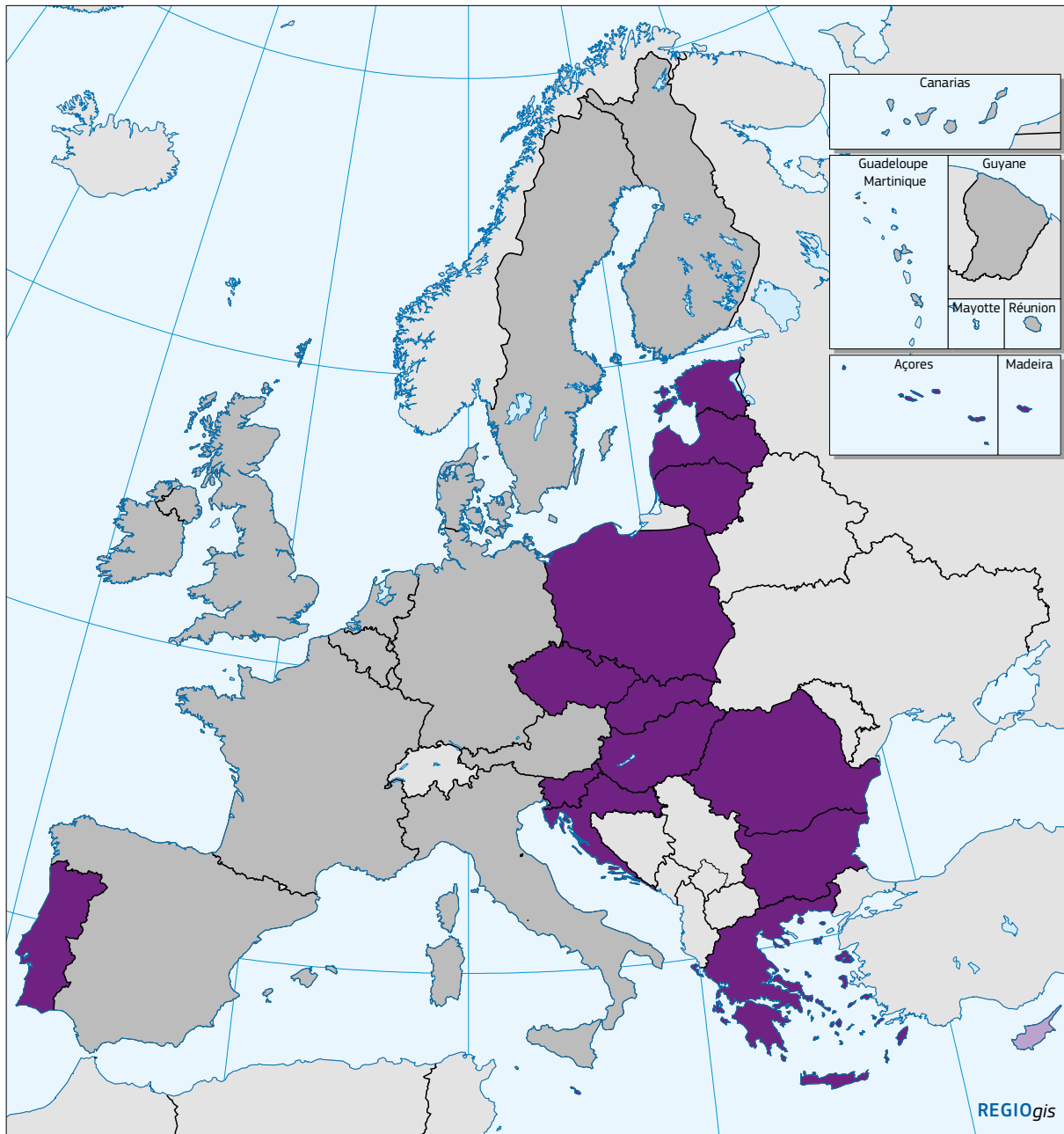
Eligible expenditure is incurred between 1 January 2014 and 31 December 2022. Co-financed transactions must not be completed before the start date for eligibility. Rules are set at national level except where the specific fund rules state otherwise.

Structural Funds 2014-2020 (ERDF and ESF) eligibility



Source: Directorate-General for Regional and Urban Policy, European Commission.

Cohesion Fund eligibility 2014-2020



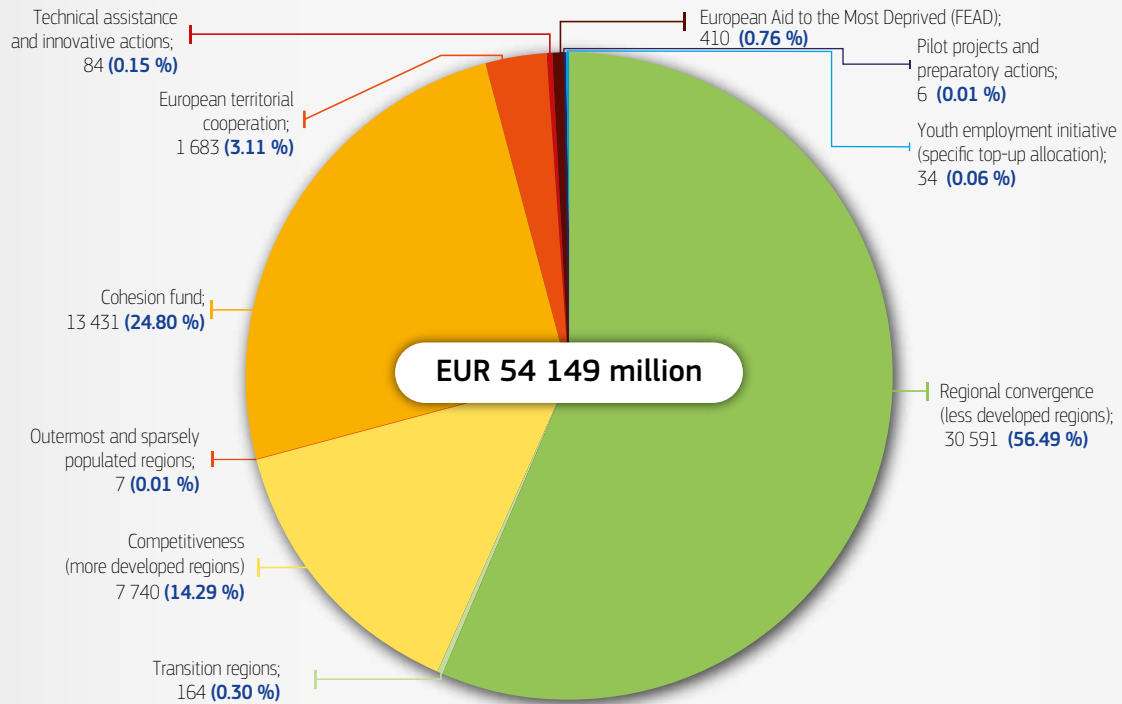
Cohesion Fund eligibility 2014-2020

- Category
- GNI/head < 90% of EU-27 average
 - Phasing-out support
 - Other Member States

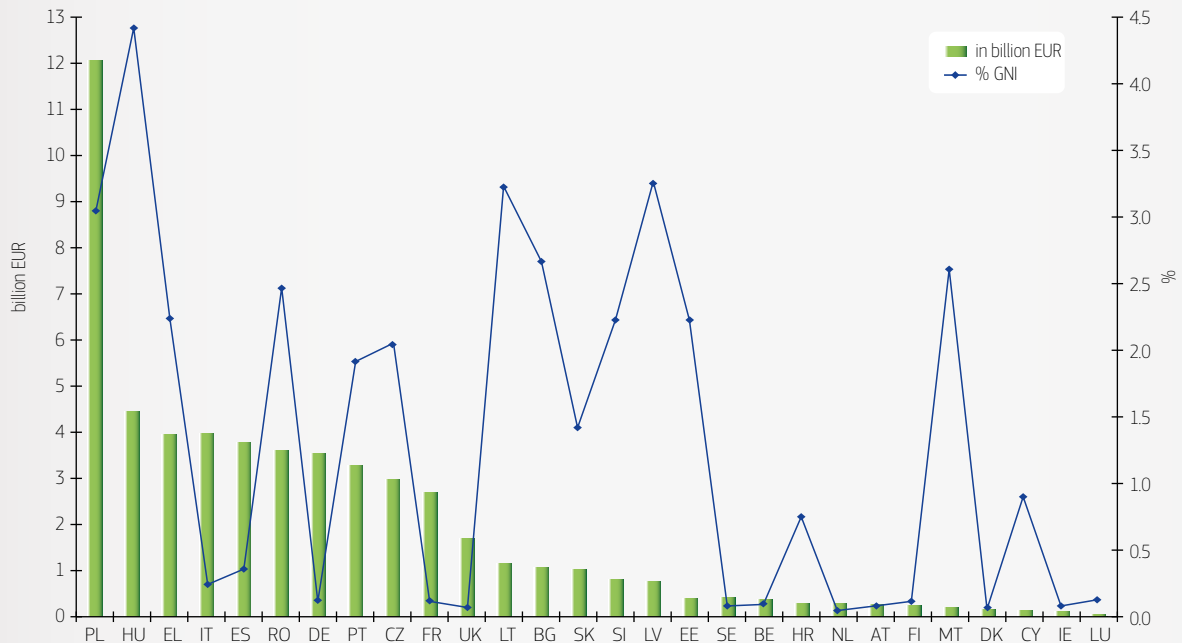
GNI/head figures: average 2008-09-10
Sources: Eurostat, DG REGIO

Source: Directorate-General for Regional and Urban Policy, European Commission.

Heading 1B — Payments executed (million EUR) in 2014



Heading 1B — Expenditure by Member State in 2014



European Regional Development Fund (ERDF)

In 2014, EUR 11 619 ⁽¹⁾ million were committed for the European Regional Development Fund.

Following the reform of cohesion policy, approved in 2013, investment under the ERDF has been concentrated on the areas linked to the EU's strategic priorities, in particular:

- ▶ innovation and research;
- ▶ information and communication technologies;
- ▶ support for small and medium-sized enterprises; and
- ▶ the low-carbon economy.

The effectiveness of future investment under the ERDF will also be improved during the 2014–2020 programming period thanks to a stronger focus being placed on results (and on setting clear and measurable targets), the introduction of conditions that must be met before funds can be used (e.g. smart specialisation ⁽²⁾ requirements) and closer links being established between economic governance and reform.

Specific territorial characteristics are also given particular attention when awarding funding under the ERDF. The fund finances projects designed to reduce economic, environmental and social problems in urban areas, with a particular focus on sustainable urban development. At least 5 % of the ERDF's resources are set aside for this area, being awarded to 'integrated actions' managed by cities.

Areas that are naturally disadvantaged in geographical terms (through being remote, mountainous or sparsely populated) are given preferential treatment. In addition, the outermost areas of the EU also receive specific assistance from the ERDF, in order to address possible disadvantages suffered as a result of their remoteness.

Member States reported the following results from ERDF projects completed between 2007 and 2013:

- ▶ **employment** — 769 000 jobs created, of which 34 800 are research jobs and 274 100 are in SMEs;
- ▶ **SMEs** — 274 100 projects benefiting from direct investment aid, 97 600 start-ups supported;
- ▶ **innovation and research** — 72 800 research and development projects, 26 700 cooperation projects between industry and academia;
- ▶ **information and communication technologies** — 27 000 ICT projects, 5 million more people connected to broadband internet;
- ▶ **transport** — 25 700 km of road built or reconstructed, 4 800 km of railway lines built or reconstructed;
- ▶ **environment** — 3 100 risk prevention projects, 7 million people benefiting from flood protection measures;

⁽¹⁾ includes EUR 130 million for technical assistance

⁽²⁾ Smart specialisation is a new innovation concept designed to promote the efficient and effective use of public investment in research. Its objective is to boost regional innovation in order to achieve economic growth and prosperity by enabling regions to focus on their strengths.

- ▶ **energy** — 32 400 renewable energy projects, 2 700 MW of additional capacity of renewable energy production;
- ▶ **social infrastructure** — 25 500 education projects, 4 700 health projects.

These results give only a partial overview of the wide range of activities supported by funding from the ERDF. Many other indicators are specific to certain regions or Member States and therefore cannot be aggregated. These achievements will continue to be added to as the programmes do not end until 2015, and a number of large projects are still ongoing.

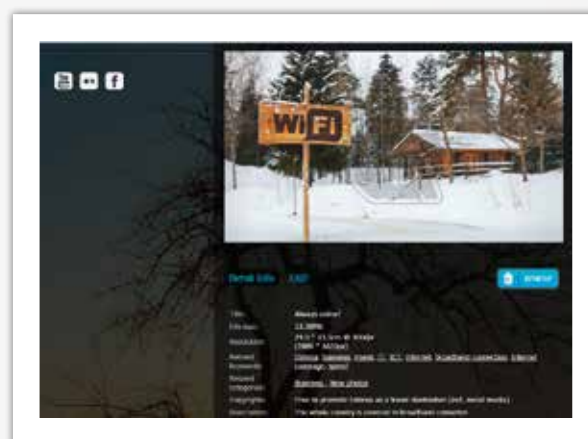
Expenditure in 2014 related to three programming periods: closure payments for programmes launched during the 2000–2006 programming period; interim payments for programmes from the 2007–2013 programming period; and pre-financing payments for the newly adopted 2014–2020 programmes.

Example

E-government in Estonia

Estonia is emerging as one of the most advanced e-societies in the world. Much of Estonia's e-government infrastructure has benefited from investment from the ERDF. As a result, Estonians now have access to a comprehensive range of public and private e-services such as e-elections, e-tax, e-policing, e-healthcare, e-banking and e-schools. The latest innovation is an e-residency card for non-nationals. It allows non-residents of the country to access public and private e-services and to operate in Estonia.

EU contribution: EUR 63 million



Example

Regions4GreenGrowth helps regions to invest in green energy schemes

At a time when government spending is falling in most European regions, one of the main aims of the Regions4GreenGrowth project is to find new ways of financing green energy. It allows regions to exchange experience and provide advice to one another, for example, on the creation of a regional energy fund or green public procurement. Experience has shown that, on many occasions, a similar problem to the one encountered in one region has already been solved elsewhere.

EU contribution: EUR 1.6 million

European Social Fund (ESF)

In 2014, EUR 9 460 ⁽¹⁾ million were committed for the European Social Fund.

The European Social Fund (ESF) is an important source of investment at EU level for job-rich, inclusive and sustainable development.

Its objectives for the programming period 2014-2020 are:

- ▶ helping people into work through training and other initiatives, creating opportunities for self-employment, helping people to balance work and family life, giving workers the skills to adapt to change and modernising labour market institutions;
- ▶ promoting social inclusion for disadvantaged groups, improving access to services and promoting social entrepreneurship;
- ▶ improving education, promoting lifelong learning, reducing the number of early school leavers and making the transition from school to work easier; and
- ▶ improving the quality of public administration and helping those involved in implementing policies to develop, within their organisation, the capacities needed to do so more effectively.

As of 2014, the role of the ESF has been strengthened as a result of a number of changes introduced:

- ▶ Member States must allocate a minimum share (23 %) of the funding they receive for cohesion policy to the ESF;
- ▶ at least 20 % of the ESF must be allocated to social inclusion;
- ▶ greater emphasis is placed on combating unemployment among young people;
- ▶ greater emphasis is placed on promoting equal opportunities;
- ▶ funding is concentrated on a limited number of priority areas.

The ESF will be at the forefront of developments in introducing innovative management rules to simplify project implementation, first of all by introducing simplified cost options.

The ESF also contributes to meeting the EU's current objectives by:

- ▶ increasing resources for employment and social inclusion policies;
- ▶ broadening existing actions and offering support to groups or in policy areas not otherwise covered;
- ▶ promoting innovative projects and approaches and exchange of good practices and experience between Member States; and
- ▶ influencing governance, the culture of monitoring, evaluation and innovation.

⁽¹⁾ includes EUR 37 million for technical assistance

Of a total of 187 programmes awarded ESF funding, 128 were adopted in 2014. By 7 May 2015, 150 operational programmes had been adopted, out of a total of 187 ESF/YEI programmes awarded support.

An initial assessment shows that 18 Member States allocated additional funds to the ESF, beyond the minimum required proportion of their respective cohesion policy budgets. As a result, ESF allocations account for 24.8 % of the overall cohesion policy budget, or approximately EUR 86.4 million. Cohesion policy resources have been redirected towards promoting jobs and growth. The budget for this area has been allocated in the following proportions for the 2014-2020 period:

- ▶ employment — 37.4 %;
- ▶ social inclusion — 25.5 %;
- ▶ education — 32.7 %;
- ▶ administrative capacity building — 4.4 %.

Moreover, and according to the most recent data, the minimum target of 20 % for social inclusion has been met and even exceeded in a large number of Member States.

Example

Helping young unemployed people

The 'Come In' project being carried out in Hamburg helps young people to enter the world of work. It is aimed at 18-25-year-olds who are struggling to find a job or secure a place on a training scheme. This might be because of poor performance at school, family problems, drug addiction, debts, a criminal record or poor social skills.

The project improves young people's chances of successfully joining the labour market by helping them to develop new career prospects and placing them in jobs or on vocational training schemes related to their skills and abilities. It provides young people with training and individual coaching to boost their self-confidence, improve their health and enable them to live independently. In addition, it helps young people to look for new housing and manage their debts, where relevant, and offers them psychological counselling.

EU contribution: EUR 6 million



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Example

Childhood for all

EU Member States are progressively moving vulnerable children from residential care to community-based services. The 'Childhood for all' project in Bulgaria aims to create a sustainable model of transition for children with disabilities, and supports the development of a new social infrastructure that will replace the traditional residential institutions.

Duration: 54 months (from June 2010 to December 2014).

EU contribution: EUR 145 million



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Fund for European Aid to the Most Deprived (FEAD)

EUR 501 million were committed for the Fund for European Aid to the Most Deprived in 2014.

The FEAD is a new fund created in 2014. Its specific objective is to alleviate extreme poverty in the EU by providing non-financial assistance to the most deprived. It aims to promote social cohesion, improve social inclusion and contribute to achieving the objective of eradicating poverty in the EU. The FEAD complements the existing cohesion policy funds by focusing exclusively on supporting the most deprived.

The FEAD has a budget of EUR 3.8 billion for the programming period 2014-2020 and will be implemented in all EU Member States. Member States can choose whether to support material assistance (distribution of food or basic consumer goods) and/or social inclusion activities for the most deprived.

The fund is managed jointly by the Commission and the Member States. Member States must prepare an operational programme setting out how they are going to use funding from the FEAD. In 2014, Member States negotiated the content of their national programmes with the Commission. By the end of 2014, 25 operational programmes had been adopted. The Commission approved the three remaining programmes in March 2015.



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Youth Employment Initiative (YEI)

EUR 1 574 million were committed for the Youth Employment Initiative.

The Youth Employment Initiative was adopted in response to a request from the European Council, made in February 2013, for the Commission to address the unprecedented levels of youth unemployment currently being experienced in certain regions of the EU, often those facing a particularly difficult economic situation in general. Given the urgency of the situation, special arrangements were made to allow the YEI to be adopted more quickly, so that measures could start to be introduced, and to have effect, as soon as possible.

Support provided under the YEI is aimed solely at young people not in employment, education or training. Unlike the European Social Fund (ESF), it cannot be used to support systems or structures. The YEI is integrated into the programming of the ESF. The measures funded can take the form of specific programmes, priority axes within programmes or parts of one or more priority axes.

Member States are currently submitting the first reporting on the implementation of the YEI (structured data reports on the implementation of the YEI in 2014). Their reporting will provide an overview, albeit a limited one since it relates to 2014, of the progress made.

The Commission has however encouraged Member States to provide as much qualitative information as possible, including on their progress to date in implementing the YEI (in particular for those Member States that started to implement the YEI only at the end of 2014 or even in 2015), despite the delays being experienced (mainly as a result of a lack of funding, which has now been addressed by a new regulation ⁽¹⁾).

By 8 July 2015, 32 out of 34 operational programmes being funded or part-funded by the YEI had been adopted (only UK England Operational Programme is pending adoption). The YEI allocation (including national contributions) of these operational programmes represents around EUR 6 billion, out of the total budget for the YEI of EUR 6.4 billion. On 20 May, the Council and the European Parliament adopted the Commission's proposal amending the ESF regulation to increase the initial pre-financing made available from the specific allocation for the YEI to around EUR 1 billion in 2015, in order to allow programmes to be implemented more quickly. This represents an increase of the pre-financing rate from 1-1.5 % to up to 30 %.

All adopted Operational Programmes supported by the YEI have already received the additional pre-financing.

Cohesion Fund

EUR 5 374 ⁽²⁾ million of EU budget were committed for the Cohesion Fund in 2014.

The Cohesion Fund provides support to Member States whose gross national income (GNI) per inhabitant is less than 90 % of the EU average. It aims to reduce economic and social disparities and to promote sustainable development.

For the 2014-2020 programming period, the countries eligible for funding from the Cohesion Fund are Bulgaria, the Czech Republic, Estonia, Greece, Croatia, Cyprus, Latvia,

⁽¹⁾ The new regulation increases the pre-financing rate received by Member States, which has allowed the advancing of payments up to around EUR 1 billion. Please see here: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2173&furtherNews=yes>

⁽²⁾ includes EUR 26 million for technical assistance

Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia. The Cohesion Fund is now subject to the same rules on programming, management and monitoring as the European Regional Development Fund and the European Social Fund.

The Cohesion Fund's budget of EUR 63.4 billion is allocated to the following categories of programme:

- ▶ environment — including projects related to energy or transport, providing they clearly benefit the environment in terms of, e.g. energy efficiency and use of renewable energy, developing rail transport, supporting intermodality or improving public transport;
- ▶ trans-European transport networks — priority projects of European interest, as identified by the EU. The Cohesion Fund will support infrastructure projects financed under the Connecting Europe Facility with a further EUR 11.3 billion of funding.

Financial assistance awarded under the Cohesion Fund can be suspended by a Council decision (taken by qualified majority) if a Member State has an excessive public deficit and has not resolved the situation or taken the appropriate action to do so.

As outputs are reported by programme (and not by fund), the Commission estimates outputs relating to the Cohesion Fund on the assumption that the European Regional Development Fund does not fund projects relating to the Cohesion Fund's priority areas.

The relevant Member States⁽¹⁾ have reported the following results for the programmes implemented between 2007 and 2013:

- ▶ transport — 1 817 km of road and 1 355 km of rail built or reconstructed in the Trans-European Transport Network (TEN-T); and
- ▶ environment — 4 247 627 EU citizens benefiting from an improved water supply; 5 522 223 additional citizens served with wastewater treatment; 2 430 additional citizens benefiting from waste sorting, recycling and disposal projects.

These achievements will continue to be added to as many large projects are not due to be completed until the end of 2015.

Expenditure in 2014 related to three programming periods: closure payments for programmes launched during the 2000-2006 programming period; interim payments for programmes from the 2007-2013 programming period; and pre-financing payments for the newly adopted 2014-2020 programmes.

⁽¹⁾ The Member States eligible for funding from the Cohesion Fund during the 2007-2013 programming period were Bulgaria, the Czech Republic, Estonia, Greece, Spain, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia (in 2013 only).

Example

Gas pipeline improves supply to homes and businesses

The construction of a 138 km gas pipeline between Jurbarkas and Klaipėda in Lithuania will ensure the reliability and safety of natural gas supply. The scheme also offers the potential to connect 56 000 residents to the gas network. A number of environmental protection measures were implemented when laying the pipeline:

at road crossings the pipeline was laid in protective enclosures; at river crossings the environmental effects of the project were mitigated by using direct horizontal drilling, which ensures that the pipeline does not come into contact with surface water. This installation technique also preserves the natural gradient of the waterways.

EU contribution: EUR 22 million



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Example

E-platform to improve healthcare services in Poland

A new electronic platform has transformed the way in which public authorities, businesses and individuals access medical records in Poland. The platform offers applications for service providers and pharmacies, a system for collecting medical data, and a data warehouse for analysis, reports and monitoring. There are other applications for the reimbursement of medical costs and for the detection of fraud.

EU contribution: EUR 129 million



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Sustainable growth: natural resources

Highlights



© 2015 Pixabay

The European Agricultural Fund for Rural Development (EAFRD) helped hundreds of farmers, food producers, restaurants, shops and local associations in Spain's Aragon region to promote local food.



© LIFE10 ENVSE000041 Volvo Bus Corporation

Funding from the EU budget contributed to a scheme launched in Gothenburg to introduce hybrid buses that run on petrol and electricity and produce 75 % less carbon dioxide emissions than standard buses. The scheme will be extended to a number of other cities in Europe and further afield, including Stockholm, Hamburg and Luxembourg.



© Energy Academy's school activity, Samsø island

A new financial instrument to be used within the LIFE programme and the climate action sub-programmes adopted for the programming period 2014-2020 was introduced in 2014. Its aim is to increase private investment in energy efficiency projects.



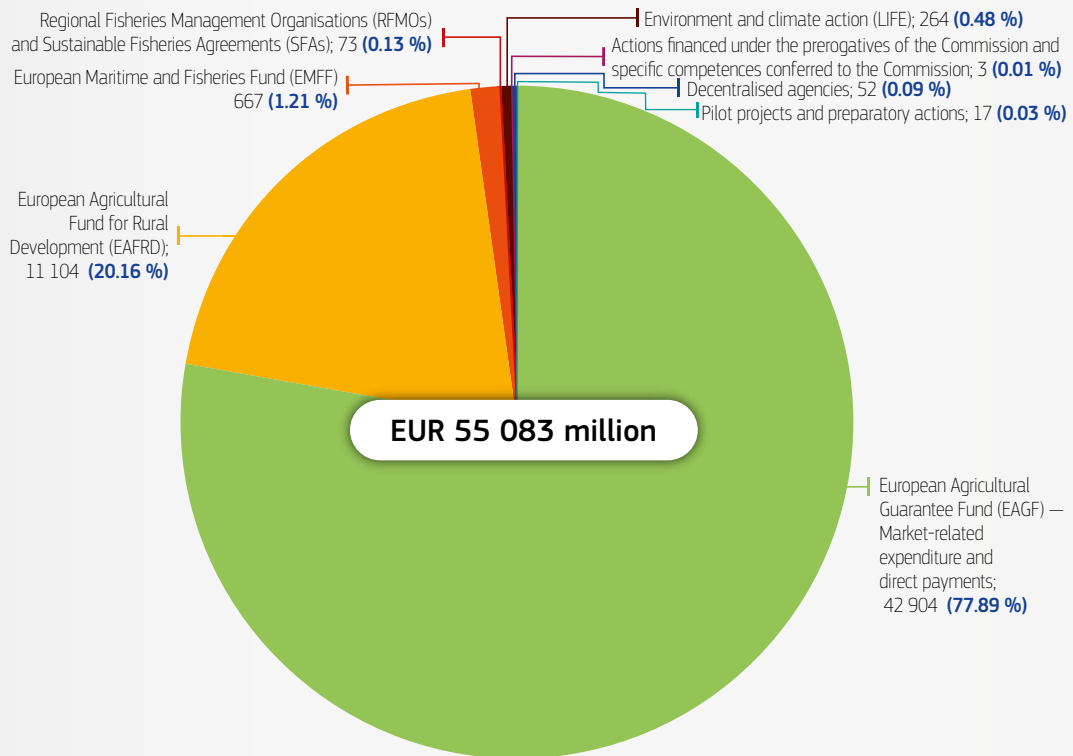
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Implementation of the common fisheries policy reform began. Its aim is to end overfishing and reduce fish discards.

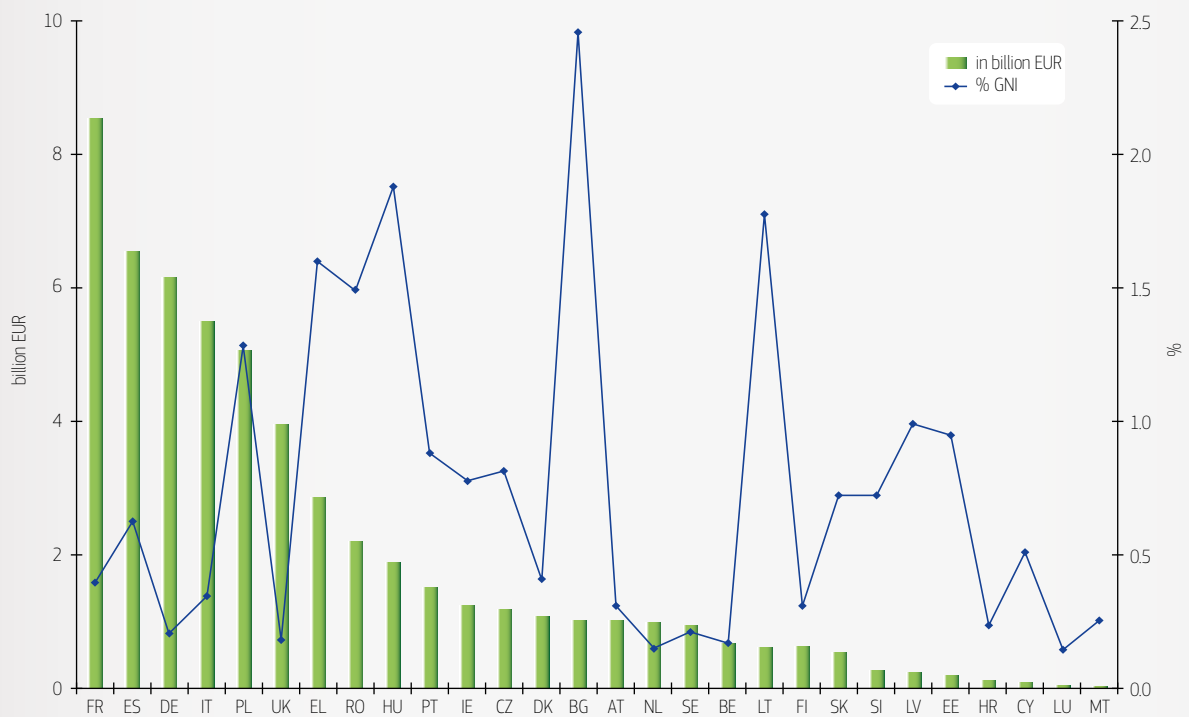
This budget heading covers the common agricultural policy, the common fisheries policy, rural development and environmental measures.

The EU common agricultural policy encourages the production of safe, high quality food. It promotes EU agricultural products, encourages innovation in farming and food processing, and supports farmers. The budget allocated to the common agricultural policy is used to finance both direct payments to farmers and measures to help address market disturbances, e.g. private or public storage and export refunds. The 2013 common agriculture policy reform focused on providing public goods for EU citizens. Its objectives included improving the quality of food, ensuring the sustainability of farming, and protecting biodiversity and natural heritage. 2014 was, however, a transitional

Heading 2 — Payments executed (million EUR) in 2014



Heading 2 — Expenditure by Member State in 2014



year, as the direct payments reform did not enter into force until 1 January 2015, with the first expenditure under the new aid schemes planned for the 2016 financial year.

The EU is committed to increasing the economic potential of rural areas. Through the EAFRD, it aims to create new sources of income for those living in rural areas by encouraging the diversification of activities. This fund is also used to help protect rural heritage.

Equally importantly, the EU promotes the efficient and sustainable use of land and forests. It encourages measures that ensure better protection of nature and biodiversity, reduce waste production and greenhouse gas emissions, make use of clean technologies and improve air quality. The LIFE programme supports environmental protection and nature conservation.

The common fisheries policy promotes sustainable fisheries and aquaculture. The reform of the common fisheries policy began to be implemented in 2014. Its main objective is to ensure the long-term environmental sustainability of fishing and aquaculture.

Common agricultural policy (CAP)

The common agricultural policy (CAP) is a policy of strategic importance to farm income, food security, the environment and territorial balance. The overall aim of the policy is to promote smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy.

The CAP is a genuinely European policy: instead of operating 28 separate agricultural policies, Member States pool resources to develop and implement a single European policy with a single European budget. A common policy ensures a more effective approach to shared objectives and a more effective response to cross-border challenges. It also creates a level playing field in the single market and strengthens the EU's position in trade negotiations. The CAP addresses important objectives such as mitigating climate change and increasing biodiversity. It makes an important contribution to economic and social cohesion and promotes solidarity among Member States. In view of this, a significant proportion of the EU budget is allocated to the CAP.

The new CAP focuses on providing public goods for EU citizens. Its objectives include improving the quality of food, ensuring the sustainability of farming, and protecting biodiversity and natural heritage. It also aims to encourage growth and to create new jobs in rural areas.

Direct payments and market-related expenditure

Direct payments continued to be used to stabilise farm incomes, and thus helped to ensure the economic viability of farms. They accounted, on average, for almost half of family farm income in 2014 and supported more than 8 million European farmers. A main focus of the CAP in 2014 was the swift implementation of the new greener, more targeted and more balanced direct payments schemes ⁽¹⁾. The reform of direct payments entered into force on 1 January 2015, with the first expenditure for the new aid schemes planned for the 2016 financial year. Besides direct payments to farmers,

⁽¹⁾ The new direct payment schemes applicable from 1 January 2015 are: basic payment scheme, payment for agricultural practices beneficial for the climate and the environment, payment for areas with natural constraints, payment for young farmers, payment for small farmers and voluntary coupled support.

the European Agricultural Guarantee Fund (EAGF) finances measures regulating or supporting agricultural markets. In 2014, EUR 42 910 million were committed for the EAGF, of which EUR 2 176 million is for market-related expenditure and EUR 40 579 million for direct payments.

The 2013 CAP reform created the reserve for crises in the agricultural sector. It is entered into the EAGF budget each year, and financed by a reduction in direct payments achieved by means of financial discipline. The reserve was not used in 2014 and was carried over to the 2015 financial year for reimbursement to farmers subject to financial discipline.

Market expenditure remained stable in 2014 despite significant uncertainties caused, in particular, by the introduction of the Russian import embargo on EU agricultural products. The measures taken in response to this situation to support various agricultural sectors will, however, lead to additional expenditure in 2015.



© European Union

Rural development

EUR 3 310 million were committed for the European Agricultural Fund for Rural Development (EAFRD) in 2014.

Rural development programmes, part of the second pillar of the common agricultural policy (CAP), make a vital contribution to the economic, social and environmental wellbeing of rural areas, and to the sustainability of the rural environment. Rural development helps to increase the competitiveness of agriculture and to ensure the sustainable management of natural resources. It contributes to climate action and helps balance the territorial development of rural economies. Initiatives for agriculture taken under the European Innovation Partnership and the support for diversification both play an essential role in achieving the EU objectives of encouraging innovation and entrepreneurship and promoting inclusiveness.

The aim of the CAP reform as regards rural development is to:

- ▶ improve the rural development programmes and strengthen the content of the measures relating to sustainable rural development and to environmentally friendly, territorially balanced, innovative, competitive and resilient agricultural production;
- ▶ simplify rules and/or reduce the related administrative burden where possible; and
- ▶ link rural development policy more closely to the other European Structural and Investment Funds.

Member States are required to base their rural development programmes on at least four of the six common EU priorities. These are:

1. promoting knowledge transfer and innovation in agriculture, forestry and rural areas;
2. improving the viability/competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;
3. promoting food chain organisation, animal welfare and risk management in agriculture;
4. restoring, preserving and improving ecosystems related to agriculture and forestry;
5. promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agricultural, food and forestry sectors;
6. promoting social inclusion, poverty reduction and economic development in rural areas.

Significant preparatory work was carried out in 2014, in order to pave the way for the implementation of the new generation of rural development programmes adopted for the period 2014-2020. Out of a total of 118 rural development programmes, 117 programmes were submitted to the Commission for approval in 2014. Nine rural development programmes were approved in December 2014 with the remainder to be adopted over the course of 2015. The rural development programmes were assessed alongside the 28 national partnership agreements (covering the five European Structural and Investment Funds). All of the national partnership agreements were formally received and approved in 2014.

With the 2007-2013 programming period drawing to a close, implementation of programmes from this period was accelerated during 2014. The results achieved by the end of 2014 were close to the targets set for the programming period.

The payments made from the European Agricultural Fund for Rural Development (EAFRD) in 2014 referred mainly to programmes adopted in the 2007-2013 programming period.

Example

Delivering cost-effective healthcare in rural Finland

The 'Mallu does the rounds' project provided medical services to people in remote rural areas of Finland. A caravan was converted into a mobile healthcare centre. Inside this Mallu bus, nurses provided medical services, including flu vaccinations, health advice and minor procedures such as removing stitches, clearing ears, syringing ears, measuring blood pressure and sampling blood sugar levels. On-board computers connected the nurses to centralised patient information systems. This meant that all the health district's databases were available in the vehicle and remote consultations with more specialised medical staff could be provided if needed. A fixed route was set through a catchment area of eight local authority areas, covering over 100 000 potential patients. The service is available to local residents and also to tourists or other visitors to the area. The Mallu bus project has made a valuable contribution to the health and wellbeing of people in rural areas. It has been especially useful in helping elderly residents to live independently and in contributing to disease prevention.

Duration: Until February 2015

EU contribution: EUR 48 000



© Mikko Nikkinen-South Karelia Social and Health Care District

Example

Boosting innovation in the Welsh agriculture sector

The Cywain agriculture project helped hundreds of Welsh producers to develop new products (such as frozen yoghurt or a liqueur made from locally grown aronia berries) and created new jobs in the region. It facilitated collaboration between producers and retailers, provided expert advice and improved the distribution of products. The project was launched in August 2008 and ran, with some slight modifications, until 2015.

EU contribution: EUR 1.5 million



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LIFE programme

EUR 402 million were committed for the LIFE programme in 2014.

The LIFE programme is the EU's funding instrument for environmental policy and climate action. The objective of LIFE is to contribute to the implementation, updating and development of EU policy and legislation in the areas of the environment and climate by co-financing projects that offer European added value. The LIFE programme for 2014-2020 was published in December 2013. It has been allocated a budget of EUR 3 455 million for this period. The LIFE programme aims to contribute to sustainable development and to the achievement of the European climate and environmental objectives.

The environment strand of the new programme covers three priority areas: environment and resource efficiency, nature and biodiversity, environmental governance and the provision of information. The climate action strand covers climate change mitigation, adaptation, governance and the provision of information.

The programme also consists of a new category of projects — jointly funded integrated projects — which will cover a wide geographical area. These projects will aim to implement environmental and climate policy and to better integrate such policy aims in other policy areas.

For the first time, innovative financial instruments will provide funding for LIFE projects:

- ▶ the Natural capital financing facility will help finance projects designed to protect biodiversity; and
- ▶ the Private finance for energy efficiency facility will finance energy efficiency projects.

The Commission has delegated the implementation of many components of the LIFE programme to the Executive Agency for Small and Medium-sized Enterprises (EASME). The European Investment Bank will manage the two financial instruments.

The first call for proposals under the new LIFE programme was published on 18 June 2014 and grants will be awarded in 2015. Every year, the LIFE programme invests around EUR 250 million in over 200 projects relating to environmental improvement and nature conservation, mobilising over EUR 500 million in funding. While the programme is relatively small, its individual projects have had a disproportionately large effect.

The payments implemented under this programme in 2014 mainly related to the completion of the 2007-2013 LIFE+ programme.

Example

Restoration of habitats of importance for EU biodiversity in the Basque Country's estuaries

Estuarine habitats in Spain's Basque Country, of importance to the EU's biodiversity, are threatened by the presence of the exotic and invasive bushy shrub, *baccharis halimifolia*. This project successfully implemented an ambitious campaign to combat the invasive species in three Basque estuary sites that are part of the Natura 2000 network. The project cleared the invasive alien species from a 212-hectare area, thus providing an example of a cost-effective way of achieving the objectives set in the EU biodiversity strategy to 2020 and in the invasive alien species regulation ⁽¹⁾. Lessons learned from the project have been incorporated into the Basque Country's hydrological plan, produced in accordance with the water framework directive ⁽²⁾.

EU contribution: EUR 0.9 million



© Irekia

Example

A modelling tool for reducing pollution

The Italian project OPERA developed a software modelling tool, and accompanying guidelines, for local and regional authorities to help them to comply with EU air quality standards. The tool (known as RIAT+) will help identify the most effective measures for reducing air pollution and greenhouse gas emissions. The EU's Joint Research Centre encourages further use of RIAT+.

EU contribution: EUR 1.1 million



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⁽¹⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1417443504720&uri=CELEX:32014R1143>

⁽²⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32000L0060>

European Maritime and Fisheries Fund (EMFF)

EUR 90 million were committed for the European Maritime and Fisheries Fund in 2014.

The reform of the common fisheries policy (CFP) began to be implemented in 2014.

The new policy aims to:

- ▶ ensure long-term environmentally sustainable fishing and aquaculture, in order to achieve economic, social and employment benefits. This means fishing at levels that restore fish stocks and keep them at a sustainable level, delivering high yields and improved economic performance and creating jobs and economic growth in coastal and maritime areas;
- ▶ provide EU citizens with a stable, secure and healthy food supply in the long term;
- ▶ focus public aid on the objectives of the CFP, thus providing financial support to the fishing and aquaculture sectors and to the sustainable development of fisheries areas. Each Member State draws up an operational programme setting out its priorities and targets.

The EMFF supports the objectives of the CFP by:

- ▶ promoting environmentally sustainable, resource-efficient, innovative, competitive and knowledge-based fisheries and aquaculture; and
- ▶ increasing employment and territorial cohesion in fisheries-dependent areas, and financing CFP accompanying measures.

In addition, part of the EMFF's budget is allocated to the development of the integrated maritime policy.

The Commission and Member States continued to pursue the restoration of stocks to levels that can produce the maximum sustainable yield. Further progress was made towards meeting the requirement that exploitation rates for all stocks must be at levels in line with the maximum sustainable yield by 2015, where possible, and no later than 2020. The statistics on stock status confirm the trend of recent years. The efficacy of scientific advice and the state of fisheries resources in EU waters are improving.

Before the EMFF became operational, its predecessor, the European Fisheries Fund (EFF) continued to play a vital role in the implementation of the CFP by supporting the fishing industry and fishing-dependent coastal communities. The EFF supported the sustainable development of fisheries areas through fisheries local action groups. Between 2007 and the end of 2014:

- ▶ 312 local action groups were in place in 21 Member States;
- ▶ over 9 800 projects had been approved, creating 8 000 jobs;
- ▶ 12 500 jobs had been safeguarded; and
- ▶ 220 businesses had been created.

The EFF also supported aquaculture, although production in this area had been stagnating in the EU. Although it represents a relatively small part of the EU economy, aquaculture has the potential to boost growth and jobs in coastal and inland areas in the EU. From 2007 until May 2014, EUR 1.3 billion was invested in 7 209 aquaculture businesses, including EUR 493 million from the EFF.

The focus of the integrated maritime policy in 2014 was the implementation of the EU 'blue growth' strategy ⁽¹⁾, which is designed to encourage growth and jobs in the EU maritime economy, while ensuring the protection of the marine environment.

The vast majority of the payments made in 2014 related to actions from the 2007-2013 multiannual financial framework, therefore under the EFF (the predecessor to the EMFF). This fund is implemented through shared management, and finances:

- ▶ measures to adapt the EU fishing fleet;
- ▶ aquaculture, inland fishing, processing and marketing of fishery and aquaculture products;
- ▶ measures of common interest;
- ▶ sustainable development of fisheries areas; and
- ▶ technical assistance.

Only one operational programme was adopted under the EMFF, the new fund for the programming period 2014-2020, in 2014. No payments were made under this fund.

⁽¹⁾ http://ec.europa.eu/maritimeaffairs/policy/blue_growth

Example

A new business thanks to EU funds

In Ustka, Poland, a local business received support through Axis 4 of the EFF to purchase equipment that would allow it to renovate fishing boats in an area that had three fishing ports but no repair facilities. In addition to renovating old fishing boats, the company is now equipped to adapt boats to make them suitable for use by tourists, and to design and build new, special-purpose boats for leisure and tourism. This has safeguarded six existing jobs and created a further six jobs.

Duration: Launched in 2014

EU contribution: EUR 64 770



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Example

Better equipment for Grand Port Maritime in Réunion

The Grand Port Maritime in Réunion received support from the EFF for acquiring an ice silo with a storage capacity of 15 tonnes for its deep sea fishing dock. The project helped to make the new dock fully operational. It contributed to improvements in support services for maritime operators and increased the competitiveness of the local fishing sector.

Project duration: Completed May 2014

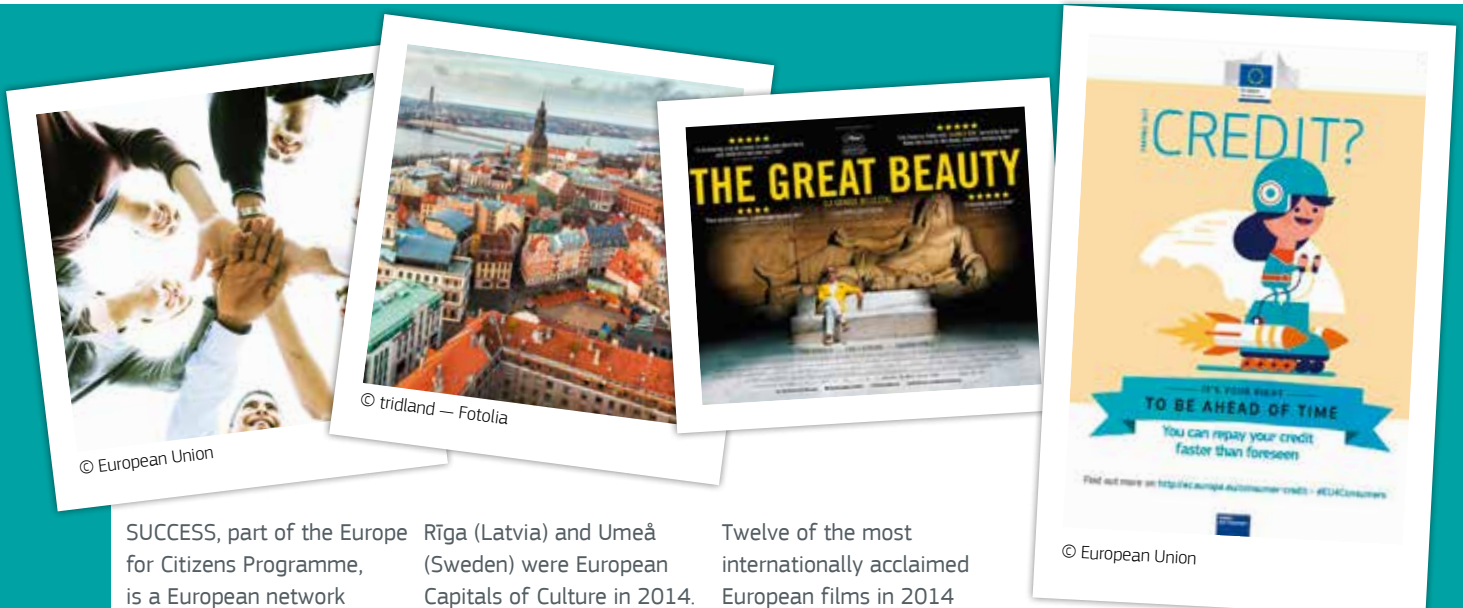
EU contribution: EUR 622 643



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Security and citizenship

Highlights



SUCCESS, part of the Europe for Citizens Programme, is a European network of citizens that live and work in multicultural and disadvantaged areas in four countries: France, Italy, Portugal and the United Kingdom. The project serves as a basis for testing ideas on the future of European citizenship.

Rīga (Latvia) and Umeå (Sweden) were European Capitals of Culture in 2014. This was an opportunity to transform their image, put them on the world map, attract more tourists and expand their cultural programmes.

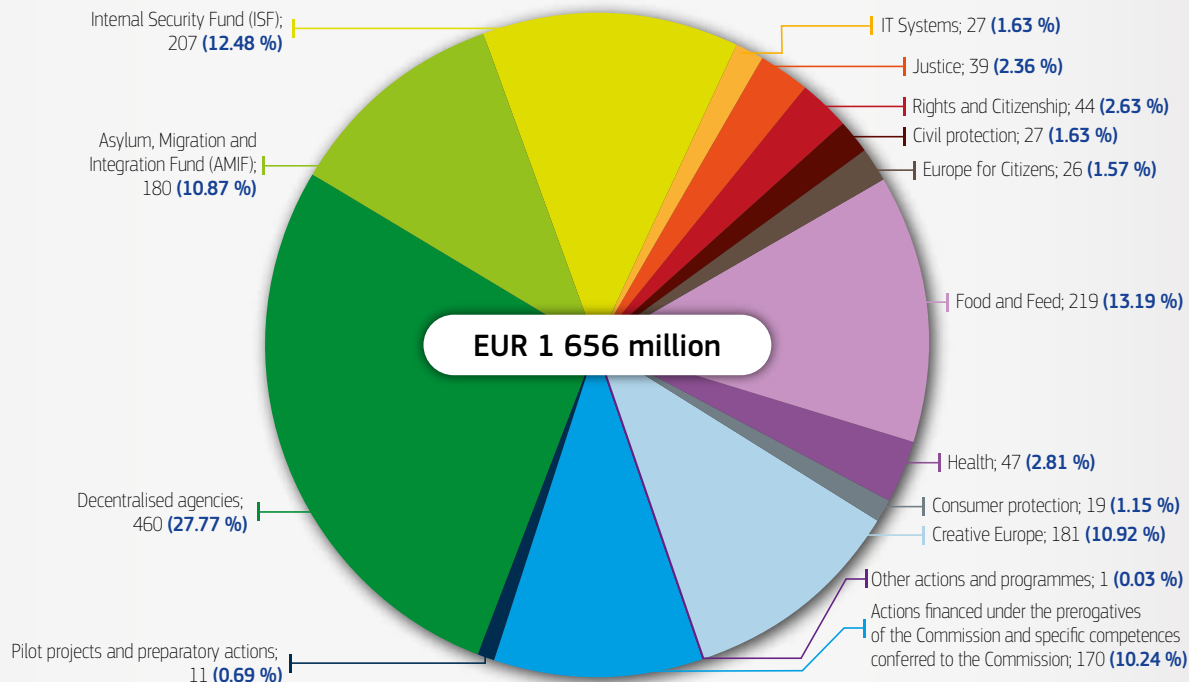
Twelve of the most internationally acclaimed European films in 2014 received support for their distribution. This includes *Timbuktu* (nominated for the 2015 Oscar for best foreign language film and for the 2014 Palme d'Or at the Cannes film festival) and *La Grande Bellezza* (which won the 2014 Oscar and the 2014 Golden Globe for best foreign language film and was nominated for the 2013 Cannes film festival Palme d'Or).

An information campaign took place in Croatia in 2014 to improve the level of awareness of consumer rights in the new Member State.

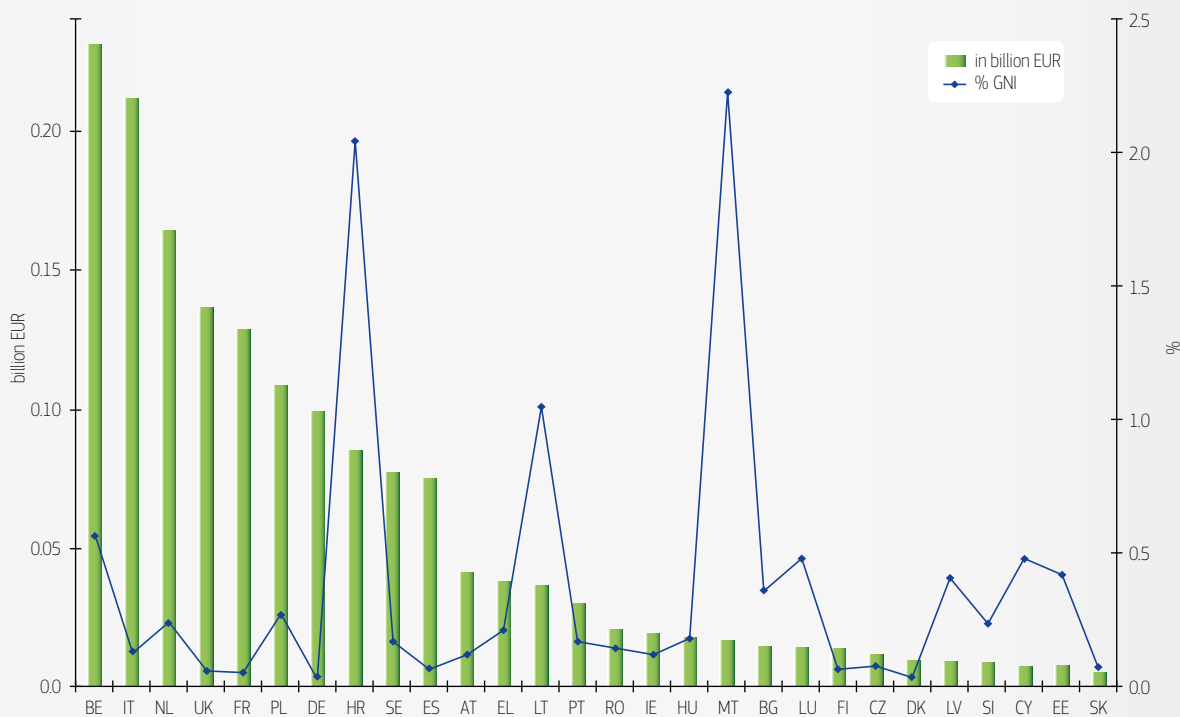
In the 2014–2020 multiannual financial framework, the subheadings *citizen* (3A) and *freedom, security and justice* (3B) were merged into the single heading 3 *security and citizenship*.

Heading 3 now includes justice and home affairs, border protection, immigration and asylum policy, public health, consumer protection, culture, youth, information and dialogue with citizens.

Heading 3 – Payments executed (million EUR) in 2014



Heading 3 – Expenditure by Member State in 2014



Asylum, Migration and Integration Fund (AMIF)

EUR 47 million were committed for the Asylum, Migration and Integration Fund in 2014.

The objectives of the new fund, AMIF, are to promote the efficient management of migration flows and the implementation, strengthening and development of a common EU approach to asylum and immigration. The fund has been allocated a total budget of approximately EUR 3.1 billion for the 2014-2020 programming period. It supports projects that contribute to achieving four specific policy objectives:

- ▶ Asylum — strengthening and developing the common EU asylum system by ensuring that EU legislation in this field is efficiently and uniformly applied;
- ▶ Legal migration and integration — supporting legal migration to EU states in line with labour market needs and promoting the effective integration of non-EU nationals;
- ▶ Return — developing fair and effective return strategies, which will contribute to tackling irregular migration, with an emphasis on sustainability and the effectiveness of the return process; and
- ▶ Solidarity — making sure that those EU countries most affected by migration and asylum flows can count on the solidarity of other EU countries.

The reduced number of funds (AMIF effectively replacing several funds adopted under the 2007-2013 multiannual financial framework), together with the creation of a set of common rules, will simplify procedures and allow all concerned to better understand the rules in force. Under the new multiannual financial framework for 2014-2020, funding will be implemented mainly by the Member States, under shared management. Direct management will continue to be used for EU actions (specific transnational projects or particularly innovative projects, including actions in and in relation to non-EU countries), for the flexible emergency response mechanism and for technical assistance provided by the Commission. The administrative burden placed on Member States has been reduced by moving from annual programmes to a system of results-driven multiannual national programmes, covering the whole 7-year multiannual financial framework period.

The main milestone achieved in 2014 was the entry into force of the new home affairs regulations⁽¹⁾ under the multiannual financial framework, which took place later than expected, in May. This delay affected the adoption of the implementing acts needed for the formal submission and approval of the national programmes. As a result, no national programmes were adopted before 31 December 2014.

The payments implemented in 2014 related to AMIF (which entered into force in May 2014) and to its predecessor programmes adopted under the 2007-2013 multiannual financial framework (the European Refugee Fund, the European Integration Fund and the European Return Fund), that will run until 30 June 2015.

⁽¹⁾ Horizontal regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5142014_of_the_european_parliament_and_of_the_council_en.pdf
 AMIF regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5162014_of_the_european_parliament_and_of_the_council_en.pdf
 ISF-Borders regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5152014_of_the_european_parliament_and_of_the_council_en.pdf
 ISF-Police regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5132014_of_the_european_parliament_and_of_the_council_en.pdf

The European Refugee Fund supported Member States' work in receiving refugees and displaced persons, guaranteeing access to consistent, fair and effective asylum procedures, resettling people and providing emergency assistance.

The European Integration Fund supported initiatives designed to facilitate the integration of non-EU immigrants into European societies. It is primarily targeted at newly arrived migrants.

The European Return Fund sought to improve the process of returning migrants and to encourage cooperation between EU Member States and the countries to which migrants are being returned.

Example

Emergency measures in Bulgaria

In summer 2013, Bulgaria saw a dramatic increase in the number of asylum-seekers entering the country via the Turkish border. The Bulgarian reception system was under enormous pressure with numbers of asylum-seekers significantly exceeding its capacity. The Commission granted EUR 5.7 million of emergency support from the European Refugee Fund to increase and improve accommodation capacity, provide food, medical and psychological assistance and to improve the speed and quality of procedures for processing asylum requests.

This emergency support ensured that certain minimum conditions (relating to reception and access to the asylum procedure) were met for up to 6 000 asylum-seekers. It provided the material assistance necessary to ensure that people's basic needs were met (e.g. access to sanitation, basic utilities, food and medical care) and that they had access to the asylum procedure. Emergency support from the European Refugee Fund also paid for the recruitment of essential staff and experts, such as registration officers, interview officers, social workers, interpreters and medical staff.



© European Union
An advice session in the registration and reception centre of the state agency for refugees in Sofia, Bulgaria, financed by the European Refugee Fund.

In particular, the emergency support has created the capacity to manage any future crises of this kind. The accommodation infrastructure can be expanded for short periods of time and it is also possible to set up camps outside the accommodation centres using the mobile facilities purchased.

Beneficiary: State agency for refugees, Bulgaria

Duration: November 2013-April 2014

EU contribution: EUR 5.7 million
(European Refugee Fund)

Internal Security Fund

EUR 66 million were committed for the Internal Security Fund (ISF) in 2014.

The objectives of this new fund are to ensure the implementation of the internal security strategy and to promote cooperation on law enforcement and the management of the EU's external borders. It has been allocated a total budget of approximately EUR 3.8 billion for the 2014-2020 programming period. The fund will ensure that Member States are provided with adequate EU financial support to ensure that progress is made towards the policy objectives and to address important challenges in the area of internal security.

The ISF consists of two instruments:

- ▶ the Internal Security Fund — borders and visa; and
- ▶ the Internal Security Fund — police.

Under the 2014-2020 multiannual financial framework, the ISF will support relevant policy developments at EU level, thus contributing to a high level of security in the EU. At the same time, it will facilitate legitimate travel by ensuring a uniform and high level of control of the EU's external borders and effective processing of Schengen visas, in accordance with the EU's commitment to fundamental freedoms and human rights.

The reduced number of funds now being used in this area, combined with the creation of a set of common rules, will simplify procedures and allow all concerned to better understand the rules in force. Funding will be mainly implemented by Member States, using shared management. This is the first time that this method of implementation has been used in the area of police cooperation and crime prevention. Direct management will continue to be used for EU actions (specific transnational projects or particularly innovative projects, including actions in and in relation to non-EU countries), for the flexible emergency response mechanism and for technical assistance provided by the Commission. Moreover, the administrative burden placed on Member States has been reduced by moving from annual programmes to a system of results-driven multiannual national programmes, covering the whole 7-year multiannual financial framework period.

The main milestone achieved in 2014 was the entry into force of the new home affairs regulations ⁽¹⁾ under the multiannual financial framework, which took place later than expected, in May. This delay affected the adoption of the implementing acts needed for the formal submission and approval of the national programmes. As a result, no national programmes were adopted before 31 December 2014.

Activities that now receive financial support through the ISF borders and visa instrument were formerly supported by the External Borders Fund, while the ISF police instrument covers activities that were supported by the programme for the prevention, preparedness and consequence management of terrorism and other security-related risks during the 2007-2013 programming period.

⁽¹⁾ Horizontal regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5142014_of_the_european_parliament_and_of_the_council_en.pdf
 AMIF regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5162014_of_the_european_parliament_and_of_the_council_en.pdf
 ISF-Borders regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5152014_of_the_european_parliament_and_of_the_council_en.pdf
 ISF-Police regulation: http://ec.europa.eu/dgs/home-affairs/financing/fundings/pdf/overview/regulation_eu_no_5132014_of_the_european_parliament_and_of_the_council_en.pdf

Example

Purchasing of two twin-engine helicopters in Malta

Malta's armed forces identified the need to purchase up to two twin-engine helicopters, in order to maintain the country's required level of operational availability, in a way which would also contribute to sustainability.

Helicopters require both periodical maintenance and maintenance based on flying time, as a result of which it is usual for one helicopter to be grounded at any one time for both scheduled and unscheduled maintenance. In addition, it is also recommended that one helicopter is available on standby while the other is out on operations.

Malta's armed forces' rotary wing crafts are responsible for carrying out various missions, including in relation to border control and national security. They also carry out maritime law enforcement, surveillance, ship-borne operations and search and rescue missions. The purchase of two twin-engine helicopters is therefore designed to upgrade and consolidate border control assets to maximise their effectiveness.

In addition, the existing fleet of aircraft and maritime vessels will also be strengthened through the acquisition of two new maritime patrol aircraft and one maritime patrol vessel for use in border control missions. The maritime patrol vessel will be able to transport a limited number of troops for rapid intervention in Malta and Gozo and will provide 'fast roping' capability enabling troops to board vessels. The upgraded capacity will increase Malta's ability to participate in border control missions with non-EU countries, potentially even by providing personnel for working on board vessels.

EU contribution: EUR 6 million (External Borders Fund)



© European Union
One of the two planes purchased by Malta's armed forces with the help of funding from the European Border Fund.

Justice

EUR 47 million were committed for the justice programme in 2014.

The objective of the justice programme is to contribute to the further development of a European area of justice based on mutual recognition and mutual trust between Member States.

In order to reach this objective, the programme promotes:

- ▶ judicial cooperation in civil and commercial matters, insolvencies, family matters and successions;

- ▶ judicial cooperation in criminal matters;
- ▶ judicial training, including language training on legal terminology, with a view to promoting a common legal and judicial culture;
- ▶ effective access to justice in Europe, including promoting the rights of victims of crime and procedural rights in criminal proceedings; and
- ▶ initiatives in the field of drugs policy (judicial cooperation and crime prevention aspects).

The justice programme has been put in place to ensure that EU law is fully and consistently applied. Its objective is to ensure access to justice for individuals and businesses throughout Europe, particularly when they live, work, do business or even face trial in another EU country. The total budget allocated to the justice programme for the 2014-2020 programming period is EUR 378 million.

During this period, the EU aims to support projects that relate closely to its policy objectives, that offer significant European added value and that will deliver important results. Despite the relatively late start of the 2014 work programme, the justice programme is well on track to achieve its objectives. Indicators have been established for assessing projects awarded funding under calls launched under the new programme. Data is collected at the application stage and will be collected at the final report stage, in order to be able to improve performance measurement within the programme.

Main achievements:

- ▶ The European judicial network in civil and commercial matters, managed and funded by the Commission, strengthens cooperation between the judiciary and justice ministries of Member States.
- ▶ European judicial training and the European judicial training network remain among the priority areas for funding. The Commission's objective ⁽¹⁾ is for half of all legal practitioners in the EU to have attended a European judicial training course by 2020. All available resources at local, national and European level will be used to help achieve this objective.
- ▶ A number of European networks received funding in 2014, allowing them to develop their capacity to take on a leading role in the monitoring of specific aspects of criminal and civil justice in the EU. These include Fair Trials Europe, the International Juvenile Justice Observatory, Victim Support Europe, the European Forum for Restorative Justice, the Irish Council for Civil Liberties and the Council of the Notariats of the European Union.
- ▶ The European e-Justice portal was created and is being further developed using funding from the justice programme and its predecessors. Grants offered to national administrations and other bodies involved gave them a significant incentive to launch innovative initiatives. These initiatives were later expanded upon and developed into systems offering efficient electronic services.

Steps were taken to prepare for the transition to the 2014-2020 multiannual financial programme. The justice programme replaced three earlier programmes (the civil

⁽¹⁾ As set out in the European Commission's Communication of 13 September 2011, 'Building trust in EU-wide justice: a new dimension to European judicial training'.

justice programme, the criminal justice and drug prevention programme, and the information programme).

The late adoption of the regulation establishing the new programme caused its implementation to be delayed by a few months. Grant agreements and procurement contracts issued under the previous three programmes were still being implemented in 2014. The first calls for proposals were launched under the new programme.

Example

Judicial response to terrorism in the EU — strengthening cooperation to better prevent and react to terrorism

The terrorist attacks in Paris in January 2015 confirmed the scale of the terrorist threat in the EU. Fighting terrorism has become a priority for the EU. Cooperation between Member States, their judges, prosecutors and law enforcement officials must be strengthened. This project organised five training events, involving 224 EU judges and prosecutors from six Member States. The aims were to improve participants' knowledge of the criminal law systems of the EU Member States involved and to adopt a comparative approach to the issue of the judicial response to terrorism.

Beneficiary: French National School for the Judiciary

Duration: 18 months, until May 2015.

EU contribution: EUR 403 028



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Rights, equality and citizenship

EUR 55 million were committed for the rights, equality and citizenship programme in 2014.

The objective of the rights, equality and citizenship programme is to contribute to the further development of an area where equality and the rights of persons, as enshrined in the Lisbon Treaty, the Charter and international human rights conventions, are promoted and protected.

The programme has nine specific aims, which contribute to achieving this overall objective:

- ▶ promoting non-discrimination;
- ▶ fighting racism, xenophobia, homophobia and other forms of intolerance;
- ▶ promoting the rights of people with disabilities;

- ▶ promoting equality between women and men and gender mainstreaming;
- ▶ preventing violence against children, young people, women and other groups at risk (Daphne ⁽¹⁾);
- ▶ promoting the rights of children;
- ▶ ensuring the highest level of data protection;
- ▶ promoting the rights deriving from EU citizenship; and
- ▶ enforcing consumer rights.

The programme provided financial support for national and transnational projects implemented by organisations in the EU and for the work of NGOs and other organisations pursuing aims that are in the general European interest.

The rights, equality and citizenship programme was allocated a total budget of EUR 440 million for the 2014-2020 programming period.

During this period, the EU aims to support projects that relate closely to its policy objectives, that offer significant European added value and that will deliver important results. Despite the relatively late start of the 2014 work programme, the rights, equality and citizenship programme is on track to meet its objectives. Indicators have been established for assessing projects awarded funding under calls launched under the new programme. Data is collected at the application stage and will be collected at the final report stage, in order to be able to improve performance measurement within the programme.

Main achievements:

- ▶ A number of European networks in the area of violence against women and children received funding in 2014, allowing them to build their capacity to take on a leading role in the monitoring of specific aspects of those policy areas. The networks funded include Missing Children Europe, Women against Violence Europe, Child Helpline International, the European Network for the work with perpetrators of domestic violence and the European Network of Ombudspersons for Children.
- ▶ The annual conference marking the European Day of Persons with Disabilities brought together people with disabilities, organisations representing their interests, EU policymakers, service providers, think tanks, trade unions and employers to discuss the key areas of employment, accessibility and challenges for the future. At the conference, the Commission announced the Swedish city of Borås as winner of the 2015 Access City Award. The award is one of the initiatives that form part of the EU disability strategy. Its aim is to make Europe barrier-free and to encourage cities with at least 50 000 inhabitants to share their experiences and improve accessibility. Since 2010, 189 EU cities have participated in the competition, which has been held five times.
- ▶ In the area of non-discrimination and gender equality, the programme has mobilised funds for providing training to professionals on anti-discrimination and gender equality legislation, for promoting the exchange of good practice and for organising and

⁽¹⁾ The Daphne programmes (Daphne, Daphne II and Daphne III) aimed to contribute to the protection of children, young people and women against all forms of violence and to attain a high level of health protection, well-being and social cohesion.

supporting meetings with Member States. Europe-wide networks of experts have been created to monitor and report on the current situation in Member States with regard to non-discrimination and gender equality policy. Funding has also been given to campaigns and awareness-raising activities. The programme provided funding for the third Roma Summit and for meetings of representatives of national Roma contact points.

The new rights, equality and citizenship programme replaced three earlier programmes (the fundamental rights and citizenship programme, Daphne III and the progress programme's anti-discrimination and gender equality strands), which ended in 2013. The late adoption of the regulations establishing the new programmes caused the implementation of the 2014 appropriations to be delayed by a few months.

Example

'Local welcome policies EU migrants'

Although most migrants integrate successfully in host regions, many also face barriers to integration, in the form of inadequate or overcrowded housing, poor language skills and limited information about their legal rights and how the host country's institutions operate.

The project 'Local welcome policies EU migrants', awarded funding under the rights, equality and citizenship programme, and brings together cities such as Amsterdam, Brussels, Dublin, Hamburg, Copenhagen and Gothenburg to support the right of EU citizens to freely move to and live in any EU country, together with their family members. The ultimate aim of the project is to create an ideal policy for receiving EU migrants.

Beneficiary: Amsterdam City Council

Duration: 24 months, to be completed by January 2017

EU contribution: EUR 1 million



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Consumer programme

EUR 24 million were committed for the Consumer programme in 2014.

The overall objectives of the consumer programme for 2014-2020 are to ensure a high level of consumer protection, to empower consumers and to place the consumer at the heart of the single market.

The following specific objectives have been set to guide work towards the overall objectives:

- ▶ to consolidate and improve product safety through effective market surveillance throughout the EU;

- ▶ to improve consumers' education, access to information and awareness of their rights, to develop the evidence base for consumer policy and to provide support to consumer organisations;
- ▶ to develop and reinforce consumer rights in particular through smart regulatory action and by improving access to simple, efficient, expedient and low-cost forms of redress, including alternative dispute resolution; and
- ▶ to support enforcement of consumer rights by strengthening cooperation between national enforcement bodies and by providing advice to consumers.

These objectives cannot be sufficiently achieved by Member States acting independently, due to the cross-border nature of the issues involved, but can instead be better achieved at EU level, thanks to the greater potential effectiveness of EU action.

The consumer programme adopted under the 2014–2020 programming period was allocated a budget of EUR 189 million. It complements, supports and monitors the national policies implemented by the Member States.

The consumer programme is well on track to achieving the objectives set for 2014.

Main achievements:

- ▶ Promoting consumer trust in digital procedures through the development of the technical aspects of the Online Dispute Resolution platform. The platform will allow EU consumers and traders to submit their contractual disputes online to effective national alternative dispute resolution entities, in order for them to be settled out of court in a simple, fast and low-cost way. It will become operational in 2016 and will be a concrete step towards the realisation of the digital single market.
- ▶ Supporting the work undertaken by European consumer centres through the 3-year strategic partnerships concluded in 2014 with public bodies or non-profit making bodies in each Member State. These bodies were designated by Member States through a transparent procedure.
- ▶ Strengthening the knowledge base and reviewing the process set out in the consumer protection cooperation regulation, and testing new EU consumer law compliance surveys and indicators.
- ▶ Improving the evidence on consumer issues that is to be used as a basis for the policy work of the new Commission, such as policy work relating to the digital single market, by carrying out:
 - surveys on cross-border barriers to the digital single market;
 - market studies on the methodology for measuring consumer detriment, on vulnerable consumers, and on the impact on children's behaviour of marketing through social media, online games and mobile applications;
 - consumer market monitoring surveys measuring the ease of comparing offers, consumer trust in traders, incidence of problems and complaints, overall consumer satisfaction, choice of suppliers and switching in the main consumer markets.

- ▶ Improving product safety by carrying out joint actions to increase cooperation between national authorities responsible for market surveillance and for the enforcement of safety requirements relating to non-food consumer products. The 2014 joint actions focused on: identifying risks posed by carbon monoxide detectors, cosmetics, children's high chairs, textiles and ladders, trying to reduce these risks, and removing unsafe products from the market.
- ▶ Supporting consumer organisations, through:
 - the conclusion of a 4-year framework partnership agreement with the European Consumer Organisation, under which it will represent consumers in critical EU policies and in the institutions; and
 - provision of local consumer-related training in Member States that have a lower level of consumer confidence (Croatia — consumer advice, working with the media, and consumer law; Czech Republic and Poland — collective energy switching).
- ▶ Improving consumer information and education. An information campaign on consumer credit has been run in the Czech Republic, Greece and Austria, with the aim of raising consumers' awareness of their rights when taking out credit. An interactive online platform for teachers (the 'consumer classroom') has been developed, covering consumer education and promotional activities.

The target performance indicator scores set for 2014 have been achieved.

The majority of the budget allocated to this area in 2014 was used to cover earlier commitments relating to the previous consumer programme, adopted under the 2007-2013 programming period. The main actions that received payments during the year included:

- ▶ safety: International product safety week; a study on graphical symbols conveying certain safety or warning messages to be used for childcare articles; IT tools for the rapid alert system for dangerous non-food products;
- ▶ consumer evidence: market studies (e.g. on second-hand cars, the consumer electricity market, online comparison tools and food labelling rules); behavioural studies on online gambling, food information, European consumer centres and energy labelling; surveys on consumer attitudes towards cross-border trade and on business attitudes towards cross-border sales and consumer protection;
- ▶ support for consumer organisations: grant to an EU-level consumer organisation; capacity building for consumer organisations;
- ▶ consumer information and education: information campaign on consumer rights in Croatia; interactive community website for teachers; and
- ▶ enforcement cooperation: study on the review of the consumer protection cooperation regulation; European consumer centres network support; IT tools to support consumer protection cooperation and European consumer centres.

Example

The second information campaign on consumer credit

On the basis of the positive evaluation of a first campaign run in 2013-2014 in four Member States (Ireland, Spain, Cyprus and Malta), the campaign will continue in 2015, with another three Member States becoming involved (the Czech Republic, Greece and Austria). The purpose of the campaign is to raise awareness among 18-35 year-old consumers of their rights when taking out credit. It promotes in particular:

- ▶ the right to be provided with pre-contractual information in a standardised format;
- ▶ the right to withdraw from the contract within 14 days without giving any explanation;
- ▶ the right to repay the credit earlier than stated in the contract.

EU contribution: EUR 964 270 (from the consumer programme)



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Health

EUR 59 million were committed for Health in 2014.

The regulation establishing the third multiannual programme of EU action in the field of health, for the programming period 2014–2020, entered into force in March 2014. This programme is designed to complement and support the national policies being implemented by Member States, in order to improve the health of EU citizens and reduce health inequalities. The programme promotes health, encourages innovation in healthcare, increases the sustainability of healthcare systems and provides protection against serious cross-border health threats. The programme can financially support actions where EU added value can be demonstrated, including those designed to:

- ▶ promote the exchange of good practices, knowledge sharing or mutual learning;
- ▶ address cross-border threats;
- ▶ address certain issues relating to the single market;
- ▶ promote innovation in health; and
- ▶ improve efficiency by avoiding duplication and optimising the use of financial resources.

The EU has delegated the implementation of most of the actions co-financed under the third multiannual health programme to the Executive Agency for Consumers, Health, Agriculture and Food (Chafea). The introduction of the Horizon 2020 IT grant

management tools brought a significant change to the implementation of these actions. Through this IT system grants can be largely administered online — the submission of applications, adaptation of proposals, the signature of grants, project and financial management of the actions can all be performed online. The aim is to move towards a paper-free action management cycle.

The main thematic priority in 2014 was chronic disease. Five projects were co-funded in this area and an additional six in the area of ‘active and healthy ageing’. The third health programme also supported 14 non-governmental bodies through operating grants and called on competent authorities in Member States to participate in joint actions. These covered eight important health topics including e-health, nutrition and physical activity, HIV/AIDS and highly infectious pathogens.

Only a small amount of expenditure in the area of health was used for payments relating to actions funded under the newly adopted third multiannual programme. The majority of the payments made related to intermediate and final payments for actions and projects begun under the 2008-2013 health programme.

Example

Live a normal life in spite of chronic disease

People with chronic diseases often experience work-related problems, such as unemployment, reduced productivity and stigmatisation in the workplace.

The PATHWAYS project aims to:

- ▶ identify integration and reintegration strategies that are used in Europe and beyond;
- ▶ determine their effectiveness;
- ▶ assess the specific employment-related needs of people suffering from chronic disease or mental disorders; and
- ▶ develop guidelines to support the implementation of effective professional integration and reintegration strategies.

The results of the PATHWAYS project will constitute the first steps towards developing a more inclusive labour market, in which people with chronic diseases and mental disorders can participate in a meaningful way.

The PATHWAYS project is led by the Fondazione IRCCS Istituto Neurologico Carlo Besta in Italy and brings together 12 partners from 10 EU countries.

EU contribution: EUR 970 000



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Food and feed

EUR 248 million were committed for the food and feed area in 2014.

The food and feed regulation, which came into force on 30 June 2014, lays down provisions for the management of all expenditure relating to food and feed. It covers:

- ▶ the food chain;
- ▶ animal health and welfare;
- ▶ plant health; and
- ▶ plant reproductive material.

The regulation aims to help ensure a high standard of health for humans, animals and plants, by setting provisions on the food chain and related areas. It aims to improve health by preventing and eradicating diseases and pests. The regulation also ensures a high level of protection for consumers and the environment. It enhances the competitiveness of the EU's food and feed industry and favours the creation of jobs.

The expenditure ceiling set for the food and feed regulation under the 2014-2020 multiannual financial framework is EUR 1.9 billion. This maximum budget will mainly be allocated to the following areas: veterinary and phytosanitary programmes, veterinary and phytosanitary emergency measures, and official checks and other activities carried out by the Member States.

With the exception of measures designed for emergency and unforeseeable circumstances, the priority actions will be specified by establishing annual or multiannual work programmes. Further details, such as evaluation criteria and funding rates, will also be set out in these programmes.

Before the entry into force of the food and feed regulation, the management of the relevant expenditure was scattered across several legal bases. There is now a single piece of legislation, covering the whole food and feed area.

It provides a revised and simplified financial umbrella including:

- ▶ standardised funding rates;
- ▶ simplified procedures for funding;
- ▶ harmonised procedures for animal and plant health;
- ▶ a clear set of objectives and indicators; and
- ▶ a list of eligible measures and costs for each area.

Under the new structure of the EU budget, food safety, which previously had been part of heading 2 (**Sustainable growth: natural resources**), now belongs to heading 3 (**Security and citizenship**).

The food and feed regulation also aligns the financial tools with the provisions of the new financial regulation, notably by means of some adjustments to Title VI (grants).

Priorities for EU financial support in this area will include the potential effect on human, animal, and plant health, and on both trade with non-EU countries and intra-EU trade.

Since the entry into force of the food and feed regulation, in the second half of 2014, a transitory phase has begun, with the new system being progressively implemented.

Payments were made in 2014 in respect of the following measures, adopted under the previous multiannual financial framework:

- ▶ veterinary emergency measures (formerly the emergency fund);
- ▶ programmes for the eradication, control and surveillance of animal diseases and zoonoses;
- ▶ phytosanitary emergency measures (formerly the Solidarity Fund);
- ▶ programmes concerning the control of pests in outermost regions of the EU;
- ▶ EU reference laboratories;
- ▶ training (under the programme 'Better training for safer food');
- ▶ consultation with experts from Member States;
- ▶ coordinated control plans and data collection; and
- ▶ information systems.

Example

Veterinary programmes

The veterinary programmes co-financed by the EU account for by far the largest amount of expenditure under the food safety budget. They are designed to support — financially and technically — the Member

States in implementing specific measures for tackling and eliminating animal diseases in the EU.

In 2015, the co-financing of 140 (either annual or multiannual) veterinary programmes — involving all 28 Member States and covering 11 animal diseases — was approved. The total EU contribution to these programmes was EUR 179 million.

Estimated budget: EUR 1 225 million for 2014-2020



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Creative Europe

EUR 182 million were committed for the Creative Europe programme in 2014.

Creative Europe is the European Commission's programme for providing support to the culture and audiovisual sectors. The programme consists of two sub-programmes — the culture sub-programme, used to support the culture sector, and the MEDIA sub-programme, to support the audiovisual sector.

Creative Europe provides funding for:

- ▶ culture sector initiatives, such as those promoting cross-border cooperation, platforms, networking and literary translation; and
- ▶ audiovisual sector initiatives, such as those promoting the development or distribution of, or access to, audiovisual works.

The programme also includes a cross-sectoral strand, which offers a guarantee facility and promotes transnational policy cooperation.

The Creative Europe programme began being implemented in 2014. Its main objectives are to tackle the fragmentation of the European cultural space, to help the creative and content sector to embrace the digital shift and to reduce the lack of access to private finance.

The programme has supported cooperation projects, networks, literary translations and platforms, in addition to funding special actions (including the European Capitals of Culture, prizes and the European heritage label). According to the latest available figures, 80 cooperation projects (2015), 23 networks, 74 literary translations and five platforms (all in 2014) have been selected for funding.

In 2014, the culture sub-programme aimed specifically to help organisations to increase their capacity to work across borders, and to support professionals in improving their skills, which will ultimately raise the professional profile of the cultural sectors concerned. Beneficiaries also widened their audiences beyond their domestic borders and gained access to new markets for their works of art and cultural products.

The MEDIA sub-programme supported the development, distribution and promotion of around 800 European audiovisual works with high circulation potential. Funding was also provided for 88 festivals that stimulate interest in European audiovisual works. A new support scheme for audience development was introduced in 2014, funding 19 projects.

A total of 59 training projects have been proposed for funding. These include projects to improve financial management and digital skills in order to ensure adaptation to market developments, and projects to test new approaches to audience development and new business models.

The 'multiple revenue stream for future films training' programme will give professionals the opportunity to learn about new distribution channels, for example. This will enable film and audiovisual professionals to reach wider audiences in the context of digital convergence, by taking their projects from the pre-production phase to an online distribution-ready phase.

The budget for the Creative Europe programme was allocated to projects in accordance with the timetables for the 2014 and 2015 work programmes. The budget allocated

to the programme for 2014 was used in full, with 100 % of the annual appropriations committed without any significant deviation from planning.

Example

Focus on industrial heritage

The European Route of Industrial Heritage was launched as a project in 1999, with the objective of encouraging the growing awareness of our shared European industrial heritage and transforming it from a limited niche market to a mainstream cultural and tourism product. The network has become the voice for European industrial heritage sites and industrial heritage tourism and supports their economic viability. With over 1 000 industrial heritage sites in 43 countries, it is the most comprehensive cultural and tourism inventory of industrial heritage in Europe.



© Daniel Mennerich
Zollverein coal mine industrial complex

Europe for citizens

EUR 26 million were committed for the Europe for citizens programme in 2014.

The overall objectives of the 'Europe for citizens' programme for 2014-2020 are to:

- ▶ improve citizens' understanding of the EU, its history and diversity; and
- ▶ encourage European citizenship and improve conditions for civic and democratic participation at EU level.

The Europe for citizens programme is implemented through the two strands, 'European remembrance' and 'Democratic engagement and civic participation'. It offers co-funding for European remembrance projects, town-twinning activities, the creation of networks of towns and civil society projects, and provides operating grants for European civil society organisations and think tanks active in the areas targeted by the programme.

The individual actions receiving funding under the programme provide added value in different ways:

- ▶ European remembrance — the programme supports activities that encourage reflection on European cultural diversity and on common values in the broadest sense. Funds are available for initiatives to reflect on the origins of totalitarian regimes in Europe's modern history and to commemorate the victims of their crimes.
- ▶ Democratic engagement and civic participation — the programme supports activities relating to civic participation in the broadest sense, and focuses in particular on ensuring that the activities funded have a lasting effect. This strand may also cover projects and initiatives that develop opportunities for promoting mutual understanding, intercultural dialogue, solidarity, societal engagement and volunteering at EU

level. The aim is to increase citizens' democratic participation in decision-making at European level.

For 2014, the following specific annual priorities were set for the Europe for the citizens programme:

- ▶ European remembrance — the 100th anniversary of the outbreak of World War I, the 25th anniversary of the Fall of the Berlin Wall and the 10th anniversary of the enlargement of the EU to include central and eastern European countries. Out of 472 applications submitted, 36 projects from 19 EU countries were selected for funding (EUR 3.1 million). In addition, of 22 remembrance organisations that applied for support from the Structural Funds, six organisations were awarded multiannual operating grants (EUR 1.2 million).
- ▶ Democratic engagement and civic participation — the debate on the future of Europe with the aim of setting up a European public space where European issues are discussed and debated. Of the 667 town-twinning applications submitted, 252 were selected for funding (EUR 3.9 million). In addition, 35 networks of towns (out of 224 applications submitted) and 29 civil society projects (out of 538 applications submitted) were selected for funding (the funding awarded totalling EUR 4.5 million and EUR 3.6 million respectively). Out of 139 think tanks and European civil society organisations that applied for structural support, a total of 29 organisations were selected for multiannual operating grants covering the years 2014-2017 (EUR 5.5 million).

Expenditure in this area in 2014 related to both the 2014-2020 and the 2007-2013 Europe for citizens programmes.

The main focus of the Europe for citizens programme 2007-2013 was giving citizens the opportunity to be involved in transnational exchanges and cooperation activities that would contribute to developing a sense of belonging to common European ideals and encourage the process of European integration.

Example

Holding debates on Europe's values

The LED project ⁽¹⁾, developed by Associazione ARCI ⁽²⁾, invited communities to hold debates on Europe's values and politics. One major event was organised in October 2014 in Lampedusa. It focused on the issue of immigration in Europe, the aim being to propose concrete alternatives to the current European migration policies. Migrants, refugees, EU and non-EU citizens, public authorities and civil society organisations came together — in one of the places most symbolic of immigration in Europe today — to reflect, debate and discuss migration, one of the main challenges for the future of Europe.



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⁽¹⁾ LED: Laboratories of European Democracy.

⁽²⁾ ARCI is the Italian Association for Cultural Recreation. It was founded in 1957 and is present all over Italy with 5 000 clubs and over 1 million members. It carries out projects and campaigns on social inclusion, migration and international cooperation.

EU Civil Protection Mechanism

EUR 28 million were committed for the Civil Protection Mechanism in 2014.

Measures undertaken by the EU in the area of civil protection are financed through the Civil Protection Mechanism. These activities help to ensure a faster and more efficient response to major disasters in and outside the EU. The increasing frequency and complexity of disasters, both in the EU and globally, require a more coherent and flexible response. Better coordination between civil protection authorities during response actions, together with improved prevention and preparedness, is essential for ensuring that assistance meets the real needs of the affected regions.

Overall crisis management is facilitated through the European Commission's 24/7 Emergency Response Coordination Centre (ERCC). It serves as an operational hub and allows better coordination between all relevant Commission departments, the European External Action Service and Member States. It is also the first point of contact for any call for assistance made under the solidarity clause.

The new civil protection legislation introduces new strands such as the voluntary pool, buffer capacities, advisory missions and peer reviews. Many activities will be accessible to candidate countries or countries eligible under the European neighbourhood policy, in addition to those countries already participating in the Civil Protection Mechanism.

The measures taken in 2014 within the EU related mainly to prevention, preparedness, response and awareness-raising, while actions outside the EU focused on the transport of assistance offered by Member States to disaster areas and the deployment of experts. In total, the Civil Protection Mechanism was activated 30 times in 2014, mainly in response to natural disasters, but also following nine 'man-made' disasters (civil unrest or conflict, oil pollution and accidents).

Significant action was taken by the countries participating in the Civil Protection Mechanism, the Commission and its partners to respond to the outbreak of the Ebola virus. Under the authority of Commissioner Christos Stylianides (nominated EU Ebola coordinator by the European Council), the ERCC became the operational hub of the Ebola response in Europe. It matched requests for assistance with offers of assistance and played a major role in facilitating logistics, medical evacuation and transport.

The average intervention speed under the EU Civil Protection Mechanism (from acceptance to deployment) was less than 24 hours. 160 response capacity modules are already registered by the Member States.

In October 2014, the EU introduced several new tools and instruments under the EU Civil Protection Mechanism, including the European Emergency Response Capacity, which has been set up in the form of a voluntary pool. Member States pre-commit resources, such as medical teams, experts, high capacity pumps, forest fire planes, transport capacity and other types of assets. These resources are on standby to be deployed immediately when needed. This allows a faster and more coherent European disaster response and better coordinated disaster response planning. Member States benefit from financial support to help cover the cost of adapting their resources to make them suitable for international deployment and from increased EU transport co-financing.

One of the first assets to be registered in the voluntary pool was a mobile laboratory provided by Belgium for the detection and sampling of Ebola. It was deployed in Guinea. Luxembourg and Germany have committed aircraft for the medical evacuation of international humanitarian workers diagnosed with Ebola. The planes have been specially equipped for this purpose. The EU provided co-funding for adapting the planes

and also financed the bulk of the transport costs for evacuations carried out under the EU Civil Protection Mechanism.

Measures adopted under the previous civil protection financial instrument, for the 2007-2013 programming period, continued to be implemented in 2014, in particular in the areas of training programmes, exercises and prevention and preparedness. The measures adopted in 2013, having a maximum duration of 2 years, will come to an end at the latest in 2016. The same type of actions, with extended scope and the participation of new eligible countries, are also being implemented under the 2014-2020 multiannual financial framework.

Example

Floods in the Balkans

In May 2014, extreme floods hit Bosnia and Herzegovina and Serbia, affecting and displacing thousands of people. Over 60 people died in what was the worst flooding seen in the region in more than a century. The situation was complicated by numerous landslides, damaging roads and causing houses to collapse. Many cities were left without electricity and running water and faced shortages of drinking water, food, medication and blankets.

The EU provided EUR 3 million of humanitarian aid for food assistance, clean water, health and sanitation. In addition, the EU used the Civil Protection Mechanism to coordinate assistance provided by 23 Member States. Two EU civil protection teams were sent to Serbia and Bosnia and Herzegovina to help with the coordination of relief efforts and to assist rescue operations. Member States provided motor boats, helicopters, pumps, and humanitarian kits and deployed over 800 relief workers to the two countries. The European Commission also provided satellite imagery of the flooded areas and co-financed the transportation of aid.

The Commission's Emergency Response Coordination Centre was in permanent contact with the two countries affected, matching the needs on the ground with the participating countries' offers of assistance.



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EU Response to Serbia and Bosnia and Herzegovina floods

Global Europe

Highlights



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© Caroline Gluck EU/ECHO



© UNICEF/P. Zmey



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The humanitarian situation continued to deteriorate in 2014. Four 'level 3' emergencies (the highest level of crisis) were declared in Syria, South Sudan, the Central African Republic and Iraq, an unprecedented number in 1 year. As the world's largest humanitarian aid donor, the EU plays a central role in tackling the resulting humanitarian consequences.

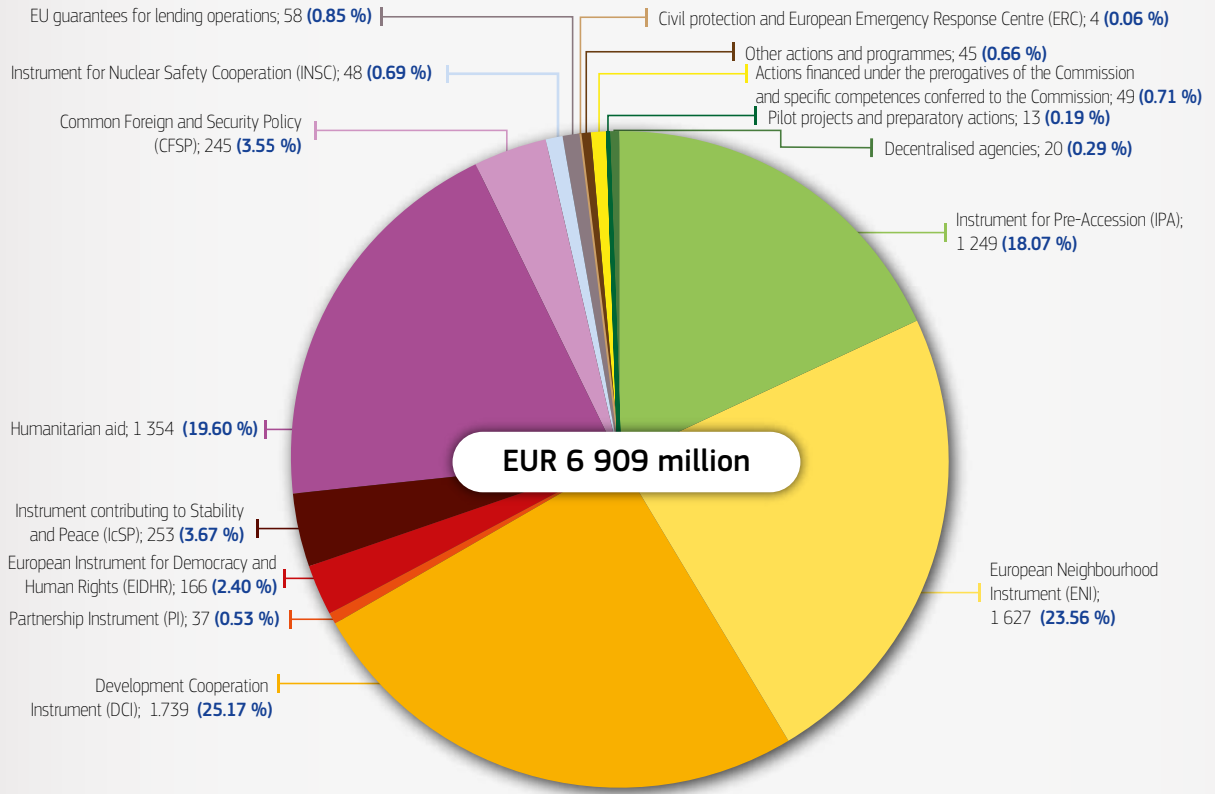
The EU and its Member States are collectively leading the international response to the humanitarian crisis in Syria. They are providing humanitarian aid and support for development work in Syria and in neighbouring countries affected by the inflow of refugees.

Millions of people are in need of humanitarian aid in Ukraine as a result of the conflict in this country. Since 2014, the EU has been providing various forms of support, including financial aid, technical support and material assistance.

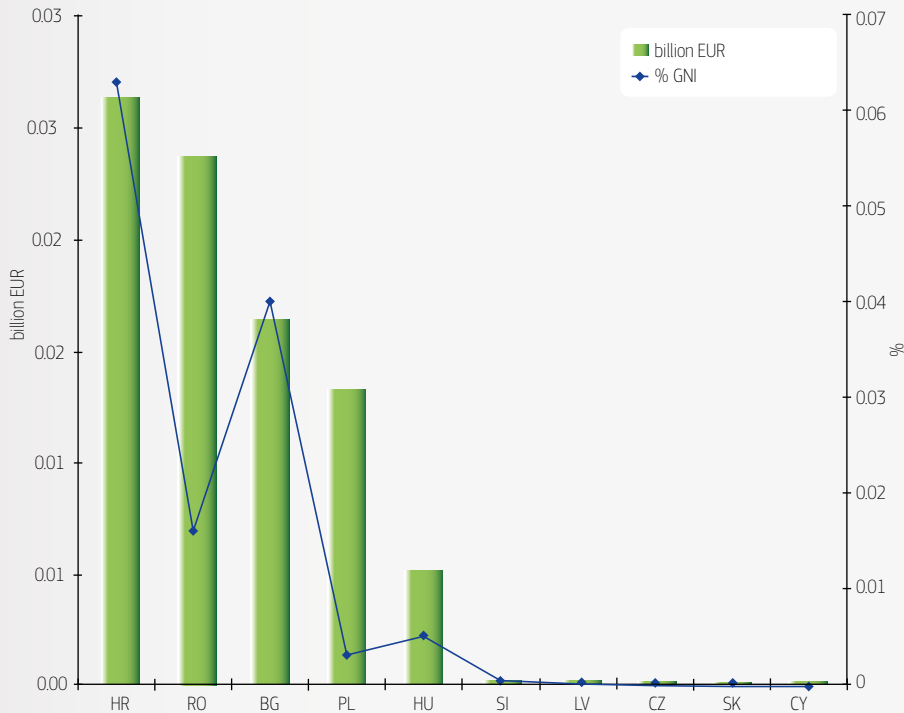
There were also a number of positive developments in 2014, with Association Agreements being signed with Georgia, the Republic of Moldova and Ukraine. These agreements include provisions on a deep and comprehensive free trade area, going beyond the contractual relations established to date with neighbourhood partners.

Global Europe covers all external action (or foreign policy) carried out by the EU. It includes the enlargement process, development assistance, humanitarian aid and response to crises, with the exception of development cooperation with the African, Caribbean and Pacific countries, and with overseas countries and territories of the EU, for which the European Development Fund provides aid.

Heading 4 — Payments executed (million EUR) in 2014



Heading 4 — Expenditure by Member State in 2014



Instrument for pre-accession assistance (IPA)

In 2014, EUR 1 364 million were committed for the Instrument for pre-accession assistance.

Enlargement of the EU is, by its very nature, an area of common interest and in which policy can only be pursued at EU level. The IPA is therefore designed to provide targeted assistance to countries that are candidate or potential candidates for membership of the EU. Financial assistance is awarded under the IPA for the following four specific purposes:

- ▶ to provide support for political reforms;
- ▶ to provide support for economic, social and territorial development;
- ▶ to ensure that the country joining the EU will be able to fulfil the future obligations arising as a result of EU membership by supporting progressive alignment of its national legislation with the EU *acquis*; and
- ▶ to strengthen regional integration and territorial cooperation.

The IPA will, in particular, help to address the challenges highlighted in the EU's enlargement strategy.

During 2014:

- ▶ accession negotiations were launched with Serbia;
- ▶ Albania was granted the status of candidate country;
- ▶ the EU and Montenegro completed the screening of the *acquis*, a preparatory phase in accession negotiations, and opened negotiations in new areas;
- ▶ a stabilisation and association agreement was initialled with Kosovo.

Financial assistance from the IPA, awarded in conjunction with the policy dialogue being held between candidate and potential candidate countries and the Commission, helped to make these achievements possible.

The economic performance of candidate and potential candidate countries began to improve, partly as a result of a more favourable business environment. Economic governance, the rule of law and public administration reform were confirmed as the priority areas for the most recent enlargement package.

The criteria against which the IPA and accession policy more widely are to be assessed are already established in general terms. The new regulatory framework for the IPA was introduced in 2014, and all indicative country and multi-country strategy papers were approved.

An evaluation of the IPA assistance awarded for infrastructure projects in five countries during the period 2005–2011 found that the projects receiving financing were well targeted and met a genuine need. Contracts were awarded according a fully transparent procedure and the infrastructure and equipment provided were used in accordance with project objectives. The findings of the evaluation suggest that IPA projects ensure good value for money compared to similar national actions, as the intensive supervision and independent tender evaluations mean there is less corruption.

'EU-added value' was identified in the following aspects of infrastructure projects carried out with financial assistance from the IPA:

- ▶ strategic planning is of a higher quality;
- ▶ beneficiaries receive technical assistance and develop their own capacity as a business through the projects;
- ▶ IPA financing can be a complementary or the unique source of financing; and
- ▶ the projects demonstrate the benefits of EU integration.

The recently finalised third interim evaluation of the IPA also gave a positive overall assessment of the instrument.

The financial assistance paid in 2014 related exclusively to IPA I ⁽¹⁾ **Transition Assistance and Institution Building** (the first of the five parts of the IPA I programme), Commission decisions relating to the new financial framework (IPA II) not having been approved until the end of the year and no financing agreement yet having been signed.

Example

Floods recovery programme

The floods recovery programme, launched in Bosnia and Herzegovina in July 2014, has delivered tangible results in addressing the various different effects of the flooding that took place in May. It has gradually restored normal living conditions in local communities and ensured the provision of aid to the most vulnerable of those affected. The programme was implemented by the United Nations Development Programme in cooperation with Unicef and the International Organisation for Migration. It focused on restoring the provision of public services, rebuilding infrastructure, providing housing units for the most vulnerable people and supporting the social and economic recovery of local communities.

The following results were achieved during the 6 months following the launch of the programme:

- ▶ 671 dwellings have been repaired or rebuilt and work on a further 337 is in progress;
- ▶ 66 public buildings have been repaired, work on a further 31 is in progress and 19 are the subject of procurement or project design;

- ▶ 32 communal infrastructure projects have been completed and 26 are ongoing;
- ▶ surveys of additional areas have been completed, and new infrastructure projects are to be selected.

The programme has also contributed to economic recovery in the area. A total of 48 bank guarantees were received and accompanying payments of EUR 1.27 million made.

EU contribution: EUR 42 million



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⁽¹⁾ The other components being dedicated to cross-border cooperation (II); regional development (SME development, transport and environment) (III), employment and social policies (IV) and agriculture and rural development (V).

European Neighbourhood Instrument (ENI)

In 2014, EUR 2 315 million were committed for the European Neighbourhood Instrument.

The ENI is designed to support the implementation of the European neighbourhood policy (ENP) and its two regional dimensions, the Euro-Mediterranean Partnership and the Eastern Partnership. The ENI provides financial assistance to all partner countries for national reforms designed to consolidate democratic transition and promote inclusive and sustainable growth. It also encourages countries to cooperate on common challenges such as security and border management, the environment and connectivity. The neighbourhood investment facility, a financial instrument used within the ENP, allows partner countries to collaborate with EU-based financial institutions to finance investment in energy efficiency, transport and small business development. Lastly, the ENI supports cross-border cooperation programmes between neighbouring countries and EU Member States and contributes to the Erasmus+ programme.

In 2014, the ENI showed itself to be a flexible instrument that can be used effectively to support the changing political priorities of the European neighbourhood policy. In the east, financial assistance was therefore mainly channelled to the countries that signed the Association Agreement with the EU in June 2014 (Ukraine, Georgia and Moldova). In the south, the EU continued to support the democratic transition and socioeconomic reforms in Tunisia and Morocco, and also to provide aid to Syrian refugees in the ongoing crisis. The ENI allowed the EU to react promptly to major events in 2014 as they unfolded (the crises in Ukraine and in the Gaza Strip), with the rapid mobilisation of assistance packages of an unprecedented size. The legal framework for the cross-border cooperation programmes has been updated and the new programmes will be launched in the coming years.

Example

Improving chances for a better future for children in the Syria region

Education programmes in Syria, Jordan and Lebanon ensure that displaced and refugee children have access to education. In doing so, they help to lessen the risk of a 'lost generation' and improve children's chances of having a better future. These programmes can help to stabilise areas where there are tensions between host communities and refugees (in Lebanon, for example, where refugees now constitute around 25 % of the population). Moreover, they contribute to the prevention of extremism and security threats. In addition, the 'Madad' Fund (an EU Regional Trust Fund) was set up in December 2014 to provide a more flexible and coordinated mechanism for addressing the consequences of the Syrian crisis and its spillover effects at regional level.



© EC/ECHO/A. Al Sukhni

Three out of the eight children gathered in Omar's tent said they were continuing their education. One reason for not attending school is the distance, they say, especially for those living in the outskirts of the village like Omar.

Ongoing programmes (funded under the ENI from the 2007-2013 programming period) in a wide range of sectors such as trade, energy, justice, social inclusion and small business development continued to be implemented. The work completed under these programmes included, for example, providing public institutions in partner countries with technical advice on how to approximate their national frameworks to EU policy and legislation in areas such as food security, industrial standards, environmental protection and the business environment. 'Twinning' schemes whereby public institutions in partner countries were twinned with their counterparts in EU Member States were also used as a way of providing assistance. Major programmes set up in response to the Syrian crisis continued to provide urgently needed support.

Development Cooperation Instrument (DCI)

In 2014, EUR 2 345 million were committed for the Development Cooperation Instrument.

The objectives and general principles of the Development Cooperation Instrument (DCI) for the 2014-2020 programming period were determined in accordance with the Lisbon Treaty and the EU development policies, in particular the Agenda for Change. The instrument encompasses the following main types of programme:

- ▶ Geographic programmes supporting bilateral and regional cooperation with developing countries in Asia, central Asia, the Middle East, Latin America and South Africa in a number of areas including human rights, democracy, good governance, sustainable growth for human development and many others, as are relevant to each region.
- ▶ Thematic programmes:
 - Global public goods and challenges: this programme addresses challenges in the areas of climate change, the environment, energy, human development, food security and migration. Any action taken under this programme must also take into account the EU's poverty reduction objective. No less than 27 % of the budget allocated to this programme will be spent on climate change and environment objectives, and at least 25 % will go towards work in the areas of social inclusion and human development.
 - Civil society organisations and local authorities: this programme provides additional support to civil society and local authorities, in order to encourage them to take on a more significant role in development strategies.
- ▶ The Pan-African programme, which supports the strategic partnership between the EU and Africa through activities of a trans-regional, continental or global nature in and with Africa, and complements other financing instruments used in Africa (the European Neighbourhood Instrument and the European Development Fund).

Compared to the instrument adopted for the 2007-2013 programming period, the new DCI is based on a more differentiated approach, which allows the EU to better respond to the needs, capacities and performance of partner countries and to target EU development cooperation where it can have the greatest effect, i.e. in the countries most in need, in particular the least developed countries, low-income countries and countries in crisis or post-crisis situations, or which are particularly fragile or vulnerable. The programming phase was completed in mid-2014.

No general evaluation of this new instrument was carried out in 2014, it being the first year it has been in use. The various assessments of the DCI for the programming

period 2007-2013 were, however, positive in their conclusions, confirming that the instrument has delivered meaningful results and contributed to the achievement of the Millennium Development Goals. The objective of the new DCI is therefore to continue contributing effectively to tackling poverty worldwide. In preparing the multiannual programming of the DCI for the period 2014-2020, attention has systematically been given to the inclusion of indicators of appropriate quality to allow the results achieved during its implementation to be measured.

The payments made through this instrument in 2014 mainly related to programmes adopted under the DCI from the 2007-2013 programming period.

Example

EU Biodiversity for Life

In 2014, the EU launched the EU Biodiversity for Life flagship initiative, which is designed to help the poorest countries protect ecosystems, tackle wildlife crime and develop green economies. The initiative will be financed from the 'global public goods and challenges' thematic programme and from the budget allocated to regional and national development cooperation. Biodiversity and development are closely linked and mutually reinforcing: healthy ecosystems sustain development while development affects habitats. Ecosystem conservation and restoration offer the opportunity to generate growth, create jobs and reduce poverty through a green economy, and also contribute to the EU's development agenda.

Estimated EU budget: EUR 800 million for 2014-2020



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European instrument for democracy and human rights (EIDHR)

In 2014, EUR 184 million were committed for the European instrument for democracy and human rights.

The European instrument for democracy and human rights (EIDHR) is the European Union's main financing instrument used for the promotion of democracy and human rights in its external relations. It thus represents the promotion of and support for democracy and human rights that features in all the EU's external policies. The EIDHR is the world's largest donor programme promoting democracy and human rights.

The aim of the EIDHR is to help civil society become an effective force for political reform and for the defence of human rights worldwide. It is used as a means for launching initiatives and complements other EU instruments that also support human rights and democracy through the programmes and projects they fund in other areas.

The changes made to the EIDHR for 2014-2020, and its new multiannual strategy for 2014-2017, further reinforce the instrument's main strength — the ability to take action without host government consent. The EIDHR is able, worldwide, to focus on sensitive issues, to promote innovative approaches and to cooperate with local, scattered or disenfranchised civil society organisations that need to preserve their independence.

The EU's achievements in restoring peace and creating economic prosperity in areas having experienced conflict or political instability put it in an excellent position to undertake external action in the field of democracy and human rights, on behalf of and with its Member States. The EU operates in the world's most remote areas, where most Member States have limited presence.

Due to the timing of the adoption of the revised EIDHR regulation and of the subsequent strategic documents, the programme was adopted as a special measure, in order to avoid there being a break in the supply of essential financial support to actors and activities on the ground.

The programme therefore focused on the most pressing issues, so as to avoid there being a disruption to EIDHR funding that could endanger human rights actors. It also supported a number of actors specifically identified in the EIDHR regulation and its annexes, and launched several multiannual programmes to coincide with the entry into force of the amended instrument.

The EIDHR has been made more flexible and allows actions launched to be adapted more easily in response to changing circumstances. It is a specialised part of the EU's response to crisis and contributed to a number of EU initiatives in 2014, including in Ukraine, the Central African Republic, Syria and Iraq. Over 500 new initiatives were launched in 2014, covering more than 135 countries. This adds to the more than 1 500 EIDHR projects currently ongoing.

The EU launched 15 new initiatives supporting human rights and human rights actors in 2014. These initiatives, worth a combined total of EUR 15 million, focus on the most urgent and difficult situations, and add to the 130 human rights projects currently ongoing. The EIDHR small grant scheme was activated in over 75 cases, allowing support to be given to hundreds of human rights actors finding themselves at risk.

The EU also gave support to some of the main actors and processes in the area of human rights via the EIDHR, in particular to allow civil society to contribute to more than 20 EU human rights dialogues that took place in 2014 involving a range of international partners.

Lastly, the EIDHR was used to support education on human rights, through a global network of universities.

Final payments were made in relation to actions launched under the 2011 annual action plan and to some of the actions launched under the 2012 annual action plan. Further instalments were paid in respect of actions from the 2013 annual action plan.

Example

Human rights campaign during the FIFA World Cup

The European Commission and its partners in Brazil launched the campaign Football has its rules, the world has its rights during the 2014 FIFA World Cup. The campaign involved two related actions:

- ▶ a set of information leaflets — One city/one EU project supporting human rights, one for each of the 12 cities hosting matches. These were distributed to journalists, interested parties and the general public throughout the World Cup. Videos on aspects of these projects were broadcast at the final games; and
- ▶ a project carried out in partnership with the 250 Brazilian cities, and with the support of Brazilian local government, designed to strengthen the capacity of the cities hosting the World Cup to prevent sexual exploitation connected with tourism and major sporting events.

The campaign has been extremely successful in raising awareness of human rights and in increasing the visibility of EU actions worldwide.



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Instrument contributing to stability and peace

In 2014, EUR 277 million were committed for the Instrument contributing to stability and peace.

The Parliament and the Council adopted a regulation establishing the IcSP in March 2014. This instrument succeeds the instrument for stability (IfS 2007-2013). With a budget of EUR 2.3 billion allocated for the 2014–2020 programming period, the IcSP will allow the EU to help prevent conflicts and to respond to crises rapidly and effectively. It will complement the humanitarian relief provided and interventions carried out under the EU common foreign and security policy. Seventy per cent of the budget allocated to the IcSP is earmarked for ‘response to crises and emerging crises’ (Article 3 of the IcSP regulation), 9 % for ‘conflict prevention, peace-building and crisis preparedness’ (Article 4), and 21 % for ‘global and trans-regional threats’ (Article 5). In accordance with the IcSP regulation, budgeting for the short-term crisis response component (Article 3) is not subject to multiannual programming, as the actions depend on developments in the international environment, in particular developments relating to conflicts and crises.

The conflict prevention component (Article 4) relates to longer-term crisis preparedness. The measures taken in this area are based on a strategy paper prepared for the period 2014-2020 and a multiannual indicative programme for 2014-2017.

The global and trans-regional threats component is programmed and implemented by DG International Cooperation and Development.

Examples of the main crisis response actions launched are: emergency job creation in the Gaza Strip; reducing conflict by improving healthcare services for vulnerable people, and providing emergency shelter to Palestinian refugees from Syria, both in Lebanon; supporting the implementation of the disarmament, demobilisation and reintegration programme in Ivory Coast; addressing the security needs of Syrian refugees living in camps in Jordan; implementing the programme for capacity building in the civilian police and phase 2 (ELECT II) of the programme for improving the legal and electoral capacity in Afghanistan; implementing a stabilisation programme in Somalia which, amongst others, helps reduce the threat posed by unexploded ordnance, creating conditions for access to areas that were previously not accessible and allowing the recovery to start; supporting the electoral process in Haiti and supporting the Jordanian border guards in assisting the Syrian refugees crossing the Syrian-Jordanian border.

Actions addressing global and trans-regional threats included: the provision of support to non-EU countries and organisations for fighting drug smuggling and organised crime; counter-terrorism activities; and the protection of critical infrastructure.

Example

Short-term crisis response component (Article 3): Ukraine

There were strong anti-government protests following the decision to suspend preparations for an Association Agreement with the EU in November 2013. Tensions escalated in the subsequent months, culminating in the violent events seen in Kiev in February 2014. After a change in the Ukrainian leadership in February 2014, the Commission announced a substantial EU support package of short- and medium-term measures designed to stabilise the country's economy, assist with the political transition and encourage reforms. In accordance with the European Council conclusions on Ukraine, the measures funded by the IcSP were initially focused on increasing public confidence in the preparation and organisation of the May 2014 presidential elections and providing support to the OSCE special monitoring mission being carried out in Ukraine. Later in the year, following the intensification of clashes between armed groups and government forces, the instrument also provided assistance in response to the significant population displacements. This included a wide range of different forms of support, from capacity building to give the Ukrainian authorities the skills and resources needed to implement a national internally displaced persons registration system, to self-employment grants and income-generating provisions linked to small-scale community development projects (relating to e.g. schooling and healthcare facilities). These measures were all implemented in a balanced way with a view to

alleviating tensions between internally displaced persons and host populations.

IcSP actions launched in Ukraine in 2014: Total EUR 16.5 million



© Mathias Eick EU/ECHO, Mariupol, Ukraine, May 2015
Ukraine: IDPs living on the frontline
Lena Ugrenkova and her son Alek fled Donetsk last September. They also brought their family dog Greta. 'She saved our lives during the shelling so we just could not leave her behind'.

Example

Peace-building partnership (Article 4): European resources for mediation support facility (ERMES)

This facility was launched in January 2014 and allows the EU to support global peace mediation efforts being undertaken by third parties. In 2014, resources from ERMES were awarded to support action in:

- (a) South Sudan, to help in starting a national dialogue and reconciliation process, to support the talks in Addis Ababa, and to promote a potential peace agreement;
- (b) Central African Republic, upon request of the country's President, for the organisation of a conference bringing together representatives from across the country to exchange views on the country's crisis;
- (c) the Philippines, to organise an inter-faith conference on peace and reconciliation in Mindanao; and
- (d) Ukraine, to support the authorities' efforts to develop an inclusive national dialogue on decentralisation.



© EU/ECHO
Basey, Western Samar, Philippines.

Partnership instrument for cooperation with third countries (PI)

In 2014, EUR 120 million were committed for the Partnership instrument for cooperation with third countries (PI).

The Parliament and the Council adopted a regulation establishing the partnership instrument in March 2014.

The PI is a new financial instrument designed to underpin relations with partners with whom the EU has a strategic interest in promoting links. These include, in particular, strategic partners that are playing an increasingly important role in world affairs (Canada, Japan, the United States and the Republic of Korea) and strategic partners that are no longer eligible for bilateral development aid (Brazil, China, India and Mexico).

The PI covers a number of areas that are of critical importance to the EU. It aims to support the external dimension of EU internal policies and to address major global challenges such as energy security, climate change and environmental protection. Public diplomacy (including cultural diplomacy) and specific aspects of the EU's economic diplomacy will also fall within the scope of the PI. In addition, the instrument will be used to fund outreach activities designed to promote the EU's values and interests.

The creation of the PI means that the EU will, for the first time, have an instrument specifically designed to promote its strategic interests worldwide. The external projection of its policies gives the EU unprecedented opportunities to share its knowledge, expertise and best practices, and in doing so promote its policy agenda and develop overall relations with its main partner countries in a way that is favourable to EU interests.

Due to the late adoption of the legal base and of the multiannual programming, the annual action programme (AAP) for 2014 was not adopted until October 2014. Programmes and actions began being adopted and implemented in 2015, and the results and achievements of the programme cannot therefore yet be evaluated.

The 2014 AAP, as modified, contains 19 actions, with a combined budget of EUR 107 million. The actions are wide ranging and address various of the main issues covered by the partnership instrument, including climate change, public procurement, migration, market access for European businesses, support for policy dialogues and the development of clean and sustainable energy.

A new action 'Support to EU-China aviation cooperation' has been added by means of an amendment to the initial 2014 AAP. A second amendment to the AAP 2014 was adopted by the Commission in June 2015. It added two additional actions that correspond to political objectives set at the EU-Latin America and the Caribbean (EU-LAC) and EU-Brazil summits. The actions are: 1. supporting the EU-LAC foundation's work to strengthen and make more visible the strategic partnership between the EU and Latin America and the Caribbean; and 2. supporting the set-up and implementation of a common agenda on migration and mobility with Brazil.

The draft AAP for 2015 sets out 14 actions to be carried out. The proposed actions build on and complement the actions from the 2014 AAP. They will allow the EU to work with its main partner countries to address global challenges and to pursue EU policy objectives and interests, with particular focus being given to climate agenda, environmental protection and economic diplomacy.

Example

South Korea: facilitating the implementation of an emissions trading system

Europe has gained expertise in the development of carbon markets through its experience with the EU emissions trading system, the world's largest multinational emissions trading system and a cornerstone of EU climate policy. The EU is in a unique position in being able to support the development of carbon markets in other countries around the world, by sharing its expertise and good practice. The overall aim of the action is to promote the introduction of the latest climate policy tools in South Korea. Similar programmes may be carried out with other strategic partner countries in the future.



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Humanitarian aid

In 2014, EUR 1 082 million were committed for humanitarian aid.

In 2014, the EU further strengthened its position as the world's leading humanitarian aid donor and an important contributor to humanitarian action. The EU leads the way in ensuring that humanitarian aid is always provided on the basis of need and that no humanitarian crisis is overlooked in the international response. The EU encourages other donors of humanitarian aid to implement effective aid strategies in line with the humanitarian principles. It has greater flexibility than many other donors in terms of intervening in politically sensitive situations.

The EU complements the bilateral contributions made by its Member States in response to crises. A proportion of the EU humanitarian aid budget is pre-allocated to ongoing crises, to prevention and to preparedness measures, while the remainder is used to respond to new crises and to the worsening of existing crises.

The EU played a lead role in the international response to all major humanitarian crises, both natural and manmade, in 2014. At a cost of less than 1 % of the total EU budget, amounting to just over EUR 2 per EU citizen per year, humanitarian aid provides immediate assistance, relief and protection to around 120 million victims of conflicts and disasters every year. The EU's humanitarian aid policy is defined in Article 214 of the Treaty on the Functioning of the European Union and in Council Regulation (EC) No 1257/96.

2014 saw a major surge in humanitarian crises. Four 'level 3' emergencies — the classification for the most severe, large-scale humanitarian crises — were declared in Syria, South Sudan, the Central African Republic and Iraq. Armed conflicts and attacks on civilians are continuing in many areas of the world, whilst natural disasters have been occurring with increasing frequency and intensity. The number of people affected by such crises is rising continuously.

As the world's largest humanitarian aid donor, the EU played a major role in tackling the resulting humanitarian consequences. Aid given by the European Commission reached almost 121 million beneficiaries in more than 80 countries. More than half of the Commission's humanitarian budget goes to the most vulnerable countries and an additional 15 % is allocated to crises that receive little attention from media and the international community, the so-called 'forgotten crises'.

Almost half of the payments made in 2014 related to commitments made in previous years. Humanitarian aid projects last, on average, between 6 and 24 months, and many projects launched in 2012 and 2013 are therefore not completed until 2014 or 2015. When the Commission issues a contract for humanitarian aid work, between 40 % and 80 % of the agreed funding is paid at the signature of the contract ('pre-financing'), with the balance being paid once the project has been completed and a final review carried out by the Commission.

Example

Assistance in Syria

The EU and its Member States are collectively leading the international response to the humanitarian crisis in Syria.

Since the beginning of the conflict in early 2011, tens of thousands of people have lost their lives, and almost 4 million have sought refuge in neighbouring countries.

The EU works with humanitarian partner organisations to provide assistance to the millions in need: both Syrians in their own country and refugees and their host communities in neighbouring Lebanon, Jordan, Iraq and Turkey.

These organisations use EU funding to make sure that the most vulnerable receive emergency aid, in particular protection, food, safe water, shelter and healthcare. Two examples of this are programmes to provide food assistance and safe water supplies: the

European Commission's humanitarian aid and civil protection directorate-general (ECHO) is working, together with other donors, in partnership with the World Food Programme and the International Committee of the Red Cross to provide food assistance inside Syria, reaching around 4 million people per month; ECHO has also provided support to Unicef for a programme to provide a safe water supply to the communities affected by the conflict, especially those in remote areas.



© People in Need, 2014
Bread has become hard to find and harder to afford.

Example

Fighting Ebola

In 2014, West Africa faced the largest and most complex Ebola epidemic on record. Guinea, Liberia and Sierra Leone were the countries most severely affected. The EU began providing humanitarian aid at the outbreak of the crisis, and has continued to do so, to contain, control, treat and ultimately defeat Ebola.

The EU has worked with partner organisations on the ground in order to address the crisis in the most effective way. EU aid has helped provide immediate healthcare and treatment and psychosocial support to the communities affected. The EU supported awareness-raising campaigns and the promotion of safe burials. In addition, EU aid helped finance mobile laboratories, the deployment of doctors and nurses, training for health workers and experts and the provision of vital medical equipment. The EU also provided logistical assistance to ensure the rapid transport of equipment and experts to the region by air and sea.



© Sylvain Cherkaoui/Cosmos for Alima, 2014
2014, Nzerekore, Guinée Conakry. A childcare assistant is holding Moussa, 7 months. His mother, who is affected by Ebola, is being attended to in the Treatment Centre.

Common foreign and security policy

In 2014, EUR 290 million were committed under the common foreign and security policy.

Article 21 of the Treaty on European Union defines the overarching principles and objectives of the EU's external action, these being, in particular, to 'preserve peace, prevent conflicts and strengthen international security'. The stated purpose of the EU's common foreign and security policy is: to safeguard the EU's common values; to strengthen its security; to preserve peace and strengthen international security; to promote international cooperation; and to develop democracy, the rule of law and respect for human rights and fundamental freedoms. With 28 Member States acting within the parameters set by common policies and strategies, the EU alone has the critical mass to respond to global challenges. Action taken by Member States acting independently may be limited and fragmented, with projects often being too small to have a significant and lasting effect. This critical mass also puts the EU in a better position to conduct policy dialogue with partner governments. The EU is in a uniquely neutral and impartial position in being able to implement external action on behalf of and with Member States, and in doing so therefore has greater credibility in the countries in which it works. It is best placed to take the role of global leader on behalf of its citizens.

The common foreign and security policy is governed by Title V of the Treaty on European Union. In accordance with Article 41, expenditure related to the common foreign and security policy is charged to the EU budget, with the exception of operations having military or defence implications and cases where the Council acting unanimously decides otherwise. Decisions on operations are taken on an ad hoc basis by the Council. The Commission is responsible for their financial implementation and the European External Action Service for their operational aspects. Eleven civilian missions and five military operations launched under the common foreign and security policy were ongoing during the year.

There was a worsening of the security situation to the south and east of the EU's borders in 2014, with a number of crises erupting in its immediate neighbourhood. The Council set up a civilian security sector reform mission in Ukraine in June 2014, with the aim of stabilising the security situation, re-establishing the primacy of the rule of law and developing the Ukrainian authorities' ability to ensure adequate and democratic governance in the area of internal security.

The operations being run under the EU Sahel strategy were further extended to Mali. A military training operation had already been launched, and the Council therefore established a new civilian mission under the common foreign and security policy in April 2014. The aim of the mission is to assist the Malian government in improving the operational efficiency and organisation of its internal security forces through training and advice. A military operation was launched in the Central African Republic in April 2014, with the aim of protecting the civilian population under threat in Bangui and creating a safe and secure environment in which humanitarian workers can operate.

A large number of measures have been taken to implement the December 2013 European Council conclusions on common foreign and security policy. Sixty tasks were allocated to the Commission, the European Defence Agency, the High Representative of the European Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP), the European External Action Service and the Member States.

Example

Civilian mission in Mali

On 15 April 2014, the Council launched a civilian mission to support internal security forces in Mali under the common security and defence policy.

This mission makes an additional contribution to the support provided by the EU to promote stability, institutional reform and the full restoration of state authority throughout the country.

The mission will support the Malian government as it works to ensure constitutional and democratic order, to create the conditions for lasting peace and to maintain its authority throughout the country. The mission will provide strategic advice and training for Mali's three internal security forces (the police, the gendarmerie and the national guard) and will coordinate with international partners.



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In-kind food distribution by ECHO partner Agronomes et Vétérinaires Sans Frontières (AVSF).

Administration

Highlights



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A new team of 28 Commissioners (one from each EU Member State) was appointed in 2014. They will be working under the presidency of Jean-Claude Juncker.



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In November 2014, European Commission President Jean-Claude Juncker launched an investment offensive designed to boost growth and create jobs in the EU. It will mobilise EUR 315 billion in private and public investment across the EU in the coming 3 years and will be backed by a EUR 16 billion guarantee from the EU budget.



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Kristalina Georgieva became the new Commissioner responsible for the budget. Formerly Commissioner for International Cooperation, Humanitarian Aid, and Crisis Response, she is also responsible for human resources and is Vice-President of the European Commission.

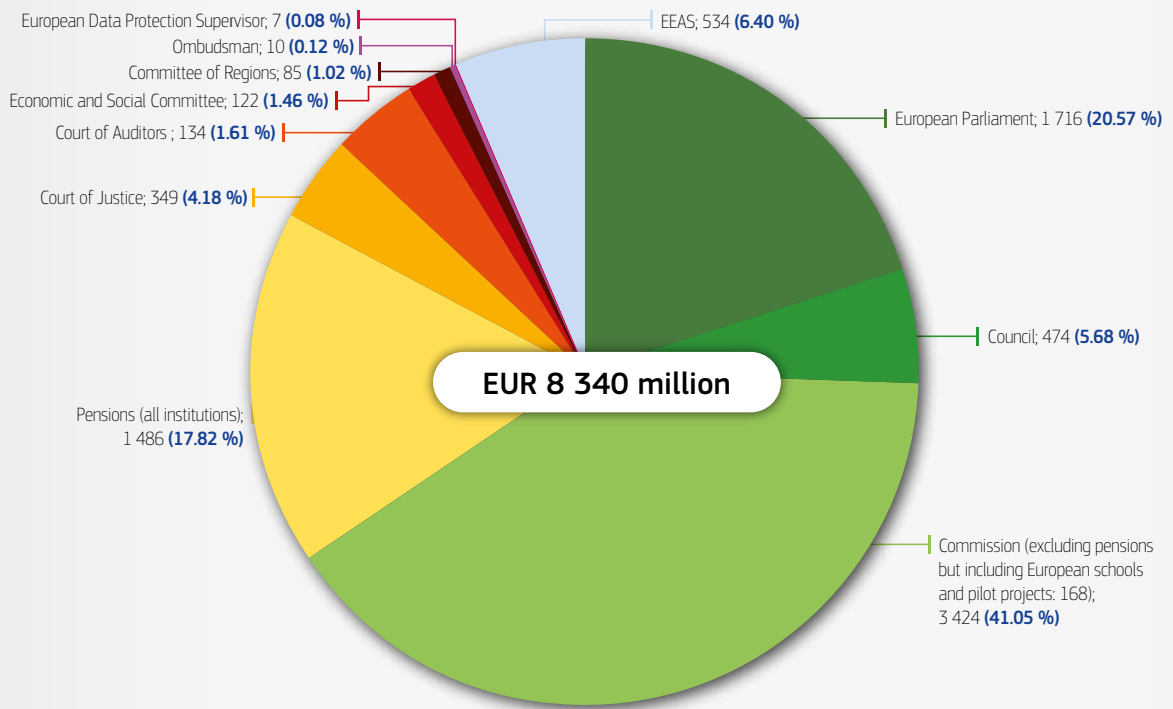


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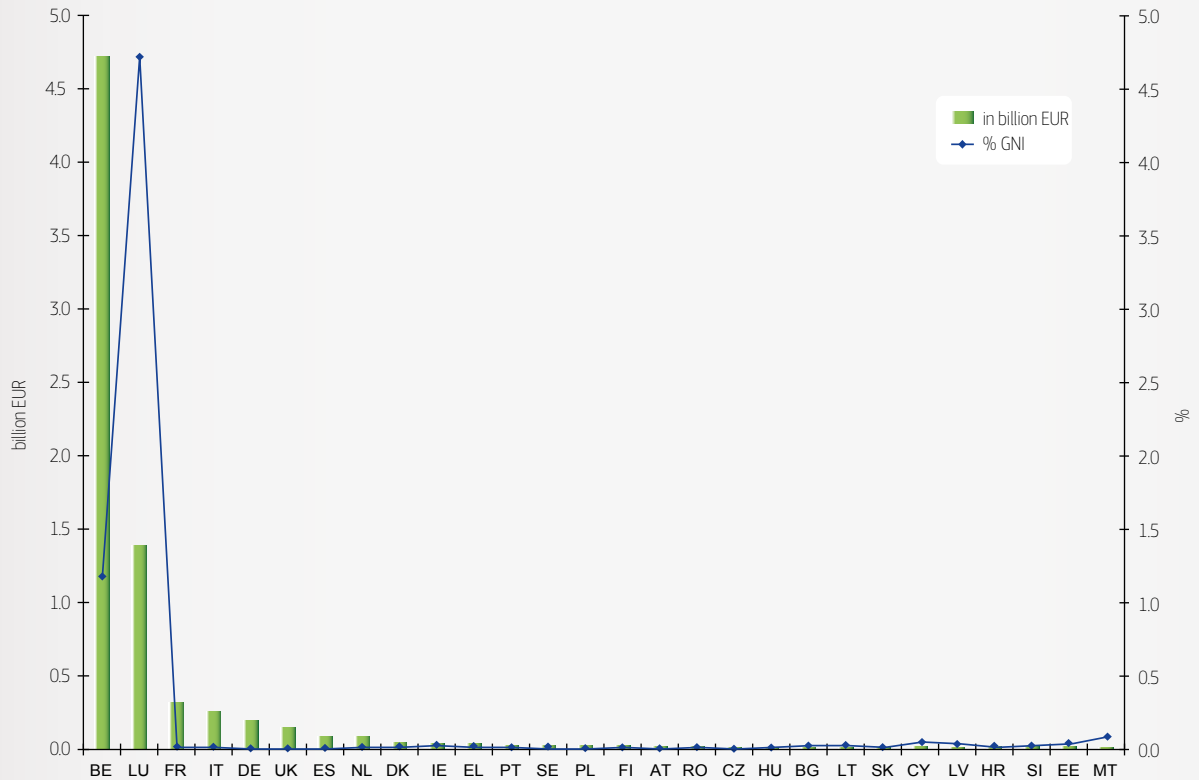
Latvia joined the euro area on 1 January 2014. The euro replaced the lats at the fixed exchange rate of EUR 1 = LVL 0.702804. Following a 2-week period during which both currencies were in circulation, the lats ceased to be legal tender on 15 January 2014.

The budget heading **Administration** covered expenditure by all EU institutions on, for example, staff salaries and pensions, buildings and infrastructure, information technology and security.

Heading 5 — Payments executed (million EUR) in 2014



Heading 5 — Expenditure by Member State in 2014





Section IV

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Annexes

Table 2: Financial framework 2007-2013: adjusted for 2013

(million EUR – current prices)

Commitment appropriations	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53 979	57 653	61 696	63 555	63 974	67 614	70 644	439 115
1a Competitiveness for Growth and Employment	8 918	10 386	13 269	14 167	12 987	14 853	15 670	90 250
1b Cohesion for Growth and Employment	45 061	47 267	48 427	49 388	50 987	52 761	54 974	348 865
2. Preservation and Management of Natural Resources	55 143	59 193	56 333	59 955	59 888	60 810	61 289	412 611
of which: market related expenditure and direct payments	45 759	46 217	46 679	47 146	47 617	48 093	48 574	330 085
3. Citizenship, freedom, security and justice	1 273	1 362	1 518	1 693	1 889	2 105	2 407	12 247
3a Freedom, Security and Justice	637	747	867	1 025	1 206	1 406	1 661	7 549
3b Citizenship	636	615	651	668	683	699	746	4 698
4. EU as a global player	6 578	7 002	7 440	7 893	8 430	8 997	9 595	55 935
5. Administration ⁽¹⁾	7 039	7 380	7 525	7 882	8 091	8 523	8 492	54 932
6. Compensations	445	207	210				75	937
TOTAL COMMITMENT APPROPRIATIONS	124 457	132 797	134 722	140 978	142 272	148 049	152 502	975 777
as a percentage of GNI	1.02 %	1.08 %	1.16 %	1.18 %	1.15 %	1.13 %	1.15 %	1.12 %
TOTAL PAYMENT APPROPRIATIONS	122 190	129 681	120 445	134 289	133 700	141 360	144 285	925 950
as a percentage of GNI	1.00 %	1.05 %	1.04 %	1.12 %	1.08 %	1.08 %	1.08 %	1.06 %
Margin available	0.24 %	0.19 %	0.20 %	0.11 %	0.15 %	0.15 %	0.15 %	0.17 %
Own Resources Ceiling as a percentage of GNI	1.24 %	1.24 %	1.24 %	1.23 %	1.23 %	1.23 %	1.23 %	1.23 %

⁽¹⁾ The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of EUR 500 million at 2004 prices for the period 2007-2013.

Annex 2

Expenditure and revenue 2014 by heading, type of source and Member State

Annex 2a — Expenditure in 2014 by heading

All types of appropriations excluding assigned revenues (million EUR)

1a. Competitiveness for growth and jobs		
1.1.11	European Satellite Navigation Systems (EGNOS and Galileo)	1 130
1.1.12	ITER	428
1.1.13	European Earth Observation Programme (Copernicus)	243
1.1.2	Nuclear Safety and Decommissioning	165
1.1.31	Horizon 2020	6 292
1.1.32	Euratom Research and Training Programme	259
1.1.4	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	229
1.1.5	Education, Training, Youth and Sport (Erasmus+)	1 360
1.1.6	Employment and Social Innovation (EaSI)	81
1.1.7	Customs, Fiscalis and Anti-Fraud	93
1.1.81	CEF — Energy	10
1.1.82	CEF — Transport	792
1.1.83	CEF — Information and Communication Technology (ICT)	5
1.1.9	Energy projects to aid economic recovery (EERP)	177
1.1.OTH	Other actions and programmes	213
1.1.SPEC	Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	114
1.1.PPPA	Pilot projects and preparatory actions	18
1.1.DAG	Decentralised agencies	238
TOTAL — Competitiveness		11 848
1b. Economic, social and territorial cohesion		
1.2.11	Regional convergence (Less developed regions)	30 591
1.2.12	Transition regions	164
1.2.13	Competitiveness (More developed regions)	7 740

1.2.14	Outermost and sparsely populated regions	7
1.2.15	Cohesion fund	13 431
1.2.2	European territorial cooperation	1 683
1.2.31	Technical assistance and innovative actions	84
1.2.4	European Aid to the Most Deprived (FEAD)	410
1.2.5	Youth employment initiative (specific top-up allocation)	34
1.2.PPPA	Pilot projects and preparatory actions	6
TOTAL — Cohesion		54 149
2. Sustainable growth: natural resources		
2.0.10	European Agricultural Guarantee Fund (EAGF) — Market-related expenditure and direct payments	42 904
2.0.2	European Agricultural Fund for Rural Development (EAFRD)	11 104
2.0.31	European Maritime and Fisheries Fund (EMFF)	667
2.0.32	Regional Fisheries Management Organisations (RFMOs) and Sustainable Fisheries Agreements (SFAs)	73
2.0.4	Environment and Climate action (LIFE)	264
2.0.SPEC	Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	3
2.0.PPPA	Pilot projects and preparatory actions	17
2.0.DAG	Decentralised agencies	52
TOTAL — Natural resources		55 083
3. Security and citizenship		
3.0.1	Asylum, Migration and Integration Fund (AMIF)	180
3.0.2	Internal Security Fund (ISF)	207
3.0.3	IT systems	27
3.0.4	Justice	39
3.0.5	Rights and citizenship	44
3.0.6	Civil protection	27
3.0.7	Europe for citizens	26
3.0.8	Food and feed	219
3.0.9	Health	47
3.0.10	Consumer protection	19
3.0.11	Creative Europe	181
3.0.OTH	Other actions and programmes	1
3.0.SPEC	Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	170
3.0.PPPA	Pilot projects and preparatory actions	11
3.0.DAG	Decentralised agencies	460
TOTAL — Security and citizenship		1 656

4. Global Europe		
4.0.1	Instrument for Pre-Accession Assistance (IPA)	1 249
4.0.2	European Neighbourhood Instrument (ENI)	1 627
4.0.3	Development Cooperation Instrument (DCI)	1 739
4.0.4	Partnership Instrument (PI)	37
4.0.5	European Instrument for Democracy and Human Rights (EIDHR)	166
4.0.6	Instrument contributing to Stability and Peace (IcSP)	253
4.0.7	Humanitarian aid	1 354
4.0.8	Common foreign and security policy (CFSP)	245
4.0.9	Instrument for Nuclear Safety Cooperation (INSC)	48
4.0.10	Macro-financial assistance (MFA)	0
4.0.11	EU guarantees for lending operations	58
4.0.12	Civil protection and European Emergency Response Centre (ERC)	4
4.0.13	European Voluntary Humanitarian Aid Corps (EVHAC)	0
4.0.OTH	Other actions and programmes	45
4.0.SPEC	Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	49
4.0.PPPA	Pilot projects and preparatory actions	13
4.0.DAG	Decentralised agencies	20
TOTAL — Global Europe		6 909
5. Administration		
5.1.1	Pensions (all institutions)	1 486
5.1.2	European schools	168
5.23x	Commission administration	3 254
5.2.3.PPPA	Pilot projects and preparatory actions	2
TOTAL — Administration		4 910
	Other institutions	3 429
TOTAL — Administration		8 340
6. Compensations		
6.0.1	Compensations	29
TOTAL — Compensations		29
SUBTOTAL COMMISSION		134 583
9.0.1	Emergency Aid Reserve (EAR)	n/a
9.0.2	European Globalisation Adjustment Fund (EGF)	26
9.0.31	European Union Solidarity Fund (EUSF) — Member States	401
9.0.32	European Union Solidarity Fund (EUSF) — Countries negotiating for accession	0
TOTAL SPECIAL INSTRUMENTS		427
TOTAL COMMISSION		135 010
	Other institutions	3 429
GRAND TOTAL		138 440

Annex 2b — EU budget revenue 2000-2014

Type of revenue	EU-15			EU-25			EU-27			EU-28																						
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014																	
	m EUR	%	m EUR	%	m EUR	%	m EUR	%	m EUR	%	m EUR	%	m EUR	%	m EUR																	
(1) VAT-based own resource (including balance from previous years)	35 192.5	38.0%	31 320.3	33.2%	22 388.2	23.5%	21 260.1	22.7%	13 912.2	13.4%	16 018.0	15.0%	17 206.2	15.9%	19 440.8	16.5%	19 007.7	15.6%	12 796.2	10.9%	12 470.5	9.8%	14 798.9	11.4%	14 871.2	10.7%	14 019.7	9.4%	17 667.4	12.3%		
(2) GNP/GNI-based own resource (****) (including balance from previous years)	37 580.5	40.5%	34 878.8	37.0%	45 947.6	48.1%	51 235.2	54.8%	68 982.0	66.6%	70 880.6	66.2%	70 132.1	64.7%	73 914.7	62.9%	74 477.3	61.3%	81 982.5	69.7%	91 066.8	71.3%	88 414.3	68.0%	98 163.0	70.3%	110 194.6	73.7%	110 194.6	73.7%	99 075.6	68.8%
(3) UK correction (*)	-70.9	-0.1%	-70.3	-0.1%	148.2	0.2%	280.1	0.3%	-148.0	-0.1%	-130.7	-0.1%	-153.0	0.0%	58.9	0.1%	400.0	0.3%	-321.1	-0.3%	-114.8	-0.1%	5.4	0.0%	-56.5	0.0%	169.9	0.1%	-209.3	-0.1%		
(4) Other payments from/to Member States (**)	0.0	0.0%	0.0	0.0%	---	---	-0.1	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.1	0.0%	1.2	0.0%	-78.9	-0.1%	-6.9	0.0%	-1.7	0.0%	-1.2	0.0%	-5.9	0.0%	-1.9	0.0%		
(5) Total national contributions = (1) + (2) + (3) + (4)	72 702.0	78.4%	66 128.8	70.1%	68 484.0	71.8%	72 775.3	77.9%	82 746.2	79.9%	86 748.0	81.0%	87 322.9	80.5%	93 414.5	79.5%	93 886.2	77.2%	94 378.7	80.2%	103 415.6	80.9%	103 216.9	79.4%	112 976.4	81.0%	124 378.3	83.2%	116 551.7	81.0%		
(6) Traditional own resources	15 267.1	16.5%	14 589.2	15.5%	9 214.0	9.7%	10 857.2	11.6%	12 307.1	11.9%	14 063.1	13.1%	15 028.3	13.9%	16 573.0	14.1%	17 282.9	14.2%	14 528.2	12.4%	15 659.3	12.3%	16 777.7	12.9%	16 453.4	11.8%	15 365.3	10.3%	16 429.5	11.4%		
Agricultural duties	1 198.4	1.3%	1 132.9	1.2%	1 180.2	1.2%	1 349.1	1.4%	1 751.2	1.7%	1 801.0	1.7%	1 722.4	1.6%	1 827.1	1.6%	1 703.5	1.4%	0.0	---	0.0	---	0.0	---	0.0	---	0.0	---	0.0	---	0.0	---
Sugar levies	1 196.8	1.3%	840.0	0.9%	864.8	0.9%	510.9	0.5%	535.5	0.5%	936.8	0.9%	202.1	0.2%	-40.9	0.0%	943.8	0.8%	175.5	0.1%	194.1	0.2%	175.6	0.1%	256.7	0.2%	268.8	0.2%	-25.2	0.0%		
Customs duties	14 568.3	15.7%	14 237.4	15.1%	12 917.5	13.5%	12 616.2	13.5%	14 122.8	13.6%	16 023.0	15.0%	18 113.1	16.7%	20 266.2	17.2%	20 396.6	16.8%	19 195.5	16.3%	20 684.9	16.2%	22 194.7	17.1%	21 681.1	15.5%	20 218.3	13.5%	21 998.0	15.3%		
Amounts retained collection (***)	-1 696.3	-1.8%	-1 621.0	-1.7%	-5 748.6	-6.0%	-3 619.1	-3.9%	-4 102.4	-4.0%	-4 687.7	-4.4%	-5 009.4	-4.6%	-5 524.3	-4.7%	-5 761.0	-4.7%	-4 842.7	-4.1%	-5 219.8	-4.1%	-5 592.6	-4.3%	-5 484.5	-3.9%	-5 121.8	-3.4%	-5 543.3	-3.9%		
(7) Total own resources = (5) + (6)	87 969.2	94.9%	80 718.1	85.6%	77 698.0	81.4%	83 632.5	89.5%	95 053.3	91.8%	100 811.1	94.1%	102 351.2	94.4%	109 987.5	93.6%	111 169.1	91.4%	108 906.9	92.6%	119 074.9	93.2%	119 994.7	92.3%	129 429.8	92.8%	139 743.6	93.5%	132 961.2	92.4%		
(8) Surplus from previous year	3 209.1	3.5%	11 612.7	12.3%	15 002.5	15.7%	7 413.5	7.9%	5 469.8	5.3%	2 736.7	2.6%	2 410.1	2.2%	1 847.6	1.6%	1 528.8	1.3%	1 796.2	1.5%	2 253.6	1.8%	4 539.4	3.5%	1 497.0	1.1%	1 053.6	0.7%	1 005.4	0.7%		
(9) Other revenue (excluding surplus)	1 546.1	1.7%	1 958.5	2.1%	2 733.9	2.9%	2 422.6	2.6%	2 988.8	2.9%	3 542.8	3.3%	3 661.7	3.4%	5 727.9	4.9%	8 886.4	7.3%	6 922.5	5.9%	6 466.8	5.1%	5 465.9	4.2%	8 613.8	6.2%	8 706.4	5.8%	9 973.4	6.9%		
(10) Total revenue = (7) + (8) + (9)	92 724.4	100%	94 289.3	100%	95 434.4	100%	93 468.6	100%	103 511.9	100%	107 090.6	100%	108 423.0	100%	117 563.0	100%	121 584.4	100%	117 625.6	100%	127 795.3	100%	130 000.0	100%	139 540.5	100%	149 503.7	100%	143 940.0	100%		
p.m. EU/GNI	8 742 342.1		9 063 438.7		9 383 942.7		9 573 255.6		10 563 962.7		11 021 731.8		11 641 168.6		12 439 593.2		12 486 466.6		11 772 274.3		12 307 018.9		12 686 953.9		12 923 080.4		13 061 072.6		13 921 700.4			

(*) The fact that payments for the UK correction do not add up to zero is due to exchange rate differences.

(**) The category 'Other payments from/to Member States' includes:

— 2000-2001 restitutions to Greece, Spain and Portugal;

— since 2003, the JHA adjustment (which does not add up to zero, on account of exchange rate differences);

— adjustment re-implementation of ORD 2007;

— reduction in GNI-Own Resource granted to the NL and SE.

(***) TOR collection costs (10 % and since 2001: 25 %) have been recorded as negative revenue. 15 % of the 2001 amounts were recorded in 2002.

(****) ESA95 GNI replaces ESA79 GNP as of 2002.

Annex 2d — Expenditures allocated from relevant earmarked revenues* by Member States (million EUR)

	Market related expenditure and direct aids			Total Natural resources (H2)		Grand total H2 (6) = (4) + (5)
	Expenditures allocated from the voted appropriations	Expenditures allocated from relevant earmarked revenues	Total market expenditure and direct aids	Expenditures allocated from the voted appropriations	Expenditures allocated from relevant earmarked revenues	
	(1)	(2)	(3) = (1) + (2)	(4)	(5) = (2)	
BE	605.5	16.6	622.1	674.0	16.6	690.6
BG	602.5	0.0	602.5	1 007.2	0.0	1 007.2
CZ	893.4	0.8	894.1	1 178.2	0.8	1 179.0
DK	936.8	1.1	937.9	1 078.1	1.1	1 079.1
DE	5 183.2	21.1	5 204.2	6 150.3	21.1	6 171.4
EE	100.5	0.0	100.5	181.0	0.0	181.0
IE	1 232.3	3.3	1 235.6	1 238.1	3.3	1 241.4
EL	2 285.4	7.8	2 293.2	2 853.3	7.8	2 861.0
ES	5 337.0	247.9	5 584.9	6 555.1	247.9	6 803.0
FR	7 687.0	687.2	8 374.2	8 532.8	687.2	9 220.0
HR	96.5	0.0	96.5	96.9	0.0	96.9
IT	4 203.9	315.8	4 519.7	5 505.9	315.8	5 821.7
CY	57.0	0.1	57.1	84.5	0.1	84.7
LV	148.0	0.0	148.0	236.5	0.0	236.5
LT	384.3	0.0	384.3	624.4	0.0	624.4
LU	35.8	0.0	35.8	42.1	0.0	42.1
HU	1 334.3	3.0	1 337.2	1 894.6	3.0	1 897.6
MT	5.7	0.0	5.7	19.3	0.0	19.3
NL	843.4	10.3	853.7	974.6	10.3	984.9
AT	714.3	6.6	721.0	1 004.0	6.6	1 010.7
PL	3 216.9	0.2	3 217.1	5 069.2	0.2	5 069.4
PT	735.0	1.6	736.5	1 507.4	1.6	1 508.9
RO	1 334.8	0.6	1 335.5	2 183.5	0.6	2 184.2
SI	137.2	9.7	146.8	264.6	9.7	274.2
SK	380.7	0.3	380.9	532.0	0.3	532.3
FI	524.0	0.8	524.8	621.5	0.8	622.3
SE	692.9	1.2	694.1	928.9	1.2	930.1
UK	3 195.1	47.3	3 242.4	3 951.7	47.3	3 999.0
EU-28	42 903.4	1 383.1	44 286.5	54 989.9	1 383.1	56 373.0

(*): expenditures effectuated regularly by DG AGRI, DG SANCO and DG MARE within H2.0.1 from revenues arising mainly from recoveries established during the clearing exercise (N.B.: these expenditures are not part of the operative budgetary balance calculation because they are not financed by own resources).

Annex 3

Operating budgetary balances

Methodology and calculation

Member States' operating budgetary balances are calculated based on data on the allocation of EU expenditure by Member State and on Member States' contributions to the EU budget. It is, however, important to point out that estimating operating budgetary balances is merely an accounting exercise that shows certain financial costs and benefits derived from the EU by each Member State. Furthermore, this accounting allocation is non-exhaustive and gives no indication of the many other benefits arising from EU policies such as those relating to the single market and economic integration, not to mention political stability and security. The operating budgetary balance of each Member State is calculated as the difference between the operating expenditure (excluding administration) ⁽¹⁾ allocated to each Member State and the adjusted 'national contribution' ⁽²⁾ of each Member State as follows:

⁽¹⁾ In accordance with point 75 of the conclusions of the 1999 European Council in Berlin: 'When referring to budgetary imbalances, the Commission, for presentational purposes, will base itself on operating expenditure.'

⁽²⁾ As in the case of the calculation of the UK correction, it is not the actual 'national contribution' of Member States (i.e. own resources payments, excluding traditional own resources (TORs), e.g. customs duties and sugar levies) but the related allocation key, i.e. each Member State's share of total 'national contributions', that is used for the calculation of operating budgetary balances. Total 'national contributions' are adjusted to equal total EU allocated operating expenditure, so that operating budgetary balances sum to zero. TORs are not included in the calculation of net balances. Since TORs are a direct result of the application of common policies (such as the common agricultural policy and customs union), they are considered to be pure EU revenue rather than 'national contributions'. Furthermore, the economic agent bearing the burden of the customs duty imposed is not always a resident of the Member States collecting the duty.

$$OBB_i = TAE_i - HS_i - TNC_i \cdot \frac{TAE_{EU} - HS_{EU}}{TNC_{EU}}$$

where:

OBB_i : operating budgetary balance of Member State i , where $i = \overline{1.28}$;

TAE_i : total allocated expenditure of Member State i , where $i = \overline{1.28}$ or i for the EU as a whole;

HS_i : administrative expenditure allocated to Member State i , where $i = \overline{1.28}$ or i for the EU as a whole;

TNC_i : total national contribution of Member State i , where $i = \overline{1.28}$ or i for the EU as a whole;

Numerical example — 2014 operating budgetary balance of Belgium

TAE_{BE} = EUR 7 044.3 million; HS_{BE} = EUR 4 725.4 million; TNC_{BE} = EUR 3 660.2 million;

TAE_{EU} = EUR 128 564.9 million; HS_{EU} = EUR 7 680.9 million; TNC_{EU} = EUR 116 531.7 million:

$$OBB_{BE} = 7\,044.3 - 4\,725.4 - 3\,660.2 \cdot \frac{128\,564.9 - 7\,680.9}{116\,531.7} = \text{EUR } -1\,478.1 \text{ million.}$$

Operating budgetary balances — listed below — show the relationship between a Member State's share of total allocated EU operating expenditure and its share of 'national contributions'.

2000-2014 Operating budgetary balances (excluding administrative expenditure and TOR, and including UK correction)

	2000		2001		2002		2003		2004		2005		2006		2007		2008		
	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	
BE	-323.2	-0.12%	-745.2	-0.28%	-517.7	-0.19%	-779.7	-0.27%	-536.1	-0.18%	-607.5	-0.19%	-709.9	-0.21%	-868.2	-0.25%	-720.6	-0.20%	
BG	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+335.1	+1.13%	+669.6	+1.92%	
CZ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+272.2	+0.30%	+178.0	+0.17%	+386.2	+0.33%	+656.7	+0.51%	+1 178.0	+0.78%	
DK	+239.6	+0.14%	-223.1	-0.12%	-169.1	-0.09%	-220.0	-0.11%	-224.6	-0.11%	-265.3	-0.12%	-505.2	-0.22%	-604.4	-0.26%	-543.2	-0.22%	
DE	-8 232.4	-0.39%	-6 971.5	-0.32%	-4 954.0	-0.23%	-7 605.4	-0.35%	-7 140.4	-0.31%	-6 064.3	-0.26%	-6 325.2	-0.26%	-7 415.2	-0.29%	-8 774.3	-0.34%	
EE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+145.0	+1.57%	+154.3	+1.43%	+176.4	+1.38%	+226.2	+1.50%	+227.4	+1.46%	
IE	+1 719.5	+1.83%	+1 198.3	+1.16%	+1 574.1	+1.39%	+1 559.0	+1.25%	+1 593.8	+1.19%	+1 136.6	+0.77%	+1 080.5	+0.67%	+662.1	+0.39%	+566.1	+0.35%	
EL	+4 380.6	+3.04%	+4 503.6	+2.94%	+3 375.7	+2.07%	+3 358.3	+1.89%	+4 163.3	+2.16%	+3 900.5	+1.98%	+5 102.3	+2.39%	+5 437.2	+2.40%	+6 279.7	+2.68%	
ES	+5 263.6	+0.82%	+7 661.2	+1.11%	+8 859.4	+1.20%	+8 704.9	+1.09%	+8 502.3	+1.00%	+6 017.8	+0.66%	+3 811.7	+0.38%	+3 651.8	+0.35%	+2 813.2	+0.26%	
FR	-676.6	-0.04%	-2 043.4	-0.13%	-2 218.4	-0.14%	-1 976.1	-0.12%	-3 050.7	-0.18%	-2 883.5	-0.16%	-3 012.5	-0.16%	-2 997.3	-0.15%	-3 842.7	-0.19%	
HR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
IT	+1 231.2	+0.10%	-2 030.9	-0.16%	-2 917.1	-0.22%	-849.8	-0.06%	-2 946.9	-0.20%	-2 199.0	-0.15%	-1 731.8	-0.11%	-2 013.5	-0.12%	-4 101.4	-0.25%	
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+63.5	+0.49%	+90.3	+0.64%	+102.4	+0.67%	-10.5	-0.06%	-17.7	-0.10%	
LV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+197.7	+1.72%	+263.9	+1.94%	+255.5	+1.52%	+488.8	+2.23%	+407.0	+1.69%	
LT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+369.3	+2.06%	+476.4	+2.30%	+585.3	+2.48%	+793.2	+2.84%	+842.6	+2.67%	
LU	-54.6	-0.32%	-140.0	-0.77%	-48.1	-0.24%	-57.2	-0.28%	-93.6	-0.42%	-86.8	-0.33%	-60.2	-0.25%	-139.8	-0.48%	-22.1	-0.07%	
HU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+193.4	+0.24%	+590.1	+0.69%	+1 115.0	+1.29%	+1 605.9	+1.70%	+1 111.7	+1.11%	
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+45.0	+0.93%	+90.0	+1.82%	+101.0	+1.95%	+28.1	+0.50%	+30.0	+0.50%	
NL	-1 543.9	-0.34%	-2 259.9	-0.48%	-2 171.3	-0.44%	-1 942.2	-0.38%	-2 034.9	-0.38%	-2 636.6	-0.49%	-2 587.6	-0.44%	-2 864.3	-0.47%	-2 678.2	-0.43%	
AT	-435.5	-0.21%	-542.4	-0.25%	-212.6	-0.09%	-330.9	-0.14%	-365.1	-0.15%	-277.9	-0.11%	-301.5	-0.11%	-563.2	-0.20%	-356.4	-0.12%	
PL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+1 438.3	+0.72%	+1 853.2	+0.77%	+2 997.6	+1.12%	+5 136.4	+1.70%	+4 441.7	+1.25%	
PT	+2 128.2	+1.69%	+1 773.8	+1.33%	+2 682.7	+1.91%	+3 476.3	+2.41%	+3 124.0	+2.08%	+2 378.0	+1.52%	+2 291.7	+1.42%	+2 474.4	+1.46%	+2 695.1	+1.57%	
RO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+595.8	+0.49%	+1 581.0	+1.14%
SI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+109.7	+0.40%	+101.5	+0.35%	+142.8	+0.46%	+88.6	+0.26%	+113.8	+0.31%	
SK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+169.2	+0.51%	+270.9	+0.71%	+323.2	+0.73%	+617.8	+1.13%	+725.6	+1.13%	
FI	+275.9	+0.20%	-153.0	-0.11%	-4.9	-0.00%	-26.7	-0.02%	-69.6	-0.04%	-84.8	-0.05%	-241.0	-0.14%	-171.6	-0.09%	-318.5	-0.16%	
SE	-1 058.7	-0.38%	-982.9	-0.37%	-750.4	-0.27%	-945.6	-0.32%	-1 059.8	-0.34%	-866.9	-0.27%	-856.6	-0.25%	-994.8	-0.27%	-1 463.1	-0.40%	
UK	-2 913.7	-0.17%	+955.4	+0.06%	-2 528.4	-0.14%	-2 364.9	-0.14%	-2 864.9	-0.15%	-1 529.0	-0.08%	-2 140.2	-0.10%	-4 155.3	-0.19%	-844.3	-0.04%	
EU	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	

NOTES

- Operating budgetary balances' are calculated, for a given Member State, as the difference between allocated operating expenditure (i.e. excluding administration) and own resources payments (excluding TOR).
- These payments are adjusted to sum up to total allocated operating expenditure (as for calculating the UK correction), so that operating budgetary balances add up to zero.
- Please refer to the numerical example for details on the above calculations. Series as a percentage of GNI are calculated on the basis of GNI data, as published by DG ECFIN in its spring 2015 economic forecasts (GNI/ESA 2010).
- In 2014, the operating budgetary balance are distorted by the fact that the new Own Resources Decision 2014 (ORD 2014) has not yet entered into force, while the temporary VAT reduced rates and GNI reductions from ORD 2007 have ceased to apply, hence changing Member States contributions to the budget. This is the same situation as in 2007. Based on the ORD 2007 experience, it can be expected that the adjustments of the 2014-2015 OBBs will be done in 2016.

	2009 (*)		2010		2011		2012		2013		2014		2007 (***)		2008 (***)		2009 (***)	
	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI	million EUR	% GNI
BE	-1 663.9	-0.48 %	-1 466.4	-0.39 %	-1 369.6	-0.36 %	-1 493.7	-0.38 %	-1 541.1	-0.39 %	-1 478.1	-0.37 %	-965.9	-0.28 %	-838.7	-0.24 %	-1 452.7	-0.43 %
BG	+624.2	+1.77 %	+895.5	+2.50 %	+725.4	+1.88 %	+1 329.7	+3.32 %	+1 529.0	+3.80 %	+1 824.3	+4.45 %	+327.7	+1.15 %	+658.7	+1.95 %	+642.2	+1.88 %
CZ	+1 702.5	+1.23 %	+2 079.3	+1.44 %	+1 455.2	+0.96 %	+3 045.2	+2.02 %	+3 401.1	+2.33 %	+3 004.2	+2.08 %	+625.6	+0.51 %	+1 133.9	+0.77 %	+1 776.8	+1.34 %
DK	-969.5	-0.42 %	-615.3	-0.25 %	-836.6	-0.33 %	-1 126.0	-0.44 %	-1 277.1	-0.49 %	-836.0	-0.32 %	-673.7	-0.29 %	-625.2	-0.26 %	-821.0	-0.36 %
DE	-6 357.5	-0.25 %	-9 223.6	-0.35 %	-9 002.5	-0.33 %	-11 953.8	-0.42 %	-13 824.8	-0.48 %	-15 501.6	-0.52 %	-6 521.5	-0.26 %	-7 836.0	-0.31 %	-8 107.3	-0.33 %
EE	+573.0	+4.18 %	+672.7	+4.82 %	+350.4	+2.25 %	+785.3	+4.64 %	+771.4	+4.22 %	+473.8	+2.49 %	+222.3	+1.48 %	+222.0	+1.44 %	+582.0	+4.37 %
IE	-47.5	-0.03 %	+803.9	+0.58 %	+383.8	+0.27 %	+670.6	+0.47 %	+279.1	+0.19 %	+38.8	+0.02 %	+619.0	+0.38 %	+512.6	+0.33 %	+47.0	+0.04 %
EL	+3 121.0	+1.35 %	+3 597.4	+1.62 %	+4 622.6	+2.29 %	+4 544.9	+2.33 %	+5 340.7	+2.93 %	+5 162.6	+2.89 %	+5 382.9	+2.48 %	+6 201.0	+2.75 %	+3 251.5	+1.44 %
ES	+1 181.7	+0.11 %	+4 100.9	+0.38 %	+2 995.0	+0.28 %	+3 999.0	+0.38 %	+3 058.3	+0.29 %	+1 090.6	+0.10 %	+3 379.4	+0.33 %	+2 460.8	+0.23 %	+1 794.3	+0.17 %
FR	-5 872.7	-0.30 %	-5 534.8	-0.27 %	-6 405.8	-0.30 %	-8 297.5	-0.39 %	-8 445.7	-0.39 %	-7 164.6	-0.33 %	-3 500.9	-0.18 %	-4 494.9	-0.23 %	-4 739.4	-0.25 %
HR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+49.6	+0.12 %	+173.6	+0.42 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IT	-5 058.5	-0.32 %	-4 534.0	-0.28 %	-5 933.0	-0.36 %	-5 058.1	-0.31 %	-3 789.9	-0.24 %	-4 467.0	-0.28 %	-2 479.7	-0.16 %	-4 636.6	-0.30 %	-4 079.2	-0.27 %
CY	-2.3	-0.01 %	+10.6	+0.06 %	+6.9	+0.03 %	-25.2	-0.13 %	+40.4	+0.23 %	+114.8	+0.69 %	-14.5	-0.10 %	-23.1	-0.14 %	+6.9	+0.04 %
LV	+501.5	+2.49 %	+674.2	+3.70 %	+731.3	+3.62 %	+955.9	+4.33 %	+801.2	+3.46 %	+799.8	+3.35 %	+483.7	+2.38 %	+399.5	+1.76 %	+513.6	+2.58 %
LT	+1 493.3	+5.44 %	+1 358.4	+4.94 %	+1 368.0	+4.55 %	+1 514.0	+4.69 %	+1 514.5	+4.45 %	+1 543.2	+4.38 %	+785.9	+2.84 %	+832.3	+2.65 %	+1 510.6	+5.57 %
LU	-100.2	-0.42 %	-41.9	-0.16 %	-75.0	-0.27 %	-79.5	-0.28 %	-69.4	-0.24 %	+80.1	+0.27 %	-147.8	-0.49 %	-31.9	-0.11 %	-82.8	-0.35 %
HU	+2 719.4	+3.05 %	+2 748.4	+2.95 %	+4 418.3	+4.62 %	+3 280.4	+3.47 %	+4 954.5	+5.08 %	+5 681.6	+5.64 %	+1 578.1	+1.71 %	+1 078.9	+1.09 %	+2 772.1	+3.17 %
MT	+8.6	+0.15 %	+52.9	+0.84 %	+67.0	+1.00 %	+71.4	+1.03 %	+88.0	+1.21 %	+179.4	+2.35 %	+26.7	+0.49 %	+28.2	+0.49 %	+11.7	+0.21 %
NL	+117.7	+0.02 %	-1 833.1	-0.29 %	-2 214.0	-0.34 %	-2 364.5	-0.36 %	-2 675.1	-0.42 %	-4 711.1	-0.71 %	-1 766.4	-0.30 %	-1 551.0	-0.27 %	-2 026.2	-0.36 %
AT	-402.1	-0.14 %	-677.0	-0.23 %	-805.1	-0.26 %	-1 073.3	-0.34 %	-1 251.7	-0.39 %	-1 240.6	-0.38 %	-545.5	-0.20 %	-341.4	-0.12 %	-431.5	-0.16 %
PL	+6 337.1	+2.09 %	+8 427.5	+2.43 %	+10 975.1	+3.03 %	+11 997.2	+3.24 %	+12 237.1	+3.22 %	+13 748.0	+3.47 %	+5 060.4	+1.69 %	+4 330.3	+1.22 %	+6 488.5	+2.16 %
PT	+2 150.7	+1.27 %	+2 622.6	+1.51 %	+2 983.7	+1.73 %	+5 027.2	+3.06 %	+4 416.7	+2.63 %	+3 211.3	+1.88 %	+2 433.4	+1.48 %	+2 642.1	+1.59 %	+2 242.8	+1.39 %
RO	+1 692.5	+1.42 %	+1 245.2	+0.99 %	+1 451.5	+1.10 %	+2 031.6	+1.55 %	+4 142.8	+2.94 %	+4 519.9	+3.09 %	+562.0	+0.47 %	+1 537.9	+1.13 %	+1 755.8	+1.51 %
SI	+241.9	+0.68 %	+424.1	+1.18 %	+490.1	+1.34 %	+572.2	+1.60 %	+429.2	+1.20 %	+794.4	+2.17 %	+80.3	+0.24 %	+102.1	+0.28 %	+261.6	+0.75 %
SK	+542.1	+0.85 %	+1 349.6	+2.06 %	+1 160.6	+1.69 %	+1 597.0	+2.26 %	+1 287.4	+1.78 %	+1 010.1	+1.37 %	+603.1	+1.14 %	+705.7	+1.12 %	+580.2	+0.93 %
FI	-544.2	-0.30 %	-300.2	-0.16 %	-652.1	-0.33 %	-658.8	-0.33 %	-604.0	-0.30 %	-809.0	-0.40 %	-223.2	-0.12 %	-383.3	-0.21 %	-430.3	-0.25 %
SE	-85.6	-0.03 %	-1 211.4	-0.32 %	-1 325.4	-0.32 %	-1 925.1	-0.44 %	-2 220.7	-0.49 %	-2 312.7	-0.52 %	-620.2	-0.18 %	-1 090.7	-0.32 %	-704.2	-0.24 %
UK	-1 903.3	-0.11 %	-5 625.9	-0.31 %	-5 565.6	-0.30 %	-7 366.1	-0.36 %	-8 641.7	-0.43 %	-4 929.8	-0.23 %	-4 711.3	-0.23 %	-993.0	-0.05 %	-1 362.9	-0.09 %
EU	0.0	0.00 %	0.0	0.00 %	0.0	0.00 %	0.0	0.00 %	0.0	0.00 %	0.0	+0.00 %	0.0	0.0	0.0	0.0	0.0	

(*) Including the adjustment relating to the implementation of the ORD 2007.

(**) Including p.m. the retroactive effect of ORD 2007.

(***) Without p.m. the adjustment relating to the implementation of the ORD 2007.

Annex 4

Recoveries and financial corrections

The recovery of undue payments is the final stage in the operation of control systems. It is essential to evaluate recoveries in order to demonstrate sound financial management. The aim of this Annex is to provide the best possible estimate of the total amount of financial corrections and recoveries for 2014. Further details can be found in Note 6 to the 2014 annual accounts.

The tables below list the financial corrections and recoveries confirmed in 2014 and resulting from audits carried out by the Commission, checks and audits carried out by the Court of Auditors and investigations by the European Anti-Fraud Office (OLAF). The figures include financial corrections confirmed during 2014 even if some of those corrections were not implemented in 2014.

The tables do not include the results of the Member States' own checks of expenditure on actions under the structural funds.

There are a number of ways in which the Commission can recover undue payments if there is a clear case of a financial error or irregularity, depending on the fund concerned. These are explained below.

With regard to agriculture, the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) replaced the European Agricultural Guidance and Guarantee Fund (EAGGF). In the case of the EAFRD, financial corrections are always implemented by means of a recovery order. For the EAGF, financial corrections take the form of deductions from the monthly declarations.

Financial corrections under cohesion policy are implemented as follows:

- ▶ The Member State accepts the correction required or proposed by the Commission. The Member State itself applies the financial correction, either through withdrawal or through recovery. The amount may then be reused for other eligible operations which have incurred regular expenditure. In these cases there is no impact on the Commission's accounts, as the level of EU funding for a specific programme is not reduced. The EU's financial interests are thus protected against irregularities and fraud.
- ▶ The Member State disagrees with the correction required or proposed by the Commission, following a formal 'contradictory' procedure with the Member State. In this case, the Commission adopts a formal financial correction decision and issues a recovery order to obtain repayment from the Member State. These cases lead to a net reduction in the EU contribution to the specific operational programme concerned.

Summary of financial corrections confirmed during 2014 (million EUR)

	(million EUR)			
	Financial corrections	Recoveries	2014 Total	2013 Total
Agriculture				
— EAGF	1 649	213	1 862	1 070
— Rural development	220	165	385	386
Cohesion policy				
— ERDF	1 330	-	1 330	338
— Cohesion Fund	292	-	292	220
— ESF	342	1	343	874
— FIFG/EFF	39	29	67	34
— EAGGF guidance	13	5	18	3
— Other	-	-	-	16
Internal policy areas	5	293	298	396
External policy areas	N/A	127	127	93
Administration	N/A	5	5	6
Total decided/confirmed in 2014	3 890	838	4 728	
Total decided/confirmed in 2013	2 495	941		3 436

These figures are taken from the 2014 consolidated annual accounts of the European Union, and should be considered provisional pending the final audit opinion of the Court of Auditors.

Financial corrections confirmed in 2014 by Member State (million EUR)

Member State	EAGF	Rural Development	ERDF	Cohesion Fund	ESF	FIFG/EFF	EAGGF	Other	Total 2014
Belgium	2	0	2	-	21	-	-	0	25
Bulgaria	32	28	57	23	0	8	-	-	148
Czech Republic	2	-	420	3	15	1	-	-	441
Denmark	8	0	-	-	-	1	-	-	9
Germany	13	4	11	-	4	6	2	-	39
Estonia	0	0	0	1	-	-	-	-	2
Ireland	1	-	15	-	-	2	-	-	18
Greece	75	8	76	23	2	3	-	-	187
Spain	39	3	195	-15	155	-	0	1	379
France	1 246	105	1	-	22	8	-	0	1 383
Italy	105	2	269	-	20	4	0	-	401
Latvia	0	0	0	4	-	-	-	-	5
Lithuania	4	3	-	2	-	-	-	0	9
Luxembourg	0	-	-	-	-	-	0	-	0
Hungary	13	0	33	127	16	-	-	0	189
Malta	0	-	0	-	-	-	-	-	0
Netherlands	-30	-	-	-	-	1	-	0	-30
Austria	1	0	10	-	3	-	-	0	15
Poland	0	6	1	10	33	-	-	0	49
Portugal	14	4	21	0	0	1	8	1	50
Romania	96	51	100	2	43	3	-	0	295
Slovenia	10	1	4	-	-	-	-	0	15
Slovakia	0	-	24	111	7	-	-	0	142
Finland	5	2	-	-	-	-	-	-	7
Sweden	1	0	0	-	-	0	-	2	4
United Kingdom	10	2	47	-	1	0	3	0	62
INTERREG	-	-	44	-	-	-	-	-	44
TOTAL DECIDED	1 649	220	1 330	292	342	39	13	5	3 890

These figures are taken from the 2014 consolidated annual accounts of the European Union, and should be considered provisional pending the final audit opinion of the Court of Auditors.

Annex 5

Borrowing and lending activities

1. Borrowing

A number of EU and Euratom operations are carried out using borrowed funds. The EU and Euratom have access to the capital markets to fund various categories of loans.

Borrowing transactions in 2014

Balance of payments: None

EU macro-financial assistance: EUR 1 360 million

Euratom: None

European Financial Stabilisation Mechanism (EFSM): EUR 3 000 million

2. Lending to Member States

2.1. Balance of payments

The EU medium-term financial assistance facility (the BoP facility) enables loans to be granted to one or more Member States that have not yet adopted the euro and that are experiencing, or are seriously threatened by, difficulties in their balance of payments on current accounts.

No decisions were taken in 2014.

Loan disbursements

No disbursements were made in 2014.

2.2. European Financial Stabilisation Mechanism

The European Financial Stabilisation Mechanism (EFSM) was set up during the financial crisis to provide financial support for Member States experiencing difficulties caused by exceptional circumstances beyond their control. The loans are granted as joint EU/IMF support. No decisions were taken in 2014.

Loan disbursements

EUR 3 000 million was disbursed in 2014 (EUR 800 million to Ireland and EUR 2 200 million to Portugal).

Ireland completed the EU/IMF financial assistance programme with full disbursement of the amount granted. Portugal exited the programme in May 2014 when the remaining EUR 1 700 million had not been disbursed.

3. Lending to non-member countries

3.1. Macro-financial assistance

The EU may help to restore macroeconomic equilibrium in a particular non-member country, generally through loans and grants ('macro-financial assistance'). The Commission administers such support in accordance with the relevant Council decisions.

Two decisions were taken in 2014:

On 14 April 2014, the Council decided to make macro-financial assistance available to Ukraine in the form of loans for a maximum of EUR 1 billion and with a maximum maturity of 15 years.

On 15 May 2014, the European Parliament and the Council decided to make macro-financial assistance available to Tunisia in the form of loans for a maximum amount of EUR 300 million and with a maximum maturity of 15 years.

Loan disbursements

EUR 1 360 million was disbursed to Ukraine in 2014.

The abovementioned loan of EUR 1 billion was fully disbursed in 2014 in two tranches of EUR 500 million, in June and December.

Furthermore, EUR 610 million remaining from 2002 and 2010 macro-financial assistance decisions in favour of Ukraine was also disbursed, the first tranche of EUR 100 million in May 2014, and the second tranche of EUR 260 million in November.

3.2. Euratom loans

Euratom loans to EU Member States are used to finance project investments relating to the industrial production of electricity in nuclear power stations and to industrial installations in the nuclear fuel cycle.

Euratom loans for non-member countries aim to improve the safety and efficiency of nuclear power stations and installations in the nuclear fuel cycle that are in service or under construction. They can also be used to fund the decommissioning of nuclear installations.

In 2014, no decisions were taken and no disbursements were made.

3.3. European Investment Bank loans

The European Investment Bank (EIB) traditionally undertakes operations outside the EU in support of EU external policies based on Parliament and Council decisions granting an EU guarantee to the EIB against losses for projects carried out in certain non-member countries. The EU guarantee covers outstanding EIB loans under successive mandates.

The existing EU guarantee for EIB external financing for the period 2007-2013 ('the 2007-2013 external mandate') was extended until 30 June 2014 as no decision on a new EU guarantee for the EIB had been adopted by the Council and the European Parliament by 31 December 2013.

The new decision granting an EU guarantee for EIB operations outside the EU for the period 2014-2020 was adopted in April 2014. It establishes that the maximum ceiling of the EU guarantee should be broken down into a fixed ceiling of a maximum of EUR 27 000 million and an optional additional amount of EUR 3 000 million. Activation, in whole or in part, of the optional additional amount will be decided in accordance with the ordinary legislative procedure on the basis of the mid-term review of the implementation of the decision by the EIB and with developments in EIB operations. Coupled with this, a new guarantee agreement was signed on 22 July 2014 as required by Article 14 of the decision.

The overall and regional ceilings of the two mandates are detailed in the table below.

Mandate 2007-2013	Financing ceiling (million EUR)	Total outstanding of EIB loans financing made available minus cancellations (million EUR)
Pre-accession countries	9 048	5 941
Neighbourhood and partnership countries:	13 548	5 849
<i>Mediterranean</i>	9 700	4 669
<i>Eastern Europe, Southern Caucasus and Russia</i>	3 848	1 180
Asia and Latin America	3 952	2 720
<i>Asia</i>	1 040	421
<i>Latin America</i>	2 912	1 771
Republic of South Africa	936	528
Climate Change	2 000	474
Total	29 484	14 984
Mandate 2014-2020:	Financing ceiling (million EUR)	Total outstanding of EIB loans financing made available minus cancellations (million EUR)
Pre-accession countries	8 739	8
Neighbourhood and partnership countries:	14 437	0
<i>Mediterranean</i>	9 606	
<i>Eastern Europe, Southern Caucasus and Russia</i>	4 831	
Asia and Latin America	3 407	0
<i>Asia</i>	936	
<i>Latin America</i>	2 289	
Central Asia	182	
Republic of South Africa	416	0
Total	27 000	8

For both mandates, the EU budget guarantee covers 65 % of the aggregate amount of credits disbursed, minus amounts reimbursed, plus all amounts relating to the general mandate.

Therefore, the EU guarantee under the 2007-2013 and 2014-2020 mandates is restricted to EUR 9 745 million (65 % of EUR 14 992 million).

Glossary

Term	Definition
ABAC	This is the name given to the Commission's accounting system, which since 2005 has been based on accrual accounting rules. The Commission produces accrual-based accounts which recognises revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis accounting that recognises transactions and other events only when cash is received or paid.
Accounting	The act of recording and reporting financial transactions, including the origination of the transaction, its recognition, processing, and summarisation in the financial statements.
Agencies	EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.
Annuality	The budgetary principle according to which expenditure and revenue is programmed and authorised for 1 year, starting on 1 January and ending on 31 December.
Appropriations	Budget funding. The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Thus, if the EU budget increases, due to enlargement for example, commitments will increase before payments do. Not all projects and programmes are concluded, and appropriations for payments are therefore lower than for commitments. Non-differentiated appropriations apply for administrative expenditure, for agricultural market support and direct payments.
Budget	Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks. Amending budget: an instrument adopted during the budget year to amend aspects of the adopted budget of that year.
Budgetary authority	Institutions with decisional powers on budgetary matters: the European Parliament and the Council of Ministers
Cancellation of appropriations	Appropriations cancelled may no longer be used in a given budget year.
Capping (of the VAT resource)	The maximum VAT base to be taken into account in calculating the rate of call is set at 50 % of each Member State's GNI ('capping of the VAT resource'). For the period 2014–2020 a new Council Regulation was adopted and is currently in the process of ratification in the EU MS (ORD 2014). Once ratified by all Member States, it will enter into force with retroactive effect back to 1 January 2014. The rate of call of the VAT resource will be set at 0.15 % for Germany, the Netherlands and Sweden as from 1 January 2014. Collection costs for TOR revenue (Traditional Own Resources) will decrease from 25 % to 20 %.
Carryover of appropriations	Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under very strict conditions, be exceptionally carried over for use during the following year.
Ceiling	Limits of expenditure or revenue fixed by law or by agreement, such as in the own resources decision or in the multiannual financial framework. The latter defines an annual ceiling for each expenditure heading in commitment appropriations and an annual global ceiling for payment appropriations.
Common Customs Tariff	The external tariff applied to products imported into the Union.
Earmarked revenue	Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution (Article 21 of the financial regulation).
Ecofin	The Economic and Financial Affairs Council is, together with the Agriculture Council and the General Affairs Council, one of the oldest configurations of the Council. It is commonly known as the Ecofin Council, or simply 'Ecofin' and is composed of the economics and finance ministers of the Member States, as well as budget ministers when budgetary issues are discussed. It meets once a month.

Term	Definition
ECU	European Currency Unit, a currency medium and unit of account created to act as the reserve asset and accounting unit of the European Monetary System, replaced by the euro. The value of the ECU was calculated as a weighted average of a basket of specified amounts of European Union (EU) currencies.
EU-6, EU-9, EU-12, EU-15, EU-25, EU-27, EU-28	<p>EU-28 means the EU as constituted in 2013: Belgium (BE), Bulgaria (BG), Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Croatia (HR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE), United Kingdom (UK)</p> <p>EU-27 means the EU as constituted in 2007: BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK.</p> <p>EU-25 means the EU as constituted in 2004: BE, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, SI, SK, FI, SE, UK.</p> <p>EU-15 means the EU as constituted in 1995: BE, DK, DE, IE, EL, ES, FR, IT, LU, NL, AT, PT, FI, SE, UK.</p> <p>EU-12 means the EU as constituted in 1986: BE, DK, DE, IE, EL, ES, FR, IT, LU, NL, PT, UK.</p> <p>EU-10 means the EU as constituted in 1981: BE, DK, DE, IE, EL, FR, IT, LU, NL, UK.</p> <p>EU-9 means the EU as constituted in 1973: BE, DK, DE, IE, FR, IT, LU, NL, UK.</p> <p>EU-6 means the EU as constituted in 1957: BE, DE, FR, IT, LU, NL.</p>
Evaluations	Tools to provide a reliable and objective assessment of how efficient and effective interventions have been or are expected to be (in the case of ex ante evaluation). Commission services assess to what extent they have reached their policy objectives, and how they could improve their performance in the future.
Exchange difference	The difference resulting from the exchange rates applied to the transactions concerning countries outside the euro area
Expenditure allocated	EU expenditure that it is possible to allocate to individual Member States. Non-allocated expenditure concerns notably expenditure paid to beneficiaries in third countries. Allocation of expenditure by country is necessary in order to calculate budgetary balances.
Financial regulation	Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union.
Grants	Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of a EU policy or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.
Gross domestic product (GDP) at market prices	Final result of the production activity of resident producer units. It corresponds to the economy's total output of goods and services, less intermediate consumption, plus taxes less subsidies on products.
Gross national income (GNI)	<p>At market prices represents total primary income receivable by resident institutional units: compensation of employees, taxes on production and imports less subsidies, property income (receivable less payable), operating surplus and mixed income.</p> <p>Gross national income equals gross domestic product (GDP) (see above) minus primary income payable by resident units to non-resident units plus primary income receivable by resident units from the rest of the world.</p> <p>GNI has widely replaced gross national product (GNP) as an indicator of income. In the area of the EU budget this change took effect as from the year 2002. In order to maintain unchanged the cash value of the ceiling of EU revenue, referred to as the own resources ceiling, the ceiling had to be recalculated in percentage terms. It is now established at 1.23 % of GNI instead of the previous 1.27 % of EU GNP.</p>
Headings	In the multiannual financial framework or financial perspective are groups of EU activities in broad categories of expenditure.
Impact assessment	A tool to analyse the potential benefits and costs of different policy options to tackle a particular problem.

Term	Definition
Interinstitutional Agreement	(IIA) on budgetary discipline and sound financial management: the IIA is adopted by common agreement of the European Parliament, the Council and the Commission and contains the table of the financial framework, as well as the rules to implement it. As Treaty rules concerning the EU budget haven't been modified since 1975 until the Lisbon Treaty entered into force on 1 December 2009, the IIA has allowed for the necessary changes and improvements of the cooperation between institutions on budgetary matters (OJ C 139 of 14.6.2006). The introduction of the multiannual financial framework into the Treaty via the Lisbon Treaty, and its link to the annual budgetary procedure, led among others to proposals for an adaptation of the Interinstitutional Agreement. Corresponding proposals were made by the Commission on 29 June 2011.
Legal base	The legal base or basis is, as a general rule, a law based on an article in the Treaty giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain Treaty articles authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.
Macroeconomic equilibrium	The situation where there is no tendency for change. The economy can be in equilibrium at any level of economic activity.
Macro-financial assistance	Form of financial support to neighbouring regions, which is mobilised on a case-by-case basis with a view to helping the beneficiary countries in dealing with serious but generally short-term balance-of-payments or budget difficulties. It takes the form of medium-/long-term loans or grants (or an appropriate combination thereof) and generally complements financing provided in the context of an International Monetary Fund's reform programme.
Operating balances	The difference between what a country receives from and pays into the EU budget. There are many possible methods of calculating budgetary balances. In its Financial report, the Commission uses a method based on the same principles as the calculation of the correction of budgetary imbalances granted to the United Kingdom (the UK correction). It is, however, important to point out that constructing estimates of budgetary balances is merely an accounting exercise of the purely financial costs and benefits that each Member State derives from the Union and it gives no indication of many of the other benefits gained from EU policies such as those relating to the internal market and economic integration, not to mention political stability and security.
Outturn	Any of the three possible outcomes of the budget resulting from the difference between revenue and expenditure: a positive difference (surplus), a negative difference (deficit) and no difference (i.e. zero, or perfect balance between revenue and expenditure).
Own resources	The revenue flowing automatically to the European Union budget, pursuant to the Treaties and implementing legislation, without the need for any subsequent decision by national authorities.
Reprogramming	In this financial report the term 'reprogramming' has the following meaning: when the state of implementation in the expenditure areas of Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Fund for Fisheries suggests the need for reprogramming, the European Parliament and the Council will take decisions on Commission proposals concerning the transfer of part of unused allocations during the first year of the multiannual financial framework onto following years (see point 48 of the IIA).
Revenue	Term used to describe income from all sources that finances the budget. Almost all revenue into the EU budget is in the form of own resources, of three kinds: traditional own resources — duties that are charged on imports of products originating from a non-EU state; the resource based on value added tax (VAT); and the resource based on GNI. The budget also receives other revenue, such as income from third countries for participating in EU programmes, the unused balance from the previous year, taxes paid by EU staff, competition fines, interest on late payments, and so on.
Rules of application	These lay down detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.
Surplus	Positive difference between revenue and expenditure (see outturn) which has to be returned to the Member States.
UA	Unit of account, also known as European Unit of Account (EUA), a book-keeping device for recording the relative value of payments into and from EC accounts, replaced by the European currency unit (ECU) which has been replaced by the euro.
UK correction	At the Fontainebleau European Council in France on 25 and 26 June 1984, the then 10 Member States (Germany, Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands and the UK) agreed on the rebate to be granted to the UK to reduce its contribution to the EU budget.
VAT (value-added tax):	An indirect tax, expressed as a percentage applied to the selling price of most goods and services. At each stage of the commercial chain, the seller charges VAT on sales but owes the administration this amount of tax minus the VAT paid on purchases made in the course of business. This process continues until the final consumer, who pays VAT on the whole value of what is purchased. VAT is broadly harmonised in the European Union but Member States may fix their own rates of tax, within parameters set at EU level, and also enjoy a limited option to tax or not to tax certain goods and services.

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