COMPREHENSIVE GROWTH STRATEGY: EUROPEAN UNION

OCTOBER 2014

A. ECONOMIC OBJECTIVE AND KEY POLICY COMMITMENTS

The purpose of this section is to state your country's economic objective and to set out the five key policy commitments that will contribute meaningfully to that objective.

Economic Objective

Describe your country's short- and medium-term economic objectives.

Discuss how your growth strategy will contribute to your country's economic objectives and the G-20's objectives of strong, sustainable, and balanced growth.

Short-term objectives (for 2014)

The EU keeps the momentum on structural reforms to foster competitiveness, employment, and domestic sources of growth, while tackling the social consequences of the crisis. On 18 February 2014, EU Finance Ministers agreed on the five broad policy priority areas outlined by the European Commission on which national and EU level economic reform efforts should concentrate in 2014:

(i) Pursuing differentiated, growth-friendly fiscal consolidation and ensuring long-term sustainability of public finances; (ii) Restoring lending to the economy; (iii) Promoting growth and competitiveness for today and tomorrow; (iv) Tackling unemployment and the social consequences of the crisis; and (v) Modernizing public administration.

On 26-27 June 2014 the European Council endorsed country-specific recommendations (CSRs) based on the priorities described above and on the information EU Member States submitted in April 2014 in their medium-term budgetary plans and economic reform programmes in the context of the European Semester[1]. The main challenges facing EU Member States in 2014-2015 set out by the European Council can be summarised as follows: (i) Tackling unemployment and the social consequences of the crisis; (ii) Reducing debt; (iii) Shifting to growth-friendlier taxation; (iv) Boosting private investment; and (v) Making EU economies more competitive (in particular in the areas of services sector, energy and transport infrastructure, R&D systems and competition law).

Implementation of the CSRs is key to accelerate growth. Based on the principles of national ownership and social dialogue, EU Member States should implement the recommendations in their forthcoming decisions on budgets, structural reforms and employment and social policies. The EU Council and the European Commission will further monitor CSR implementation and take action as required.

Medium-term objectives (next five years)

On 26-27 June 2014, the European Council agreed on the strategic agenda of key priorities for the next five years. It recalled its commitment to the rules of the Stability and Growth Pact and the need to continue to pursue structural reforms. In the field of jobs, growth and competitiveness the priorities for the next five years are to:

- fully exploit the potential of the single market in all its dimensions: by completing the internal market in products and services; and by completing the digital single market by 2015;
- promote a climate of entrepreneurship and job creation, not least for SMEs: by facilitating access to finance and investment; by ensuring more resilient financial regulation; by improving the functioning

[1] The European Semester is the first phase of the EU's annual cycle of economic policy guidance and surveillance. Each European Semester, the European Commission **analyses** the fiscal and structural reform policies of every Member State, **provides recommendations**, and **monitors their implementation**. http://ec.europa.eu/economy_finance/economic_governance/the_european_semester/index_en.htm

of labour markets and by shifting taxes away from labour; by reducing unnecessary administrative burdens and compliance costs in a targeted manner, respecting consumer and employees protection as well as health and environment concerns;

- invest and prepare the EU economies for the future: by addressing overdue investment needs in transport, energy and telecom infrastructure as well as in energy efficiency, innovation and research, skills, education and innovation; by making full use of EU structural funds; by mobilising the right mix of private and public funding and facilitating long-term investments; by using and developing financial instruments, such as those of the European Investment Bank, in particular for long-term projects; and by providing the right regulatory framework for long-term investments;
- reinforce the global attractiveness of the European Union as a place of production and investment with a strong and competitive industrial base and a thriving agriculture, and complete negotiations on international trade agreements, in a spirit of mutual and reciprocal benefit and transparency, including the Transatlantic Trade and Investment Partnership (TTIP), by 2015;
- make the Economic and Monetary Union a more solid and resilient factor of stability and growth: with stronger euro area governance and stronger economic policy coordination, convergence and solidarity, while respecting the integrity of the internal market and preserving transparency and openness towards non-euro EU countries.

Contribution to the G-20 objective of strong, sustainable, and balanced growth

Higher growth in the EU will boost exports demand for non-EU G20 members and so spill over to the rest of the G20. At the same time there could also be offsetting negative spillovers due to competitiveness enhancing effects. Therefore, the net spillover effects are likely to be limited. Nevertheless, model simulations suggest that they are positive and could amount to up to 10-20% of the home (i.e. EU) effect. Likewise, the EU could benefit from growth raising measures in other G20 countries to a similar order of magnitude.

Key Commitments

List top 5 commitments from the Growth Strategy here. Selection should be based on relevance to key gaps, impact on growth, ability to generate positive spillovers and facilitate domestic and external rebalancing).

In line with the EU growth and jobs objectives presented above and the need to continue growth-friendly fiscal consolidation in some member states, the agreed priorities in the G20, and taking into account the expected significant impact of structural reforms on achieving strong, sustainable and balanced growth in the EU and beyond, the five top commitments from the EU Growth Strategy are:

1. FINALISATION AND IMPLEMENTATION OF A GENUINE BANKING UNION, BASED ON A SINGLE RULEBOOK, A SINGLE SUPERVISORY MECHANISM AND SINGLE RESOLUTION MECHANISM WITH A CENTRAL DECISION – MAKING BOARD AND A SINGLE RESOLUTION FUND;

2. IMPROVING ACCESS TO LONG-TERM INVESTMENT FINANCE IN THE EU AS PART OF DEEPENING OF CAPITAL MARKETS AND ENSURING MORE AND BETTER FUNDING FOR RESEARCH AND INNOVATION;

3. ADDRESSING HIGH UNEMPLOYMENT, IN PARTICULAR YOUTH UNEMPLOYMENT AND FACILITATING LABOUR MOBILITY;

4. FURTHER INTEGRATING THE SINGLE MARKET, INCLUDING IN THE SERVICES, ENERGY, TRANSPORT AND DIGITAL MARKETS, WHILE REDUCING ADMINISTRATIVE BURDEN FOR COMPANIES;

5. ADVANCING THE MULTILATERAL AND BILATERAL TRADE AGENDA, INCLUDING THE FULL AND TIMELY IMPLEMENTATION OF THE TRADE FACILITATION AGREEMENT AND PROGRESS IN CONCLUDING FREE TRADE AGREEMENTS.

B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

The goal of this section is to outline the current state of growth in the economy, relative to potential growth (Indicative length – 2 pages).

Current and Future Growth Prospects

Describe current growth and projections based on your current policy framework. In particular, are growth projections above or below potential growth and to what extent? Please use national projections.

	Key Indicators for the EU					
	2013***	2014	2015	2016	2017	2018
Real GDP (% yoy)	0.1	1.6	2.0	2.1	2.2	1.9
Nominal GDP (% yoy)	1.6	2.9	3.5	3.7	3.9	3.6
Output Gap (% of GDP)*	-3.1	-2.4	-1.5	-0.9	-0.3	0.1
Inflation (%, yoy)	1.5	1.0	1.5	1.7	1.8	1.8
Fiscal Balance (% of GDP)**	-3.3	-2.6	-2.5	-1.3	-0.6	0.1
Unemployment (%)	10.8	10.5	10.1	9.5	8.8	7.1
Savings (% of GDP)	18.9	19.4	19.8			
Investment (% of GDP)	17.5	17.7	18.2			
Current Account Balance (% of GDP)	1.6	1.8	1.8			

***A positive (negative) gap indicates an economy above (below) its potential.**

****A positive (negative) balance indicates a fiscal surplus (deficit).**
***** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.**

Note: The data for 2013-2015 are taken from the European Commission Spring 2014 Forecast[2], whereas the data for 2016-2018 are the weighted averages calculated on the basis of the figures reported by the EU Member States (except for Greece and Cyprus) in their Stability and Convergence Programmes. For 2018, Belgium, Greece, Spain, France, Cyprus, Malta, the Netherlands, Slovakia and all but one (UK) non-euro area Member State have not reported their figures.

Europe's economy began to recover in the second quarter of 2013 and is expected to gain strength in 2014 and 2015. Potential GDP growth projections for the EU are: 0.7% in 2013, 0.9% in 2014 and 1.0% in 2015. Thus, according to the European Commission Spring 2014 Forecast real GDP growth would be above potential GDP growth in 2014 and 2015.

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[2] http://ec.europa.eu/economy_finance/eu/forecasts/2014_spring_forecast_en.htm

Key Drivers

Identify the industries and the expenditure components (e.g. consumption, investment) that are major drivers of growth and explain whether the composition of growth is expected to change.

The recovery is expected to become increasingly driven by domestic demand and to spread across EU Member States. Differences in the expected rates of growth across the EU should narrow, particularly as the recovery has now reached the large majority of Member States, including those most affected by the crisis. Domestic demand is set to continue firming this year and next, replacing net exports as the main driver of growth. After two years of contraction, domestic demand has started firming and business and consumer confidence continues improving. In the meantime, the legacy of excessive debt, financial fragmentation, uncertainty and the acute need for fiscal consolidation are fading. The fiscal stance of the EU and that of the euro area this year are expected to be broadly neutral.

This strengthening of domestic demand, though still expected to be modest in 2014, will be fuelled by all components, both private and public. Investment growth, in particular investment in equipment, is projected to strengthen significantly, (total investment growth in the EU is projected to be 3.1% in 2014 and 4.7% in 2015, while investment in equipment growth is projected to be 4.9% and 6.5% respectively) as the main impediments to firms' demand and profits are slowly receding, and the improvement in the economic outlook is confirmed. Uncertainty has significantly receded over the past year and a half and should continue to do so under the assumption of smooth policy implementation at the EU and Member-State levels. Financing conditions are also expected to improve and to support further investment spending. Private consumption showed only marginal growth at the onset of the recovery but is expected to gain momentum over 2014-2015 (private consumption expenditure growth in the EU is projected at 1.2% in 2014 and 1.6% in 2015), as the labour market improves, real disposable incomes benefit from low consumer price inflation, and the drag of fiscal consolidation diminishes. In line with improved confidence and lower precautionary savings, households are expected to spend most of the increase in real income.

Assessment of Obstacles and Challenges to Growth

Describe the key challenges, vulnerabilities, and policy gaps facing the economy (both near and medium term), which could include those highlighted by International Organisations and peers. In addition to conjunctural gaps, the focus should be on the themes agreed by Ministers (investment, employment, competition, trade), but other key issues can be discussed if they are particularly relevant in your country.

Infrastructure and SMEs are key contributors to sustainable growth in the European Union, as well as in other G20 members. High quality infrastructure enhances the productivity across economic sectors, supporting growth, and facilitating the integration of the internal market. Investment needs for infrastructure and SMEs, in particular, are both pressing and have significant potential to contribute to lifting output. SMEs represent some two thirds of employment and nearly 60% of the value-added in the EU. They contribute significantly to GDP growth through their overall importance as well as their ability to innovate, grow and create employment. Significant long-term investment will be needed in human capital and in research and development.

The climate of uncertainty and risk aversion created by the financial and economic crisis has affected both the demand and the supply of financing. On the demand side, this has been evidenced by reduced demand from SMEs, Public-Private Partnerships and other investment projects requiring long-term financing, resulting in a suboptimal level of long-term investment and financing. On the supply side, the crisis has increased risk aversion, leading to a preference for liquidity which, together with bank deleveraging, has affected the economy's ability to finance itself at long maturities. In addition, the sub-optimal levels of long-term financing also reflect market failures and inefficiencies in the intermediation chain.

The **employment and social impact of the crisis** is still being heavily felt. With 25.18 million unemployed in the EU (18.55 million in the euro area), or a EU28 seasonally-adjusted unemployment

rate of 10.3% in May 2014, unemployment remains very high, despite the slight drop registered in the recent months in the EU (and the euro area) as a whole. Young people under 25 continue to be the hardest hit by the job crisis, with a seasonally adjusted unemployment rate standing at 22.9 % in February 2014 for the EU. Compared to unemployment in general, youth unemployment is more sensitive to the economic cycle. This implies that the economic recovery, if sufficiently strong, might be accompanied by a stronger decline of youth unemployment. However, in several Member States high youth unemployment is associated with a high share of young who are neither employed, nor in education or training (NEET), which may have effects on their employability as the recovery gains momentum. Besides youngsters, the crisis confirms to have had an impact especially on the low-skilled, mostly male workers. Furthermore, the share of people at risk of poverty or social exclusion has risen to 24.8% in the EU in 2012.

The activity rate has remained high throughout the crisis in the EU, over 70%. This strong resilience is mostly explained by older workers remaining longer in employment due to changes in both pension regulations and early withdrawal schemes, as well as by an increased participation of women, also reflecting the "added worker effect" (increase in the labour supply of women when their partners become unemployed). On the other hand, the share of long-term unemployed has continued to rise. Persistently low rates of job creation have in fact increased the average duration of unemployment, with consequent risks of unemployment becoming increasingly entrenched and difficult to eliminate. People without a job for long periods of time may become discouraged, lose skills, and suffer from stigma, thereby having difficulties in finding a job again. This ultimately would lead to a reduction in the labour force, with significantly negative effects on EU growth potential. The risk persists that unemployment becomes less responsive to wage dynamics, thus calling for additional measures, such as higher incentives for jobseekers to take up work and increased matching efficiency.

Rigidities in **labour and product markets** have hindered competitiveness adjustment, efficient resource allocation and productivity growth and partly explain the divergence in potential growth rates across Member States. Areas for enhanced implementation of existing EU internal market rules have been identified (those with the largest potential): services, financial services, transport, digital market and energy. Services account for more than 70% of GDP on average in all EU Member States. Services generate employment and have a significant growth potential. The EU Services Directive is a key instrument in making the Single Market work both for companies and consumers. It enables companies to establish subsidiaries or branches in other Member States or to provide cross-border services from their home Member State. The Services Directive covers a wide variety of economic activities representing 46 % of EU GDP[3]. Many other services sectors are covered by specific EU legislation, including energy, financial services, postal services, telecommunication, tourism and transport. But the initial implementation of the Services Directive has released only about a third of its estimated full economic potential[4]. A more ambitious implementation of the Services Directive could lead to an additional total economic gain of about 2.6% EU GDP, which would in turn have a positive impact on employment.

The international **trade** system has to be strengthened and the EU is at the forefront of this effort. The EU already has a very open trade and investment regime on a Most Favoured Nation (MFN) basis, and also based on the General System of Preference (GSP) scheme for developing countries and preferential Free Trade Agreements (FTAs). The main needs relate to improved and reliable access to EU export markets as well as to raw materials. Remaining tariffs and barriers are being reduced through reciprocal trade negotiations. Long-term evidence from EU countries shows that a 1% increase in the openness of the economy leads to an increase of 0.6% in labour productivity. Successfully completing the bilateral trade agenda could boost EU GDP by more than 2% and support an increase of more than 2 million jobs across the EU[5].

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[3] The Services Directive covers the following sectors: tourism (3,2% EU GDP), cultural and sport activities (1,4% EU GDP), wholesale and retail (11,1% EU GDP), construction (6% EU GDP), real estate (10,9% EU GDP), business services (11,7% EU GDP), other services (e.g. repair) (1,6% EU GDP).

[4] See the European Commission contribution to the European Council of 20-21 March 2014: http://ec.europa.eu/commission_2010-2014/president/news/archives/2014/03/pdf/services_en.pdf

[5] See the European Commission contribution to the European Council of 7-8 February 2013: http://ec.europa.eu/commission_2010-2014/president/news/archives/2013/02/pdf/20130205_2_en.pdf

C. POLICY RESPONSES TO LIFT GROWTH

The objective of this section is to discuss new policy actions that will be taken to contribute to our collective ambition to lift G-20 output by at least 2 per cent above the trajectory implied by current policies by 2018.

Policies are considered new when they are in addition to any commitments made at or prior to the Saint Petersburg Leaders' Summit. (Indicative length – as needed, but approximately 1 page per theme.)

This section should be a high level, narrative discussion of the key new policy commitments and their link to issues identified in section A as well as their intended impact on growth, employment and rebalancing.

For each policy area (macroeconomic policy and each structural policy thematic area), countries should:

- *Identify the key policy actions;*
- *Explain the rationale for policy actions and how they will address key challenges and policy gaps identified in section A;*
- *Discuss the intended impact of policy actions, individually or collectively, on growth and employment;*
- *Discuss how policy actions will facilitate adjustment and global relancing as well as create positive spillovers, where relevant.*

Details of the each new policy commitment should be included in tables in Annex 2. A table should be completed for each new policy commitment.

New Macroeconomic Policy Responses (including Reforms to Frameworks)

Discuss the calibration of policy and how fiscal, monetary, exchange rate and macroprudential policy actions will support growth. New fiscal, monetary policy and exchange rate commitments, if any, as well as improvements in policy frameworks such as macro-prudential settings and/or capital controls should be set out here. An updated St. Petersburg fiscal template should be completed (see Annex 1).

Discuss policy actions that will be taken in this area.

EU's fiscal policy framework: Growth-friendly fiscal consolidation and better fiscal governance for growth

European fiscal rules promote similar discipline but allow differentiated fiscal consolidation paths, according to each Member State's fiscal situation. They focus on progress achieved in structural terms, allowing automatic stabilizers to function along the adjustment path, while also providing room for manoeuvre in countries with greater fiscal space, provided deficit and debt limits are respected. These include an adequate mix of growth-friendly expenditure cuts and revenue measures, accompanied by structural reforms to enhance economic growth potential. On the expenditure side, attention should be devoted to increasing efficiency of public expenditure and maintaining an adequate level of productive public investment. On the revenue side, undertaking tax reforms to make the tax system more fair and efficient should be high on the policy agenda.

The possibilities offered by the EU's existing fiscal framework to balance fiscal discipline with the need to support growth should be used. Given the persistently high debt and unemployment levels and low nominal GDP growth, as well as the challenges of an ageing society and of supporting job-creation, particularly for the young, fiscal consolidation must continue in a growth-friendly and differentiated manner. Structural reforms that enhance growth and improve fiscal sustainability should be given

particular attention, including through an appropriate assessment of fiscal measures and structural reforms, while making best use of the flexibility that is built into the existing Stability and Growth Pact rules. In this context, the European Commission will report to the European Parliament and to the Council on the application of the EU governance framework by 14 December 2014, as foreseen in EU law ('6-Pack' and '2-Pack'). Moreover, the Eurogroup has committed to coordinate the fiscal policies of the euro area Member States, in close cooperation with the Commission, in particular when assessing draft budgetary plans to ensure a coherent and growth friendly fiscal stance across the euro area.

Euro-area's monetary policy

The euro is a floating currency and its exchange rate is determined by market forces. The ECB's monetary policy is geared towards the achievement of medium-term price stability in the euro area (i.e. inflation rates below, but close to, 2% over the medium term). Price stability is a necessary condition for strong, sustainable and balanced growth.

Over the recent period, the ECB's Governing Council has firmly reiterated its determination to maintain a high degree of monetary accommodation and to act swiftly if required in the pursuit of the Governing Council's mandate of maintaining price stability over the medium term. In this regard, the Governing Council has indicated that it continued to expect the key ECB interest rates to remain at present levels for an extended period of time in view of the current outlook for inflation.

In pursuing its price stability mandate, the ECB's Governing Council decided on 5 June on a combination of measures to provide additional monetary policy accommodation and to support lending to the real economy. This package included a reduction in the key interest rates to a level that is effectively the zero lower band, a programme of targeted LTROs running until mid-2016, preparatory work related to outright purchases of asset-backed securities and a prolongation of fixed rate, full allotment tender procedures until at least end-2016. In addition, the ECB's Governing Council decided to suspend the weekly fine-tuning operation sterilising the liquidity injected under the Securities Markets Programme.

Moreover, on 4 September the ECB's Governing Council decided on an asset-backed securities purchase programme and a new covered bond purchase programme. Both programmes will start in the fourth quarter of 2014 and are intended to have a sizable expansionary impact on the ECB's balance sheet. Both programmes will run for at least 2 years. Together with the monetary accommodation already in place, the determined implementation of the new measures will underpin the firm anchoring of medium to long-term inflation expectations.

Should it become necessary to further address risks of too prolonged a period of low inflation, the ECB's Governing Council is fully committed to using additional unconventional instruments within its mandate.

As is the case for other G20 central banks, the ECB's monetary policy settings will continue to be carefully calibrated and clearly communicated.

EU's policy to reduce intra-euro-area/EU imbalances

The efforts on economic rebalancing in the EU and the euro area will continue, building on the substantial progress made over the past years. In particular significant progress has been made in the countries with previously high current account deficits. A notable part of the adjustment should be structural in nature, thanks to efforts in terms of structural reforms and to a reorientation of resources towards internationally tradable sectors that has to be intensified. As such, the adjustment is not expected to go away once the overall economic situation improves. Although there has also been progress in rebalancing in countries with persistent current account surpluses, it has so far proceeded at a slower pace.

The EU Macroeconomic Imbalance Procedure (MIP) is the surveillance mechanism that aims to identify potential risks early on, prevent the emergence of harmful macroeconomic imbalances and correct the imbalances that are already in place. In line with this procedure, in November 2013 the European Commission published the Alert Mechanism Report (AMR) that screened the EU Member States for possible macroeconomic imbalances and identified 16 countries where an in-depth review (IDR) was warranted.

The IDRs illustrate that the challenges faced by the economies under review have been changing. When the MIP Regulation was put forward by the European Commission and later adopted, and during the first two rounds of its implementation, the main challenges were related to unsustainable

current account deficits, losses in competitiveness linked to previously very dynamic labour costs, private debts and high housing prices. While many 'flow' imbalances, like the current account deficits, have been addressed, this is not yet the case of 'stock' imbalances, like the external liabilities. The main challenges of a cross-country nature now concern the lingering impact that deleveraging pressures in many countries have on medium-term growth; the sustainability of private debts and of the external liabilities in a context of very low inflation and slow growth; the implications of the euro area shifting to a current account surplus; and the need to provide credit to viable investments in the vulnerable economies, under a fragmented financial system. Moreover, the very high level of unemployment in many economies represents a major policy and social challenge.

This analysis has fed into the country-specific recommendations adopted by the European Council in June 2014. The recommendations address the specific situation in each Member State. They are not one-size-fits-all. The recommendations take into account the challenges and the need to pursue reforms in a number of Member States. There will be a specific monitoring of policy implementation in the cases of excessive imbalances (Italy, Slovenia and Croatia) and for the euro area Member states with imbalances requiring decisive policy action (France, as well as the countries under post-programme surveillance (PPS): Spain, Ireland and Portugal, where the specific monitoring of policy implementation will rely on the PPS framework to avoid overlaps in procedures). It was also concluded that although the current account surpluses do not raise risks similar to large deficits, the size and persistence of the current account surplus in some member states, notably Germany, deserve close attention and point to the need to further support domestic demand.

The detailed recommendations will help to effectively measure progress. By end 2014, the European Commission will undertake an overall assessment of the application of the Macroeconomic Imbalances Procedure (MIP) in the context of the '6-Pack' and '2-Pack' review.

New Structural Policy Responses

Structural reforms are crucial for restarting sustainable and inclusive growth and for stimulating employment. They can support the rebalancing process, by facilitating the reallocation of resources between sectors, raising external competitiveness and boosting productivity, and contribute to a more symmetric adjustment. European Commission analysis shows large potential gains could be reaped from structural reforms in product and labour markets. According to model simulations, EU GDP could be up to 6% higher after 10 years if Member States adopt measures that move towards halving the gap vis-à-vis the average 3 best performing EU Member States in each of the different reform areas considered. Reforms improving competition in product markets, and measures that raise participation in the labour force, in particular for women and older age workers, can boost growth and also raise employment significantly. In debtor countries, labour markets reforms are contributing to wage moderation and will over time help raising productivity. However, the adverse impact on real wages and domestic demand would be mitigated by more effective product-market reforms to reduce prices – which, at the same time, would also boost exports. In some other Member States, including some with large current-account surpluses, product market reforms aimed at strengthening the role of domestic demand, especially private investment, would boost future growth prospects and facilitate internal rebalancing in the euro area, by making the necessary adjustment more symmetric. The overall effects of these measures for the G20 as a whole could be enhanced by cross country spillovers.

Investment and Infrastructure

This section should closely reflect policy actions identified by the Investment and Infrastructure Working Group (IIWG). The IIWG will issue a guidance note on how to complete this section of the template. Please refer to this guidance note when completing this section.

Discuss policy actions that will be taken in this area.

a) Restoring lending to the economy and establishment of a genuine Banking Union

The creation of the Banking Union is a major achievement in Europe. Making sure the banking sector functions correctly in providing finance for productive activity is essential to increasing investment and sustaining the economic recovery.

The new regulatory framework with common rules for banks in all 28 Member States, set out in a single rulebook, is the foundation of the banking union. Common rules on bank capital and liquidity[6] will help to prevent bank crises in the future and, if some institutions do end up in difficulty, a common resolution framework will ensure efficient management of this process, including a means to wind them down in an orderly way[7].

First, as of November 2014, the European Central Bank (ECB) will directly supervise all significant banks and, in co-operation with national competent authorities, all 6000 banks in the euro area in the framework of the Single Supervisory Mechanism (SSM)[8]. In order to ensure that it has a clear view of the situation of directly-supervised banks from the outset, the ECB is undertaking (i) **a comprehensive assessment of their balance sheets including an asset quality review and a stress test that** will take 12 months to complete, with results expected to be published in October 2014.

Second, in the rare cases when banks fail despite stronger supervision, (ii) the **Single Resolution Mechanism (SRM)** will allow bank resolution to be managed more effectively through a **Single Resolution Board (SRB) and a Single Resolution Fund (SRF)**. The SRM was adopted by the EP on 15 April 2014. The Council formally adopted the SRM on 14 July 2014. On 21 May 2014, member states participating in the SSM and the SRM also signed an Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF. Under this agreement, contributions by banks raised at national level will be transferred to the SRF, which will initially consist of national compartments. These will be gradually merged over an eight-year transitional phase. This mutualisation of paid-in funds will be front-loaded, starting with 40% in the first year and a further 20% in the second year, and continuously increasing by equal amounts over the subsequent six years until the SRF is fully mutualised.

In line with the agreement, the SRB shall contract financial arrangements, including where possible public ones, for the SRF, in cases where the amounts raised or available are not sufficient to meet the Fund's obligations.

The SSM and the SRM will both apply in the 18 euro area Member States and any other EU Member State on a voluntary basis.

A statement accompanied the Intergovernmental Agreement, confirming the commitment of the contracting parties to be bound by bail-in rules and principles as outlined in the Bank Recovery and Resolution Directive. This will be a precondition for accessing the fund, given political agreement that the cost of bank failures should be borne first and foremost by the financial industry and no longer by taxpayers. This is to ensure that the nexus between the solvency of banks and sovereign states is substantially weakened. The Intergovernmental Agreement will enter into force once ratified by member states participating in the SSM/SRM that represent 90% of the aggregate of the weighted votes of all participating member states.

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6 In particular, the Capital Requirements Regulation and Directive (CRR/CRD IV) which entered into force in the summer of 2013 and are applied as of 1 January 2014.

7 The Bank Recovery and Resolution Directive (BRRD) was agreed upon by EU finance ministers on 27 June 2013, politically agreed between the European Parliament (EP), EU Member States and the European Commission in December 2013, and published in the Official Journal of the EU on 12 June 2014. EU Member States shall adopt and publish by 31 December 2014 the laws, regulations and administrative provisions necessary to comply with this Directive, so that most of its provisions can be implemented as of January 2015. Common rules, through the Directive on Deposit Guarantee Scheme (DGS), will also ensure that all EU savers are guaranteed that their deposits up to €100 000 (per depositor/ per bank) are protected at all times and everywhere in the EU. The DGS was agreed provisionally between the Council and the EP in December 2013. It was adopted by the EP on 15 April 2014 and published in the Official Journal of the EU on 12 June 2014. Member states should transpose most of the provisions of the Directive into national legislation by July 2015, so that they apply from 4 July 2015.

8 A political agreement on the SSM package was reached by the EP and the Council on 19 March 2013. Following the EP vote on 12 September 2013, the EU formally adopted the creation of the SSM in October 2013 with the relevant Regulations being published on 29 October 2013 in the Official Journal of the EU and being directly applicable.

The SRM will be applicable as follows:

- Provisions on the preparation of resolution planning, the collection of information and cooperation with national resolution authorities will apply from 1 January 2015.
- Provisions relating to resolution planning, early intervention, resolution actions and resolution instruments, including the bail-in of shareholders and creditors, as well as provisions related to the build-up and use of the SRF will apply from 1 January 2016, provided that the conditions for the transfer of contributions to the SRF have been met.

Together with the new EU-wide regulatory framework for the financial sector, the completed banking union is an important step towards further economic and financial integration in the EU. It will ensure that the cost of bank failure is first and foremost borne by the private sector, reducing the need for public funds to the maximum extent, and will help restore financial stability. This, in turn, creates the right conditions for the financial sector to lend to the real economy, spurring economic recovery and job creation.

b) Improving access to long-term investment finance in the EU as part of deepening of capital markets

On 27 March 2014, the European Commission published a Communication on the long-term financing of the European economy which sets out policy actions to support Europe's return to sustainable economic growth[9]. It builds on the responses to a public consultation and on the debate in international fora such as the G20 and the OECD, and identifies specific measures which the EU can take to promote long-term finance. To feed into the Communication, the Ecofin Council in 2013 set up a High Level Expert Group (HLEG) which provided a report on increasing access to capital markets for SME and long term infrastructure financing in Europe. [10]

(i) Improving the regulatory framework

The European Commission is working on several legislative initiatives to improve the regulatory framework for long term investment. Most of the actions, to be undertaken by the European Commission and described below, will be carried out by 2014 and 2015. Accounting standards should also evolve in a way that is not damaging to long-term investment.

Corporate governance: In addition to a recently proposed Directive on the rights of shareholders and a Recommendation to improve the quality of corporate governance reporting, work will be undertaken to study employee share ownership and financial participation more broadly.

SMEs: Legislation will include working on the delegated acts provided by MiFID (Markets in Financial Instruments Directive) on SME growth markets, ensuring that the administrative burden for SME issuers is minimised whilst maintaining high levels of investor protection. In addition, the European Commission will examine whether the eligibility criteria of certain types of investment funds could be extended to securities listed on SME growth markets and/or unlisted securities. Finally, the Commission will analyse the feasibility of harmonising the comparability of SME data across the EU and will consider approaches to foster credit scoring.

Securitisation: The European Commission will work in close cooperation with the international standard setters, in particular with the Basel Committee and IOSCO to define and differentiate "high" quality securitisation products. On that basis it will explore possible preferential regulatory treatment under Solvency II and CRD IV in full compliance with prudential principles with the objective to increase the volume of such securitisation products while avoiding the emergence of systemic risks and decreasing dependence on credit ratings.

Covered bonds: The European Commission will review the regulatory treatment of covered bonds by the end of 2014 with a view to assessing the stability of the respective markets with a view to building the basis for an integrated European covered bond market. Taking into account the findings of this

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[9] More information on these can be found at: http://ec.europa.eu/internal_market/finances/financing-growth/long-term/index_en.htm

[10] High Level Expert Group on SME and infrastructure financing: http://ec.europa.eu/economy_finance/financial_operations/investment/long_term_financing/index_en.htm

review, the European Commission will launch a study on the merits of introducing an EU framework for covered bonds.

Infrastructure: The European Commission will promote the emergence of infrastructure as an asset class for institutional investors including through European Long-term Investment Funds (ELTIFs). Studies are being undertaken in order to evaluate in 2014 the feasibility of making available pipeline information on infrastructure investment plans and projects by European national, regional and municipal authorities with a single access point. Similar initiatives will be undertaken on the feasibility of collecting and making available comprehensive and standardised credit statistics on infrastructure debt. Making available such data would help to widen the institutional investor base but would also help regulators explore the merits of a customised prudential regime for infrastructure investments. In particular the European Commission intends to include appropriate incentives to stimulate long-term investment by insurers in 2014 (Delegated Act for Solvency II).

(ii) Developing capital markets-based sources of long-term finance

EU economies had historically a heavy dependence on bank intermediation for the financing of SMEs and infrastructure investment. As banking sector deleveraging is not yet completed in all EU Member States, a more diversified system with significantly higher shares of direct capital market financing and greater involvement of institutional investors and alternative financial markets is needed. Developing capital markets-based sources of financing would also have a positive effect on restoring the bank credit channel as it could help freeing regulatory capital and open space for new bank lending.

The European Commission has been very active in facilitating private sector investors' involvement in the financing of European infrastructure, through the promotion of risk sharing financial instruments to complement the legislative actions proposed above. In particular, the Connecting Europe Facility (CEF)[11] is the EU's new funding mechanism for infrastructure projects of common interest. Capital markets financing will be supported through risk-sharing and credit enhancement instruments including the project bond initiative). Similar risk-sharing instruments are being pursued at the level of regional/ structural fund actions supporting both infrastructure financing and SME securitisation.

The European Investment bank (EIB), national public investment banks and multilateral development banks (MDBs) play a supporting role in fostering long-term investment in the EU. The European Union will ensure that existing resources are deployed efficiently; targeting clearly identified market gaps and avoiding crowding-out of commercial finance. Moreover, those institutions should direct part of their resources away from traditional lending towards targeted support for capital markets-based finance, leveraging institutional investor funds and thus complementing the regulatory policy actions set out above. This could take the shape co-investment in bonds, credit enhancement and other instruments designed to develop capital markets-based financial instruments.

An increased use of technical assistance and blending can improve conditions for the development of projects, relevant market structures and improvements to conditions for private investors. Moreover, the EU has set up a platform for regular exchanges between MDBs on project pipelines as well as establishing best practices for these types of blending operations in the EU and in support of EU's worldwide assistance.

c) More and better funding for research and innovation

Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly EUR 80 billion of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. Horizon 2020 is established for the period from 1 January 2014 to 31 December 2020 with an EU Regulation from 11 December 2013 published in the Official Journal of the EU on 20 December 2013. The Multiannual Financial Framework, adopted by the Council on 2 December 2013, provides the EU-wide financial backing for this programme.

Horizon 2020 provides support through streamlined funding instruments and simpler programme architecture and rules for participation, also facilitating SMEs access. It focuses on turning scientific breakthroughs into innovative products and services that provide business opportunities and put emphasis on public-private partnerships.

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[11] The CEF will have a budget of EUR 33.3bn for the period of 2014-2020 to improve Europe's transport, energy and digital networks through targeted investments in key infrastructures with demonstrated EU added-value.

The European Commission adopted on 10 June 2014 a new Communication on "Research and Innovation as sources of renewed growth". This Communication makes proposals to help EU Member States maximise the impact of their budgets at a time when many countries still face spending constraints, notably in pursuing reforms to improve the quality of research and innovation (R&I) programmes and institutions.

Employment

This section should closely reference the growth aspects of the employment plans that are being developed within the Taskforce for Employment.

Discuss policy actions that will be taken in this area.

Europe's labour market and social fabric will take time to recover and needs reinvigorating as the economy emerges from the crisis. Policy priority should be given to enhancing competitiveness, supporting job creation and fighting unemployment, particularly youth unemployment and long-term unemployment, and to the follow up of reforms regarding the functioning of the labour market.

a) Addressing high unemployment, in particular youth unemployment

The emergence of high youth unemployment led the EU to agree on a Youth Guarantee (YG) to ensure that all young people receive an offer of employment, further education or apprenticeship at an early stage. The YG is an outcome focused approach: all young people under 25 should receive a good quality offer of employment, continued education, andan apprenticeship or traineeship within four months of leaving formal education or becoming unemployed.

Providing comprehensive Youth Guarantee schemes —not just as a set of temporary ad hoc measures — where necessary aims at major structural reforms setting the conditions to facilitate young people's transition from education to the labour market. Member States' public employment services are key to the success of the Youth Guarantee. All Member States endorsed the principle of the Youth Guarantee in April 2013, and every country has since submitted a plan outlining how this will happen in practice. Member States are making significant efforts to implement their plans but some countries still face particular challenges, which are being closely followed in the framework of the European Semester.

In terms of financial contribution this is a forward-looking commitment, since its funding depends on the Multiannual Financial Framework (MFF) for 2014-2020 adopted by the Council on 2 December 2013. The most significant source of EU money to help Member States to implement the Youth Guarantee is the European Social Fund, with a budget of over EUR 10 billion a year from 2014-20. This comes on top of the EUR 6 billion Youth Employment Initiative for Member States with regions where youth unemployment rates exceed 25% (in 2012) agreed in February 2013. Currently Member States are preparing Operational Programmes through which these funds will be committed over the 2014-2015 period.

b) Facilitating labour mobility

Labour mobility within countries and across Europe will benefit from the reinforced cooperation and from a modernised EURES-network (job search network of 32 employment services in Europe), that will be in place by 2015 and will help firms and job-seekers alike by facilitating the exchange of vacancies, improving on-line service tools and optimising matching practices. Moreover, in April 2014, the EU adopted a new Directive to ensure the better application at national level of EU citizens' right to work in another Member State. The new rules aim to remove existing obstacles to the free movement of workers, such as the lack of awareness of EU rules among public and private employers and the difficulties faced by mobile citizens to get information and assistance in the host Member States. In addition, two other Directives adopted in April and May 2014 will contribute to labour mobility facilitation. The first Directive improves the acquisition and preservation of supplementary pension rights for mobile workers. The second Directive enforces better EU rules on the posting of workers. It will safeguard respect for posted workers' rights in practice and strengthen the legal framework for service providers. EU Member States have now two years to implement the Directives at the national level.

c) Improving education and skill performance, addressing inequalities and improving the performance of social protection systems

The EU strategic framework for European cooperation in education and training for the period up to 2020 intends to address four strategic objectives: making lifelong learning and mobility a reality; improving the quality and efficiency of education and training; promoting equity, social cohesion and active citizenship; and enhancing creativity and innovation, including entrepreneurship, at all levels of education and training.

The EU has also launched the EU Skills Panorama, which provides a comprehensive overview of national intelligence sources on trend developments and skills and jobs across Europe. The creation of a multilingual classification of European Skills, Competences, Qualifications and Occupations (ESCO) is well underway and will help identify and categorise skills, competences, qualifications and occupations relevant for the EU labour market and education and training, in 22 European languages. This will allow for more targeted education curricula to be developed in line with employers needs and for easier recruitment between countries.

The MFF adopted in December 2013 increased the EU financial support to youth mobility. In particular, the budget for Erasmus+, the new single programme for EU cooperation and mobility in education, training, youth and sports for 2014-2020 will increase by approximately 40%, compared with 2007-2013, to EUR 14.7 billion. More than 4 million people will receive support to study, train, work or volunteer abroad. Up to 200 000 students planning a full Master's degree abroad, for which national grants or loans are seldom available, will benefit from a new loan guarantee scheme run by the European Investment Fund.

Well-designed employment and social policies (including child care for a better access of women to the labour market) can support aggregate demand, contribute to sustainable and balanced growth and reduce inequalities. Such policies are also supported through the EU's financial instruments, such as the European Social Fund and the Programme for Employment and Social Innovation. Through the MFF adopted in December 2013, the EU has committed itself to use at least EUR 80 billion for the European Social Fund (2014-2020). 20% of this amount, which is at least EUR 16 billion, will be specifically allocated to social inclusion measures.

Competition

Discuss policy actions that will be taken in this area that boost competition and reduce red-tape and unnecessary regulation. Both product market and service industry reforms should be considered.

The completion of the Single Market is a central element of the European growth agenda. The priority areas for reform in this field are: the **services markets** (including financial services) and **network industries** (including the **energy markets**; the **transport markets** and the **digital markets)**. Single Market rules also lead to a **reduction of administrative burden** for companies as they replace the complex and different national laws of EU Member States. This reduces compliance costs for businesses. Companies also have access to public procurement markets in other EU Member States increasing their business opportunities.

A significant source of potential gains from the completion of the Single market lies in the **services** sector and a more ambitious implementation of the EU Services Directive, both due to the sheer size of services as well as to the increasing inter-linkages between industrial products and services. The Commission will continue to closely monitor Member States' reforms in specific services sectors, in particular in the context of the Europe 2020 strategy and through its framework for economic policy coordination. It will further reinforce its monitoring tools through more in-depth quantitative and qualitative reporting on sectoral and national reforms concerning services.

A second promising policy strand is to improve the market functioning in **network industries**, given its importance for attracting private investors in energy, communication and transport infrastructures. (i) In the energy sector the priority for the coming years should be the completion of the energy internal market through the transposition and implementation of the Third Energy Package, which should be achieved by the end of 2014. Its major elements concern the unbundling of networks, the strengthening of the independence and power of national regulators, and the improvement of the functioning of retail markets. (ii) In transport, the main priority is the opening of the railway market for

competition through, among other things, the separation between infrastructure and services and open procedures for public service obligations. These issues are addressed by the Fourth Railway package proposed by the European Commission. In June 2014, the Council reached political agreement on the draft directives on the interoperability and safety of European railways and the draft regulation on the European Railway Agency. Together, these three legislative acts make up the technical pillar of the Fourth Railway package. (iii) Also the telecommunications markets develop fast and offer important benefits of reforms. A legislative package for the completion of the European Telecom Single Market was voted by the European Parliament in April 2014 and has to be approved by the EU Council. The proposed package would strengthen network neutrality rules across borders and cut international roaming charges in the EU. Following an agreement reached with the EP in February 2014, the Council adopted the Directive on broadband cost reduction on 8 May. EU Member States must now adopt national provisions to comply with the new Directive by 1 January 2016 and they must apply the new measures from 1 July 2016.

The results of the Commission's analysis are reflected in a yearly progress report on national reforms on services and network industries as part of the annual Single Market Integration Reports.

As one of the instruments of competition policy, state aid control plays a fundamental role in defending and strengthening the single market. In this perspective, the Commission has launched an ambitious State aid modernisation program aimed at fostering growth and competitiveness in the EU. As part of this package, the Commission has already reformed its state aid procedures, and adopted new guidelines on state aid for broadband, regional development, cinema, airports and airlines, risk finance, energy and environment, R&D and innovation, as well as the rules on state aid to important projects of common European interest and the rules for assessing Member States' support measures to rescue and restructure companies in difficulty.

Further actions are also taking place to improve the **regulatory environment** in which EU industry and enterprises operate, thus improving their competitiveness and their ability to grow and create jobs. To this end, the Commission is strengthening its various smart regulation tools (impact assessment, evaluation, stakeholder consultation) and launched the Regulatory Fitness and Performance Programme (REFIT) in December 2012. A Commission Communication was adopted in October 2013 reviewing and setting out the next steps in REFIT and envisaging follow up actions wherever appropriate. These actions will complement the intensive work already underway to reduce barriers and costs for SMEs in a number of areas.

Trade

Discuss policy actions that will be taken to increase trade flows by reducing impediments to trade at or behind borders (e.g. reduce the cost of doing business and help business participate in the global economy).

In the euro-area, a number of countries with large macroeconomic imbalances are passing through a process of comprehensive structural reforms aimed, *inter alia*, at increasing trade flows and securing a better trade performance and rebalancing growth.

a) Post-Bali work at the WTO and plurilateral initiatives

At the multilateral level, the EU's first priority is full and timely implementation of the Trade Facilitation Agreement. In this regard, the EU has adopted a modernised Union Customs Code which entered into force on 30 October 2013. The modernised Code streamlines customs rules and provides for a move towards a paperless customs environment, which will be progressively implemented over the coming years.

Moreover, the EU will be actively engaged to formulate a balanced post-Bali work programme with a view to advancing multilateral trade liberalisation under the Doha Development Agenda.

The EU is also committed to continued progress in plurilateral negotiations to expand the product list of the Information Technology Agreement, liberalise services, and working towards the launch of negotiations to remove barriers to trade in environmental goods.

b) Ambitious bilateral trade agenda

The EU is pursuing one of the most ambitious bilateral trade opening agendas in the world. We have recently signed Deep and Comprehensive FTAs with Ukraine, Georgia and Moldova, which are

expected to be (provisionally) applied later in 2014, as well as concluding negotiations with Ecuador who will join the existing FTAs between the EU and Colombia and Peru. We are currently finalising FTAs with Singapore and Canada. On-going negotiations include the Transatlantic Trade and Investment Partnership with the US, FTAs with Japan, India and Mercosur, an Investment Agreement with China, as well as FTA negotiations with non-G20 countries in the ASEAN (Vietnam) and the Mediterranean region (Morocco) The completion of this agenda would increase the share of EU external trade covered by FTAs to two thirds. Given the broad scope of FTAs negotiated by the EU, these agreements will enhance trade not only by eliminating tariffs but also by addressing various regulatory hindrances affecting trade in goods and services. The *erga omnes* nature of many commitments in the services, investment and regulatory areas also mean that direct benefits accrue not only for trade between parties but also with non-parties.

Other measures

Discuss policy actions that fall outside of the areas of investment and infrastructure, employment, competition, and trade but will facilitate transition and contribute to the G-20's ambition.

External Development Policies

The EU's development cooperation policy and that of the Member States complement and reinforce each other. The EU has maintained its position as the biggest global donor, accounting for over half of the total Official Development Assistance (ODA) to developing countries as reported to the OECD Development Assistance Committee (DAC). In 2013 the collective ODA of the EU and its Member States increased to EUR 56.5 billion despite continued budgetary constraints owing to the economic and financial crises, and reached 0.43% of EU Gross National Income (GNI). On 19 May 2014, the EU and its Member States reaffirmed all their individual and collective ODA commitments, taking into account the exceptional budgetary circumstances. Collective EU ODA is forecast to reach EUR 59.8 billion in 2014 and EUR 61.96 billion in 2015 (Council Conclusions on the Annual Report 2014 to the European Council on EU Development Aid Targets).

The EU has also committed to increase development assistance in Sub-Saharan Africa and to channel at least half of the collective aid increase to Africa. The fourth EU-Africa Summit (2-3 April 2014) acknowledged that it is time for a fundamental shift from aid to trade and investment as agents of growth, jobs and poverty reduction. The Agenda for Change defines the current framework for EU development policy, encouraging inter alia regional integration, sustainable agriculture and energy as well as new ways of engaging with the private sector. During the Multiannual Financial Framework (2014-2020), the EU will build on its successful experiences such as the European Investment Facilities and the EU-Africa Trust Fund for Infrastructure. Blending EU grants with loans and other risk-sharing mechanisms are favoured to leverage further public and private resources so as to increase impact on growth and jobs.

ANNEX 1: ST. PETERSBURG FISCAL TEMPLATE — UPDATE

1. Update on Fiscal Strategy

The public debt ratio is expected to finally stabilize this year, at the level of 90% and 96% of GDP in the EU and the euro area (EA) respectively, after a continuously growing trend in past years. Large consolidation efforts implemented in difficult economic conditions in recent years are now bearing fruit, as also the **nominal deficit** is expected to fall below 3% of GDP in 2014 for the first time since 2008, both in the EU and in the EA.

The **pace of fiscal consolidation is expected to slow down** in 2014 with respect to previous years. In a context of still negative but already narrowing output gaps, this would amount to a broadly neutral fiscal stance in the EU and the EA. EU member states' fiscal strategies going forward should include an adequate mix of growth-friendly expenditure cuts and revenue measures, accompanied by structural reforms to enhance economic growth potential. On the expenditure side, attention should be devoted to increasing efficiency of public expenditure and maintaining an adequate level of productive public investment. On the revenue side, undertaking tax reforms to make the tax system more fair and efficient should be high on the policy agenda. Following a mandate given by EU Finance Ministers the European Commission is looking at options to support the improvement of expenditure performance, in particular by encouraging Member States to carry out spending reviews on a regular basis.

This should contribute to the recovery. The Eurogroup has committed to a regular monitoring of the euro area aggregate fiscal stance to ensure that it remains appropriate.

However, **overall debt levels are still high in the EA and the EU**. Therefore, a medium-term strategy aiming at a lasting correction of public deficit and debt reduction should continue to be pursued[12].

2. Medium-term fiscal strategies (*required for advanced economies – only if updated*):

a. Overall strategy for debt sustainability

EU Member States under the so-called **preventive arm** of the Stability and Growth Pact (SGP) should pursue a fiscal policy that brings the structural budget balance towards a country-specific medium-term objective (MTO) set so as to ensure sustainability of the debt ratio or rapid progress towards sustainability. A significant deviation from the MTO or the adjustment path towards it requires corrective policy measures to reverse such deviations.

In any case, the general government deficit should not exceed 3% of GDP and the general government gross debt should either not exceed 60% of GDP or diminish sufficiently at a satisfactory pace. Otherwise, an **excessive deficit procedure** setting an adjustment path to correct this situation will be launched.

Finally, fiscal policies of EU Member States should be coordinated to ensure the achievement of agreed medium-term objectives and that the pace of fiscal consolidation is differentiated according to their fiscal and economic situation. The budgetary adjustments are defined in structural terms in order to allow automatic stabilisers to function along the adjustment path. In view of reinforcing the credibility of fiscal policy over the medium term, Member States are further recommended to support their fiscal strategies by an efficient and growth-friendly mix of expenditure and revenue measures.

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[12] For more information on the EU fiscal policy framework please see the main text of the EU Growth Strategy, pp. 6-7

b. Debt-to-GDP ratio objective

According to the European fiscal rules, the general government gross debt must not exceed 60% of GDP or must, at least, diminish sufficiently at an appropriate pace towards the 60% threshold. The latter is fulfilled if the differential of the debt with respect to the 60% reference value decreases over three years at an average rate of 1/20th per year as a benchmark.

c. Intermediate objectives

For all Member States that have not yet reached their MTO, each Member State is set a yearly target for its structural balance that will either ensure the correction of an excessive deficit or ensure progress towards its MTO.

d. Expenditure and revenue reforms

According to the subsidiarity principle, it is for Member States to decide their expenditure and revenue reforms. Nevertheless, the European Commission and the European Council provide policy guidance in this respect in the annual country specific recommendations. In this context, Member States are encouraged to undertake policy measures enhancing the quality and soundness of their public finances. Finally, EU Member States are also encouraged to focus on the quality and composition of the fiscal adjustment to ensure that policies are as growth- and equity - friendly as possible.

e. Reforms to strengthen the fiscal framework

Several reforms have considerably strengthened the European Fiscal Framework:

- The reinforced Stability and Growth Pact includes a new framework for imposing financial sanctions on euro area Member States in case of non-compliance with the EU fiscal rules. In addition, any EU Member State that is a recipient of EU funds could face a temporary suspension of financing if the Council establishes that it has failed to take effective action in response to the recommendations under the Excessive Deficit Procedure.

- The so called Two-Pack introduces new common provisions for monitoring and assessing draft budgetary plans of euro area Member States and ensuring the correction of excessive deficits.

- A new Directive on budgetary frameworks harmonizes certain aspects of domestic budgetary procedures, rules and institutions in the EU, so as to better ensure that national budgetary positions are in line with the EU fiscal framework.

- Finally, the Treaty on Stability, Coordination, and Governance in the European Monetary Union introduces a structural balanced budget rule in the national fiscal frameworks (with a maximum structural deficit of 0.5% of GDP or 1% for those Member States with low public debt and no sustainability concerns), coupled with an automatic correction mechanism in case of significant deviation.

3. Medium-term projections, and change since last submission *(required for all members)*[13]:

		Estimate	Projections		
	2013	2014	2015	2016	2017
Gross Debt	88.9%	89.5%	89.2%	85.5%	82.9%
ppt change	2.1	0.6	-0.3	-3.7	-2.6
Deficit	-3.3%	-2.6%	-2.5%	-1.3%	-0.6%
ppt change	0.6	0.7	0.1	1.2	0.6
CAPB	1.0%	1.4%	1.0%	2.1%	2.4%
ppt change	0.8	0.4	-0.4	1.1	0.3

4. Economic Assumptions, and change since last submission *(required for all members)*[14]:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

		Estimate	Projections		
	2013	2014	2015	2016	2017
Real GDP growth	0.1%	1.6%	2.0%	2.1%	2.2%
ppt change	0.5	1.5	0.5	0.1	0.1
Nominal GDP growth	1.6%	2.9%	3.5%	3.7%	3.9%
ppt change	-1.1	2.3	0.6	0.2	0.2
ST interest rate [(*)]	0.5%	0.5%	0.7%	1.2%	1.4%
ppt change	-0.4	0.0	0.2	0.4	0.3
LT interest rate [(*)]	2.8%	2.3%	2.5%	2.7%	2.8%
ppt change	-0.6	-0.5	0.2	0.2	0.1

[13] Data for 2013, 2014 and 2015 are based on the European Commission's 2014 Spring forecast and Commission service's computations. Data for 2016 and 2017 are based on the 2014 Stability and Convergence Programmes provided by EU Member States (except for Greece and Cyprus) in April 2014.

[14] Data for 2013, 2014, and 2015 are based on the European Commission's 2014 Spring Forecast and Commission services' computations. Data for 2016 and 2017 are based on the 2014 Stability and Convergence Programmes provided by EU Member States in April 2014.

[(*)] In the case of short term and long term interest rates, data for 2014-2017 are based on the 2014 Stability and Convergence Programmes provided by EU Member States. Cyprus, Greece, Croatia, Ireland, Romania and Slovenia have not submitted their assumptions on both short- and long-term interest rates, while Germany and Malta have submitted information on short-term interest rates only.

ANNEX 2: NEW POLICY COMMITMENTS

[Policy Commitment Table]

• The New policy action:	Please describe the new policy being agreed to
Implementation path and expected date of implementation	Please describe when and how the policy will be implemented.
What indicator(s) will be used to measure progress?	Please indicate how the membership can check implementation.
Explanation of additionality (where relevant)	If the commitment relates to policies for which past commitments (up to the Saint Petersburg Summit) have covered, clearly explain how the new commitment differs from, strengthens or accelerates the past commitment.

A separate Policy Commitment Table should be included for each new commitment within each reform area, with the tables clearly identified as belonging to the relevant reform area.

These areas include:

1. Macroeconomic Policy Responses (including Reforms to Frameworks)
2. Investment and Infrastructure
3. Employment
4. Competition
5. Trade
6. Any other structural policy

Under each of these six categories, we would expect G20 members to provide several major policy commitments with each policy commitment table being no longer than 1 page.

1. Macroeconomic Policy Responses (including Reforms to Frameworks)

A- Fiscal policy

• Implement growth-friendly fiscal consolidation and a strengthened governance for growth	**Economic and fiscal governance in the EU and the euro area has been fundamentally strengthened. The Stability and Growth Pact (SGP) is a rule-based framework for the coordination of national fiscal policies in the European Union, established to safeguard sound public finances. It is based on the principle that economic policies are a matter of common concern for all Member States.**
Implementation path and expected date of implementation	According to the reinforced Stability and Growth Pact (SGP), the structural budgetary balance of EU Member States under the so-called preventive arm shall converge towards the country-specific medium-term objective (MTO) while the general government headline deficit must not exceed 3% of GDP and public debt must not exceed 60% of GDP (or at least it must diminish sufficiently towards the 60% of GDP threshold). In turn, EU Member States with deficit and debt levels above the aforementioned thresholds will continue pursuing a fiscal strategy aiming at debt reduction and a lasting correction of public deficits, under the so-called Excessive Deficit Procedure (EDP) in the corrective arm. A quantitative definition of "diminish sufficiently towards the 60% of GDP threshold" has been introduced – the debt criterion – so that an EDP may also be launched on the basis of a debt ratio above 60% of GDP which would not diminish towards the Treaty reference value at a satisfactory pace. Reforms to the EU Fiscal Framework have been considerably strengthened, including the possibility to impose financial sanctions on euro area Member States in case of non-compliance with their fiscal obligations. Implementation is on a continuous basis. Member States report Excessive Deficit Procedure-related data to Eurostat twice per year – at end-March and end-September. In spring EU Member States are required to submit their medium-term budgetary strategy by the end of April at the latest. The European Commission evaluates these national budgetary plans and presents country-specific recommendations that are then discussed (and adopted) by the Council of the EU. In autumn euro area member states are required to submit their draft budgetary plans to the Commission, prior to the adoption of the budget. The Commission then issues an opinion on each Member State's plan, assessing compliance with the requirements under the European Fiscal Framework.
What indicator(s) will be used to measure progress?	According to European fiscal rules, required budgetary adjustments are defined in structural terms, both under the preventive and corrective arm of the SGP, in order to allow automatic stabilisers to function along the path. Medium-term fiscal policies are underpinned by intermediate objectives, in the form of yearly targets for the deficit and structural balance, while adjusted primary expenditure growth must not exceed potential medium-term GDP growth for Member States under the preventive arm of the Pact.

Explanation of additionality (where relevant)	At the latest European Council from 26-27 June it was decided that the possibilities offered by the EU's existing fiscal framework to balance fiscal discipline with the need to support growth should be used. Given the persistently high debt and unemployment levels and low nominal GDP growth, as well as the challenges of an ageing society and of supporting job-creation, particularly for the young, fiscal consolidation must continue in a growth-friendly and differentiated manner. Structural reforms that enhance growth and improve fiscal sustainability should be given particular attention, including through an appropriate assessment of fiscal measures and structural reforms, while making best use of the flexibility that is built into the existing Stability and Growth Pact rules. In this context, the European Commission will report to the European Parliament and to the Council on the application of the EU governance framework by 14 December 2014, as foreseen in EU law ('6-Pack' and '2-Pack').

B. Monetary Policy

• Euro area's monetary policy	**The primary objective of monetary policy in the euro area focuses on maintaining price stability in the medium term for the euro area as a whole.** **The euro is a floating currency and its exchange rate is determined by market forces.**
Implementation path and expected date of implementation	
What indicator(s) will be used to measure progress?	The ECB's monetary policy is geared towards the achievement of medium-term price stability (i.e. annual HICP inflation below, but close to, 2 % over the medium term).
Explanation of additionality (where relevant)	Over the recent period, the ECB's Governing Council has firmly reiterated its determination to maintain a high degree of monetary accommodation and to act swiftly if required in the pursuit of the Governing Council's mandate of maintaining price stability over the medium term. In this regard, the Governing Council has indicated that it continued to expect the key ECB interest rates to remain at present levels for an extended period of time in view of the current outlook for inflation. In pursuing its price stability mandate, the ECB's Governing Council decided on 5 June on a combination of measures to provide additional monetary policy accommodation and to support lending to the real economy. This package included a reduction in the key interest rates to a level that is effectively the zero lower band, a programme of targeted LTROs running until mid-2016, preparatory work related to outright purchases of asset-backed securities and a prolongation of fixed rate, full allotment tender procedures until at least end-2016. In addition, the ECB's Governing Council decided to suspend the weekly fine-tuning operation sterilising the liquidity injected under the Securities Markets Programme. Moreover, on 4 September the ECB's Governing Council decided on an asset-backed securities purchase programme and a new covered bond purchase programme. Both programmes will start in the fourth quarter of 2014 and are intended to have a sizable expansionary impact on the ECB's balance sheet. Both programmes will run for at least 2 years. Together with the monetary accommodation already in place, the determined implementation of the new measures will underpin the firm anchoring of medium to long-term inflation expectations. As is the case for other G20 central banks, the ECB's monetary policy settings will continue to be carefully calibrated and clearly communicated.

C. Macroeconomic Imbalances

• EU's policy to reduce intra-euro area/EU imbalances	**The EU Macroeconomic Imbalance Procedure is a surveillance mechanism that aims to identify potential risks early on, prevent the emergence of harmful macroeconomic imbalances and correct the imbalances that are already in place.** **The Macroeconomic Imbalances Procedure operates alongside the Stability and Growth Pact to identify and correct macroeconomic imbalances and monitor competitiveness developments.**
Implementation path and expected date of implementation	Continue monitoring developments in EU macroeconomic imbalances, provide the appropriate macroeconomic policy recommendation and monitor their implementation. In the case where imbalances are deemed to be excessive, (i.e. those that could jeopardise the proper functioning of the economic and monetary union), the EU institutions will provide the appropriate policy recommendation and if necessary, trigger the enforcement tools (corrective arm) that exist in the context of the Macroeconomic Imbalances Procedure (MIP). On the basis of the In-Depth Reviews (IDRs) released on March 5, 2014, the Commission has identified EU Member States experiencing imbalances or excessive imbalances. In June 2014, the EU Council decided on the appropriate policy recommendations, necessary corrections and/or specific monitoring. Moreover, there will be a specific monitoring of policy implementation in the cases of excessive imbalances (Italy, Slovenia and Croatia) and for the euro area Member states with imbalances requiring decisive policy action (France, as well as the countries under post-programme surveillance (PPS): Spain, Ireland and Portugal, where the specific monitoring of policy implementation will rely on the PPS framework to avoid overlaps in procedures).
What indicator(s) will be used to measure progress?	The monitoring of potential risks to stability through the persistence of macroeconomic imbalances is done via the EU Macroeconomic Imbalance Procedure. Each November the EU Commission publishes the Alert Mechanism Report (AMR) to screen for Member States' potential imbalances to be further analysed in In-Depth Reviews.
Explanation of additionality (where relevant)	This process strengthens the EU St Petersburg commitment to reduce intra EU/euro area imbalances.

2. Investment and Infrastructure

Restoring lending to the economy and establishment of a genuine Banking Union: (i) conduct of a comprehensive assessment of banks	As part of the entry into force of the Single Supervisory Mechanism (SSM), the ECB is currently conducting a comprehensive assessment of the banks that will pass under its supervision, including an asset quality review (AQR) and an EU-wide stress test in liaison with the European Banking Authority (EBA).
Implementation path and expected date of implementation	As of November 2014, the European Central Bank (ECB) will be the supervisor of all 6000 banks in the euro area in the framework of the Single Supervisory Mechanism (SSM). The comprehensive assessment of banks' financial health has started in November 2013 and will take 12 months to complete, with results expected to be published in October 2014.
What indicator(s) will be used to measure progress?	The results of the EU-wide stress test are expected to be published in October, and the SSM will enter into force on 4 November 2014. In the interim, specific milestones forming part of the work on the AQR and stress test, as communicated by the ECB and the EBA, will be undertaken.
Explanation of additionality (where relevant)	The measure described presents an important step towards the building-up of the euro-area Banking Union that was made concrete after the St. Petersburg Summit.

Restoring lending to the economy and establishment of a genuine Banking Union: (ii) Implement the Single Resolution Mechanism	The EU will put in place provisions for the implementation of the Single Resolution Mechanism (SRM), which will allow bank resolution to be managed more effectively through a Single Resolution Board (SRB) and a Single Resolution Fund (SRF).
Implementation path and expected date of implementation	The SRM will be applicable as follows: • Provisions on the preparation of resolution planning, the collection of information and cooperation with national resolution authorities will apply from 1 January 2015. • Provisions relating to resolution planning, early intervention, resolution actions and resolution instruments, including the bail-in of shareholders and creditors, as well as provisions related to the build-up and use of the SRF will apply from 1 January 2016, provided that the conditions for the transfer of contributions to the SRF have been met. The intergovernmental agreement on the SRM will enter into force once ratified by member states participating in the SSM/SRM that represent 90% of the aggregate of the weighted votes of all participating member states.
What indicator(s) will be used to measure progress?	Respect of the above-mentioned timelines.
Explanation of additionality (where relevant)	The agreements on the SRM and the SRF which were reached in 2014 make possible the full implementation of the Banking Union.

Improving access to long-term finance in the EU: (i) Improving the regulatory framework	Assess the current status and propose legislation where appropriate in a range of fields affecting the environment for long-term investment.
Implementation path and expected date of implementation	Proposals are made in the fields of corporate governance, SMEs, securitisation, covered bonds and infrastructure finance.[15] Most actions are to be completed by the end of 2014 or 2015. Some of the actions are exploratory and some of the assessments might conclude that certain paths will not be pursued.
What indicator(s) will be used to measure progress?	The European Commission will periodically provide updates on progress of the implementation.
Explanation of additionality (where relevant)	New commitment.

Improving access to long-term finance in the EU: (ii) Developing capital markets-based sources of long-term finance	Complementing the regulatory actions set out above, the EU will promote the use of financial instruments and blending, as opposed to traditional lending.
Implementation path and expected date of implementation	Over the period 2014-2020 for EU budget instruments (corresponding to the EU's multi-annual financial framework (MFF).
What indicator(s) will be used to measure progress?	Increased volume of capital markets-based finance in the EU.
Explanation of additionality (where relevant)	New commitment.

[15]. A complete table with the actions and horizon for completion is available under: http://europa.eu/rapid/press-release_MEMO-14-238_en.htm?locale=en

More and better funding for research and innovation	Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. Horizon 2020 is established for the period from 1 January 2014 to 31 December 2020 with an EU Regulation from 11 December 2013. The Multiannual Financial Framework, adopted by the Council on 2 December 2013, provides the EU-wide financial backing for this programme.
Implementation path and expected date of implementation	The European Commission will periodically provide updates on progress of the implementation. The Horizon 2020 programme is to be implemented during the multiannual financial framework 2014-2020. Progress concerning public-private partnerships, in particular the Joint Technology Initiatives (JTIs) and the contractual public-private partnerships, will also be closely monitored.
What indicator(s) will be used to measure progress?	Investment in research and innovation. The indicators of the Innovation Union Scoreboard monitor the research and innovation performance of Europe. The Science, Technology and Competitiveness Report [STC] on R&D activities in Europe monitors the progress towards the EU objective of investing 3% of GDP on research and innovation and the progress towards the achievement of an efficient European Research Area.
Explanation of additionality (where relevant)	New commitment.

3. Employment

Addressing youth unemployment	**The EU adopted a Youth Guarantee (YG) which is an outcome focused approach: all young people under 25 should receive a good quality offer of employment, continued education, an apprenticeship or traineeship within four months of leaving formal education or becoming unemployed. At the EU level, the YG is supported by EU Structural Funds and, in particular, the European Social Fund.**
Implementation path and expected date of implementation	YG implementation started in 2014, the rate and modalities of implementation depending on national circumstances. All EU Member States are developing Youth Guarantee Implementation Plans. By early May 2014, 25 Member States have already submitted their plans, specifying the envisaged priority actions conducive to YG (e.g., strengthening of Public Employment Services infrastructure, improving counselling and activation framework, developing an apprenticeship system, etc.). The Youth Employment Initiative support will be available for programming in 2014 and 2015, implementation until 2018. The European Social Fund (ESF) support will be available for programming from 2014 to 2020 (implementation until 2023).
What indicator(s) will be used to measure progress?	The ESF Regulations contain a list of common indicators which all Member States and operational programmes shall use. Annex II of the ESF Regulation sets out specific indicators for those Member States and regions which benefit from the YEI. The Regulation requires Member States to report on all indicators, broken down by investment priority and by gender. Member States will submit the data for these indicators as part of the Annual Implementation Report in 2016 or in 2015 for the YEI. In addition, the Employment Performance Monitor (EPM) will be used. This is a monitoring tool for the Europe 2020 Strategy, which is used to assess the employment situation in the EU and is published twice a year, in June and in December.
Explanation of additionality (where relevant)	In terms of financial contribution this is a forward-looking commitment, since its funding depends on the Multiannual Financial Framework (MFF) for 2014-2020 adopted by the Council on 2 December 2013. The most significant source of EU money to help Member States to implement the Youth Guarantee is the European Social Fund, with over €10 billion a year from 2014-20. This comes on top of the €6 billion Youth Employment Initiative for Member States with regions where youth unemployment rates exceed 25% (in 2012) agreed in February 2013. Currently Member States are preparing Operational Programmes through which these funds will be committed over the 2014-2015 period.

Facilitating labour mobility	**A modernised EURES-network (a job search network of 32 employment services in Europe) will help firms and job-seekers by facilitating the exchange of vacancies, improving on-line service tools and optimising matching practices.** **In April 2014, the EU adopted a new Directive to ensure the better application at national level of EU citizens' right to work in another Member State.** **Two other Directives adopted in April and May 2014 will contribute to labour mobility facilitation. The first Directive improves the acquisition and preservation of supplementary pension rights for mobile workers. The second Directive enforces better EU rules on the posting of workers. It will safeguard respect for posted workers' rights in practice and strengthen the legal framework for service providers.**
Implementation path and expected date of implementation	The modernised EURES-network will be in place by 2015. EU Member States now have two years to implement the abovementioned Directive at national level.
What indicator(s) will be used to measure progress?	Indicators for information activities (e.g. number of individual contacts with jobseekers/employers) and placements (number of individuals employed in another Member State as a result of EURES activity). Progress with implementation of the provisions of the Directives in national legal frameworks.
Explanation of additionality (where relevant)	New commitment.

Improving education and skill performance, addressing inequalities and improving the performance of social protection systems	**Make lifelong learning and mobility a reality, improve the quality and efficiency of education and training, and enhance creativity and innovation, at all levels of education and training.** **Create a multilingual classification of European Skills, Competences, Qualifications and Occupations (ESCO).** **As decided with the new Multiannual Financial Framework (MFF) in December 2013, the EU financial support to youth mobility for 2014-2020 will increase by approximately 40%, compared with 2007-2013, to EUR 14.7 billion.** **Well-designed employment and social policies get support from EU's financial instruments. Through the MFF adopted in December 2013, the EU has committed itself to use at least 80 billion euros for the European Social Fund (ESF). 20% of this amount (at least 16 billion euros) will be specifically allocated to social inclusion measures.**
Implementation path and expected date of implementation	To be implemented during the multiannual financial framework 2014-2020 and in the framework of the Europe 2020 Strategy and the "Education and Training 2020" strategic framework for European cooperation in education and training. ESF funding will be implemented during the period 2014-2020.
What indicator(s) will be used to measure progress?	Europe 2020 headline targets: - Early leavers from education and training: less than 10% - Tertiary education attainment: at least 40% Education and training 2020 benchmarks and other Education and training 2020 indicators. Acceptance and use of the ESCO classification by actors in the labour market and in the education and training sector. Monitoring progress in the employment and social situation is conducted using a Joint Assessment Framework (JAF), which is an indicator-based assessment system. It uses a series of indicators to measure the current situation and trends through time in Member States. The Social Protection Performance Monitor (SPPM) is a monitoring tool which identifies annual key social trends to watch in the EU.
Explanation of additionality (where relevant)	New commitment.

4. Competition

Further integrating the Single Market	The priority areas for reform are: the services markets (including financial services) and network industries (including the energy markets; the transport markets and the digital markets). Single Market rules also lead to a reduction of administrative burden for companies as they replace the complex and different national laws of EU Member States. This reduces compliance costs for businesses. Companies also have access to public procurement markets in other EU Member States increasing their business opportunities.
Implementation path and expected date of implementation	The European Commission will provide updates on progress of the implementation of the actions undertaken for completing the Single Market.
What indicator(s) will be used to measure progress?	Progress on this commitment could be measured by following the state of agreement on the key proposals set in the Single Market Act (SMA) I and II as well as the implementation of the legislation at the Member State level. A performance overview of the Single market for all Member States is provided by the Single Market Scoreboard[16]. An update of the study published in February 2013 by the Commission to assess the state of play of market opening in electronic communications, energy, and transport at the EU level will be released in September 2014. The assessment of sector-specific market functioning in a context of regulatory reforms over the past two decades is based on a set of indicators about the degree of competition and market conditions in the various countries and network industries. Progress as regards the Digital Single Market can be measured, among other indicators, thanks to the European Commission Services' annual Digital Agenda Scoreboard.
Explanation of additionality (where relevant)	The completion of the Single Market is a continuous exercise and is a central element of the European growth agenda. The objective of these initiatives is to tap the full potential of the Single Market.

[16] http://ec.europa.eu/internal_market/scoreboard/

5. Trade

Advance post-Bali work at the WTO and plurilateral initiatives	**At the multilateral level, the EU's first priority is full and timely implementation of the Trade Facilitation Agreement.** **Moreover, the EU will be actively engaged to formulate a balanced post-Bali work programme with a view to advancing multilateral trade liberalisation under the Doha Development Agenda.** **The EU is also committed to continued progress in plurilateral negotiations to expand the product list of the Information Technology Agreement, liberalise services, and working towards the launch of negotiations to remove barriers to trade in environmental goods.**
Implementation path and expected date of implementation	Work is ongoing.
What indicator(s) will be used to measure progress?	
Explanation of additionality (where relevant)	New commitment.

• Advance the EU bilateral trade agenda.	**The EU is pursuing one of the most ambitious bilateral trade opening agendas in the world. The completion of this agenda would increase the share of EU external trade covered by Free Trade Agreements (FTAs) to two thirds. Given the broad scope of FTAs negotiated by the EU, these agreements will enhance trade not only by eliminating tariffs but also by addressing various regulatory hindrances affecting trade in goods and services. The *erga omnes* nature of many commitments in the services, investment and regulatory areas also mean that direct benefits accrue not only for trade between parties but also with non-parties**
Implementation path and expected date of implementation	The EU is currently finalising FTAs with Singapore and Canada. On-going negotiations include, *inter alia*, the Transatlantic Trade and Investment Partnership, FTAs with Japan, India and Mercosur, and an Investment Agreement with China.
What indicator(s) will be used to measure progress?	As regards the EU FTAs, completing our current agenda would enhance the coverage of our trade by FTAs to two thirds of EU external trade. (*Note: Given the nature of trade negotiations this objective cannot be committed to within the five-year reporting period.)*
Explanation of additionality (where relevant)	New commitment.

6. Other measures

External Development Policies

External Development Policies	The EU and its Member States have collectively increased their Official Development Assistance (ODA) despite continued budgetary constraints and have reaffirmed all their individual and collective ODA commitments (Council Conclusions of 19 May 2014). EU development assistance is geared to leverage further public and private resources through blending and risk-sharing mechanisms to increase the impact on growth and jobs.
Implementation path and expected date of implementation	Annual decisions within the Multiannual Financial Framework (2014-2020).
What indicator(s) will be used to measure progress?	Annual Reports to the European Council on EU Development Aid Targets, EU Accountability Reports on Financing for Development
Explanation of additionality (where relevant)	New commitment.