



2015

Annual Activity Report

**DG for Humanitarian Aid
and Civil Protection**

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INTRODUCTION

The DG in brief

The mission of the Directorate General for Humanitarian Aid and Civil Protection (ECHO) is to help save and preserve life, prevent and alleviate human suffering and safeguard the integrity and human dignity of populations affected by natural disasters and man-made crises. Along with the Member States' contributions, the EU is a world leading donor.

ECHO has 344 people working in Brussels headquarters, and over 465 humanitarian expert staff in 48 field offices, located in those countries most severely affected by crises in Africa, Middle-East, Asia, Latin America and the Western Balkans. Along with its human and financial resources, ECHO's framework for action has been constantly adapted to allow the EU to face ever-greater challenges.

For its Humanitarian Aid and EU Aid Volunteers (EUAV) activities, ECHO acts in the context of the framework provided for by Article 214 of the Treaty on the Functioning of the European Union (TFEU), and its Civil Protection actions are underpinned by Article 196. The Treaty of Lisbon, which entered into force on 1 December 2009, introduced a new legal basis for EU humanitarian aid as well as for civil protection policies, and emphasises the application of international humanitarian law including impartiality and non-discrimination.

ECHO's interventions mainly consist of programmes and budget execution but it does not intervene directly on the ground. ECHO is a humanitarian aid donor and its funds are channelled through individual agreements with partner organisations. Partners are either NGOs¹ that sign a Framework Partnership Agreement (FPA), United Nations agencies covered by the Financial and Administrative Framework Agreement (FAFA), or International Organisations² with which relations are governed by an ad hoc FPA. The management mode applied with NGOs is direct management, and with the UN and International Organisations, indirect management. ECHO has a strong presence in the field, it works closely with partner organisations, and is fully involved in planning aspects and policy development in the area of humanitarian aid. As of 2016 the EU Aid Volunteers initiative will be fully operational to contribute to ECHO's humanitarian aid effort.

The key stakeholders of ECHO's civil protection activities are the 33 participating states of the Union Civil Protection Mechanism (UCPM). When civil protection assistance is requested by third countries, the Emergency Response Coordination Centre (ERCC) coordinates the delivery of the participating states' resources, ensuring a coherent European response to disasters, including in case of invocation of the Solidarity Clause (Article 222 of the TFEU). At the same time, ECHO pursues effective prevention and preparedness policies with the Member States, thus ensuring a balance between Member States' responsibilities and European solidarity.

In its policy response, ECHO pushes for strong coordinated efforts of the international

¹ Non-Governmental Organisations

² International Committee of the Red Cross, International Federation of Red Cross and Red Crescent Societies, International Organization for Migration

community to respond to the humanitarian challenges worldwide, for better disaster risk management and for more involvement of development actors in protracted crises. ECHO engages in strategic dialogues with key partners (such as WFP³, UNHCR⁴, ICRC and UNICEF⁵) and remains actively involved in agency boards, donor support groups, and other international fora. Through ECHO, the Commission maintains its high level of commitment to the IASC⁶ Transformative Agenda and Humanitarian Reform. ECHO also works closely with Member States and consults the European Parliament and humanitarian stakeholders in driving the implementation of the European Consensus on Humanitarian Aid⁷.

To ensure complementarity with Member States, ECHO promotes the coordination between EU and national actions through the Council working party on Humanitarian Aid and Food Aid (COHAFA) in order to enhance efficiency of the different humanitarian aid measures. It is the main forum within the EU for strategic and policy debate on humanitarian aid between the EU Member States and the European Commission. Within Parliament, humanitarian aid falls in the remit of the Committee on Development (DEVE), and civil protection in that of the Committee on the Environment, Public Health and Food Safety (ENVI).

ECHO operations are implemented in complementarity with the "Relex Family", regrouping the services that contribute to the formulation of an effective and coherent external relations policy for the European Union, so as to enable the EU to assert its identity on the international scene. The Relex family also includes DG DEVCO, DG NEAR, DG TRADE, FPI and EEAS, all contributing to the work of the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President, who is responsible for steering and coordinating the work of all Commissioners in the realm of external relations.

On 1 September 2015, Mrs Monique Pariat was appointed Director-General of DG ECHO, taking over the responsibilities of Director-General Claus Sørensen.

³ World Food Programme

⁴ United Nations High Commissioner for Refugees

⁵ United Nations Children's Fund

⁶ Inter-Agency Standing Committee

⁷ Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission (OJ C 25, 30.1.2008, p. 1)

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG ECHO to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

a) Highlights of the year

While natural disasters such as the earthquake in Nepal have affected millions of people in 2015, armed conflicts have been the greatest driver of acute and prolonged humanitarian need. Last year was marked by four 'Level 3' emergencies (Syria, Iraq, Yemen and South Sudan), the highest crisis denomination according to the United Nations standards, and the highest level of forced displacement since the Second World War. Given these unprecedented humanitarian crises in 2015, ECHO has responded by targeting humanitarian aid to the people most in need and most vulnerable, and by upgrading its policy response.

The first ever multi-stakeholder World Humanitarian Summit (WHS), called by UN SG Ban Ki-moon, will take place on 23-24 May 2016 in Istanbul. The EU has been at the forefront of supporting the WHS. Above all, the Commission Communication of 2 September 2015 outlined the EU's priorities for the WHS: upholding International Humanitarian Law; ensuring effective aid delivery; closer humanitarian-development cooperation, including in protracted crises; efficient and sufficient humanitarian financing. This line was largely confirmed by Council Conclusions and a European Parliament Resolution, both in December 2015.

EU Humanitarian budget at a historic high

The assistance provided by ECHO in 2015 amounted to over EUR 1.5 billion helping more than 134 million beneficiaries caught up in natural disasters or conflict in over 80 countries. 2015 represents the largest budget executed by ECHO so far owing to the ever increasingly frequent and devastating natural disasters and humanitarian crises. As a consequence, budget reinforcements in 2015 essentially concerned:

- The refugee crises for populations affected by the Syrian conflict, inside Syria but also in Neighbouring countries and along the Western Balkan route.
- South Sudan where ongoing conflict continues to generate huge humanitarian needs for the populations in the country and for South Sudanese refugees in the region;
- The emergency actions in countries affected by the extreme weather phenomenon "El Niño" in Africa, Caribbean, Central and South America.

In the course of 2015, ECHO took further advantage of the new funding options under Article 21(2)(b)⁸ of the 2012 Financial Regulation⁹, making greater use of external

⁸ Member States and non-EU countries, including their public agencies, entities or natural persons, may provide the Commission with revenue assigned to certain external aid projects or programmes financed by the Union.

assigned revenues. The largest external revenues were assigned by France and the United Kingdom.

The Refugee Crisis

Syria is the largest "source country" of refugees currently arriving to the EU. The Syrian conflict continues unabated into its fifth year and remains the biggest humanitarian and security crisis in the world. The estimated number of Syrian refugees in neighbouring countries and the larger region reached over 4.5 million, and the number of internally displaced persons in Syria amounts to an estimated 6.5 million people. In 2015, ECHO allocated more than EUR 350 million to life saving operations in Syria and neighbouring countries. The key strategic priorities focused on supporting multi-sector, rapid, flexible and reactive responses to emergencies in parallel with maintaining regular humanitarian assistance to already displaced and most vulnerable populations. The majority of refugees find refuge in countries and among people who already struggle with poverty and hardship. Host communities in the region are among ECHO's targeted beneficiaries.

After decades of conflict, vulnerable Iraqis struggle to survive a complex emergency, which has entered into its third year. Fighting and sectarian violence have resulted in the displacement of millions. Iraq is facing not only the consequences of its internal conflict, but also those created by the conflict in neighbouring Syria, and is hosting hundreds of thousands of registered Syrian refugees. ECHO provided protection and relief to both Iraq's displaced people and Syrian refugees, as well as other vulnerable populations affected by the conflicts.

ECHO funded emergency humanitarian interventions in the Western Balkans in favour of vulnerable refugees, asylum seekers and migrants in need according to vulnerability criteria and contributed to the provision of emergency assistance (food, water, hygiene, non-food items, health, basic protection, and winterisation) in places where a high number of refugees is concentrated, including borders and registration points. The UCPM was activated by 5 countries overwhelmed by the refugee influx: Hungary, Serbia, Slovenia, Croatia, and Greece. Four requests are still active. In total, 15 countries have made offers of assistance, supplying items such as tents, sleeping materials, personal protective items, heaters, generators and lighting.

In order to address the situation of over 60 million forcibly displaced people in the world, most of them for prolonged periods of time, the Commission has engaged work towards the definition of development-led strategies and approaches to forced displacement. A Communication on forced displacement and development will be adopted in 2016.

Humanitarian crises in Africa

The Sahel, one of the world's poorest regions, is reeling from the aftershocks of four consecutive food and nutrition crises since 2005. These recurrent crises have severely eroded the resilience of the poorest families who now struggle to cover their basic food needs year after year, most especially during the long period between harvests.

As one of the world's least developed countries, Chad continues to face a complex emergency as a result of chronic food insecurity, malnutrition, natural hazards, epidemics and massive displacement of populations. The conflict in the neighbouring Central African

⁹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union (OJ L 298, 26.10.2012, p. 1).

Republic (CAR) has triggered an influx of refugees putting additional strain on the already overstretched resources. Decades of political instability and natural disasters in the CAR have contributed to the destruction of the national economy, lack of development and the weakening of state institutions. An International Conference on the Central African Republic, jointly hosted by the High Representative/Vice President, ECHO and DEVCO, was held in May 2015. The conference drew international attention and support for the CAR and focused on the country's humanitarian needs, recovery and resilience-building.

On top of protracted food insecurity, the widespread violence in the north-east of Nigeria due to Boko Haram has prompted a massive exodus. Over 2 million Nigerians have been forcibly displaced within the country and over 190.000 have fled to neighbouring Niger, Cameroon and Chad. The humanitarian community expects a new massive wave of displacement, due to ongoing evacuations of resident populations from the Lake Chad islands, as a result of military operations in the area.

South Sudan has been plagued by continuous crises which have generated huge humanitarian needs. Food insecurity affects half of the population and high levels of acute malnutrition persist in many parts of the country. The world's newest country is also prone to disease outbreaks. The armed conflict since December 2013 has left thousands dead and over 2 million uprooted from their homes. After more than 20 months of fighting, a peace agreement was signed in August 2015, but there is still no sign of peace in the country.

Yemen

Political instability, armed conflicts, poor economic performance and chronic underdevelopment are at the heart of the complex and multi-faceted crisis Yemen is facing. Over 47% of the population lives below the poverty line on less than €2 a day and the country has the world's third highest rate of malnutrition. ECHO is supporting the people affected by the conflict as well as populations across the country suffering from malnutrition or facing food insecurity and armed clashes. The bulk of humanitarian funding is used to provide food, water and sanitation, basic health care, shelter and household items for the internally displaced people, the refugees from the Horn of Africa and the communities who are hosting these uprooted people.

Ukraine

ECHO has kept the humanitarian crisis in Ukraine high on its agenda. Millions of people in Ukraine are in need of humanitarian aid due to the combined impact of conflict, displacement and extreme poverty. ECHO has focused on the most vulnerable: children, elderly, single parent households, etc. The aid also went to internally displaced people and to refugees who have fled the conflict areas, as well as to returnees. It is often distributed in the form of cash and vouchers, allowing maximum efficiency and preserving the dignity of the affected people. In addition, material assistance has been mobilised through the Union Civil Protection Mechanism. Airlift and road transport of relief supplies have been organised in a joint EU operation in January 2015.

Addressing the consequences of Natural disasters

A devastating earthquake struck central Nepal in April 2015, killing close to 9 000 people and flattening entire villages. ECHO immediately released humanitarian funding to help address the most urgent needs: emergency shelter, emergency healthcare, water and sanitation, livelihood support, and logistics, in addition to disaster preparedness and risk reduction activities. In the days following the earthquake, the Union Civil Protection Mechanism was activated upon request from the Nepali authorities. The UCPM facilitated the deployment of Heavy Urban Search and Rescue, Medical Advanced Post and Water

Purification modules, experts in structural engineering, and other technical assistance on top of in-kind assistance and relief teams. ECHO's sustained advocacy efforts led to the formulation of the "National Strategy for Disaster Management in Nepal".

Education in Emergencies

Children account for half of the victims of conflicts across the world and are among the most vulnerable victim groups, often hardest hit by conflicts. Education in emergencies (EiE) has become a strong policy priority in 2015. Education is a life-saving humanitarian intervention that has been supported through the EU Children of Peace initiative. So far, over EUR 23 million has been allocated (including contributions from the governments of Luxembourg and Austria). By the end of 2015, more than 1.5 million children have benefitted from education in emergencies in 26 countries around the world. The Commissioner has committed to increase the Commission's support by increasing the proportion of humanitarian aid funding allocated to EiE from 1.8% in 2015 to the UN target of 4 % in 2016.

Response to Ebola and preparation of the European Medical corps

On the 14th of January 2016, the World Health Organisation (WHO) declared the end of Ebola transmission in West Africa. Since the beginning of the worst Ebola epidemic in history (March 2014), the EU together with its Member States, rapidly mobilised all available political, financial and scientific resources to help contain, treat and ultimately defeat Ebola. ECHO addressed the most urgent needs by enabling epidemic surveillance, diagnostics, treatment and medical supplies; deployment of doctors and nurses and training of health workers; awareness-raising among the population and promotion of safe burials. Activation of the UCPM enabled the swift coordinated deployment of emergency supplies and experts offered by the Member States (more than 100 flights and 2 cargo ships). A medical evacuation system (MEDEVAC) was established to support the mobilisation and ensure the safety of international aid workers.

Under the organisation of the Union, the "Ebola: from emergency to recovery" conference took place in March 2015 to emphasise the importance of maintaining the momentum to prevent a sharp increase in new cases, and to plan the next steps in the fight both against the current outbreak and the Ebola virus in general.

The concept of the European Medical Corps (EMC) was created in 2015 in the framework of the UCPM voluntary pool, building on the 'White Helmets' proposal put forward by a number of Member States at the height of the Ebola crisis. Quality and interoperability requirements were defined and expanded in accordance with the new WHO standards for medical modules. The voluntary pool will thus be expanded with medical teams, public health teams, mobile biosafety laboratories, medical evacuation capacities, as well as specialised assessment and support teams. The official launch with a number of available medical response capacities in the voluntary pool took place on 15 February 2016.

An analysis was conducted of the short-comings of the global humanitarian health governance systems that led to the failure to achieve a timely containment of the West Africa Ebola outbreak. Given WHO's central role in these global systems short-comings, ECHO has been a driver - in close coordination with DG SANTE, other Commission Services, EU Member States and other humanitarian donors - in the negotiations to advance the WHO reform process to make it fit-for-purpose for its humanitarian role.

European Union Aid Volunteers

After completion of the required legislative measures for the European Union Aid Volunteers initiative (EUAV) in 2014, the first calls for proposals were published in 2015 for deployment of volunteers, capacity building for hosting organisations and technical assistance for sending organisations in different areas such as disaster risk management, volunteer management, capacity to undergo certification, tools and methods of need assessment, building partnership, and communication activities. The results will materialise in 2016 when trained volunteers will be deployed to humanitarian projects worldwide.

The adoption of the Sendai Framework on Disaster Risk Reduction

Disaster risk reduction is now firmly anchored as a key element of sustainable development efforts. Commission services, coordinated by ECHO, played a significant role on behalf of the EU at the third United Nations Conference on Disaster Risk Reduction (DRR) in Sendai, Japan on 14 and 15 March 2015, which adopted the Sendai Framework for Disaster Risk Reduction 2015-2030¹⁰. The EU has since the beginning taken a leading role in building a robust, ambitious and enhanced framework. The adoption of this new framework outlines clear targets and priorities for action which will lead to a substantial reduction of disaster risk and losses in lives, livelihoods and health. Implementation of the Sendai Framework for Action over the next 15 years will require strong commitment and political leadership. Commission services are currently developing an action plan on the implementation of the new international framework. This should in particular assess the series of actions proposed, the targets and their implications for EU policies and translate these into relevant EU policies, including those under ECHO's responsibility. ECHO is also playing an active role in the open-ended intergovernmental expert working group established to develop global indicators to measure global progress in implementation of the Sendai framework.

Field Network

In terms of operational and organisation efficiency, 2015 saw a major restructuring of the field network, promoting more flexibility and empowerment of the field staff, stronger consistency across offices and simplification of work flows. The restructuring consisted of 1) decentralisation of the network; 2) smaller offices that easily adapt to changing needs; 3) reallocation of human resources according to current priorities; 4) definition of priority sectors for each regional office; and 5) increase of national staff where possible. Additionally, ECHO's surge/rapid response capacity was significantly improved with 1) the creation of 4 surge contracts for short-term assignments; 2) the maintenance of dedicated full-time surge capacity in regions where a potential need is foreseeable; and 3) the establishment of a roster of 25 expatriate staff providing surge capacity for punctual assignments.

In all humanitarian crises, transport of in-kind assistance and aid workers remains a key issue in which ECHO invested EUR 50 million through its ECHO Flight service, funding of UNHAS¹¹ and the transport co-financing offered by the Civil Protection programme.

¹⁰ http://www.preventionweb.net/files/43291_sendaiframeworkfordrren.pdf

¹¹ The UN Humanitarian Air Service

b) Key Performance Indicators

The first set of 4 KPIs cover the most crucial aspects of ECHO performance and provide insights into ECHO's most significant achievements. They reflect the main activities and objectives of ECHO, namely the delivery of assistance, the capacity building, the deployment of EU volunteers and the civil protection activities. In addition, 1 KPI is selected with respect to the achievement of ECHO's internal control objectives to assess and evidence the reasonable assurance given on the use of the assigned resources.

The targets and latest known results are presented in the table below.

Result/Impact indicator	Trend	Previous results and/or targets¹²	Latest known results 2015
1. Percentage of projects meeting quality standards in food, nutrition, health, shelter and water /sanitation/hygiene intervention sectors	☺	90% - 2015 target	77% ¹³
2. N° of vulnerable countries with country resilience priorities in place	☺	3 - 2014 result 10 - 2016 milestone	9
3. Number of EU Aid Volunteers deployed	☹	≥ 400 - 2015 target	0 ¹⁴
4. Average speed of interventions under the EU Civil Protection Mechanism (from the acceptance of the offer to deployment)	☺	≤ 24 hours - 2014 result ≤ 18 hours - 2017 target	22 hours
5. Multi-annual (2013-15) Residual Error Rate	☺	< 2% - 2015 target	1.26%

¹² When no milestones were set for 2015 in the Management Plan 2015, previous results and future targets are presented.

¹³ Key Performance Indicators that assess project quality were introduced in e-SingleForms in 2014. Given that KRIs are a new parameter ECHO field experts and partners have to integrate in their work flow, ECHO is satisfied with the current advancement of this indicator.

¹⁴ The EUAV initiative is a new initiative going through its learning curve. The implementation of the initiative started in 2015 with the publication of the call for proposals for deployment. The first results from the preparation and the initial implementing actions will materialise in 2016 when trained and well-prepared volunteers will be deployed to humanitarian projects worldwide.

c) Key conclusions on Management and Internal control

In accordance with the governance statement of the European Commission, DG ECHO conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG ECHO has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.3 for further details.

In addition, DG ECHO has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the Internal Audit Service and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2 for further details

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of Commissioner Stylianides responsible for Humanitarian Aid and Crisis Management.

SECTION 1: KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

1.1 General objectives

In 2015, ECHO pursued its humanitarian and civil protection actions with the ultimate purpose of fulfilling **two general objectives**: 1) *Children and adults affected by or vulnerable to disasters or crises outside the EU have improved chances of survival*; 2) *Public authorities are able to prevent, prepare for and respond to natural and man-made disasters in a coordinated, effective and efficient way*.

ECHO uses the following three impact indicators to assess its contribution to the general objectives. Results and targets for each indicator can be found in Annex 12, Performance Table 1.

1) Number of deaths due to natural disasters

Increasing the chances of survival of the vulnerable and reducing the mortality rates caused by natural and man-made disasters is the overarching impact ECHO aims to achieve. In pursuing this goal, ECHO's humanitarian interventions have reached 134 million beneficiaries in 2015. The EM-DAT database¹⁵ shows that globally there has been a significant reduction in the number of deaths from natural disasters since 2010 (from a 2010-2012 annual average of 98,689 to 22 773 in 2015).

2) Number of countries ranked very high risk to disasters in the INFORM Index

While ECHO aims to reach as many vulnerable people as possible, it has developed a framework to ensure the assistance is adequate i.e. needs-based, efficient and timely. A framework for assessing and analysing needs in specific countries and crises has been developed to that end. Included in this framework is the Index for Risk Management (INFORM) launched in 2015. The European Commission has supported and worked with 16 other partners, including Member States, to build this global tool that simplifies masses of information about risk into a risk profile for every country, by assessing three dimensions of risk: natural and human hazards and exposure, population vulnerability, and lack of coping capacity. INFORM categorises countries in 5 risk clusters: very high, high, medium, low and no risk.

The impact indicator looks at the number of countries with very high risk to disasters. From 2013 to 2015, the number of countries in this category falls from 12 to 10. This decline can be attributed to an improvement in 1) the number of countries with very high vulnerability, due to an improvement in certain countries' socio-economic vulnerability and vulnerable groups status and 2) the number of countries whose coping capacity to deal with disaster improved over this two year period. The overall positive result shows that ECHO is on course to meet the 2020 target of 9 countries, or less, ranked as having a very high risk to disasters.

¹⁵ Emergency Events Database, an external internationally recognised database managed by the Centre for Research on the Epidemiology of Disasters (CRED).

3) Economic damage caused by natural disasters

Disaster Risk Reduction and Disaster Risk Management are crucial for the well-being of people but also for the protection of our global economies. Civil protection interventions aim at limiting the economic damages caused by the increasing frequency and severity of natural and man-made disasters. Economies around the world are facing a multitude of disaster risks, such as earthquakes, floods, extreme weather events, pandemics, and man-made disaster risks, causing economic damages of billions of euros every year – with ripple effects to economies and businesses on the other side of the world. Encouragingly, the EM-DAT database shows that there has been a significant reduction in the global economic damage caused by natural disasters since 2011.

The results of the above impact indicators are not fully under the Commission's control. A wide range of actors such as governments, donors, civil society, International Organisations and EU Member States, work towards the same objectives. ECHO's strength of partnership with these stakeholders has been and will continue to be among the external factors that influence the extent of ECHO's contribution to the realization of these goals. In view of the volatile and unpredictable environment in which ECHO operates, there are several other external factors to be considered: the general political and economic stability in areas of operation; potential limited access to the theatre of operations due to, for example, armed conflicts, security risk or limitation by authorities; the number and scale of conflicts of disasters; partners' presence and capacity to respond to a crisis; low-level uptake by communities and lack of engagement of authorities. In addition, the expected increase of the number and severity of natural and man-made disasters could also slow down the achievement of the impact indicators targets. Finally, ECHO's ability to respond to the needs of the vulnerable and support civil protection authorities depends on the availability of financial resources in an environment marked by ever increasing needs and limited budgets.

1.2 Specific objectives

At the level of specific objectives, the achievement of the objectives is usually not fully under the control of ECHO either, however external factors exert less influence on the results and tend to be more controllable than in the case of general objectives. There are six specific objectives in total; 3 specific objectives conducive to bringing realisation to each of the General Objectives. The results and targets for each specific objective can be found in Annex 12.

General Objective 1: Children and adults affected by or vulnerable to disasters or crises outside the EU have improved chances of survival

Specific Objective 1: Provide needs based delivery of EU assistance to people faced with natural and man-made disasters and protracted crises.

A needs-based approach to the assistance delivered by ECHO is necessary to ensure aid is provided according to respective needs, independent of any pressure. A framework has been developed to that end which includes tools such as INFORM and the Forgotten Crises Assessment, providing the evidence base for funding allocation and development of Humanitarian Implementation Plans (HIPs).

The 2015 INFORM index highlights 11 countries¹⁶ that are the most vulnerable to man-made and natural disasters. On this list of "very high risk to disaster" countries, are represented all four Level 3 emergencies (South Sudan, Yemen, Syria and Iraq). The list also encompasses the largest source countries of refugees and countries hosting the largest number of IDPs. At present, Syria and Afghanistan remain the largest source of refugees, followed by Somalia, Sudan, South Sudan and the Democratic Republic of Congo. The most IDPs currently live in Syria and Columbia.

In 2015, 53% of the humanitarian aid budget was allocated to the "very high risk to disasters" countries, confirming that ECHO is on course to meeting the 2020 target of 56%.

Example: The Syria Crisis

The "Whole of Syria" approach rested upon a four-pillar strategy that included negotiated access, emergency response, protection, accountability and support to partnerships. As one of the main donors of the 2015 Strategic Response Plan (SRP), ECHO contributed to support 12 million beneficiaries with health assistance, 5 million with protection services, 8 million with WASH services and over 6 million vulnerable internally displaced people with shelters and non-food items. ECHO also got increasingly involved in international diplomatic initiatives (e.g. the Vienna talks) and advocacy efforts aimed to promote the respect of basic humanitarian principles and the International Humanitarian Law.

Neighbouring countries

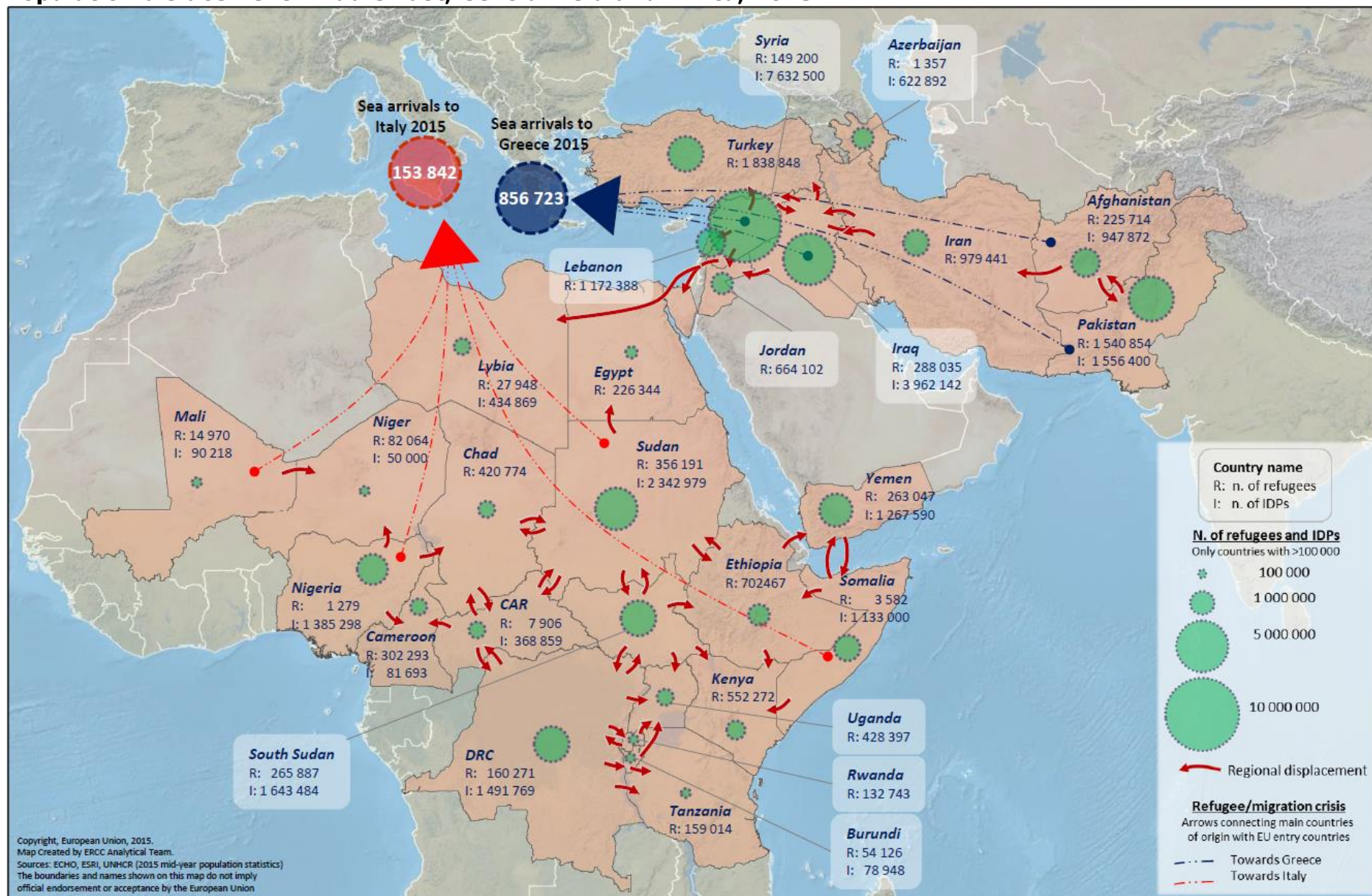
In Lebanon, ECHO supported some 665 000 people, with special focus on women and children. ECHO assistance has focused on the most vulnerable refugees addressing basic needs with a multi-purpose cash approach, secondary healthcare for lifesaving, shelter, and water and sanitation. In addition, ECHO funded specific activities on protection, in terms of counselling and legal assistance and service to victims of violence.

In Jordan, priority was given to the most dignified, cost efficient and effective solutions, focusing on the basics needs approach through cash assistance. For instance, ECHO has been supporting UNICEF to assist 56,000 girls and boys from the most vulnerable Syrian refugee families with a child cash grant of JOD 20 per child per month. The immediate objective of this program is to prevent vulnerable families from relying on negative coping mechanisms, by helping to cover needs and expenses specific to each child. As a result, more than 50 % of families reported avoiding the use of at least one negative coping strategy and 91% of the sampled group reported that this is contributing to improve their overall family wellbeing.

Turkey was declared in 2015 the largest refugee-hosting nation in the world with a total of over 2.5 million Syrian refugees registered at the end of the year. One of the main priorities has been the health sector, especially physical rehabilitation/post-operative care for war wounded, and primary health care services in acutely under-served areas provided to about 130 000 people. Another key priority were programs providing the most vulnerable refugee families with vouchers that enables them to buy basic assistance including food and non-food items, reaching about 230 000 people. Finally, through the EU Children of Peace initiative, ECHO funded partners to help prevent a lost generation of Syrian children. About 7 000 Syrian children have been ensured access to quality education.

¹⁶ The list of "very high risk to disasters" countries in 2015 are: Somalia, Central African Republic, Afghanistan, South Sudan, Sudan, Yemen, Iraq, Democratic Republic of Congo, Mali, Syria, Myanmar.

Population displacement: Middle East, Central Asia and Africa, 2015



ECHO also looks beyond the media spotlight and engaged in 2015 in many of the "forgotten" crises, like the Sahrawi refugees in Algeria, the Rohingya people in Myanmar/Burma, Colombian refugees in Ecuador and Venezuela¹⁷. The Forgotten Crisis Assessment (FCA) identifies serious humanitarian crisis situations where the affected populations do not receive enough international aid or even none at all. These crises are characterised by low media coverage, a lack of donor interest and a weak political commitment to solve the crisis, resulting in an insufficient presence of humanitarian actors. In 2015, ECHO allocated almost 17% of its initial humanitarian aid budget to forgotten crises. The increasing trend in this allocation since 2013 confirms that ECHO is on track to meeting the 2020 target of at least 20%.

Example: Columbia

Colombia is included in the European Commission's list of Forgotten Crises as a serious humanitarian crisis where affected populations are not receiving enough international aid. ECHO's assistance prioritises sectors and areas with the largest number of affected people where government access is limited. Funding covers the provision of protection, health care, water and sanitation to some of the most vulnerable Colombians affected by the conflict: women, children, indigenous and Afro-Colombian populations. For example, ECHO is assisting local communities by strengthening their production capacities with tools, seeds and training, teaching them new production methods that can deliver sufficient food in socially and environmentally fragile areas. In addition, displaced communities are provided with shelter, food and information about landmines, as well as legal and psychosocial assistance.

In addition to needs-based assistance, adequate and efficient relief also refers to the level of quality. In its commitment to quality programming, ECHO has developed several assessment parameters, one of them being a set of Key Results Indicators (KRIs). KRIs, introduced in 2014, for project proposals are standardized metrics based on international good practice in the following sectors: health, shelter, water and sanitation, nutrition and food security sectors – which represents 80% of the ECHO humanitarian portfolio. In 2015, 77% of ECHO funded actions used KRIs. The use of the KRIs can be interpreted as a proxy indicator for quality as good project indicators are crucial for good project management, monitoring and reporting which ultimately has a positive effect on project quality as a whole. The increase from 66% of projects using KRIs in 2014 to 77% in 2015 is very satisfactory considering the KRI system is new for partners and ECHO field experts. The goal in 2016 is to increase this percentage by further streamlining and simplifying the process.

Specific Objective 2: Build the capacity and resilience of vulnerable or disaster affected communities

ECHO attaches great importance to the link between humanitarian aid, as a rapid response measure in crisis situations, and more medium and long-term development action. The humanitarian-development nexus is complex and requires increased coordination – leading to joint humanitarian-development approaches and collaborative

¹⁷ The Forgotten Crisis Assessment exercise for 2015 identified the existence of 10 forgotten crisis situations: Algeria - Sahrawi Refugee Crisis; Bangladesh – Rohingya refugee crisis and Chittagong Hill Tracts; Cameroon; Chad; India - conflicts in Jammu and Kashmir, central India (Naxalite Insurgency) and in the North East of India; Myanmar/Burma - Kachin conflict and Rakhine crisis; Pakistan; Sudan; Yemen; Colombia crisis - population affected by the internal armed conflict in Colombia and Colombian refugees in Ecuador and Venezuela

implementation, monitoring and progress tracking.

The need to further invest in this approach was reaffirmed in 2015 with ECHO's publication of EU resilience Compendium. The key aim of this publication is to foster learning and a better understanding of how resilience can lead to more effective humanitarian assistance and transformational change for the most vulnerable. The Compendium was launched at the UN Third World Conference on Disaster Risk Reduction which took place in Sendai, Japan, in March 2015.

The Compendium comes in addition to the Action Plan for Resilience 2013-2020¹⁸ designed to reinforce the momentum of the Union's resilience agenda, to deliver early results and to allow further development of a body of evidence on what constitutes effective resilience-focused interventions. This Action Plan sets out proposals for the way forward on the implementation of the principles and priorities outlined in the Commission Communication¹⁹ and the Council Conclusions²⁰ on the EU Approach to Resilience. The review of the Action Plan conducted in 2015 by ECHO and DEVCO indicates substantial progress in most of its 18 priorities with 85% of actions on track. This exceeds the 2016 milestone of 80% and confirms that ECHO is on course to meet the 2020 target: 90% of actions on course to be achieved.

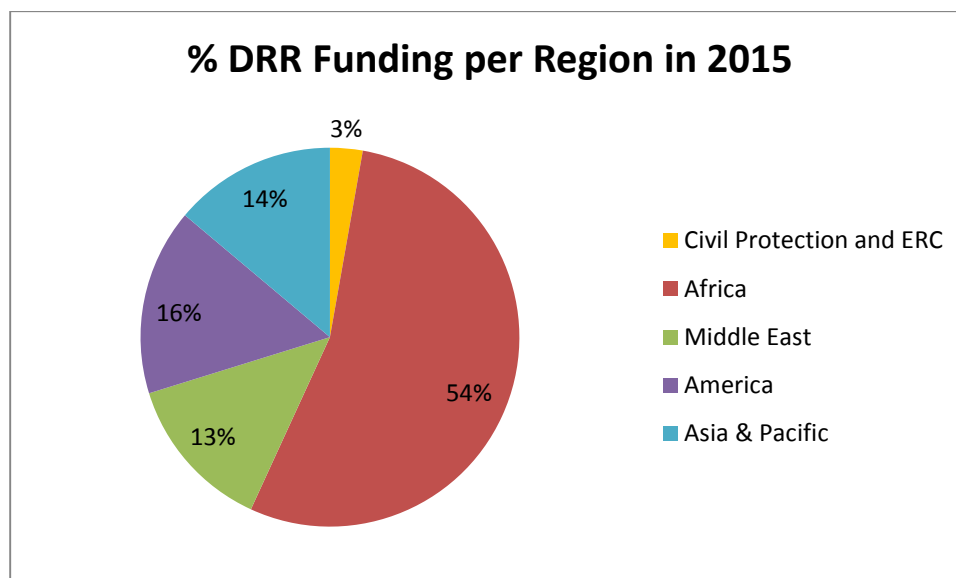
The European Union's "Supporting the Horn of Africa's Resilience" initiative (SHARE) and the "Global Alliance for Resilience Initiative" (AGIR) are flagship joint initiatives with DEVCO. They aim to improve the ability of people, communities and countries to face persistent and acute emergencies in the Eastern Horn of Africa and the West Africa Sahel. Emergencies and crises have become a permanent reality for many people in both regions. Humanitarian aid provides vital relief but cannot prevent crises. To break the cycle of emergencies, it is crucial for governments and international aid organisations to build the resilience of the most vulnerable population groups. The momentum created by SHARE and AGIR has prompted 9 countries in the regions to adopt national resilience priorities by 2015, bringing ECHO very close to 2016 milestone of 10 countries.

Resilience building is mainstreamed in project implementation in many more crises. The Disaster Preparedness ECHO programme (DIPECHO) targets the enhancement of local preparedness capacities so that early action can be taken to reduce hazard impacts, assets and human losses, and humanitarian needs. DIPECHO is a core element of ECHO's Disaster Risk Reduction (DRR) global efforts and is fully integrated in the Humanitarian Aid Financing Decision. All Humanitarian Implementation Plans incorporate an analysis of options and priorities for preparedness, early action and DRR. On average, every euro spent for reduction and preparedness activities saves between four and seven euros which would be spent to respond in the aftermath of disasters. DIPECHO actions in 2015 have also contributed to reinforcing sub-national/ local response capacities by investing in Early Warning Systems (EWS), providing training to local authority officials, establishing and developing Local Disaster Management Committees (LDMCs) and linking these with local authorities, organising simulations, etc. In 2015, the number of direct DRR beneficiaries increased from 16 million to 24 million worldwide. DRR activities were mainstreamed in 43% of all humanitarian operations, bringing ECHO close to the 2020 target of 50%.

¹⁸ Action Plan for Resilience in Crisis Prone Countries 2013-2020, SWD(2013) 227 final

¹⁹ "The EU Approach to Resilience- Learning from Food Crises" COM(2012) 586

²⁰ Council Conclusions on the EU Approach to Resilience, adopted 28 May 2013, Doc. 9325/13



Example: Bangladesh

Bangladesh is an EU Flagship Country for Resilience being one of the most disaster-prone countries in the world, exposed to a variety of natural disasters including cyclones, floods, earthquakes and landslides. A very high population density exacerbates the impact of localized disasters. In 2015, food insecure people in the Chittagong Hills Tract benefitted from food and livelihood support programmes designed to make them more resilient. ECHO also supported the Government in the roll-out and implementation of its Standing Order on Disasters and Disaster Management Act at the community level. This includes supporting locally identified initiatives such as the building of flood-resistant infrastructure and early warning systems, as well as school based disaster preparedness programmes.

Specific Objective 3: Ensure deployment of EU volunteers and provide capacity building for volunteers

The EU Aid Volunteers (EUAV) initiative, spanning from 2014 to 2020, will bring together 4.000 EU volunteers from different countries that will contribute to strengthening the Union's capacity to provide humanitarian aid aimed at strengthening the capacity and resilience of vulnerable communities in third countries. The EUAV initiative provides opportunities for capacity building and technical assistance for organisations sending and hosting volunteers. The first calls for proposals were launched in 2015. Ten projects were selected for co-funding: four for technical assistance and six for capacity building. Eighty-eight organisations are involved in the implementation of the projects. Six projects selected in the first round started in 2015. The EUAV initiative is new and is going through its learning curve. Due to delays in the adoption and launch of this initiative, the first concrete results from the preparatory and the initial implementing actions will materialise in 2016 when trained volunteers will be deployed to humanitarian projects worldwide.

Certification

All organisations wishing to send or host volunteers under the EUAV initiative must be certified. The certification process verifies that the high standards and procedures of volunteer management, set to protect and manage volunteers during their deployment, can be fully realised and met by all participating organisations. A call for applications was published in January 2015 to compile a list of certified sending and hosting organisations.

Sixteen certifications have been awarded by the end of 2015. The certification is an on-going process and the call is open until 30 September 2020.

Deployment

The selection, preparation and deployment of junior and senior volunteers are the main actions under the EUAV initiative. A call for proposals was published in July 2015 for deployment of volunteers. By October 2015, two applications were submitted involving 27 organisations and deployment of 44 volunteers after summer 2016. The evaluation of the applications and the signature of the grant agreements are to be finalised in 2016.

Training

An open call for tenders for training was published in October 2015. The objective is to provide training services to candidate volunteers and to assess their competences. The evaluation of the applications and the signature of the framework contract(s) are to be finalised in 2016.

The above outputs delivered in 2015 put ECHO on track to meet the multiannual milestones and targets of the specific objective of deploying EU volunteers and providing capacity building for volunteering.

General Objective 2: Public authorities are able to prevent, prepare for and respond to natural and man-made disasters in a coordinated, effective and efficient way.

The delivery of **EU civil protection assistance** is coordinated by the Emergency Response Coordination Centre (ERCC). It consists of governmental aid, from the Mechanism's participants, delivered in the immediate aftermath of a disaster. The ERCC monitors crises around the globe 24/7, ensuring complementary action of the EU and its Member States. The mechanism ensures a well-coordinated response at a European level to victims of natural and man-made disasters in Europe and elsewhere, by fostering cooperation among national civil protection authorities across Europe. The ERCC also facilitates the production of integrated situational awareness and analysis (ISAA) reports that support the political decision-making in the Council in the context of Integrated Political Crisis Response (IPCR) arrangements that are triggered automatically by the invocation of the Solidarity Clause or in cases of 'stand-alone' activations of the IPCR. Most importantly, prevention and preparedness to disasters are key to ensure a quick and efficient response. The ERCC has direct links to the civil protection authorities in the participating states to support their prevention and preparedness policies.

In 2015, the UCPM was activated for 25 emergencies (pre-alert, monitoring and request for assistance) and received 19 requests for direct assistance inside the EU and in disaster-stricken countries around the world, including the earthquake in Nepal, forest fires in Greece and the European migrant and refugee crisis.

Specific Objective 4: Achieve a high level of protection against disasters by preventing or reducing their potential effects, by fostering a culture of prevention and by improving cooperation between the civil protection and other relevant services.

According to article 6(a) of UCPM Decision²¹, Member States agreed to submit to the Commission their national risk assessment. Risk assessments are a fundamental building block for a disaster management policy and the results feed into long-term prevention planning and identification of gaps in response assets. Sharing information on disaster risks helps to understand major risks that Member States face in common and where coordinated approaches could be useful as well as cross border risks where regional approaches may be appropriate. By January 2016, 27 of the 28 Member States had supplied a summary of their risk assessments and the final summary is due shortly. ECHO is thus well on track to reach the 2016 milestone of 28 risk assessments, and the 2020 target of 33 risk assessments from all Participating States. These risk assessments are to be reviewed every three years.

Specific Objective 5: Enhance preparedness at Member States and Union level to respond to disasters.

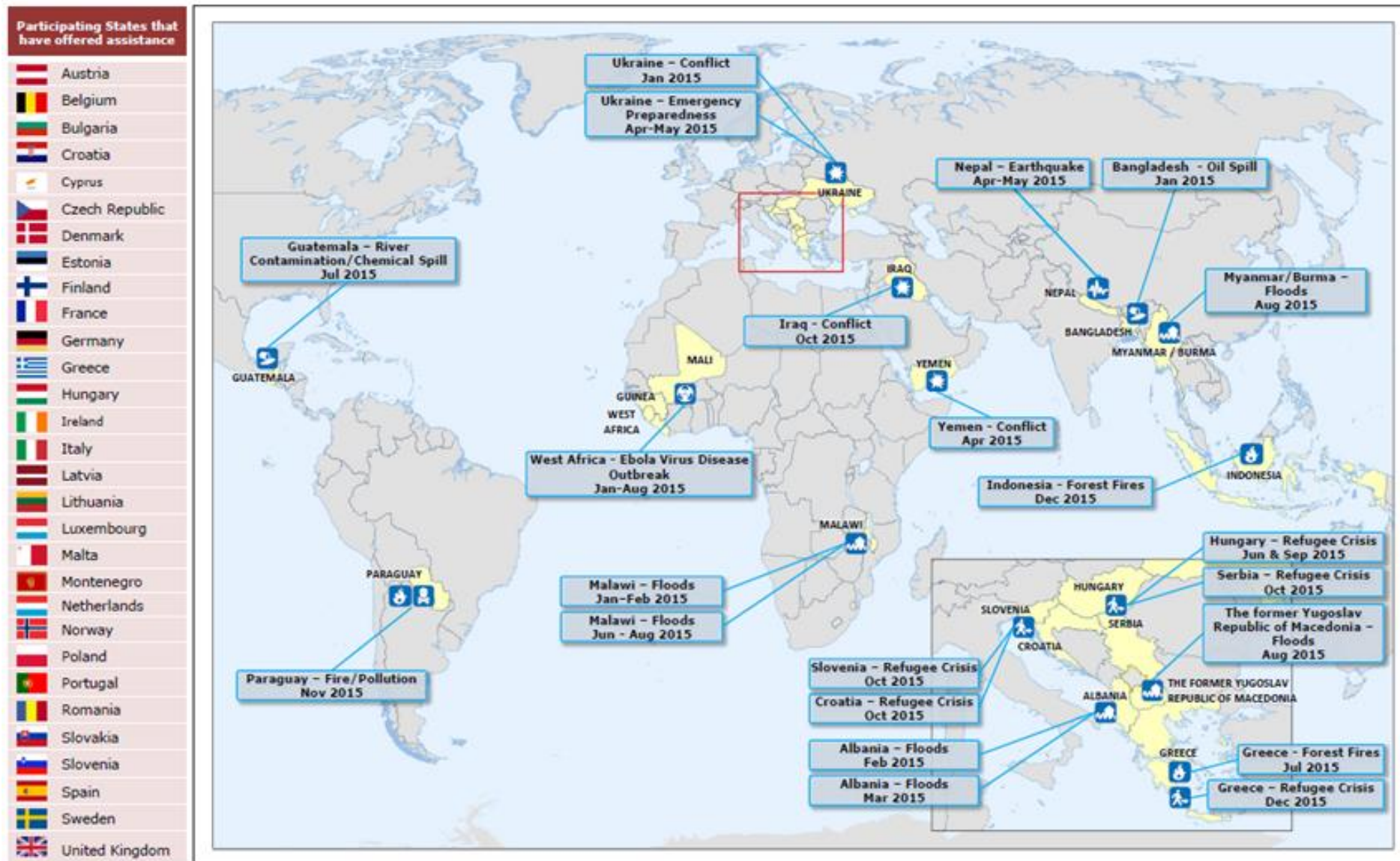
Interested countries can pre-commit different types of response capacities to the voluntary pool of the European Emergency Response Capacity (EERC) for participation in coordinated EU civil protection missions. Following an application by a Participating State, ECHO checks whether the response capacity fulfils the quality and interoperability requirements. If fulfilled, the country is invited to register their capacity in the voluntary pool. By the end of 2015, a total of 21 modules and other response capacities were registered in the voluntary pool. Another 40 response capacities were committed and registrations were either being processed or expected soon. Therefore, by the end of 2015, the initial capacity goals of the voluntary pool (41 modules) have been reached or are close to being reached for more than half of all types of modules (10 out of 17). The 2016 milestone has thus already been reached.

Specific Objective 6: Facilitate a rapid and efficient response (deployment of EU MS in-kind assistance) in the event of disasters or imminent disasters.

The speed of intervention is an important criterion to assess the efficiency of the assistance provided in the immediate aftermath of a disaster. When a disaster strikes, every minute counts for saving lives. The rapidity of intervention is directly linked to the number of types of modules and other response capacities available through the EERC, as well as the co-financing of the transport cost, enabling delivery of assistance within a few hours with lesser budgetary impact on the country offering the assistance. In 3 years, the UCPM has decreased its average speed of intervention from 36 hours to 22 hours in 2015, putting ECHO on course to meet the 2020 target of 12 hours, or less.

²¹ Decision No 1313/2013/EU of the European Parliament and of the Council of 17 December 2013 on a Union Civil Protection Mechanism (OJ L 347, 20.12.2013, p. 924)

UCPM Operational Engagements 2015



SECTION 2: MANAGEMENT AND INTERNAL CONTROL

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports from Authorising Officers in other services managing budget appropriations in cross-delegation, in particular regarding the management for funds devoted to EU Aid Volunteers program by EACEA²²;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports of the ex-post audit;
- the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG ECHO.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives²³. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The table below provides a brief overview of the types of expenditure, administrative (support expenditure and technical assistance) and operational (humanitarian aid, civil protection), managed by ECHO:

²² EACEA: Education, Audiovisual and Culture Executive Agency, which is entrusted with the management of the EU Aid Volunteers program.

²³ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programs as well as the nature of the payments (FR Art 32).

COMMITMENTS

Chapter	Initial Budget	Final Budget	Implementation	Unused	% used
Humanitarian aid * - **	919 742 000	1 514 075 866	1 513 768 992	306 874	99.98%
EU Aid Volunteers	13 868 000	6 576 299	6 568 000	8 299	99.87%
Civil protection ***	48 692 000	56 728 630	54 372 331	2 356 299	95.85%
Support expenditure **	9 997 000	9 997 000	9 987 744	9 256	99.91%
Total	992 299 000	1 587 377 795	1 584 697 067	2 680 728	99.83%

* including EDF appropriations (EUR 182M) - ** excluding external assigned revenue

*** including NEAR/ECHO appropriations (EUR 3M)

The budget for 2015 in commitments (EUR 1 587 million which is the total EU budget managed by ECHO, i.e. not including the External Assigned Revenues received from Member States) has been the highest ever, mainly due to the numerous reinforcements to cope with the Syria crisis and the related movement of the affected population. Significant reinforcements have also been received, among others, for acute crises in South Sudan, Ukraine, Yemen, Afghanistan, the Horn of Africa and for the countries affected by the El Niño phenomenon.

The unused amounts at the end of the year are very limited:

- EUR 300 000 of reassigned revenue for humanitarian aid, received in late December 2015. These are automatically carried over to 2016.
- EUR 2.4 million for civil protection. Part of this amount is carried over automatically (EUR 300 000). The implementation is at the same level as end 2014 (95.9%). Most of the under-consumption is linked to the line for response outside EU. This is due to the necessity to keep a minimum reserve in order to respond urgently to potential new crisis at year-end. This has led to an under consumption of this budget and a low demand for new transport grant credits at year-end.
- The EU Aid Volunteers programme, managed by EACEA, has been implemented in full. However, the initial amount had been reduced during the year by EUR 7.3 million due to a lack of applications to the deployment call, which is twofold: firstly the very few organisations which were certified and secondly, the difficulty to form consortium of minimum six organisations (both being pre-requisite to apply).

The support expenditure shown in the table covers both, Humanitarian Aid programme and the EU Aid Volunteers programme. The budget for this expenditure has been almost entirely used.

PAYMENTS

Chapter	Initial Budget	Final Budget	Implementation	Unused	% used
Humanitarian aid * - **	909 742 000	1 203 207 235	1 203 185 915	21 320	100.00%
EU Aid Volunteers	10 767 178	3 068 600	3 058 648	9 952	99.68%
Civil protection ***	42 108 203	43 068 827	42 010 246	1 058 581	97.54%
Support expenditure **	9 997 000	9 997 000	5 340 270	4 656 730	53.42%
Total	972 614 381	1 259 341 662	1 253 595 079	5 746 583	99.54%

* excluding EDF payments - ** excluding external assigned revenue

*** including NEAR/ECHO appropriations (EUR 1.49M).

Concerning payments, the humanitarian aid budget stemming from EU budget (i.e. without the External assigned revenues) has been fully implemented (100%).

The EU Aid Volunteers programme has also been virtually implemented in full (99.7%). However, it shall be noted that the amount of payment appropriations has been reduced several times during the year due to delays in the implementation of the new programme, as explained above.

With respect to Civil Protection, out of the EUR 1.1 million unused payment appropriations on the various budget lines, EUR 300 000 are automatically carried over to 2016. The remaining under-execution is mainly linked to 1) a final payment for an old project that could not be made due to the bank account of the beneficiary being blocked; and 2) one pre-financing payment request submitted too late by the beneficiary.

The support expenditure shown in the table covers both, the Humanitarian Aid programme and the EU Aid Volunteers programme. The partial implementation of payment appropriations for support expenditure is normal and due to the specific rules applying to administrative expenditure, the balance is carried over (for payments) to the following year. The overall consumption over two years is usually close to 100%.

The proper implementation of funded actions, applicable to both management modes (direct and indirect management), is ensured through several layers of checks and controls at the various stages of the project cycle of humanitarian operations. These controls should not be seen in isolation, each of them contributing to providing the overall reasonable assurance on the legality and regularity of transactions. The main aspects of the control strategy developed, its supervision and monitoring procedures and the ex-ante and ex-post controls applicable to both direct and indirect management are described below:

- Selection and quality control mechanisms for partners (through regular and ad-hoc assessment of NGOs and 6-pillar review and regular assessment of International Organisations);
- Needs based assessment for identification of actions to be funded;
- Ex-ante controls on the selection of projects, and before the contract's signature;
- Regular monitoring of all projects, including field visits of the actions;
- Control of eligible expenditure both by operational and financial desk officers to ensure that financial transactions are in conformity with the applicable rules;
- Financial audits done during and after implementation of the actions²⁶;
- Evaluation and review programs.

Coverage of the Internal Control Objectives and their related main indicators

- ***Control effectiveness as regards legality and regularity***

There is a set-up of internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

²⁶ Field audits are conducted on projects under implementation and HQ audits are carried out after finalisation of projects

Ex-ante controls are performed on all eligible expenditure claimed by partners to ensure conformity with the applicable rules before performing the final payment. This control is done by both the operational and financial desks. The value of the indicators are the following (in EUR million):

Indicator	Multi-Annual (2013-15)	2015	2014	2013	Budget Coverage*
Detected ineligible expenditure by ex-ante controls (in M€)	28.9	7.3	8.8	12.8	99.9%
Detected ineligible expenditure by ex-post audits (in M€)	10.3	5.1	2.9	2.3	96.6%
Residual error rate	1.26%	1.59%	0.74%	1.55%	96.6%
Recovery orders following audit/verifications (in M€)	4.6	2.2	1.5	0.8	96.6%
Cashed in/Offset (in M€)	3.6	2	1	0.6	96.6%

* expenditure

In 2015 a total of EUR 7.3 million (EUR 8.8 million in 2014) has been detected and corrected; of which EUR 6 million (EUR 6.8 million in 2014) related to expenditure implemented under direct management, and EUR 1.3 million (EUR 2 million in 2014) under indirect management.

Additional controls are ensured by the implementation of the audit strategy. The audit strategy ensures that every partner organisation is selected for audit on average every four years. A broad sample of contracts with each chosen partner is then selected for audit. The contract sample is designed in order to take into account criteria such as the relative amount of agreements, the type of management used, the complexity of activities, and risk analysis (contracts judged to be at higher risk, information from previous audits, specific requests from the desks, or other risk assessments). Audits are carried out on all costs incurred on these contracts.

The implementation of the Annual Audit Plan resulted in the detection of ineligible expenditure totalling EUR 5.1 million (EUR 2.9 million in 2014), all related to expenditure implemented under direct management (EUR 2 million in 2014 versus EUR 0.9 million under indirect management).

The value of recovery orders issued following audits amounted to EUR 2.2 million in 2015 (EUR 1.5 million in 2014). This represents an amount of EUR 2.1 million (EUR 1.4 million in 2014) related to expenditure implemented under direct management and EUR 0.1 million (EUR 0.4 million in 2014) under indirect management.

EUR 2 million have been cashed in 2015 representing 91 % of the total value of recovery orders (EUR 1 million and 57% in 2014). The outstanding non-cashed amounts are related to recoveries for which process is still on-going.

The resulting detected error rate (see table below) for the period 2013-15 amounted to 1.3% (1.8%, 0.8% and 1.6% in 2015, 2014 and 2013 respectively) and covers 96.6% of all payments done during the year²⁷. It is not possible to establish the same indicator per management mode as the representativeness of expenditure implemented under indirect management is not ensured. This is related to the application of the "notional approach" which limits the likelihood of establishing an amount to be recovered as result of an audit. Therefore the cost-benefit ratio of auditing multi-donor actions may be negative below a certain threshold of contribution to the multi-donor action.

Multi-Annual Residual error rate (in € million)				
	Cumulative	2015	2014	2013
A) Detected ineligible expenditure (source audit database)*	10.3	5.1	2.9	2.3
B) Value of projects audited and closed (source audit)	770.3	290.2	341	139
C) Representative Detected Error rate	1.3%	1,8%	0.8%	1.6%
D) Final budget (source ABAC)	3 994	1 246.3	1 491	1 256.7
E) Value of projects audited and closed (source audit)	<u>-770.3</u>	<u>-290.2</u>	<u>-341</u>	<u>-139</u>
F) Outstanding Budget Unaudited	3 223.7	956.1	1 150	1 117.7
G) Uncorrected detected ineligible items by audits	5.7	2.9	1.4	1.4
H) Amount at risk**	50.4	19,8	11.1	19.5
Residual error rate***	1.26%	1.59%	0.74%	1.55%

* The detected ineligible expenditure is the amount (in €) of expenditure considered non eligible as results of audits.

** The amount at risk is the representative detected error rate (C) multiplied by the part of the budget which has not been audited (F) and the amount of detected ineligible expenditure not corrected (G).

*** The residual error rate is the ratio between the amount at risk (H) and the final budget (D).

The Multi-annual residual error rate for the period 2013-2015 is 1.26%, which remains below the set materiality threshold of 2%.

The expenditure relative to the EU Aid Volunteers programme has not yet been considered, as 2015 was the very first year of implementation and the level of expenditure was not significant.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated. The estimated overall amount at risk for the 2015 payments made is EUR

²⁷ To be noted that Administrative and Support Expenditure, and the EU Aid Volunteers expenditure are not included within the scope of the Annual Audit Plan.

22.7 million (EUR 12.7 million in 2014). This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year (EUR 1 292 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections for those 2015 payments made are EUR 6.5 million (EUR 6.2 million in 2014). This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

- **Efficiency and Cost-effectiveness**

Based on an assessment of the most relevant key indicators and control results, DG ECHO has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls.

ECHO has produced an estimation of the costs of the main control processes. However, there are a number of non-quantifiable benefits resulting from the controls operated during several different control stages, namely the monitoring of actions, ex-ante field audits and the certification and regular assessment of partners.

The benefits of control in non-financial terms cover: better value for money, quality assurance and compliance with professional quality standards, deterrent effects, efficiency gains, system improvements and compliance with regulatory provisions.

The following indicators support the analysis of control efficiency:

Indicator	2015	2014	Budget Coverage*
Average time to pay	28.2 days	45.9 days	100%
Payments within legal time	83.8%	70.1%	100%
Consumption rate of payment appropriations ²⁸	99.5%	99.4%	100%
Assessment of NGOs	100%	100%	44%
Monitoring of actions	96.5%	96.6%	93.5%

*Payments

²⁸ Excluding externally assigned revenues

- The average time to pay was 28.2 days, compared to 45.9 days in 2014 and 83.8% of payments were executed within the legal time, compared to 70.1% in 2014. A huge effort has been done in 2015 to fulfil the requirements of the Financial Regulation in terms of payment deadlines. Special attention was focused on follow up of pre-financings, raising awareness amongst staff and improving the workflow between units involved in the financial circuit.
- The consumption rate of payment appropriations is stable and at a very high, satisfactory level;
- ECHO performs regular assessment of partner NGOs. The process starts with the assessment of non-governmental organisations who apply to sign a Framework Partnership Agreement (FPA) with ECHO, in order to become partner. In 2015, 24 organisations applied, 10 were invited to sign an FPA while 10 were rejected, sometimes very early in the selection process, and the remaining applications were still under evaluation at the end of the year.
As part of the partnership, NGOs are assessed periodically in order to check that the conditions needed for the signature of the framework contract are still met. "Periodically" means that partners are invited to submit information relating to their annual accounts as soon as it is available. The methodology applied to the assessment of partners focuses on NGOs' financial robustness, the assessment of compliance of partners' procurement rules with the applicable general conditions, and a follow-up upon the audit recommendations that have been made to the partners in the framework of ECHO's audit strategy.
- Monitoring of actions is one of the pillars of ECHO's control architecture and it is ensured by the geographical desks at headquarters and technical assistants in the field. 715²⁹ actions were monitored in the field out of 741, representing a coverage of 96.5% (96.6% in 2014). Monitoring may in some cases not be possible due to problems of access, security and other constraints.

Cost effectiveness is assessed on the basis of the following indicators and considerations:

Indicator	2015	2014	Budget Coverage*
Average cost of audits	21.2 k€	22.0 k€	96.6%
Estimated cost of controls	36.9 M€	33.4M€	100%
% of cost of control over payments	2.7%	2.2%	100%
Estimated quantifiable benefits	15.0M€	12.7M€	96.6%

* Payments

The average cost per audits (including ex-ante field audits, ex-post audits and UN verifications) was EUR 21 200, similar to the average cost in 2014. The cost of audit assignments undertaken by audit firms for outsourced audits amounted to EUR 2.1 million in 2015 (EUR 2.2 million in 2014).

The estimated cost of the controls³⁰ strategy represents 2.7% of the 2015 budget (2.2%

²⁹ Provisional figure

³⁰ The amounts of EDF budget and assigned revenues managed by ECHO are taken into account in the calculation of the cost of controls.

in 2014) representing an estimated absolute amount of EUR 36.9 million (EUR 33.4 million in 2014). The main components of this indicator are:

- The total staff costs of field experts, plus those of the financial and operational units multiplied by the estimated portion of time (50%) dedicated to quality assurance, control and monitoring activities;
- The total resources of the audit sector, which is composed of 4 staff members, of which 3 are auditors, plus an implemented budget of EUR 2.1 million for contracts with external audit firms.

The estimated quantifiable benefits resulting from the implementation of the control strategy amount to EUR 15 million (EUR 12.7 million in 2014). This figure includes the detection and correction of ineligible items through ex-ante controls plus audits. Note that detected ineligible expenditure as results of ex-ante field audits is neither recoverable nor reported as detected error rate by ex-post audits as they are corrected by either the partners before submission of the final report or by the ex-ante controls.

In order to have a fair and full picture of the impact of the control architecture, the previous figure should be read in combination with those benefits which, due to their nature, are unquantifiable but no less important. The main unquantifiable benefits are:

- The preventive effect of limiting operations to those organisations which after been duly assessed, have qualified to become a partner organisation through the signature of a partnership agreement;
- The deterrent effect of the implementation of both ex-ante controls and ex-post controls, leading to a limitation of the occurrence of ineligible items and, more generally, to the promotion of sound financial management;
- The quality assurance effect through the policy applied for monitoring of actions, which guarantees that objectives are met, quality standards are respected and overall that public money is used effectively and efficiently for the intended purpose.

The estimated cost of controls which is not covered by quantifiable benefits (i.e. cost of controls minus quantifiable benefits) amounts to EUR 21.9 million (EUR 20.7 million in 2014), representing 1.7% of the 2015 budget. It is estimated that the unquantifiable effect of controls would at least outweigh this figure. In addition the contribution of the quality assurance dimension to the overall effectiveness represents a huge potential for additional benefits. The compliance of funded actions with relevant quality standards is one of key performance indicators, ensuring that the management and control procedures in place will actually achieve their intended qualitative purposes. Based on these considerations, it is possible to reasonably conclude that the unquantifiable benefits outweigh the part of the cost of controls not covered by the quantifiable benefits.

Based on an assessment of the most relevant key indicators and control results, ECHO has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

A review of the need for and cost-effectiveness of a risk-differentiated internal control system as foreseen in Article 66.2 of the Financial Regulation, in view of the different risk-profiles and cost-effectiveness of existing controls, will be done in 2016.

- **Fraud prevention and detection**

ECHO developed and implemented its own Anti-Fraud Strategy 2013-2015 (AFS), as foreseen in the Commission's anti-fraud strategy. It has been elaborated on the basis of the methodology provided by the European Anti-fraud Office (OLAF).

The AFS 2016-2020 will be adopted in the first half of 2016 on the basis of a revision of the previous AFS. It will take into account the IAS recommendations formulated following their audit of the AFS in 2015.

This review process includes an action plan with, inter alia, a number of actions to increase fraud awareness among staff in HQ and in the field, as well as a commitment to adapt the control architecture to risk levels. Indicators to monitor the effectiveness of the preventive, detective and corrective tools as well as the levels of fraud awareness among staff are being strengthened. Monitoring of the implementation of the Strategy will be done periodically and included in the reporting to management. As part of the AFS, fraud awareness has been included in trainings regularly provided to the partners.

In 2015, 25 allegations have been reported (21 in 2014). ECHO has immediately taken all necessary measures to protect the financial interests of the Commission through the analysis of financial, operational and reputational risks; the freezing of operations, contracting and payment, and close liaison with the field experts, partners and the competent authorities (when applicable). Based on the results of the analysis of prima facie evidence, three cases were transmitted to OLAF (12 in 2014), of which none lead to the opening of an investigation. During the same period, OLAF has not initiated any case which concerns the activities of ECHO based on other sources of information. There is one OLAF investigation on-going for a case transmitted in 2014.

No cases were transmitted to IDOC in 2015.

Considering the level of fraud impact faced by ECHO, in particular the financial prejudice recorded by OLAF in the remit of ECHO, the residual risk of fraud does not justify additional temporary measures until full implementation of the action plan. ECHO maintains tight cooperation with OLAF and follows the ongoing cases closely. Therefore it is possible to conclude positively on assurance in respect of fraud risk.

2.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the opinion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

All observations and recommendations included in the reports of the Internal Audit Service (IAS), the European Court of Auditors (ECA) and the Discharge process or Budget Authorities are transmitted to ECHO management, according to their respective roles, and appropriate corrective action is taken. The main issues for 2015 are detailed by control body.

Internal Audit Service (IAS)

In 2015, the IAS finalised an audit on ECHO's Anti-Fraud Strategy (AFS). The objective of the audit was to assess how effective the anti-fraud strategy is in ensuring the adequacy and effective application of its governance, risk management and relevant control processes for fraud prevention, detection and follow-up of fraud.

The IAS identified the following strengths in ECHO's AFS:

- *"DG ECHO has an AFS, tailored to its specific environment, activities and risks which is intended to prevent and detect fraudulent activities. The AFS covers the identification of the general risks and fraud risks, its strategic anti-fraud objectives, the governance of anti-fraud, the anti-fraud controls in place, the crosscutting issues such as ethics and integrity, the corrective and deterrent measures, (recovery of funds and sanctions) and the cooperation with OLAF in fighting against fraud."*
- *"DG ECHO's controls aiming at preventing the risk of fraud and correcting both potential and confirmed frauds are embedded in DG ECHO's control architecture."*
- *"DG ECHO promotes ethics and integrity values through several actions, such as: instructions and guidelines, regular updates, mandatory training courses on ethics and integrity."*

Four recommendations were issued, all reported as "important" and relate to:

1. Developing an action plan for the implementation of the AFS. Integration of the AFS actions in the Management Plan;
2. Develop indicators for fraud ('Red Flags') tailored to the HA domain;
3. Documenting the procedure vis à vis OLAF for coordinating fight against fraud;
4. Carry out AFS training and awareness raising actions.

An action plan for the implementation of the recommendations has been agreed and a review of the AFS is currently ongoing to implement them within the agreed target dates.

In 2015, the IAS also finalised an audit on *"Objective setting process in the context of preparation of the Management Plan"*. The objective of the audit was to assess the effectiveness of the processes in place regarding the setting of objectives and performance indicators in the context of the preparation of Management Plans. The audit was conducted in six other Directorate Generals as well as in the Secretariat-General and DG Budget (as central services); and in the Executive Agency for Small and Medium-sized Enterprises (EASME).

Two recommendations were issued, both rated as "important", and relate to:

- Reformulating objectives and indicators in the MP to enhance their quality and allow for the monitoring of their achievement;
- Enhancing the monitoring of indicators in the MP in order to provide management with a perspective on the achievement of objectives.

An action plan for the implementation of the recommendations is being drafted and its implementation will proceed in 2016 within the agreed target dates.

In addition, in 2015 the IAS also initiated a follow-up audit on *"Contribution Agreements with UN bodies and Other International Organisations"*. The objective is to assess the progress made in implementing the accepted recommendations addressed that were declared as ready for review. This audit assignment will be finalised in 2016.

Regarding previous recommendations still open, at the end of 2015 no "critical" recommendations were still open. Four "very important" recommendations were still considered as open by IAS in 2015. They relate to:

- Review roles and responsibilities of the various actors involved the management of imprest accounts;

- Further develop the project monitoring framework and provide guidance to operational officers on the planning of monitoring visits; develop mechanisms to evaluate the ability of partners to report on the achievement of their objectives and results.
- Conduct an analysis of the reasons for project failure and define reasons for issuing final payments when projects' set objectives have not been achieved;
- Consolidate the verification strategy defining objectives and targets, clarify the verification sampling and methodology and ensure the follow-up on the implementation of audit recommendations by the auditees.

The first one has been fully implemented whilst the three other outstanding recommendations will be implemented in the 1st half of 2016.

European Court of Auditors (ECA)

In the framework of its declaration of assurance (DAS), the European Court of Auditors (the Court) conducted an assessment, in respect of the financial year 2014, of the legality and regularity of transactions in the External Actions field and of the supervisory and control systems put in place by the DGs, and has examined ECHO's 2014 Annual Activity Report.

The 2014 annual report concludes that transactions performed in 2014 by the DGs belonging to the "External Actions" family are affected by an estimated error rate of 2.7% (2.6% in 2013) standing above the Court's materiality threshold of 2%. However in respect of ECHO, the Court concludes that:

"(...) In his declaration of assurance for the year 2014, the Director-General for ECHO declared he had reasonable assurance that the control procedures put in place provided the necessary guarantees concerning the legality and regularity of the underlying transactions and that the information provided in the report was reliable, complete and correct. This declaration is supported by the findings and conclusions based on our audit work on ECHO transactions in 2014".

The Court has issued two recommendations, none of which concerns ECHO.

In 2015 the Court has initiated a performance audit on "DG ECHO support to populations affected by conflicts in the African Great Lakes Region". The question being assessed is: *"Did DG ECHO effectively manage its support to populations affected by conflicts in the African Great Lakes Region?"*

In 2015, the Court has yet initiated a second performance audit on "Effectiveness of the Commission's coordination of EU response to disasters outside the Union". The question being assessed is: *"Has the Commission's coordination in response to disasters outside the Union been effective since the establishment of the Union Civil Protection Mechanism in 2014?"*

Also in 2015, the Court announced the inclusion of a performance audit on the management of EU support to the current Syrian refugee crisis within its 2016 annual work program.

In conclusion as regards audit observations and recommendations issued by control bodies, the corresponding action plans have been established and are in the course of being implemented. At this stage, no exceptions to their timely implementation are foreseen.

2.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

ECHO has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The functioning of the internal control systems has been closely monitored throughout the year by the systematic registration of exceptions (ICS 8) and internal control weaknesses (ICS 12). The underlying causes behind these exceptions and weaknesses have been analysed and corrected and alternative mitigating controls have been implemented when necessary.

ECHO management agreed in 2008 that all 16 Internal Control Standards³¹ (ICSs) were to be reviewed at least once over a five year period (ICS 15). The review of all ICS was completed in 2012, and a new cycle of review of the ICS was initiated in 2013. The new cycle follows the same lines as for the previous cycle, if the need to review an ICS other than those planned in the cycle does not arise. The following three ICSs have been selected for review in 2015:

- ICS 10: Business continuity;
- ICS 11: Document management;
- ICS 14: Evaluation of activities.

To assess how effectively the selected ICS have been implemented in 2015, ECHO performed a "desk review assessment" in accordance with DG BUDG's guidance³². The review was based on:

- 1) The information collected throughout the year by the Internal Control Coordinator in its role as responsible for internal control matters (ICS compliance update, information from management meetings, audit/control information (IAS, ECA, OLAF, exception reports (ICS 8), risk management exercise (ICS 6), identification of internal control weaknesses (ICS 12), relations with central services etc.);
- 2) Interviews with the relevant staff in charge of the implementation of the internal control standards to obtain the necessary explanation and supporting evidence allowing concluding on the effectiveness of the three scrutinised ICS.

The above exercise concluded that the ICSs 10, 11 and 14 are effective.

The review of the ICS done in 2012 has concluded that the implementation of ICS 5 – Objectives and Performance Indicators was partially effective. A set of actions to improve the situation has been agreed and partially implemented in 2013, 2014 and 2015. Collection, reporting, and analysis of data as implemented by the IT developments done

³¹ To be noted that ICS 16 – Internal Audit Capacity, is no longer applicable since 1.3.2015.

³² Which is an integral part of the Communication SEC(2007) 1341 on the revision of the ICS.

in 2015 as continuation of the action begun in 2014 did not fully meet the needs and requirements of ECHO stakeholders. In order to work on the coordination of further IT developments a specific team devoted to "Business Analytics" has been created as consequence of the reorganisation of the Direction C. The set of actions agreed in 2012, and put in place since 2013, will be reassessed in 2016.

The review of the ICS done in 2014 concluded that the implementation of ICS 2 – Ethical and Organisational Values, was partially effective. Recommendations were drawn in order to enhance the effectiveness of ICS 2 by means of actions aiming at raising awareness among staff, increase legal enforcement of ethical behaviour among local staff, and ensure adequate interservice coordination regarding ethics applicable to field network staff. An assessment of the degree of implementation of the recommendations made at the end of 2014 will be carried out in 2016.

The inherent risks of ECHO are associated with the nature of its operations. Humanitarian aid is delivered in difficult environments characterised by unpredictability, volatility, insecurity and difficult access to affected people, which makes proper implementation a true challenge. ECHO seeks to contain and reduce the risks to an acceptable level, inter alia through its control architecture and security policy and guidance. In this context, ECHO puts high emphasis on the balance between the achievements of its policy objectives and the need for efficient financial/operational control of its activities.

Concerning the overall state of the internal control system, generally the DG complies with the three assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the DG to its key risks.

Further enhancing the effectiveness of the DG's control arrangements in place, by inter alia taking into account any control weaknesses reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

In conclusion, the Internal Control Standards are effectively implemented and functioning.

2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG ECHO.

Taking into account the information reported in parts 2 and 3, including the various reports from internal and external controlling bodies, there is satisfactory evidence that the internal control system in its entirety is implemented effectively in ECHO. The procedures put in place ensure the control of the main risks and in doing so provides reasonable assurance that the financial information provided in this report represents a true and fair view of the reality, resources are used for the intended purpose, the AOD has managed its resources on the basis of the principles supporting sound financial management, the materiality criteria set for legality and regularity of the financial operations is respected, no significant information has been omitted, assets and

information have been properly safeguarded and measures were put in place to ensure prevention, detection and correction of fraud and irregularities

ECHO has implemented all possible suitable ex-ante and ex-post controls, to the extent that they remain cost-effective and do not affect the other policy/programme objectives.

Therefore, under the prevailing risk environment and from a managerial point of view, DG ECHO's AOD can sign the Declaration.

In final conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

SECTION 3: DECLARATION OF ASSURANCE

I, the undersigned, Monique Pariat, Director-General of DG ECHO,

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view³³.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the handover note submitted by my predecessor, the results of the self-assessment, ex-post controls, the observations of the Internal Audit Service, and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution or those of the Commission.

Brussels, 31/03/2016

"e-signed"

Monique PARIAT

³³ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.