



2017

Annual Activity Report

Service for Foreign Policy Instruments



FOREWORD OF THE HEAD OF SERVICE

This report shows the work and achievements of the European Commission's Service for Foreign Policy Instruments (FPI) in 2017 and illustrates how the Service used its resources to obtain tangible results on the ground, efficiently and cost-effectively.

In 2017, the Foreign Policy Instruments Service continued its work to turn foreign policy into action. The Service used its instruments for two main purposes: to help underpin the EU's external political priorities and the EU's role as a global peace actor, and to project the EU's interests abroad, thereby strengthening the EU's position as a credible partner that delivers and contributes to a rules-based global order.

The activities of the Service for Foreign Policy Instrument are diverse and often complex, frequently implemented in volatile, fast-evolving environments, with operations in high-risk and conflict-prone situations. The instruments which the Service manages must respond rapidly and flexibly to changing policy priorities. They are essential for the successful implementation of the Global Strategy for the European Union's Foreign and Security Policy, launched by EU High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission Federica Mogherini.

In 2017, the Service contributed to the implementation of the comprehensive approach to conflicts and crises through timely interventions under the Instrument contributing to Stability and Peace and through Common Foreign and Security Policy actions across the world, from the Western Balkans and Ukraine over Syria, Libya and Iraq to Mali and the Central African Republic, Colombia and the Philippines. Through these actions, the Service contributed to mediation, dialogue and confidence building, conflict-prevention and post-conflict peace building; to strengthening the rule of law, the fight against terrorism, and security sector reform; and to efforts to combat the proliferation of weaponry and the promotion of effective global governance and multilateralism.

Furthermore, through the Partnership Instrument, which reached its full implementation speed and scope in 2017, the Service worked to project EU interests abroad in areas ranging from trade and investment, climate change and the protection of the environment, over migration, to security and defence. Actions through the Instrument helped *inter alia* to accompany trade negotiations and muster support for climate change action.

In 2017, the Service also financed and prepared 30 electoral missions – including seven fully-fledged Election Observation Missions – which were deployed worldwide to promote democracy and consolidate stability.

The Service continued its work on restrictive measures, preparing and negotiating proposals for related Regulations and monitoring implementation by Member States, reinforcing transparency and raising awareness of economic operators and other stakeholders. The Service further contributed to preparations for the launch of a Global Alliance to end trade in goods that could be used for torture or capital punishment. The Service also represented the EU in the Kimberley Process to stop the trade in conflict diamonds, having obtained the unanimous support from all 81 KP member countries for the EU's bid to become KP Vice-Chair in 2017, and prepared for taking up the KP Chairmanship in 2018.

Through these different activities, the Service for Foreign Policy Instruments helped to implement the objective "A stronger global actor" within the Commission's 10 political priorities, and contributed to several other of the Commission's political priorities, in particular but not exclusively those related to "A new boost for jobs, growth and investment", "A Resilient Energy Union with a Forward-Looking Climate Change Policy", "Trade: A balanced and progressive trade policy to harness globalisation", and "A New Policy on Migration".

In 2017, the Service for Foreign Policy Instruments once again demonstrated its ability to provide the fast and flexible support for EU foreign policy that has become its trademark.

As crises unfold around the world, conflict prevention, crisis response and peace building will remain high on EU's political agenda. This makes it paramount to ensure and further reinforce the effective and efficient management of our operations in line with political priorities, aiming for consistently high standards also in the most difficult circumstances.

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List of acronyms

AAP: Annual Action Programme
ABB: Activity Based Budgeting
AFS: Anti-Fraud Strategy
AMISOM: African Union Mission in Somalia
AQIM: al-Qaeda in the Islamic Maghreb
AOD: Authorising Officer by Delegation
AOSD: Authorising Officer by Sub-Delegation
ATT: Arms Trade Treaty
BTWC: Biological and Toxic Weapons Convention
CBSD: capacity Building for Security and Development
CFSP: Common Foreign and Security Policy of the European Union
CIVCOM: Committee for Civilian Aspects of Crisis Management
CPC: Civilian Planning and Conduct Capability
CSDN: Civil Society Dialogue Network
CSDP: Common Security and Defence Policy
CSO: Civil Society Organisation
CTBT: Comprehensive Nuclear-Test-Ban Treaty
DAS: Statement of Assurance
DCI: Development Cooperation Instrument
DDR: Demobilisation, disarmament and re-integration
DEVCO: DG for International cooperation and development
DG: Directorate General
EAC: DG for Education and Culture
EAM: Exceptional Assistance Measure
EAT: Election Assistance Team
EC: European Commission
ECHO: DG for humanitarian and civil protection
EDF: European Development Fund
EEAS: European External Action Service
EEM: Election Expert Mission
EFM: Election Follow-up Mission
EIDHR: European Instrument for Democracy and Human Rights
ENER: DG for Energy
EODS: Election Observation & Democracy Support
EOMs: Election Observation Missions
EP: European Parliament
EPC: ex-post control
ESDC: European Security and Defence College
EU: European Union
EUDEL: Delegation of the European Union
EUPST: European Union Police Services Training
EUSR: European Union Special Representative
EUVP: European Union Visitors Programme
ExM: Election Exploratory Mission
FPI: Service for Foreign Policy Instruments
FWC: Framework Contract
HCoC: Hague Code of Conduct against Ballistic Missile Proliferation
HQ: Headquarters
HR/VP: High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission
IAEA: International Atomic Energy Authority
IAS: Internal Audit Service
ICI: Instrument for Cooperation with Industrialised Countries
ICMP: International Commission on Missing Persons
IcSP: Instrument contributing to Stability and Peace
IfS: Instrument for Stability
ISC: Inter Service Consultation
ISIL: Islamic State of Iraq and the Levant
KP: Kimberley Process
KPCS: Kimberley Process Certification Scheme
KPI: Key Performance Indicator
LRRD: Linking Relief, Reconstruction and Development
MENA: Middle East and North Africa countries

MFF: Multiannual Financial Framework
MSP: Mission Support Platform
NATO: North Atlantic Treaty Organisation
NEAR: DG for Neighbourhood and Enlargement Negotiations
NPD: non-proliferation and disarmament
NPT: Non-Proliferation Treaty
OLAF: European Anti-Fraud Office
OSCE: Organization for Security and Co-operation in Europe
PCNA: post-conflict needs assessments
PDNA: post-disaster needs assessments
PI: Partnership Instrument
PRAG: Practical Guide to Contract Procedures for EU external actions
PSC: Political and Security Committee
RAL: Reste à liquider
RELEX family: DEVCO, ECHO, FPI, NEAR, TRADE
RER: Residual Error Rate
RT: FPI Regional Teams
SALW: small arms and light weapons
SGBV: sexual and gender-based violence
SLA: Service Level Agreement
SMM: Special Monitoring Mission
SSR: Security Sector Reform
TAIEX: Technical Assistance and Information Exchange Instrument
TEU: Treaty on the European Union (Lisbon Treaty)
TFEU: Treaty on the Functioning of the European Union
TRADE: DG for Trade
TJRC Transitional Justice and Reconciliation Commission
UNAVFOR: European Union Naval Force Operation Atlanta
UNSMIL: United Nations Support Mission in Libya
WMD: Weapons of Mass Destruction
WPS: Women, Peace and Security

THE SERVICE IN BRIEF

The Service for Foreign Policy Instruments (FPI) supports the EU's foreign and security policy objectives and helps the European Union to pursue its interests and to project its image in the world. It does so by implementing a number of financing instruments and foreign policy regulatory instruments (e.g. sanctions). The Service is attached directly to the High Representative/Vice-President and works closely with the European External Action Service delivering operations closely connected to the EU foreign policy agenda.

FPI is responsible for managing in particular financing instruments that are able to respond rapidly and flexibly to changing political priorities and are therefore essential for the successful implementation of the EU Global Strategy of June 2016.

These relate to the operational and financial management of Common Foreign and Security Policy (CFSP) operations (49% of FPI 2017 commitment budget); the Instrument contributing to Stability and Peace (IcSP) crisis response (27%); Partnership Instrument (PI) (16%); Election Observation Missions (EOMs) (6%); and press and public diplomacy (PPD) (1%).

Altogether, in 2017 FPI committed EUR 694.96 million and paid EUR 574.09 million in relation to the above operations.

The Service is also in charge of the EU's foreign policy regulatory instruments notably sanctions, the Kimberley Process on conflict diamonds, and the Regulation prohibiting trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment¹. In 2017, FPI began preparatory work on assuming the Presidency of the Kimberley Process on behalf of the European Union.

These different instruments contribute towards the implementation of the Lisbon Treaty, Article 21 (2) (c), under which the EU seeks to preserve peace, prevent conflicts and strengthen international security, in accordance with the purposes and principles of the United Nations Charter, the Helsinki Final Act and the Charter of Paris.

Sharing common objectives, the Commission and the External Action Service have in place working methods and procedures to facilitate cooperation. They work together on a daily basis at all levels. FPI also coordinates closely with relevant Commission services. This is important to assure complementarity and coherence across the EU's instruments.

The environment in which the Service operates is determined by:

- The **evolution of world events**: the Service's activities are shaped by external events and the evolution of the world political situation;
- The global scale and complexity of the **EU's relations with the rest of the world**: FPI's responsibilities require intensive coordination with the EEAS, the Commission's other external relations services and other Commission services as well as external stakeholders;
- **Financial expectations**: the budget which FPI manages remained at a stable yet quite ambitious level with EUR 695 million in operational expenditure authorised in 2017 (appropriations for commitments) and EUR 574 million in payments. Operations in

¹ Regulation 1236/2005 of 27 June 2005.

crisis-situations by definition carry higher risks and pose specific financial challenges.

In 2017, FPI completed the implementation of significant changes to its internal organisation structure. This reorganisation, which had started in June 2016, included the establishment of regional teams with core staff concentrated in five Delegations with regional outreach to facilitate further an integrated approach, provide economies of scale in the management of IcSP and Partnership Instrument projects, and ensure closer management and control for FPI operations. Deploying staff to these regional teams also led to changes in FPI's financial management functions and financial circuits, and its audit functions. A profound change process is demanding for any organisation and takes time. All organisational changes are now implemented and the reorganisation is delivering results.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Head of Service for Foreign Policy Instruments to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties².

The executive summary has four subsections:

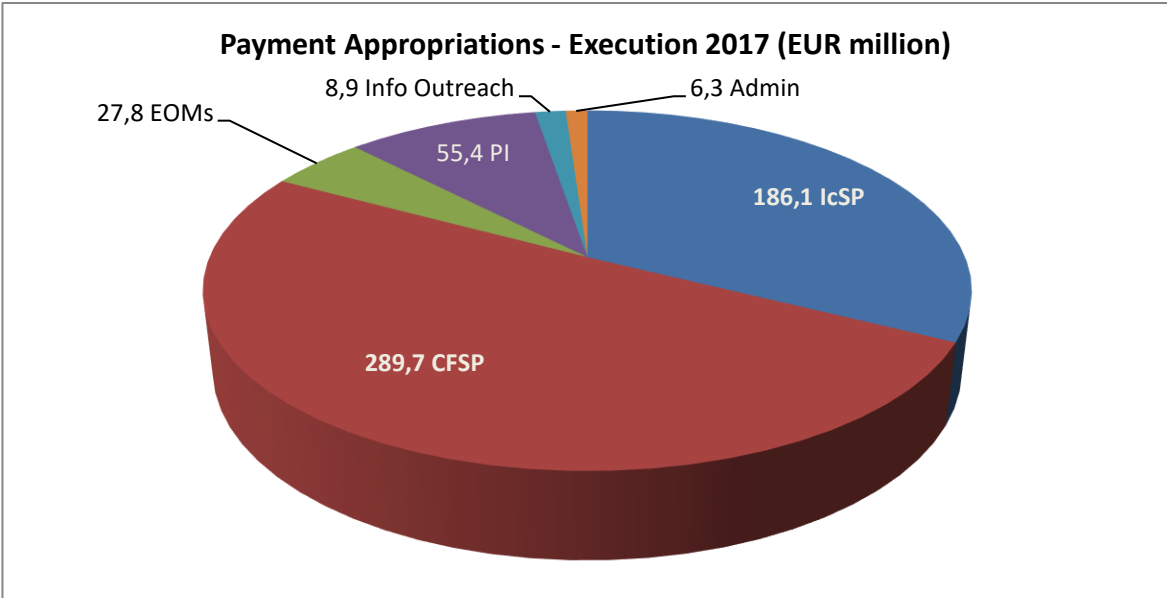
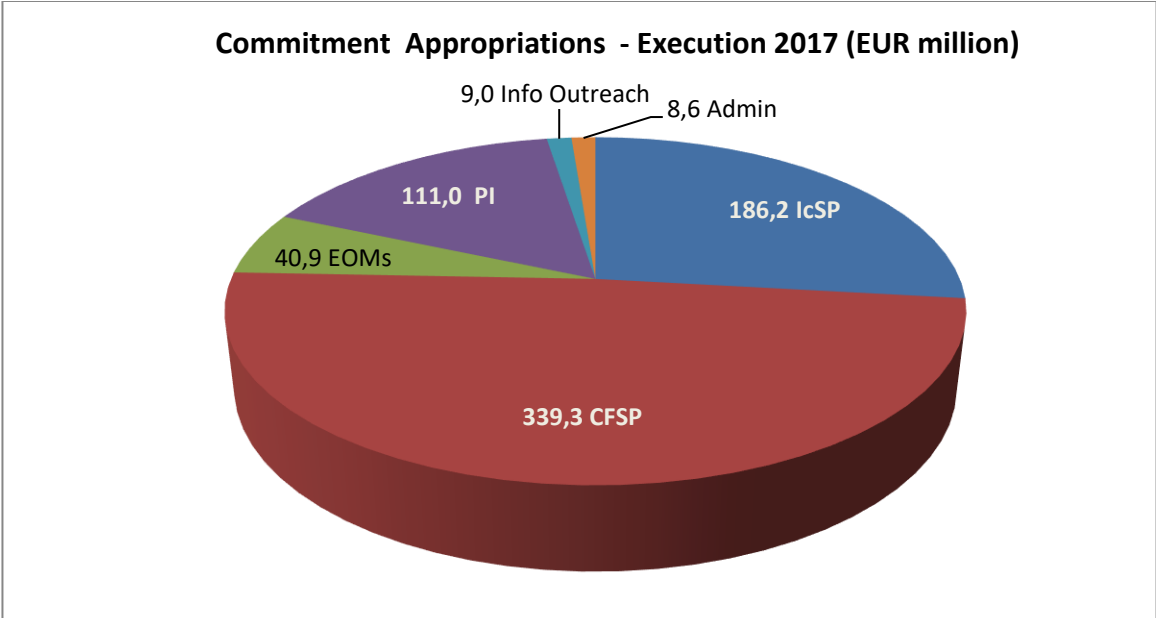
- a) Key results and progress towards the achievement of general and specific objectives of the Service;
- b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the 2016-2020 Strategic Plan;
- c) Key conclusions on Financial Management and Internal control (executive summary of section 2.1);
- d) Information to the Commissioner.

² Article 17(1) of the Treaty on European Union.

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

The Service for Foreign Policy Instruments' operations contribute to political **priority** number **9** "**A stronger global actor**" under the 10 political priorities of the Juncker Commission and underpin the **EU Global Strategy**: most of FPI operations and budget are directed to contribute to the worldwide preservation of peace, the prevention of conflicts and the strengthening of the international security.

Altogether, in 2017 FPI **committed EUR 694.97 million** and **paid EUR 574.09 million** in relation to the above operations.



As regards the world-wide preservation of peace, the prevention of conflicts and the strengthening of the international security, the year 2017 is the third consecutive year when the worldwide insecurity shifted from an increasing trend since 2010 to a slight decrease in

total worldwide conflicts, as measured by the Conflict Barometer of the Heidelberg Institute for International Conflict Research. Global instability, as measured by the number of conflicts (encompassing disputes, nonviolent crises, violent crises, limited wars and wars), decreased compared to 2016, from 402 conflicts worldwide to 385 of which 36 (as against 38 in 2016) are classified as highly violent (20 wars and 16 limited wars, respectively 18 and 20 in 2016). The Middle East and Maghreb is the region which witnessed 6 wars in 2017, which represents a decrease of two compared to 2016. In Africa, 10 wars were observed, marking an increase by 3: the war between Boko Haram aiming to establish an Islamic caliphate in the region entered its seventh year, although conflict-related deaths decreased to approximately 2,150 compared to 2016. As in previous years, the only violent conflict in Europe took place in Ukraine, where the situation remains unstable. In contrast to previous years, two conflicts in Asia escalated to wars: the conflict between the Rohingya minority in Myanmar and the fight against Islamist militants in the Philippines. While the EU cannot deploy resources to address all conflicts in 2017, and no direct correlation can be established between FPI interventions and any decrease in the overall number of conflicts, the results of the Conflict Barometer may be seen as a useful indicator of the EU's global impact, together with the international community, as a stabilising force.

The challenges faced by FPI for actions under IcSP, CFSP and EOMs was to achieve targeted results in 2017 included constant adaptation of planning and implementation to highly volatile operational contexts as well as maximising synergies and complementarities with other external action instruments and Member States' actions. In the case of the Partnership Instrument, the key challenge was to set up and operationalise the regional teams in Bangkok and Brasilia to increase its ability to pursue EU interest in strategic policy areas.

Instrument contributing to Stability and Peace (IcSP)

In 2017, the Instrument contributing to Stability and Peace remained **at the heart of the EU diplomacy in crisis contexts** with all 36 adopted crisis response actions responding directly to political priorities as discussed by the Foreign Affairs Council or responding to engagements by the EU High Representative and Vice President.

New actions in Afghanistan, Bosnia and Herzegovina, Kosovo³, Libya, Niger and Somalia directly complement the work of CSDP missions. Combined with ongoing programmes in the Central African Republic, Georgia, Mali and Ukraine, the IcSP is directly complementing 12 of the 16 ongoing CSDP missions.

FPI operations thereby contribute to the **implementation of the EU Integrated Approach** in response to conflicts and crises which addresses all dimensions and stages of a conflict, from early action and prevention⁴. 2017 also witnessed the adoption of the Capacity Building for Security and Development (CBSD) amendment⁵ to the IcSP, a major policy development allowing for engagement with military actors in pursuit of development aims. The CBSD is a vital new tool that will further strengthen the implementation of the EU Integrated Approach.

The mid-term evaluation of the Instrument concluded that the IcSP is fit for purpose in its contributions to the delivery of EU external policy objectives and performs a unique function of

³ This designation is without prejudice on status, and is in line with the UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

⁴ <https://europa.eu/globalstrategy/en>

⁵ Regulation (EU) 2017/2306 of the European Parliament and of the Council of 12 December 2017

crisis response and conflict prevention, triggered by EU political priorities, contextual needs and opportunities in fragile and conflict-affected contexts. The evaluation also highlighted IcSP's multilateral nature, the European values it promotes in line with the Global Strategy, its niche role, flexibility, and ability to take calculated risks. On the one hand, short-term crisis response measures (Article 3 component) contributed significantly to pursuing new and urgent EU policy priorities swiftly. Overall, this component has delivered on its commitments, yielded important outcomes, and is responsive to a fast-evolving peace and security context. Its flexibility and swiftness were key assets to react to unforeseen events and to be on the ground quickly with political projects that help to alleviate crisis, mitigate conflicts and open doors for dialogue and political processes. On the other hand, Conflict prevention, Peacebuilding and crisis preparedness measures (Article 4 component) have delivered on the Instrument's objectives translating EU political priorities into interventions and have contributed to enhancing EU capacities for supporting conflict prevention, peace-building and addressing pre- and post-crisis needs including post- conflict and post-disaster recovery. Positive feedback on the effectiveness of projects was given by the stakeholders involved.

Out of the EUR 186,5 million committed in 2017, an amount of EUR 157.2 million was committed under the **crisis-response component**. The measures adopted included **support related to all major ongoing crises** worldwide, including activities in the 10 "least peaceful" countries according to the Global Peace Index⁶: Ukraine, Central African Republic, Sudan, Libya, Somalia, Yemen, South Sudan, Iraq, Afghanistan and Syria. The IcSP also contributed to **accompanying peaceful political transitions**, such as those in Kenya or The Gambia, investing in **conflict prevention and the consolidation of peace agreements**, *inter alia* via continued support to the Colombian Peace Process, as well as initiatives related to the Kosovo-Serbia Dialogue, mediation initiatives in the Niger Delta region of Nigeria, between Tebou and Touareg communities in Niger and between Guatemala and Belize.

In addition to crisis response actions, the EU committed EUR 29 million for the conflict **prevention, peace building and crisis preparedness component**. To this end, the 2017 Annual Action Programme continued supporting civil society in third countries, the promotion of peace-building in particular in mineral-rich fragile areas and assisting third countries in their efforts to recover after a conflict or a disaster. New actions launched included support to third countries' justice processes during conflict and transition periods, promoting a gender sensitive approach in the prevention of violent extremism and support to preventing and reducing the vulnerabilities of the education sector in crisis-situations.

Foreign Policy Regulatory Instruments

In its role as the Commission's lead service on restrictive measures or **sanctions**, the Service for Foreign Policy Instruments reached out to Member States to encourage **information-sharing** on sanctions implementation and to ensure **compliance** with the EU measures in place. As part of these efforts, FPI prepared a *Frequently Asked Questions* document clarifying certain provisions of Syria Regulation 36/2012⁷ with a view to facilitating **humanitarian aid** delivery.

Furthermore, as part of EU efforts to strengthen the **fight against terrorist financing**, FPI acted to ensure swift and effective implementation of UN sanctions, in particular those directed against **ISIL (Da'esh) and Al Qaida**. FPI also represented the Commission in meetings of the **E3+3-Iran** sanctions expert committee set up under the nuclear deal and in meetings of the

⁶ Global Peace Index 2017, Institute for Economics and Peace

⁷ http://ec.europa.eu/dgs/fpi/documents/faqs_post_isc_clean_en.pdf

G7+ contact group on **Russia** sanctions as well as bilateral talks with the US on implementation of their *Countering America's Adversaries Through Sanctions Act*. Throughout the year, FPI tabled complex EU sanctions proposals in record time and to ensure that the EU could quickly react to political developments.

Representing the EU in the **Kimberley Process (KP)** on conflict diamonds and after having obtained the unanimous support from all 81 KP member countries for the EU's bid to become **KP Vice-Chair in 2017**, FPI made all the necessary preparations to assume the **KP Chairmanship in 2018** after Australia – in close cooperation with India (which will serve as KP Vice-Chair in 2018 and KP Chair in 2019). FPI also played an important role in decisions of the **KP Monitoring Team** to declare certain sub-prefectures in the **Central African Republic** 'compliant zones' as per the *Operational Framework for the resumption of exports of rough diamonds*, which over time should enable the country to generate substantial revenues. Finally, the Service for Foreign Policy Instruments was actively involved in KP efforts to support the four **Mano River Union** countries (Côte d'Ivoire, Guinea, Liberia and Sierra Leone) in further implementing their strategy and action plan for a joint approach to address KP compliance issues with a regional dimension.

In its role as the Commission's lead service for the '**Anti-Torture**' Regulation (EC) 1236/2005) as amended in 2016, the Service for Foreign Policy Instruments was involved in preparations for the launch of the **Global Alliance** to end trade in goods that could be used for **torture** or **capital punishment**, which took place at a high-level event in the margins of the UN General Assembly ministerial meeting in New York on 18 September 2017. In this context, FPI reached out to **third countries** encouraging them to develop and adopt legislation similar to the 'Anti-Torture' Regulation.

This Regulation has led to an effective self-regulation of the pharmaceutical industry and has made it difficult for the authorities of third countries such as the United States to procure medicinal products for executions by lethal injection.

Common Foreign and Security Policy (CFSP)

In 2017, the EU continued to demonstrate its commitment to actions to preserve peace, prevent conflicts and strengthen international security on many levels. There were both significant needs for action and opportunities for effective responses to crises and for pre-emptive peace building. Following up on Council decisions on the implementation of the Common Foreign and Security Policy (CFSP), FPI committed EUR 339,3 million for CFSP actions – EUR 12,5 million more than initially provided for in the 2017 CFSP budget.

Speed of action is a key to success for many CFSP interventions. Potential crises need to be responded to before they erupt or escalate and opportunities seized when they arise. In 2017 FPI continued to ensure that, as soon as the Council decided, funding was rapidly provided for the European Union Special Representatives (EUSRs) and for civilian Common Security and Defence Policy (CSDP) Missions.

As an example, within a few days after the Council Decision to establish a civilian CSDP Mission to support Iraqi authorities for strengthening their security systems, the Commission Financing Decision and the agreement delegating management of the funds were signed, allowing the Mission to start operating. FPI also facilitated the first use of Article 28 of the Treaty on European Union to undertake an innovative CFSP action – in this case to help stabilise the Malian regions of Mopti and Ségou.

This speed of action and the direct support FPI provided allowed the 9 EUSRs and the 10 civilian CSDP Missions to become operational during the year (as well as the European Security and Defence College and the Kosovo Specialist Chambers which are funded from the CFSP) to make important contributions to regional and international security and stability. The EUSRs continued to play a key role in the implementation of the CFSP, particularly the EU's peace building efforts in as diverse regions as the South Caucasus, the Horn of Africa, the Sahel and the Middle East. The work of the EUSRs in Kosovo, Bosnia and Herzegovina and Afghanistan promoted stability and the EUSR for Central Asia helped the on-going improvement of relations in the region and with the EU.

The civilian CSDP Missions provided tangible support to improve security and the rule of law both in the EU neighbourhood and further afield, helping countries make indispensable progress in the fight against terrorism, people smuggling and organised crime, to strengthen police and judicial authorities and, in Georgia to undertake vital monitoring of compliance with the agreement that ended the 2008 conflict. The efforts of the EUSR for Human Rights continued to vitally underpin these realised achievements.

Continuing to demonstrate the EU's commitment to and support for both multilateral and regional approaches to advancing peace and prosperity, Council decided in 2017 to finance an additional 13 projects promoting non-proliferation and disarmament (NPD). FPI supported project partners in preparing the projects and entered into the Delegation/Grant Agreements that doubled to 26 the number of on-going NPD projects. These on-going projects progressed the universalisation and effective implementation of international treaties, conventions and agreements combatting the proliferation of both Weapons of Mass Destruction and their delivery mechanisms, the illicit accumulation and trafficking of small arms and light weapons (and their ammunition) and the implementation of effective controls on international arms transfers; thereby contributing to peace, security and stability worldwide and to the safety of European citizens.

Election Observation Missions (EOMs/EIDHR)

FPI deployed a total of **30 electoral missions** in 2017, namely 7 fully-fledged Election Observation Missions (EOMs) in The **Gambia, Timor-Leste, Kenya, Kosovo** (two deployments for legislative and municipal elections, respectively), **Liberia** and **Nepal**; 11 Exploratory Missions were carried out, several of these aimed at preparing missions for the following year 2018; 8 Election Expert Missions (EEMs) in Angola, Algeria, Cambodia, Honduras, Kenya, Myanmar, Palestine and in Papua New Guinea; and finally 4 Election Follow-up Mission (EFM) in Peru, Malawi, Nigeria and Maldives. Some of these missions were deployed in a volatile security environment like for instance the EOM to Kenya and Honduras and the EEM to Papua New Guinea.

At the end of 2017, the **Court of Auditors published a special report** entitled "Election Observation Missions – efforts made to follow up on recommendations but better monitoring needed". After studying the cases of Ghana, Jordan, Nigeria and Sri Lanka, the Court acknowledges improvements on the follow-up to Election Observation Missions' recommendations in recent years but still calls for further improvements on follow-up and consultation on the ground.

FPI also contributed to the **mid-term evaluation of the EIDHR** which was finalised in December 2017 led by DG DEVCO, in particular to the EOM-related component of the Instrument. Analysing the Instrument at macro-level, the evaluation concluded that EOMs continue to be an efficient and effective flagship of EU foreign policy contributing to

democratisation in partner countries. A major challenge for Election Observation is the indispensable need for full support of the governments of the hosting countries as it is their full and active ownership of electoral reforms recommended by the EU EOMs which can lead to a sustainable improvement of democracy in the countries concerned.

Furthermore, 2017 saw the completion of the first year of the EOMs' methodology and training project entitled **Election Observation and Democracy Support II** (EODS II) for 2017-2020. While trainings for different EOM positions continued to be organised with a view to widening the pool of experts for those positions, the project focused on *deepening* the election observation methodology through the organisation of advanced seminars where the existing pool of electoral experts could collaborate towards fine-tuning and harmonising the working practices and outputs of EOMs.

Partnership Instrument (PI)

In 2017, the Partnership Instrument contributed to the EU external action by **articulating and implementing the external dimension of internal policies**, interconnecting between different policy areas. Actions cover challenges of global concern like climate change and environmental protection; the international dimension of the Europe 2020 strategy for smart, sustainable and inclusive jobs and growth; improving access to markets and boosting trade, investment and business opportunities for EU companies (with particular emphasis on SMEs); and public diplomacy.

As an example, trade related activities have supported EU negotiations and standard settings with third countries and helped EU companies gain access to markets. Trading partners include India, China and other important Asian markets.

The mid-term evaluation, finalised in December 2017, confirmed that the Instrument is fit for purpose. In spite of its relatively limited envelope and novelty, the Partnership Instrument is **effective in delivering results**, addressing specific EU priorities across all four specific objectives of the Instrument. The Partnership Instruments acts as an **enabler**, opening up areas for dialogue and cooperation in practical terms. Political dialogues combined with technical assistance related to EU norms and standards have proven to have a positive impact on decision making on the side of partners enabling talks and negotiations with the EU.

The added-value of the Instrument lies in its flexible design and implementation and the support it channels for the proactive promotion of EU interests and objectives. Complementarities are in particular noticeable with climate change, environment, energy, trade, market access, and EU development policy.

One area where a number of strategic priorities were met is Sustainable Urban Development: the action "International Urban Cooperation Programme" implements city-to-city cooperation between the EU and target countries in Asia and the Americas in the context of the New Urban Agenda. It is also an important example of EU climate leadership worldwide by putting in place national and regional covenants of mayors' initiatives in support of city and local authority climate action. Actions under the Partnership Instrument also facilitated the EU-China high-level dialogue on Sustainable Urban Development that took place in the framework of the EU-China Summit 2017.

As for the cooperation with major economies for the implementation of the Paris Agreement, actions under the Instrument are designed to support the EU's international climate leadership

through providing solid EU inputs to the efforts of key partner countries to implement their commitments to the Paris Agreement.

Priority setting and decision-making for the Partnership Instrument has gradually evolved towards more **concentration on strategic EU priorities**. This has been achieved thanks to very active levels of engagement from the EEAS (European External Action Service), Directorates General (DGs) of the Commission, and EU Delegations within partner countries. The Service for Foreign Policy Instruments is still working on stronger involvement by the EU Delegations in identifying and designing actions, and the Service will facilitate greater support from client DGs in the implementation of the actions, to ensure all actions fully reflect the country context and to guarantee the necessary technical expertise.

In 2017, the Partnership Instrument also proved to be at a high level of operational speed with no less than 23 stand-alone actions adopted for a budget of **EUR 116,9 million** covering the following areas: Climate change action post COP-21; Sustainable environment and energy; Economic empowerment of women; Trade and market access, fair competition and transparency; and Public diplomacy.

These actions will enable and facilitate numerous strategic policy dialogues and information exchange activities with partner countries, thereby extending the reach and depth of EU foreign policy. Besides stand-alone actions which have a medium- to long-term nature, there are two tools for short-term actions under the Partnership Instrument (Policy Support Facility and TAIEX), where respectively 32 and 50 actions were contracted in 2017, with several more foreseen for 2018.

Information outreach on the Union's external relations

Most of the information outreach activities on the Union's external relations are done by the EEAS, both in Headquarters and in Delegations, in line with the Service Level Agreement (SLA) concluded between FPI and EEAS in 2013. The related activities concern mainly the annual information outreach budgets for some 140 EU Delegations throughout the world to implement information actions that are tailored to the bilateral environment which also help to **reinforce the image of the EU as a global player**. The Service of Foreign Policy Instruments remains responsible for the preparation and adoption of the Annual Work Programme (financing decision) and must ensure that the activity is in full compliance with the implementation responsibilities the Commission has delegated to the FPI Head of Service.

Also in 2017, an important part of the budget resources was allocated to the financing of the television programme in the Farsi language on the Euronews channel.

European Union Visitors Programme (EUVP)

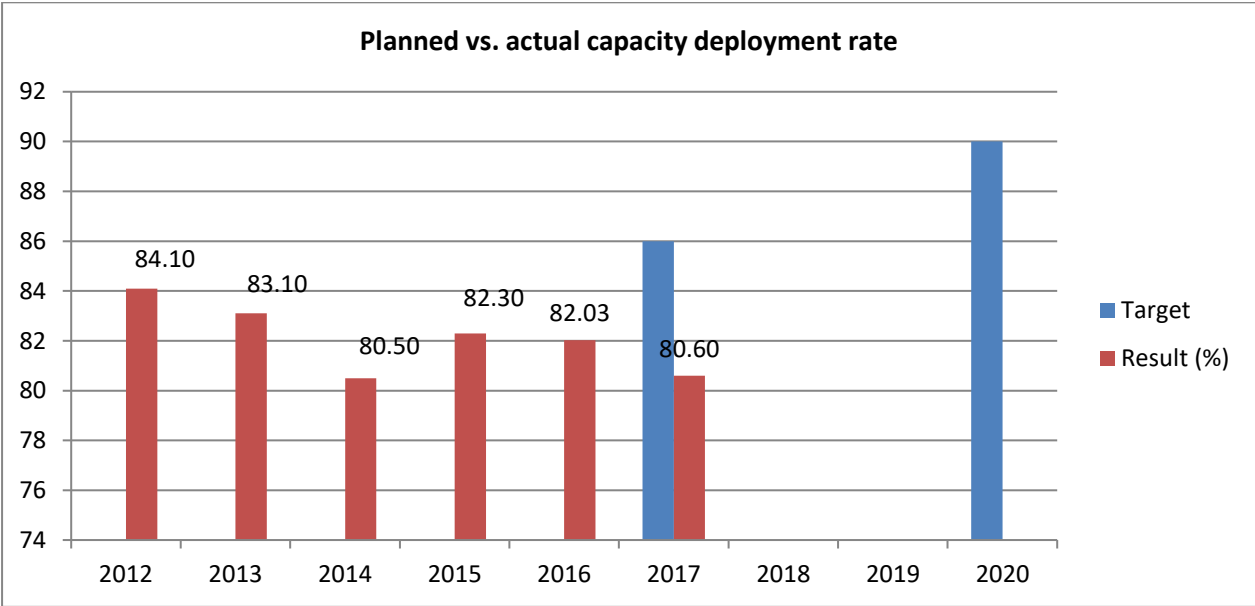
In direct cooperation with the European Parliament, FPI continued in 2017 to work on quality and visibility of this individual programme – through the organisation of 104 study visits and participation to seminars- held by the EU Delegations via videoconference- in order to further develop the awareness and the capacity of its public diplomacy. With a strengthened and regular cooperation with EU Delegations, programmes have been better tailored to participants' interests as well as to EU interlocutors needs. These young leaders invited from third Countries have been regularly received by Members of the European Parliament, high-level officials from Commissioners' Cabinets and from other EU institutions. 2015 marked the 40th anniversary of this long-standing programme.

b) Key Performance Indicators (KPIs)

FPI Key Performance Indicators – as per 2016-2020 Strategic Plan:

1. CFSP: Planned vs. actual capacity deployment rate (international staff) of the main CSDP missions;
2. IcSP: Percentage of IcSP crisis response measures adopted within 3 months of a crisis context (date of presentation to PSC);
3. EOMs: Number of electoral processes and democratic cycles supported, observed, and followed;
4. PI: Progress made by key partner countries in the fight against climate change or in promoting the environmental standards of the Union;
5. Residual Error Rate.

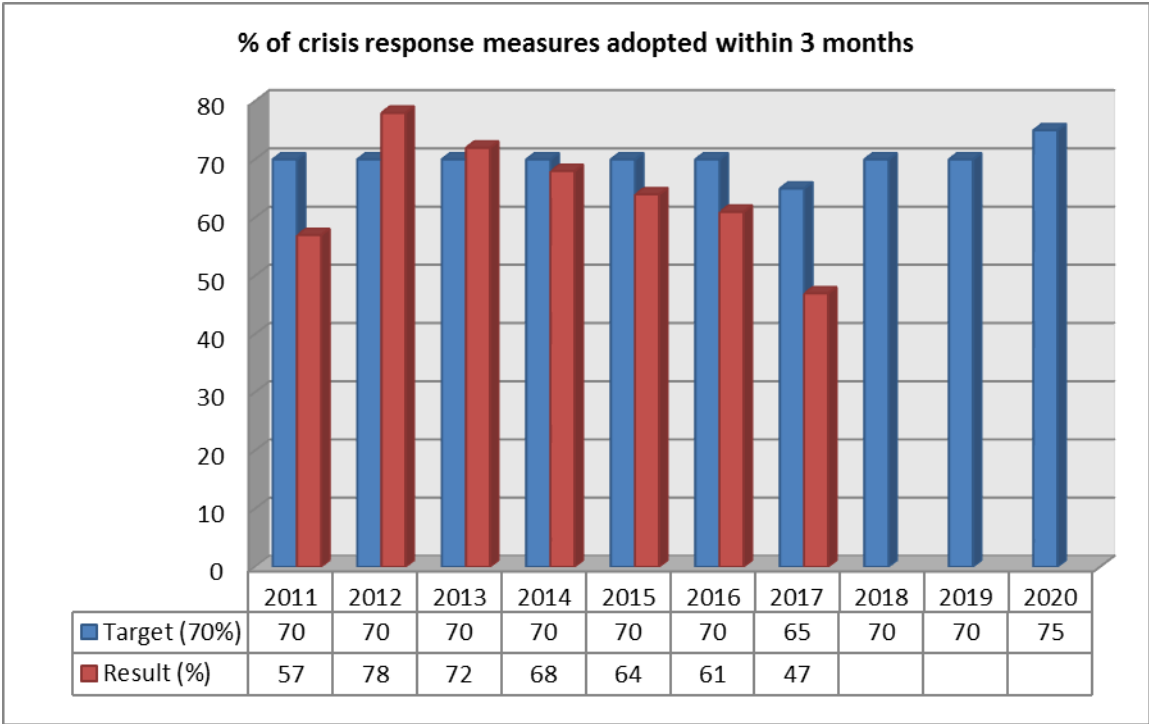
KPI 1: Planned vs. actual capacity deployment rate (international staff) of the main CSDP missions



Reading: in 2017, the deployment rate in the CFSP missions was 80,6% of the total maximum number of international staff authorized by the respective Council decisions of the European Union against a 2017 target of 86%. The indicator monitors the effectiveness of the ongoing civilian CSDP missions' deployment: the fulfilment of the objectives of the mission's mandate depends on the transfer of know-how which is linked to the rapid generation of civilian capabilities. Reaching the full operational capacity of CSDP missions depends on effective mobilisation of human resources and logistics.

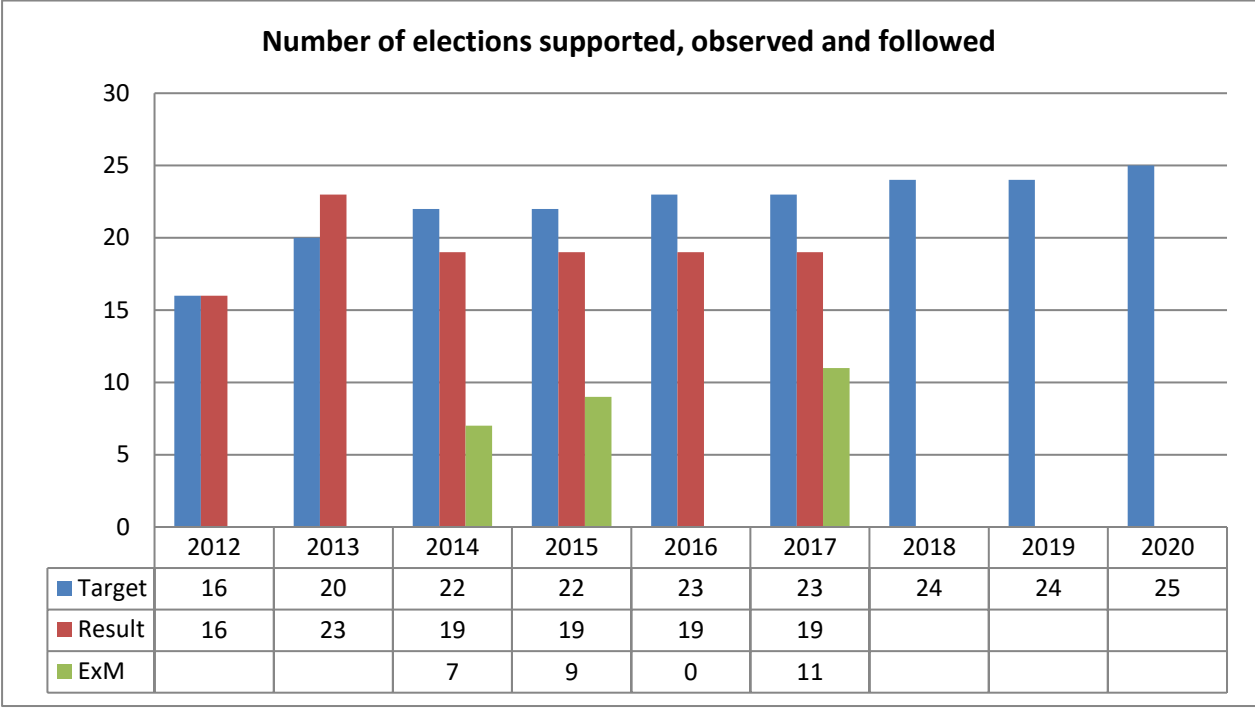
KPI 2: IcSP: Percentage of IcSP crisis response measures adopted within 3 months

Result/Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
Percentage of projects adopted within 3 months of a crisis context	Efficient crisis response: 70% of projects adopted within 3 months of a crisis context (period from date of presentation to PSC)	57% in 2011 78% in 2012 72% in 2013 68% in 2014 64% in 2015 61% in 2016 47% in 2017



Reading: in 2017, 47% of projects prepared by FPI were adopted within 3 months against a target of 65%: the indicator measures the swift adoption of short-term crisis response measures following exceptional and unforeseen situations as set out under Article 3 of the IcSP Regulation. By its very nature, the IcSP is called upon to operate in hostile and war-affected environments. In 2017, a number of circumstances came together. 2017 saw a particular focus, across the board, on the most acute crises worldwide with all 10 countries least at peace (Ukraine, Central African Republic, Sudan, Libya, Somalia, Yemen, South Sudan, Iraq, Afghanistan and Syria) covered, thus constituting a major challenge to constantly adapt planning and implementation to these highly volatile operational contexts. In addition, in 2017, several actions needed to be delayed due to uncertainties in the implementing environment linked to political constraints (Turkey and, Kosovo-Serbia, for example). This, alongside the need to better schedule measures in the context of contributing to integrated EU responses, can account for a temporary decrease in the performance indicator. It must be highlighted that 70% of the actions were adopted within 4 months and that, with an average time of adoption of the Decisions after information to PSC of 3.73 months, the instrument remained very rapid in 2017.

KPI 3: EOMs: Number of electoral processes and democratic cycles supported, observed and followed (by means of Election Observation Missions, Election Assessment Teams, Election Experts Missions and Election Follow-up Missions proposing recommendations to the host country)

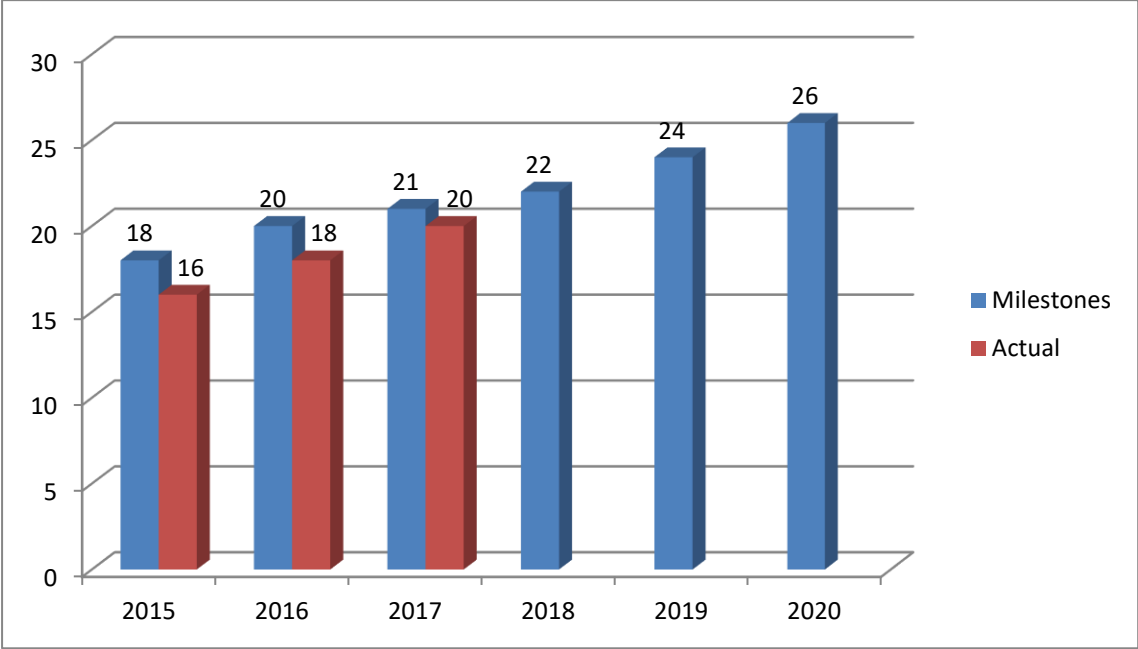


Reading: in 2017, FPI has deployed 19 electoral missions abroad. Evolution of the political context during 2017 required postponement or cancellations of planned actions EOM missions, which can account for a decrease of results against target.

KPI 4: PI: Progress made by key partner countries in the fight against climate change or in promoting the environmental standards of the Union

Given the high complexity of the instrument and the difficulty to measure global progress, a break-down has been made for the overall indicator into measurable, concrete sub-indicators:

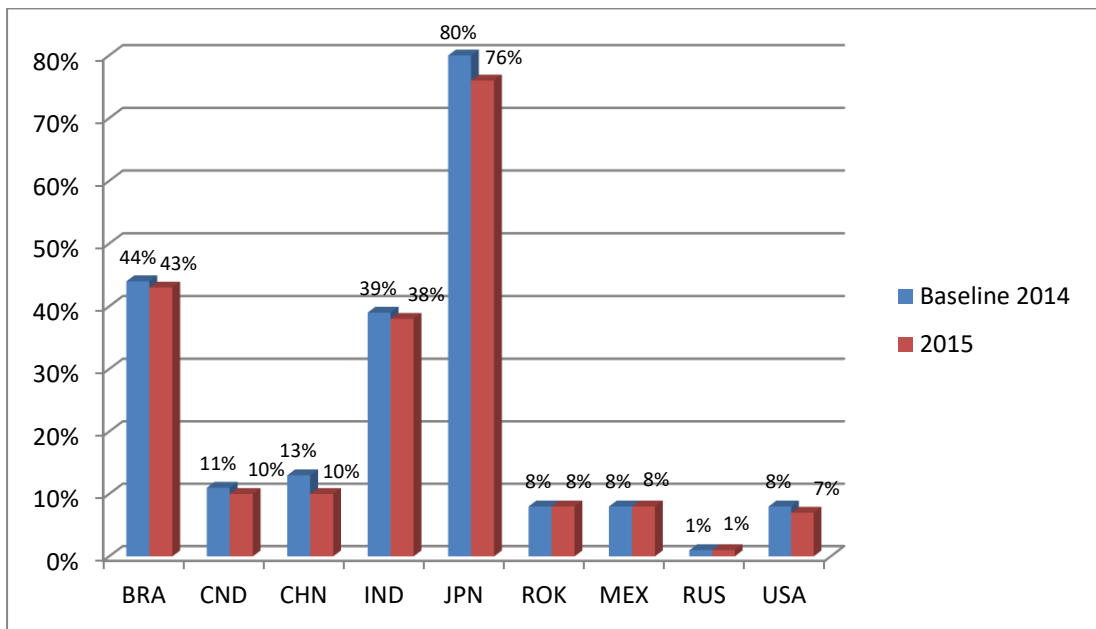
Sub-indicator 4.1: Operating Emissions Trading Schemes for greenhouse gas mitigation (ETS) outside the EU/EEA (at city, regional, country or multi-country level).



Source: <https://icapcarbonaction.com>

FPI expects that, through support under the Partnership Instrument on facilitating new partnerships, policy dialogue and signature of agreements on global challenges, Operating Emissions Trading Schemes for greenhouse gas mitigation (ETS) outside the EU/EEA will reach 26 trading schemes by 2020.

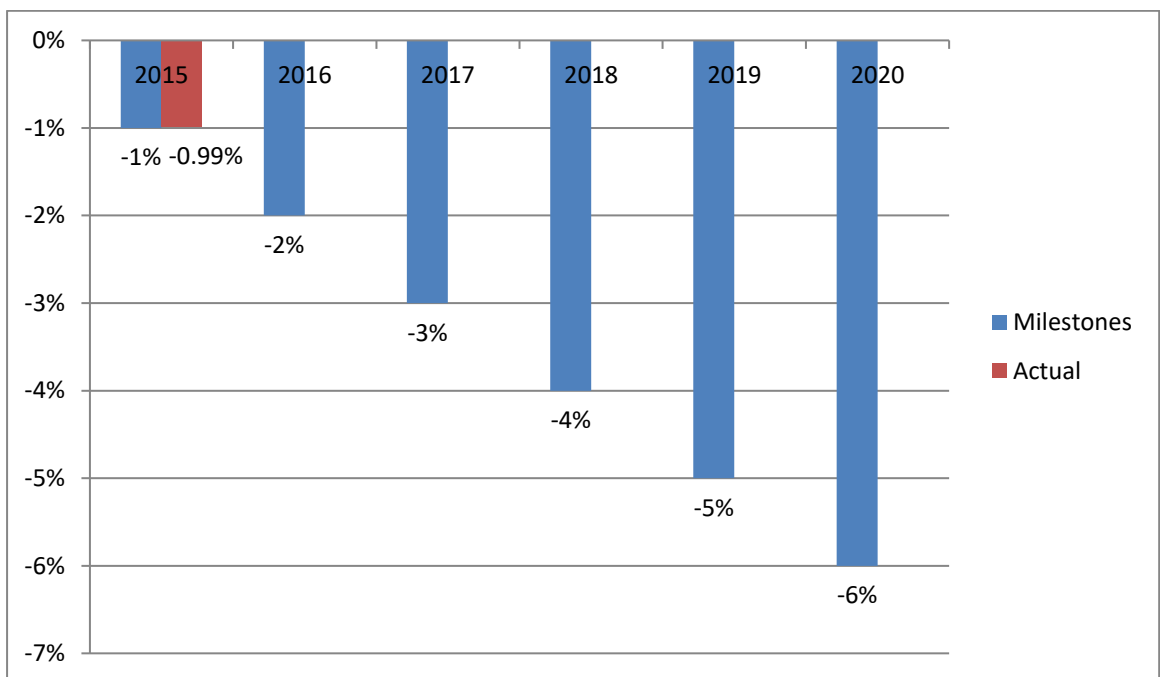
Sub-indicator 4.2: Share of renewables in total energy production in the 9 key partners



Source: <http://energyatlas.iea.org> (latest data available)

FPI expects, through support under the Partnership Instrument, to contribute to an increase by 2020 of 10% in the share of renewable energy in the total energy production of each of the 9 EU key partners (Brazil, Canada, China, India, Japan, Korea, Mexico, Russia, USA).

Sub-indicator 4.3: CO₂ emissions from fuel combustion in the 9 key partners (millions of tons of CO₂)

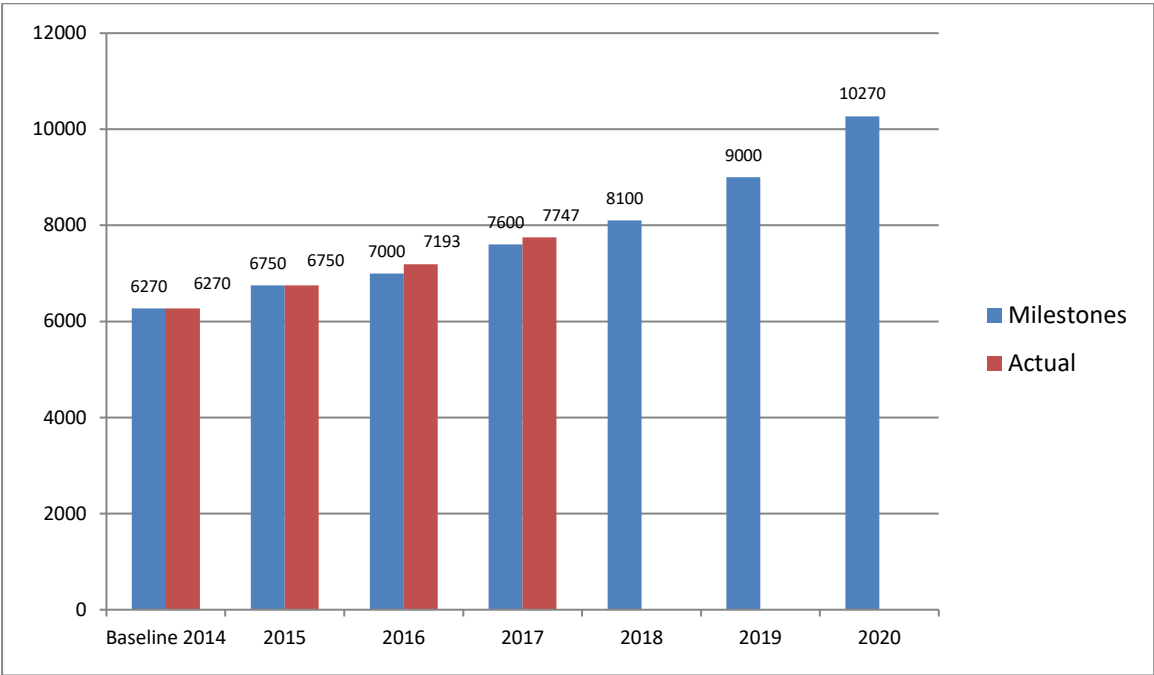


Source: <http://energyatlas.iea.org> (latest data available)

FPI expects that, through support under the Partnership Instrument on facilitating new partnerships, policy dialogue and signature of agreements on global challenges, the CO₂ emission will decrease in the 9 strategic partners (Brazil, Canada, China, India, Japan, Korea, Mexico, Russia, USA).

Mexico, Russia, USA). The 2020 target corresponds to a decrease of 6% of the 2012 total CO₂ emissions in the 9 strategic partners.

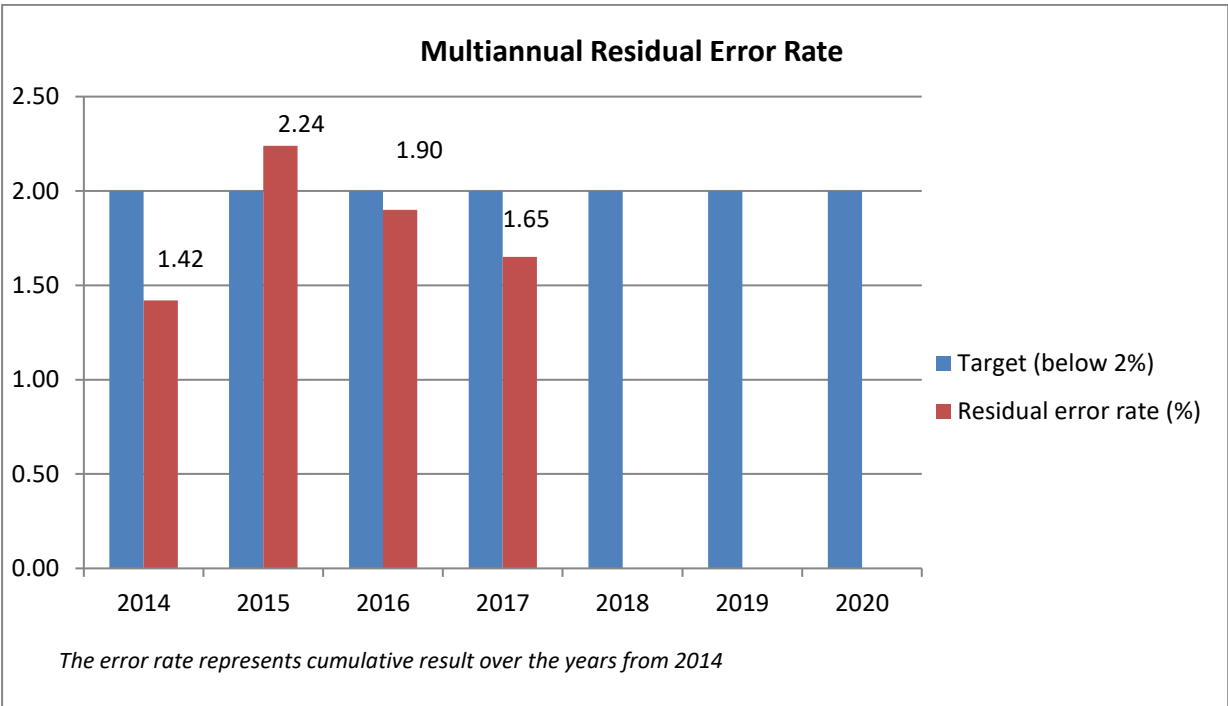
Sub-indicator 4.4: Number of local and regional authorities signing the Covenant of Mayors



Source: EU Covenant of Mayors

FPI expects that, through support under the Partnership Instrument, 4000 new local and regional authorities will have signed the Covenant of Mayors by 2020.

KPI 5: Residual Error Rate



Reading: in the period 2014-2017 (four years), the residual error rate of FPI was 1,65%.

The cumulative residual error rate (RER) for 2014-2017 is 1,65% for the total budget of FPI. Nevertheless, for 2017, the RER for Instrument for Cooperation with Industrialised Countries (ICI) activities is above 2 %. Based on the multi-annual RER, FPI is of the opinion that the control procedures in place give the necessary guarantees for the legality and regularity of the underlying transactions except for ICI instrument where the rate of above 2% leads to a reservation. The analysis of the RER indicates that the action plan implemented as a result of a reservation in the AAR 2015 has produced good results for budget chapter 19.03 CFSP with the multi-annual RER at 1.49% level for that area, the reservation can be lifted. Please see section 2.1.5 for the related reservation.

c) Key conclusions on financial management and internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, FPI and its staff 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 standards, 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. FPI has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended.

In addition, FPI 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 internal auditors 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.

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 Head of Service, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the error rate.

d) Provision of information to the Commissioner

In the context of the regular meetings during the year between the Service and the Commissioner on management matters, also the main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of HRVP Mogherini, responsible for Foreign Affairs and Security Policy.

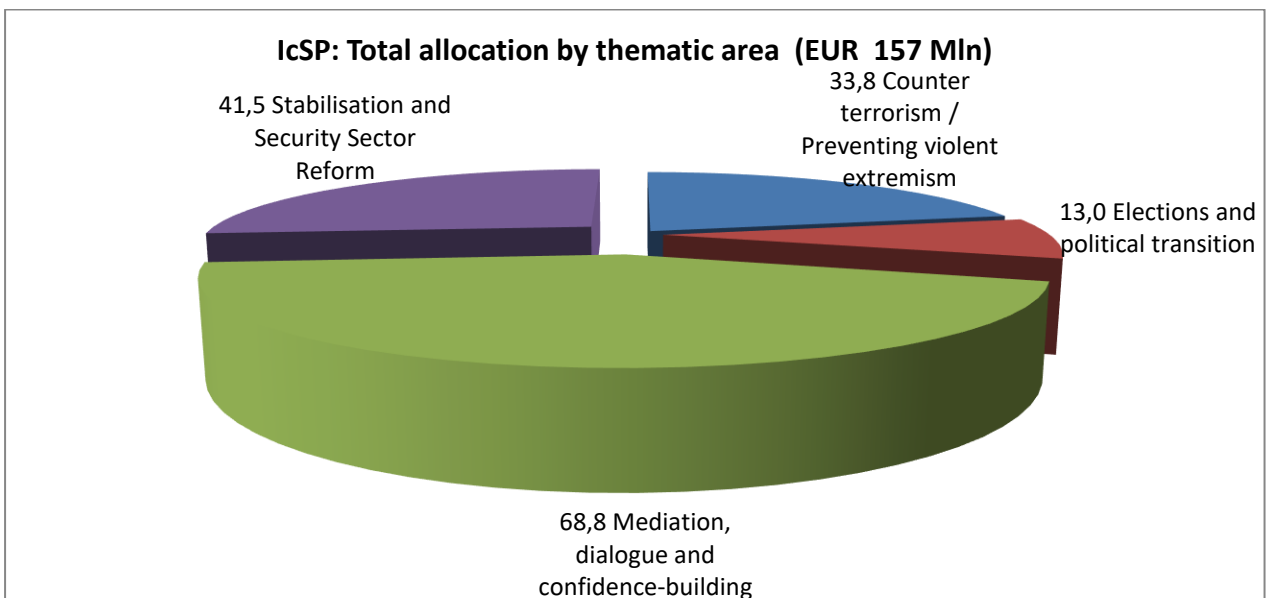
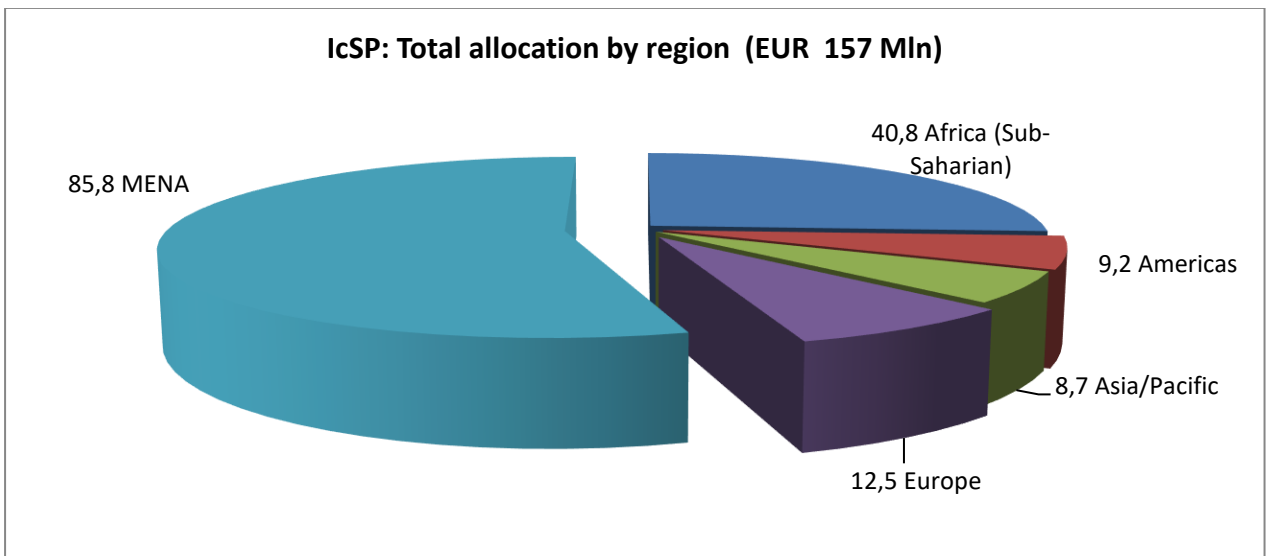
1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE SERVICE

Instrument contributing to Stability and Peace

Specific objective 1.1: In a situation of crisis or emerging crisis, to swiftly contribute to stability by providing an effective response designed to help preserve, establish or re-establish the conditions essential to the proper implementation of the Union's external policies and actions in accordance with Article 21 TEU.

Under this specific objective, a total budget commitment of EUR 157.2 milion was committed in 2017.

The two pie charts below illustrate the geographic and thematic coverage.



Examples of timely EU responses to high-priority crises on the EU political agenda are given below. Information on the projects funded by the Instrument under Article 3 and 4 are publicly available through the following online tool: <https://icspmap.eu/>. This map of IcSP projects was transferred to the FPI website in 2017.

The map currently shows 316 ongoing IcSP projects in 76 countries.

Syrian crisis:

Since the beginning of the crisis, over EUR 200 million has been allocated under the Instrument contributing to Stability and Peace (IcSP) and its predecessor the Instrument for Stability (IfS) to projects inside Syria and the neighbouring countries affected by the conflict. This assistance has included delivery of non-humanitarian assistance to the population in Syria, support to dialogue initiatives, transitional justice and countering violent extremism alongside support to refugees, host governments and host populations in Lebanon, Jordan, Iraq and Turkey. In 2017, 3 new IcSP programmes were adopted in this context. With the Syria Peace Support Initiative adopted in 2016 and implemented throughout 2017, the IcSP provides a direct, flexible operational support mechanism to the EU's diplomatic efforts to

Through the Syria Peace Support Initiatives, the IcSP is supporting local and international efforts to find a political settlement to the conflict

foster peace and political transition in Syria. Throughout 2017, this Initiative has been instrumental in supporting the talks, in particular UN-brokered international mediation, and the consolidation of the Syrian opposition's negotiation platform. It also promotes an inclusive vision of transition for Syria, including through direct support to civil society networks, women and human rights organisations. Building on lessons learned from this first phase, a second EUR 9 million phase was

adopted in December 2017 providing a concrete means to back the EU's commitment to a political settlement of the conflict, as outlined in the April 2017 EU Strategy on Syria⁸ and by the organisation of the Brussels I conference on Syria also in Spring 2017.

The IcSP also renewed its commitment to transitional justice and accountability via targeted support to the International, Impartial and Independent Mechanism, in direct response to UN General Assembly Resolution 71/248 of December 2016. This programme complements bilateral efforts of several EU Member States alongside ongoing support to the International Commission on Missing Persons (ICMP). Finally, IcSP also provides support to education in opposition-held areas allowing many families to remain in their homes: Over the past six years of conflict, Syria has suffered a major setback in education. At least 1.75 million children (almost one third of the school-age population) are not attending school and 1.35 million are at risk of dropping out. The IcSP support started in May 2017 and contributed to run the summer 2017 exams (leading to qualifications for university entry) and to address unmet education needs by scaling up support for the academic year 2017/18 with a focus on both access and quality.

⁸Council conclusions on an EU strategy for Syria, adopted at the 3530th Council meeting on Foreign Affairs of 3 April 2017

Stabilisation actions in Libya

The EU is supporting stabilisation actions in Libya since the beginning of the crisis with nearly EUR 50 million, focusing on rehabilitation of key infrastructure, humanitarian demining, and the building of a national consensus through mediation support. In addition, where no other funding was available to provide an adequate and timely response, IcSP was mobilised to provide flexible support for mitigating the migration crisis inside Libya in line with the EU political priorities on the external dimension of migration. In particular, assistance to voluntary return of migrants trapped inside Libya was piloted through the IcSP before being incorporated and expanded under the EU Trust Fund. Targeted support continued, with the allocation of EUR 2.1 million at the end of 2017 for a dedicated human rights monitoring and capacity building action to improve the situation of migrants in Libya complementing the EUNAVFOR Sophia operation under CFSP. With regards to stabilisation support, in October 2017, following the announcement of the UN action plan by the UN Special Representative and Head of UNSMIL, the IcSP rapidly mobilised EUR 12 million to underpin this central political stabilisation strategy. The core objective is to enable Libyans to establish a legitimate government by supporting rapid preparation of meaningful elections in line with UN plans, and by helping fragile Libyan State and municipal authorities to continue providing services throughout this period. IcSP mediation initiatives are also geared to reach out to constituencies throughout the country to mobilise participation in the UN backed process.

The IcSP is responding to the crisis in Libya through a multi-faceted approach, combining mediation, demining, stabilisation, and action to protect human rights.

Results in 2017 included a decrease in tensions and prevention of armed violence in particular in the cities of Sebha and Zintan, as well as increased exchanges between the Government of National Accord and communities throughout the country. Concretely, IcSP funding allowed the Government of National Accord to advance with the rehabilitation of schools and hospitals, water supply, sewage and waste management systems. 22 projects throughout the country helped improve the delivery of basic services to conflict affected communities including in areas liberated from Da'esh. In addition, activities related to demining helped identify mine free areas, clearance of contaminated sites, and increased risk awareness in the cities of Tripoli, Sirte and Benghazi. The effort leading up to these results was mainly carried out by local engineers and construction/supply companies, reviving local economies and enabling increased freedom of movement.

Through its support to the **Stabilization Facility in Libya**, the IcSP contributed to bridge the critical transition from humanitarian relief to sustainable development and democratic governance. In Benghazi, for example, a project allowed for the rehabilitation of the East Benghazi Court, the Civil Defence building, Aljeel Alwaeed School, Al-Gwarsh Clinic, a radiotherapy centre and a kidney centre. The municipality of Benghazi has received five garbage trucks, eight ambulances, 30 garbage bins, and four electrical generators. The radiotherapy equipment at Benghazi Radiotherapy Centre was repaired and the Facility allowed for the installation of solar power systems in Al-jala Hospital, Benghazi Medical Centre, Benghazi Childrens Hospital and Alkwefia Hospital. In Benghazi alone, 700,000 people are already using these facilities.

Countering terrorism (CT) and preventing violent extremism (PVE):

The IcSP is called upon to support actions related to countering terrorism and preventing violent extremism. It responds through actions focusing on analysing radicalisation and violent extremism trends and dynamics, supporting initiatives that address these dynamics, for example by strengthening the capacity of state authorities to engage with communities and vulnerable groups in order to strengthen resilience. In 2017, new regional IcSP actions were developed to respond to terrorism and radicalisation threats in West Africa, Central Asia, in the Middle East and North Africa as well as targeted actions in Iraq, Chad, Guinea, Niger, Nigeria and Kyrgyzstan. A regional evaluation on IcSP interventions focusing on CT and PVE in the Middle East and North Africa (MENA) region between 2015 and 2017, concluded that the 12 interventions played an important role in the EU CT and P/CVE portfolio, fitting relatively well with the EU's CT and PVE objectives and priorities for the MENA region, "particularly in terms of their intended contributions". The evaluation further emphasised the "pilot" nature of the interventions funded under IcSP, thereby exploring entry-points and building relationships for longer term engagement, including at political and strategic level.

Supporting transitions and electoral processes:

With 6 actions in 2017, support to political transitions and to electoral processes in contexts of crisis constituted an important priority. Such support is at the core of the political dimension of the IcSP, with rapid interventions that are essential to complement and materialise EU political dialogues. For example, this included immediate support in the very volatile context of the re-run elections in Kenya, where the Supreme Court's nullification of the August presidential election results led to a highly polarized political environment. To address these issues, the UWIANO project worked to support broad partnerships at the national, county and community levels for peace, security and cohesion. The platform worked on conflict and violence prevention, strengthening of early warning and early response mechanisms, local mediation and reconciliation, peace messaging, monitoring of hate speech and prevention of gender based violence linked to the elections. The Supreme Court's nullification of the August presidential elections meant that resources for the actual organization of the elections were over-stretched. Using IcSP funds, the EU was able to support the organisation of a new poll while helping to maintain domestic observation and monitoring capacity, as well as electoral security and joint media reporting initiatives including conflict sensitive communication. In addition, independent IT specialists contributed to strengthen the election results transmission systems and overall data management.

The IcSP was also present to accompany the transition in The Gambia, with two successive programmes that contributed to making this transition a success. It further contributed to a resolution of the dispute between political leaders and their supporters in the aftermath of the presidential elections in Gabon. New initiatives were also adopted to start engaging in a timely manner in the perilous electoral processes in Afghanistan and in Libya.

Support to Peace Processes - mediation, dialogue and confidence-building:

In addition to support to the Colombian Peace Process, the Syria Peace Support Initiative and the Kosovo-Serbia Dialogue, IcSP also engaged in supporting other peace processes, dialogue and mediation activities. Targeted actions supporting the work of the committee on the peace accord in Mali were announced by the HRVP during her visit to Bamako in June 2017 while other activities started/continued in Afghanistan, Libya, Turkey, Yemen, Iraq, the Central African Republic, in Senegal (Casamance), in the Niger Delta region of Nigeria, between Tebou and Touaregs communities in Niger and between Guatemala and Belize. IcSP activities also included support to the regional initiatives by the African Union in Sudan and in South Sudan. Justice and human rights are key aspects of confidence building and peacebuilding. In this regard, in the **Democratic Republic of Congo**, the Military Court of Kavumu, in the province of South Kivu, opened on 9 November 2017 the trial of 18 suspects accused of crimes against humanity and rape of 48 children aged from 8 months to 12 years committed between 2013 and 2016. At the end of the trial, 12 of the 18 defendants, all members of a local militia, were found guilty of crimes against humanity and rape on minors whose Head of the militia, the Pasteur Frédéric Batumike, also accused of the murder of the human rights defender Évariste Kasali in March 2016. This trial is a major success for the fight against impunity for serious crimes committed in the east of the country. IcSP support to the *Cellules d'Appui aux Poursuites au niveau des tribunaux militaires* but also other European Commission support to lawyers, judicial defenders and civil society organisations all contributed to successfully prosecuting those crimes.

Ukraine:

Ukraine remains a crisis of major significance for the EU, to which the IcSP is devoting important resources with over EUR 80 million mobilised since the beginning of the crisis in 2014, including two new decisions adopted in 2017. The diverse IcSP portfolio contains activities related to the protection of civilians and support to internally displaced and vulnerable people. A significant part of the IcSP engagement (EUR 33 million) relates to the OSCE Special Monitoring Mission (SMM). Throughout 2017, the SMM continued to operate with monitoring teams throughout Ukraine to gather information and establish facts in relation to the security situation, monitor and support respect for human rights and fundamental freedoms and keep contact with authorities at all levels, as well as with civil society and local communities. The use of technical surveillance assets such as unmanned aerial vehicles (UAVs), surveillance cameras and satellite imagery/analysis has become even more important in conditions where security and freedom of movement restrictions limit ground patrols by monitoring teams. IcSP support, through the SatCen, allowed for the delivery of 510 imagery products in support of SMM's monitoring efforts in 2017, including the identification and description of military activity and equipment, change detection, monitoring of contact line, training areas and rail stations as well as battle damage assessment. SatCen also engaged in other types of activities in support of the SMM, such as training courses and in-situ support. The IcSP also ensured the purchase of 12 mini UAVs and 10 mid-range UAVs and helped develop a mechanism to better integrate data obtained through different technical means.

Colombia:

The IcSP remained engaged in **Colombia** throughout 2017. Following the rejection of the agreement between the Government of Colombia and the *Fuerzas Armadas Revolucionarias de Colombia Ejército del Pueblo* (FARC-EP) at the end of 2016, there was great uncertainty regarding continuation of the peace process. In this context, the Colombian authorities and the FARC-EP jointly requested assistance in certain policy areas which required immediate action to sustain the political momentum and protect the achievements gained with the signature of

Continued support to the Colombian Peace Process was provided in 2017, following the rejection of the agreement for the termination of the conflict at the end of 2016.

the Peace Agreement as well as continuity in a series of confidence building measures of a humanitarian nature agreed by both sides. In this context, IcSP contributed by providing essential and timely support to the Tripartite Monitoring and Verification mission responsible for monitoring and verifying the Cessation of Hostilities, the Ceasefire and the disarmament of the FARC-EP. IcSP support was instrumental in providing training to the Colombian

military and police personnel charged with ensuring the security of the zones in which the FARC-EP members had concentrated (demobilised) and where they would later-on hand over their weapons. The IcSP is also contributing to generate confidence and gain the trust of indigenous communities that have been disproportionately affected by the armed conflict, in particular children. The project has made a significant contribution to re-building the social fabric of the communities that have suffered most and have been hit the hardest by the armed violence.

CBSD and the Integrated Approach

With IcSP programmes complementing the work of 12 of the 16 ongoing CFSP actions, FPI is playing an important role in ensuring that the Integrated Approach is becoming a reality. The police support action in Afghanistan, adopted in 2017, will provide senior level policy advice and capacity building measures for the Ministry of the Interior and the Afghan Police Force, as an integral part of continued EU support to policing and rule of law. This action will allow the EU to leverage the strong links established with the Ministry and the Afghan National Police under the EUPOL CSDP mission which closed at the end of 2016 and also with the current EUSR Police Team. This IcSP action would be followed by a second phase, using bilateral funding from the Development Cooperation Instrument (DCI). Other such examples include the ongoing actions in Ukraine and in Mali. Building upon the work carried out by EUAM mission, ENI and other EU interventions in Ukraine in the civilian security sector, the action "Support to police reform in Ukraine" supports the ongoing reform of the National Police. In Mali, through the CORSEC programme, developed in close cooperation with EUCAP Sahel Mali, capacity building of Malian crisis management actors is translating into action at central level, thereby improving the coordination of forces in an inter-service and inter-ministerial context.

Given the IcSP's focus on stabilisation actions in crisis contexts, FPI was closely involved in the ongoing discussions within the EU institutions on how to address the current gap in the EU toolbox related to supporting partner countries' military actors in providing the stability needed to enable development activities⁹. An amendment to the IcSP Regulation to include **Capacity Building in support of Security and Development (CBSD)** was adopted in December 2017 allowing the EU, under exceptional circumstances, to build the capacity of military actors in

⁹ Joint Communication "Capacity building in support of security and development – Enabling partners to prevent and manage crises" - JOIN(2015) 17 of 28 April 2015

partner countries in order to contribute to sustainable development and the achievement of peaceful and inclusive societies¹⁰.

Specific objective 1.2: To contribute to the prevention of conflicts and to ensure capacity and preparedness to address pre- and post-conflict situations and build peace.

In 2017, IcSP actively supported the EU foreign policy objectives to contribute to the prevention of conflicts and to ensuring capacity and preparedness to address pre- and post-crisis situations and build peace. In particular the actions supported the priorities identified in the IcSP regulation, to promote early warning and conflict sensitive risk analysis, to facilitate the mediation and confidence building, to strengthen the capacities for stabilisation civilian missions, to improve the post conflict and post disaster recovery and to curb the use of natural resources to finance conflicts.

In 2017, IcSP committed EUR 29 million for activities supporting conflict prevention, peace-building and crisis preparedness

The IcSP continued the implementation of actions started in the previous years and approved a EUR 29 million package of new measures. The actions identified in the Annual Action Programme 2017 follow up on previous commitments and fund initiatives in new sectors identified in line with the IcSP Regulation. This includes support to civil society in third countries to prevent conflicts and build

peace, as well as contributions to inclusive peace mediation and dialogue processes at international, regional and local levels. Jointly with the UN and the World Bank, third countries are supported to build up their capacity to carry out Recovery and Peace Building Assessments to ensure post conflict and post disaster recovery. New initiatives were also launched to contribute to peace-building and stabilization efforts in mineral-rich fragile areas, for example by promoting responsible sourcing and trading of gold and diamonds in West Africa and Central Africa. Additional support was directed towards improving third countries' justice processes during conflict, post-conflict and transition periods focussing specifically on the areas of constitution-making, formal and community based transitional justice processes. A further focus of IcSP activities is to ensure that the prevention of violent extremism is undertaken with a gender-sensitive approach. Finally, support will also be directed to help third countries prevent and reduce the vulnerabilities of the education sector in crisis-situations.

The European Union Police Services Training II (EUPST II): EU security forces, working together to train participants in EU Missions

The European Union Police Services Training II (EUPST II) project is an example of the work that IcSP is funding to strengthen the capacities of the EU's crisis management missions.

EUPST II has trained more than 2000 gendarmes and police officers to be deployed in EU Civilian stabilisation missions

EUPST II brings together a consortium of 17 police and gendarmerie services from 13 EU Members States to organise comprehensive live exercises, academic conferences and other training activities to help police and gendarmerie personnel prepare for their deployment with EU or other international civilian stabilisation missions. In total over 2000 police

¹⁰ Regulation (EU) 2017/2306 of the European Parliament and of the Council of 12 December 2017.

officers and gendarmes from EU Member States or troop contributing countries have received training so far in the course of the project that began in 2016. In the past year, the project has actively built cooperation with third countries, particularly in Western Africa, providing "train the trainer" courses through the Kofi Annan International Peacekeeping Training Centre. Moreover, it has been instrumental in establishing a close cooperation and a network of practitioners between different Member States police and gendarmerie services thereby facilitating the sharing of best practises and harmonisation of training modules. Training modules developed (e.g. human rights and interoperability in executing operational policing tasks in international settings) will be shared with the European Security and Defence College (ESDC) in order to increase their availability to all EU operations and Member State entities thereby contributing greater knowledge and mutual learning while also realising complementarity with actions under CSDP.

Civil Society: an important partner in conflict prevention

In 2017, the IcSP continued supporting civil society actors - both in Europe and in third countries - active in crisis response and peace building, in order to strengthen societal resilience and nurture positive change in contexts affected by conflict, fragility and weak governance. This is fully in line with the '*Global Strategy for the European Union's Foreign And Security Policy*' of the High Representative/Vice president and the Council Conclusions of 2011 on Conflict Prevention.

In 2017, IcSP launched 20 projects in 10 different countries supporting Civil society in peacebuilding activities.

In Europe, the IcSP continued to enhance the dialogue between EU decision-makers and European civil society actors through the Civil Society Dialogue Network (CSDN). This action allows to increase the visibility and access of civil society organisations (including from third countries) to international stakeholders such as EU institutions and its Member States thereby helping the latter better anticipate and respond to violent conflict and crisis. Conferences and dialogues were organised on a wide range of peace-building related topics or specific geographic areas (*inter alia*: Iraq, Syria, Ukraine, Responsibility to Protect, Preventing Violent Extremism) leading to formulation of concrete proposals for possible actions – by the EU and civil society.

The IcSP supports directly Civil Society Organisations in third countries to perform their roles as independent peacebuilding actors in areas such as mediation and dialogue, confidence building and prevention of violent extremism. Particular attention was given to the involvement of women and youth in such processes, in line with EU commitments under UNSCR 1325 on Women, peace and Security and to UNSCR 2250 on Youth, Peace and Security. For example, IcSP support in Afghanistan enabled women and girls to take part in local decision-making and mediation processes to enhance their protection. The project "Strengthening women's role in peace" which secured the involvement of religious leaders/scholars contributed definitively to breaking down informal and formal barriers to women's rights. In Pakistan, IcSP support enabled civil society to sensitise and strengthen the capacities of hundreds of religious leaders to work on peacebuilding issues as well as tolerance and social cohesion related skills. In a global context of shrinking space for civil society, IcSP represents a viable option for targeted EU support particularly in situations where few such openings exist (as it was the case, in 2017, for support to civil society in Burundi and Venezuela).

ERMES: A mediation tool for short-term actions with long term objectives

The IcSP-funded project "European Resources for Mediation Support"(ERMES) has gained an important place in the EU's mediation toolbox thanks to its capacity to deploy rapidly worldwide.

ERMES around the world 56 assignments implemented since 2014



ERMES has enabled the EU to assist conflict parties, third party mediators and groups participating in inclusive peace processes, in the context of local, national or international armed conflicts, or for preventive diplomacy purposes through short-term operational support, technical assistance and capacity-building activated in some cases within 48 hours. ERMES II (from June 2016) deployed a total of 30 experts to support peace mediation and dialogue processes and facilitated organisation of 13 events (peace meetings, dialogue talks, ad hoc conferences) the majority of which have focused on Middle-East and Africa in line with the EU's foreign policy priorities. An external evaluation completed in 2017, recognised that "ERMES has clearly contributed to facilitating EU support to third parties engagement in inclusive peace mediation and dialogue processes at the international, regional and local levels, through the different types of interventions and it has generated confidence and appreciation throughout the EU to mobilize its resources and capacities, and its reputation has been rising up positively."

ERMES greatly complements the EU's own diverse roles as a mediator, for example as a facilitator of high level political discussions or supporter of unofficial dialogue at local level, or funder of other actors mediation efforts, including civil society actors or international organisations. ERMES acts as the main EU mediation tool and is fully integrated with IcSP support to various other mediation actions, in particular support given to the UN Mediation Standby Team of Mediation Experts and a joint EU/UNDP and UNDP action on Insider Mediation ("insider mediation").

How technology can help preventing conflicts in the exploitation of diamonds

The production and commercialization of diamonds has fuelled conflicts in many African countries and struggles over property rights are often at the core of these conflicts.

Violent contestation and conflicts over the control of and access to mining sites has long characterized the resource tenure issues in the artisanal and small-scale mining sector. Artisanal miners have little, if any, legal protection. The IcSP project "Property Rights and

Artisanal miners in Cote d'Ivoire can evaluate the rough diamonds using an app on their smartphone.

Artisanal Diamond Development" targeted the small artisanal diamond communities in northern Cote d'Ivoire contributing to increase the legal exploitation of diamonds. In particular, it focused on land property rights, on traceability systems to track diamonds from the point of extraction to the points of export, on tools

helping artisanal miners in the techniques of mining and evaluation of the diamonds, contributing to the conflict resolution and to resolving land and mining-related disputes. The project successfully mediated in many land related disputes and 20 village boundaries and mining related conflicts were solved in 2016-2017.

This action directly contributed to reducing conflicts related to diamond exploitation and land use. A smartphone application for rough Diamond Evaluation provided hands-on, interactive education to miners offering them ways to determine price (evaluation) of rough diamonds. Aircraft and satellite imagery have also been used to verify how land is used.

A historical moment in the fight against Sexual and Gender Based Violence

The former president of Chad, Hissène Habré, was convicted by the Extraordinary African Chambers in Senegal of crimes against humanity, including sexual violence. The sentence, confirmed by an appeal court in 2017, was also possible thanks to the expertise provided to the Court under an action "Gender-sensitive Transitional Justice" (AAP 2014). The original indictment did not include charges relating to sexual violence but thanks to decisive technical expertise on gender-based violence provided under the action, these crimes became a central feature of the trial and the Court found the ex-dictator personally responsible for committing sexual crimes. This action ensured that transitional justice mechanisms took into account and addressed past abuses to women.

It demonstrates how the EU can practically translate its commitments under UNSCR 1325 and the broader Women, Peace and Security Agenda in a way that includes the agency of victims and involves civil society actors and international organisations. IcSP has contributed to strengthening women's participation in peace-building and transition processes, to generating the evidence base on violence against women, and to ensuring that responses to conflict are more gender-sensitive.

For more information on performance indicators, see Annex 12 and for a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft EU Budget.

Foreign Policy Regulatory Instruments

The Service for Foreign Policy Instruments (FPI) serves as the Commission's lead service for restrictive measures (sanctions) and other foreign policy regulatory instruments such as the Kimberley Process (KP) Certification Scheme on conflict diamonds and the so-called 'Anti-Torture' Regulation concerning trade in certain goods which could be used for torture or capital punishment (Regulation 1236/2005 as amended). These three EU foreign policy regulatory instruments impose certain trade restrictions in order to achieve EU Common Foreign and Security Policy (CFSP) and human rights policy objectives.

1. Restrictive measures (sanctions)

Sanctions are an essential EU CFSP tool used by the EU as part of an integrated and comprehensive policy approach. They serve to safeguard the EU's values, fundamental interests, and security, preserving peace, consolidating and supporting democracy, the rule of law, human rights and the principles of international law and/or preventing conflicts and strengthening international security. Sanctions seek to bring about a change in the policy or conduct of those targeted, with a view to promoting the objectives of the CFSP. They can target governments, entities, groups or organisations and/or individuals, but are developed in such a way as to minimise adverse consequences for those not responsible for the policies or

Restrictive measures: FPI formulated 20 proposals for Council including a new consolidated Regulation as regards restrictive measures against DPRK (North Korea), and 30 Commission Implementing Regulations concerning the UN-based ISIL and Al Qaida sanctions regime.

actions leading to the adoption of sanctions. In particular, the EU works to minimise the effects on the local civilian population and on legitimate activities in or with the country concerned.

FPI's role as regards sanctions is determined by the Treaties, and in particular Article 215 TFEU which states that the Commission makes a joint proposal with the High Representative for a Regulation on restrictive measures. FPI is also responsible for monitoring of implementation by the Member States. Ensuring effective and uniform implementation of sanctions is a key objective.

As regards restrictive measures or sanctions, FPI prepared and negotiated joint proposals of the Commission and the High Representative for Council Regulations as well as Commission Implementing Regulations and actively monitored implementation by the Member States. In this context, FPI has been representing the Commission in meetings of relevant Council working parties, in particular the Foreign Relations Counsellors Working Party (RELEX) (typically meeting twice a week), as well as dedicated RELEX Sanctions meetings with officials and experts from capitals throughout each semester. In 2017, FPI prepared a total of 20 proposals for Council Regulations on sanctions, including a new consolidated Regulation as regards restrictive measures against DPRK (North Korea). Moreover, FPI prepared 30 Commission Implementing Regulations concerning the UN-based ISIL and Al Qaida sanctions regime.

FPI has reached out to Member States to encourage information-sharing on sanctions implementation and ensure compliance with the EU measures in place. As part of these efforts, FPI has prepared a Frequently Asked Questions document clarifying certain provisions of Syria Regulation 36/2012 with a view to facilitating humanitarian aid delivery. Furthermore, as part of EU efforts to strengthen the fights against terrorist financing and mitigate the risk of asset flight, FPI has taken further action to ensure swift and effective implementation of UN

sanctions, in particular those directed against ISIL (Da'esh) and Al Qaida. FPI has also been representing the Commission in meetings of the E3+3-Iran sanctions expert committee as set up under the nuclear deal and in meetings of the G7+ contact group on Russia sanctions as well as bilateral talks with the US on implementation of their Countering America's Adversaries Through Sanctions Act. Throughout the year, FPI has shown its ability to table complex EU sanctions proposals in record time and ensure that the EU could quickly react to political developments.

Furthermore, FPI has completed the development of a new electronic platform for information-sharing on sanctions implementation issues among Member States' competent authorities and with the Commission, and worked to further improve its financial sanctions database developed to assist financial institutions in identifying persons and entities that are subject to EU sanctions (asset freezing measures). In parallel, FPI has worked closely together with the Estonian Presidency of the Council to develop a new interactive sanctions map, which serves to inform the wider public about all EU restrictive measures in place and which is hosted on FPI's website from 1 January 2018, providing economic operators and other stakeholders as well as the public at large with easily accessible information.

Overall, these FPI actions have reinforced transparency on sanctions and raised the awareness of economic operators and other stakeholders on how to apply restrictive measures.

2. Kimberley Process

The Kimberley Process is a global tri-partite initiative between governments, industry and civil society, launched in May 2000 under UN General Assembly Resolution 55/56 to stop the trade in 'conflict diamonds'. The purpose of the initiative is to ensure that rough diamonds do not finance violence by armed rebel groups against legitimate governments. The KP has served as a unique tool for conflict prevention and an important catalyst for good governance and transparency in natural resources management. Today, the KP has 81 member countries, representing more than 99% of global rough diamond production and trade.

The Kimberley Process Certification Scheme is based on a Core Document setting out the requirements for controlling rough diamond production and trade. Under the terms of the Scheme, Participating states must meet 'minimum requirements' and must put in place national legislation and institutions, export, import and internal controls and also commit to transparency and exchange of statistical data. Participants can only legally trade with other Participating states which have also met the minimum requirements of the Scheme, and international shipments of rough diamonds must be accompanied by a KP Certificate guaranteeing that they are 'conflict-free'. Implementation of the Scheme is monitored through review visits, annual reports and exchange of statistical data.



After having served as vice-Chair in 2017, FPI will chair, on behalf of the Commission, the Kimberley process in 2018. The KP has 81 member countries, representing more than 99% of global rough diamond production and trade.

The EU is the world's largest trading centre for rough diamonds - in 2017 it issued more than 30.000 KP certificates for 128.1 million carats, valued at \$ 20 billion. Given that trade in rough diamonds falls within the remit of the Common Commercial Policy (Article 207 TFEU), the EU is a single KP 'Participant' and as such represented by the Commission through FPI. In November 2016, the EU was selected by consensus among all 54 Participants representing 81 countries as KP Vice-Chair for 2017 and KP Chair for 2018. After having served as KP Chair in 2007, this

is the second time for the EU to hold the KP Chairmanship. The function of KP Chair, which rotates on an annual basis, implies overseeing operations of the KP Working Bodies, implementation of the KP Certification Scheme and the ongoing debate on KP reform. Reform is crucial to ensure that the Scheme can continue to deliver as a unique tool for conflict prevention and a catalyst for good governance and transparency in natural resource management. While ensuring the vice-Chairmanship of the Kimberley Process in 2017, FPI worked closely with the EEAS, Commission services, EU Member States, Australia as the 2017 KP Chair, other third countries and stakeholders to help launch the reform process.

In early 2017, FPI successfully handed over the EU's Chairmanship of the KP Working Group on Monitoring to South Africa. The Working Group on Monitoring is one of the most important KP working bodies as it oversees the KP peer review system and deals with country compliance issues. As outgoing Chair of this working group, FPI has ensured endorsement of a new Guidance Note on the organisation and conduct of review visits. FPI has also been playing an important role in decisions of the KP Monitoring Team to declare certain sub-prefectures in the Central African Republic 'compliant zones' as per the Operational Framework for the resumption of exports of rough diamonds from the Central African Republic, which over time should enable the country to generate substantial revenues for the provision of basic services. Furthermore, FPI has been actively involved in KP efforts to support the four Mano River Union countries (Côte d'Ivoire, Guinea, Liberia and Sierra Leone) in further implementing their strategy and action plan for a joint approach to address KP compliance issues with a regional dimension. Support under the Instrument contributing to Stability and Peace has been mobilised for this purpose.

Whilst currently the Kimberley Process (KP) has a limited mandate - addressing situations where rough diamonds are used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments - the KP has successfully limited the trade in conflict diamonds, from up to 15% in the 1990s to less than 1% today.

3. 'Anti-Torture' Regulation

The 'Anti-Torture' Regulation, which is also based on the Common Commercial Policy, helps to prevent EU involvement in violations of human rights in third countries. The Regulation prohibits exports and imports of goods which have no practical use other than for the purpose of capital punishment or torture. It also imposes controls on exports of certain goods which could be used not only for the purpose of torture and other cruel, inhuman or degrading treatment or punishment, but also for legitimate purposes. The list of goods subject to export controls also covers certain medicinal products such as sodium thiopental that have been used for executions by lethal injection in countries where the death penalty still applies. Importantly, this regulation has led to an effective self-regulation of the pharmaceutical industry and has made it difficult for the authorities of third countries such as the United States to procure medicinal products for executions by lethal injection.

FPI in its role as the Commission's lead service for this Regulation has been directly involved in the preparations for the launch of the Global Alliance (which comprises the EU and 58 countries) to end trade in goods that could be used for torture or capital punishment, which took place at a high-level event in the margins of the UN General Assembly ministerial meeting in New York on 18 September 2017. In this context, FPI has reached out to third countries encouraging them to develop and adopt legislation similar to the 'Anti-Torture' Regulation.

Overall, the EU regulatory policy instruments face multiple challenges in a global context. In sanctions, the swift transposition of UN restrictive measures remains crucial for their effective

implementation by EU governments and economic operators. With respect to the Kimberley Process, the 2018 EU Chairmanship provides a unique opportunity to ensure joint efforts and a common sense of purpose with all relevant stakeholders for rendering the KP reform agenda successful. Finally, the Anti-Torture Regulation relies on an active engagement of national authorities who must ensure that the applicable trade restrictions are properly implemented in the EU.

Common Foreign and Security Policy operations

The European Union's Common Foreign and Security Policy (CFSP) operations contribute to the preservation of peace, the prevention of conflicts and strengthening international security. CFSP is one of the main tools used to implement the European Union's Global Strategy for Foreign and Security Policy, the relevance and importance of which are demonstrated by events worldwide.

For CFSP operations, there is no over-arching instrument (basic act) adopted for the full period of the multiannual financial framework period. For the CFSP to be effective, the EU needs to be ready to react rapidly and with determination, to respond to new emerging threats to its strategic interests. As and when needs or opportunities for action arise, the Council adopts specific decisions under the CFSP provisions of the Treaty on European Union (TEU). Typically the decisions provide for:

- The conduct of civilian CSDP Missions to promote stability and build resilience through strengthening rule of law on the strategic and operational levels in fragile environments.
- The work of the European Union's Special Representatives (EUSRs) who promote the EU's policies and interests in troubled regions and countries and play an active role in efforts to consolidate peace, and to promote stability and the rule of law.
- Actions to combat the proliferation of weapons of mass destruction (including their delivery mechanisms) and to combat the illicit spread and trafficking of other conventional weapons, particularly through supporting effective multilateralism.

In addition, through the CFSP the EU provides funding for the European Security and Defence College (ESDC) and for the operation of the Kosovo¹¹ Specialist Chambers. The CFSP can also be used to fund other operations on the basis of Article 28 TEU¹².

FPI supports the preparation of the Council's decisions with its specialist project management skills and through preparation of the budgets. On the basis of the decisions of Council, the Commission adopts financing decisions to provide the necessary funding and then enters into the Delegation or Grant Agreements¹³ setting out the terms and conditions for the utilisation of the funds. Following the relevant Council Decisions, FPI supervises the proper management of the expenditure in accordance with the principles of sound financial management and keeps the Council updated on the financial aspects of the implementation of the actions.

¹¹ The use of the designation "Kosovo" is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

¹² As was the case for the first time in 2017 for the EU stabilization action for Mopti and Ségou regions of Mali.

¹³ Delegation Agreements are typically entered into with civilian CSDP Missions, EUSRs and international bodies, whereas Grant Agreements may be entered into with some partners implementing non-proliferation and disarmament projects as well as some bodies (such as the ESDC).

Given both the significant needs and opportunities for EU intervention, in 2017 FPI committed EUR 339.3 million for CFSP actions, EUR 12.5 million more than initially provided for in the CFSP budget. FPI made this possible (despite an EUR 85 million transfer in favour of the Facility for Syrian Refugees in Turkey) through careful active management of the CFSP budget (including the timely recovery of EUR 23 million of unspent funds) and close co-operation with DG Budget to reinforce the CFSP budget when needed with unspent funds from other budget lines and from the Emergency Aid Reserve (together totalling EUR 44.5 million). This situation contrasted to previous years where limited opportunities for effective action resulted in net transfers out of the CFSP budget.

FPI provides direct support to civilian CSDP missions and EUSRs so as to assist the achievement of their operational objectives, the sound financial management of their budgets, expenditure and assets and their compliance with regulations and policies. In doing so, FPI develops specific tools for the use of the civilian CSDP missions and EUSRs, such as guidance, documentation, procedures and framework contracts. In 2017, the Mission Support Platform - established in collaboration with the European External Action Service's Civilian Planning and Conduct Capability-, was fully deployed to provide centralised services to the missions efficiently and effectively.

Further progress was achieved towards the establishment of a revised and extended warehousing facility to provide centralised services to Missions.

Specific Objective 1.3: Support to preservation of stability through substantial civilian CSDP Missions and EUSR mandates

Given the crisis nature of situations in which CFSP actions are typically undertaken a key requirement for the success of actions is the speed with which they are launched and with which the necessary financial, managerial, logistic and human resources are provided.

For the financing of civilian CSDP Missions and EUSRs, in 2017:

- *100% of Commission Financing Decisions were signed within 1 month of the adoption of the relevant Council Decision.*
- *100% of Delegation Agreements were signed within 1 month of the signature of the Commission Financing Decision.*

Throughout 2017, FPI provided its expertise requiring on average less than eight days for the signature of a Commission Financing Decision for civilian CSDP Missions and EUSRs after the adoption of the related Council Decision. For the highly topical new civilian CSDP Mission in Iraq, the time between Council Decision and the Commission Financing Decision was even only three days.

This speed of action by FPI allowed the **civilian CSDP missions** to maintain high rates of deployment of seconded and contracted staff, albeit a deployment rate somewhat below the target of 86% for 2017. The main reason for this was the establishment of EUAM Iraq, which was only launched by the Council in the middle of October 2017. In other situations, Missions can find it hard to recruit candidates with all the skills that they would desire in hostile and difficult environments.

Actual v planned deployment of international staff in the main CSDP missions was over 80% in 2017.

As noted in the Global Strategy, engaging in preventative diplomacy and mediation, **European Union Special Representatives** play an important role in the implementation of the CFSP, particularly the EU's pre-emptive peace building efforts. They are instrumental in promoting

the Union's values and foreign policy priorities and in identifying appropriate responses to crises. In doing so, their work creates opportunities and conditions for success for both civilian CSDP Missions and other EU external actions.

By chairing human rights dialogues, the **EUSR for Human Rights** continued to highlight the EU's unwavering commitment to promoting and protecting human rights. As part of a broad effort to enhance co-operation, he constructively engaged countries on the important topic and further strengthened the EU's communication with multilateral institutions and bodies. Throughout his work the EUSR particularly addressed the rights of women, including their economic and political empowerment.

South Caucasus region

To encourage co-operation and build confidence in 2017 the EUSR for the **South Caucasus and the crisis in Georgia** actively brought together participants in the Geneva International Discussions to address issues such as the preservation of cultural heritage and archives. He also rapidly responded to emerging environmental threats affecting populations on both sides of the conflict, such as that posed to crops and forestry by a proliferation of pests, rapidly deploying expert assistance and facilitating follow-up with EU Member States co-sponsored workshops and EU funded responses.

The **EU Monitoring Mission in Georgia** (EUMM Georgia) also continued to encourage humanitarian conduct by the different sides. In particular, through its operation of the Incident Prevention and Response Mechanism, the Mission encouraged such aspects as age and medical condition to be taken into account in detentions (speeding-up releases) and facilitated the transportation of medical cases. It also encouraged the sharing of information between the different sides to the conflict on potentially destabilising activities, such as the installation of infrastructure along administrative lines or the controlled explosion of Explosive Remnants of War (ERW).

EUMM Georgia conducted over 4,800 monitoring patrols in 2017 to assess the security situation and any threats to stability along the administrative boundary between the breakaway regions of South Ossetia and Abkhazia and the territory under the direct control of the Georgian authorities.

The **EUSR for Central Asia** has strengthened EU co-operation with countries of the region which has led to improved regional co-operation in addressing security, economic and environmental challenges across the region, including in relation to sensitive topics such as border demarcation, river basin management and water use, etc. There has also been increased attention to the need to tackle the root causes of radicalisation and violent extremism as well as continued discussion of the need for a comprehensive approach to security and development.

Middle East

Behind the scenes exchanges and diplomacy of the EUSR for the **Middle East Peace Process** contribute to avoiding and de-escalating crises, as in relation to the al-Aqsa site in July 2017. In doing so, his work helps prevent exploitation of events by radical elements and spill overs between different areas. He also promotes sustainable improvements to peace, security and living conditions through co-ordination with other involved parties, as in relation to the return of the Palestinian Authority to Gaza. The EUSR also engages with women's movements such as "Women wage peace" to raise the status and role of women in the peace process.

The **EU Co-ordinating Office for Palestinian Police Support** (EUPOL COPPS) continued to support the establishment, under Palestinian¹⁴ ownership, of an effective and sustainable policing and wider criminal justice arrangements in accordance with best international standards. In 2017 considerable work and effort

In 2017 EUPOL COPPS provided training for 120 lawyers (of which 42 women) on the right to a fair trial.

by the civilian CSDP Mission came to fruition with the official adoption by Presidential Decree of the Palestinian Police Law and other

legislation prepared with the assistance of EUPOL COPPS was adopted including the 'Law on Cybercrime' and the 'Law on the Serious Crime Court'. A Manual on Human Rights was additionally co-produced for Palestinian High Judicial Council. To contribute to ensuring the security needs of the whole of society and counter discrimination, in co-operation with UN Women, the Mission supported the development of the Palestinian Civil Police Gender Strategy.

The **EU Border Assistance Mission for the Rafah Crossing Point** continued its important contribution to the Middle-East Peace Process through building the capacity of the Palestinian Authority's General Authority for Borders and Crossings and, in particular, enhancing the Palestinian Authority's readiness to return to and manage the Rafah crossing point when conditions allow. In doing so the Mission provided assistance on the preparation of strategies, action plans (including implementing an integrated border management strategy) and manuals (e.g. on tackling border threats and setting-up information exchange) as well as training personnel and supporting training facility refurbishment.

Western Balkans

In the Western Balkans the work of EUSRs has had fundamental impacts upon the stabilisation of the region. The EUSR for **Bosnia and Herzegovina** (BiH) facilitated continued progress on political, economic and European priorities through encouraging implementation of the Reform Agenda 2015-2018. As a result, medicine prices fell thanks to implementation in 2017 of the Pharmaceutical Rulebook saving the country's health funds around EUR 33 million. The EUSR also contributed to improved international co-operation of BiH, Serbian and Montenegrin border police, which now exchange information amongst them as well as with the EU Member States.

The EUSR for **Kosovo** communicates the EU's advocacy for the protection and promotion of the rights of all minority communities, encouraging reintegration in community and public life. During 2017 she supported the establishment of a Kosovo Croat Ethno-House and worked on facilitating the return of 12 Croat families under the EU's Return and Reintegration in Kosovo V programme. She also continued her support for the integration of Kosovo Serb law graduates in justice system, including through internships with courts and vocational training for the bar exams.

In 2017 the support provided by the **EU Rule of Law Mission in Kosovo** (EULEX Kosovo) to the Kosovo authorities towards their establishment of an independent and multi-ethnic justice system and police and customs services continued to yield demonstrable results. Recruitments in April to the Kosovo Prosecutorial Council, the Basic Court and the Basic Prosecution Office were based on a meritocratic process and progress has been made in

In 2017 EULEX KOSOVO contributed to the integration of 40 Kosovo Serb judges, 14 prosecutors as well as support staff in the Kosovo judicial system, thus significantly contributing to the Rule of Law in Kosovo.

¹⁴ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

achieving gender and ethnic balance; Civil Registry and Civil Status Agencies officially opened in 4 northern municipalities; elections took place without significant incidents. The mission also implemented EU-facilitated Dialogue Agreements in relation to judicial integration and the Integrated Border Management Technical Protocol.

During 2017 the **Kosovo Specialist Chambers** (KSC) became fully operational. The KSC are majority funded from the CFSP. Though part of the judicial system of Kosovo, the KSC have a seat in the Netherlands to be staffed with international judges, prosecutors and staff, so that criminal proceedings can be conducted in respect of particular crimes against humanity allegedly committed during and after the conflict in Kosovo.

Ukraine

The **EU Advisory Mission for Civilian Security Sector Reform in Ukraine** (EUAM Ukraine) concentrated in 2017 on supporting the development of the strategic framework of the Ministry of Internal Affairs (MoIA) and its subordinate agencies (National Police Ukraine, NPU, State Border Guard Service, BGS; State Emergency Service; National Guard; State Migration Service). To do so EUAM Ukraine developed a methodology, provided training on its use, assisted the drafting process commenting on drafts, and supported the authorities to consult it with the public. The strategy, which was adopted in November 2017, establishes co-ordination mechanisms, promotes the optimal use of resources and sets reform priorities for the MoIA and its subordinated agencies. In addition, the civilian CSDP Mission assisted the drafting of a new law "On National Security". Expected to be submitted to Parliament in early 2018, the law would provide an overarching legislative framework for civilian oversight of the entire civilian and military security sector including the Security Service of Ukraine and other intelligence services as well as law enforcement agencies. In 2017 EUAM Ukraine undertook a number of actions to improve the security and status of women and girls. In particular, it recommended changes to the criminal procedure code (CPC), which resulted in the inclusion in the Law on Domestic Violence and the Law on amendments to the CPC of several regulations which are compliant with the Council of Europe Convention on preventing and combating violence against women and domestic violence (the Istanbul Convention).

EUAM Ukraine in 2017 trained:

- *60 participants from the NPU MoIA Academy and prosecutors (around 60% female) to improve the capacity to investigate cases of gender based violence, secure evidence and provide support to victims;*
- *60 district police, juvenile prevention and Patrol Police officers (approx. 50% female) on human rights, gender and police response to domestic violence;*
- *19 female and 3 male representatives from the MoIA and its agencies to act as gender focal points and mainstream gender in the Ministry;*
- *Over 100 SSU officers on human rights (and facilitated a train-the-trainers approach).*

Africa

United Nations Security Council adopted Resolution 2374 (2017) imposing sanctions on those derailing the Mali peace process.

Supporting the implementation of the peace process in Mali is at the heart of the work of the EUSR for the **Sahel**. By encouraging and persuading the different parties involved, he

facilitated efforts to maintain and increase the pressure on all stakeholders to implement the peace process. The EUSR was also heavily involved in the discussions leading to the creation of the G5¹⁵ Joint Force to improve regional security in the Sahel.

¹⁵ The G5 member states are: Burkina Faso, Mali, Mauritania, Niger, and Chad.

In 2017, **EU Capacity Building Mission in Mali** (EUCAP Sahel Mali) supported the establishment of the Brigade d'Investigation Spécialisée (BIS), which strengthens the counter terrorist investigation capacity in Mali. In particular, the Mission assisted the drafting of the legal text establishing the BIS and the recruitment process as well as the provision of specialised equipment through a project. In addition, the Mission supported the BIS' investigation of the terrorist attack at the Kangaba resort. The Mission has also been assisting the establishment of the police component of the G5 Joint Force as well as the implementation of Mali's "Plan de Sécurisation Intégrée des Régions du Centre" through advising on the planning of force deployment and the development of a model security post. To contribute to improvements in the security and status of women and girls, EUCAP Sahel Mali provided training for the Malian Internal Security Forces on sexual and gender based violence (SGBV) as well as on child protection and gender issues and it rehabilitated the reception desk/rooms for victims.

Widening and expanding its partnership with Mali, on top of the support provided by EUCAP Sahel Mali, the EU allocated funding in accordance with **Article 28 of the Treaty on European Union (TEU)** for a team of experts to support stabilisation in the **Mopti and Ségou** regions.

In September 2017, the Nigerien Council of Ministers adopted the National Strategy for Internal Security, and the associated Action Plan, the preparation of which **EU Capacity Building Mission in Niger** (EUCAP Sahel Niger) had supported. This strategy is fundamental to achieving the required interoperability of the internal security forces. The national authorities also adopted a National Strategy against Irregular Migration, implementation of which the Mission supported with training, equipment and operations in the provinces. The capacity of local authorities has additionally been enhanced through the establishment of the Mission's field office in Agadez, which became fully operational in March 2017.

In North Africa, improved stability in 2017 has permitted a limited redeployment of the **EU Integrated Border Management Assistance Mission in Libya** (EUBAM Libya)¹⁶. A 'light presence' started in Tripoli as of December 2017. The first operational team on weekly rotation entered Tripoli one week later. Assessments of border management, law enforcement and criminal justice training and development needs are in progress and the Mission is contributing to the co-ordination of international support. To help Libya to secure its borders and fight against organised crime, the Mission supported the drafting by the National Team on Border Security and Management (NTBSM) of a "Concept Note towards a White Paper" on reforming Libya's border management approach. Progress is also being made in consideration of potential institutional and legislative reforms to establish an integrated border management system, the identification of priorities for the development of the coastal police as well as training priorities. EUBAM Libya has promoted the need to address gender issues in all its areas of engagement in particular co-operating on women's rights issues.

The **EUSR for the Horn of Africa** has focused efforts on progress towards a durable and inclusive security framework for Somalia, building on Federal Government of Somalia and the Federal Member States' agreement on a national security model and architecture for Somali forces of May 2017 (the London Security Pact). Working with the Federal Government of Somalia, the Federal Member States and key international partners, including the African Union (AU), the EUSR has helped push forward planning for transition from the AU-led military mission (AMISOM) to domestic Somali security forces. The EUSR also led the EU's diplomacy in the on-going Intergovernmental Authority on Development sponsored peace process for South

¹⁶ Previously due to security circumstances the remaining staff of the Mission had been relocated to Tunis.

Sudan. To secure a united international position at the peace discussions, he liaised closely with regional states (principally Ethiopia, Kenya, Sudan and Uganda) and key partners (US, UK and Norway amongst others).

The EU Capacity Building Mission in Somalia (EUCAP Somalia) continued to work with federal and regional authorities to enhance the capacity to effectively govern the coastline, internal waters, territorial seas and the exclusive economic zone. EUCAP Somalia has been especially active in supporting both the federal and member state authorities in planning and developing the civilian maritime law enforcement capacity to implement the agreed national security architecture. The Mission's mentoring specifically contributed to agreement that a Somali federal Coastguard be placed under the Ministry of Internal Security and the Mission helped develop necessary draft legislation. To support operational capacity development the Mission organised training for the Somali Police Force's Maritime Police Unit on a variety of topics ranging from the practical skills (such as boat-handling, seamanship, first-aid, engineering, etc.) to more administrative and legal issues (such as police-prosecutor co-operation).

Specific Objective 1.4: Support the implementation and promotion of:

- 1. strategy on non-proliferation of weapons of mass destruction in order to increase security in this area (WMD);**
- 2. strategy on combating illicit accumulation and trafficking of Small Arms and Light Weapons (SALW) as well as measures against illicit spread and trafficking of other conventional weapons;**
- 3. EU's policies in the field of conventional arms exports, in particular on the basis of Common Position CFSP/944/2008**

Complementing the important work of civilian CSDP missions and EUSRs on preventing conflicts and on restoring peace and stability, the EU has further expanded and enhanced its support for efforts to limit access to the means of violence and terror, be they small arms and light weapons, other conventional weapons or weapons of mass destruction.

FPI has provided, via its CFSP budget in 2017, funding for a further 13 non-proliferation and disarmament (NPD) projects bringing the total of on-going NPD projects at the end of the year to 26, with a total financial commitment of over EUR 70 million. In doing so, the EU has continued to demonstrate its commitment to and support of both multilateral and regional approaches to advancing peace and prosperity, priorities that were added to the Global Strategy in 2017. NPD projects funded from the CFSP have continued to have an impact on international peace, security and stability.

Supporting the non-proliferation of Weapons of Mass Destruction (WMD)

Building on the success of past projects, the EU provided additional funding to help States develop national action plans and strengthen their capacity to implement **UN Security Council Resolution 1540** (2004), which

In 2017 another five countries (Belize, Peru, Chile, Tajikistan and Panama) submitted National Implementation Action Plans for UNSCR 1540, taking the total to 31 countries.

places a legally binding obligation on all states to implement measures to prevent the proliferation of nuclear, chemical and biological weapons (and their delivery mechanisms) to all non-State actors, including terrorists. The financial assistance to the United Nations Office for Disarmament Affairs (UNODA) and the Organisation for Co-operation in Europe (OSCE) will allow these bodies to extend awareness raising, knowledge and experience sharing and

regional and international co-operation.

The EU committed EUR 8 million of additional financial support for instrumental work undertaken by the **International Atomic Energy Authority (IAEA)**. With this funding the IAEA is helping selected countries implement the Amendment to the Convention on the Physical Protection of Nuclear Material (ACPPNM). Promoted by the EU, that amendment, which

IAEA provided nuclear security assistance to 23 states with EU funding, 5 of which in the European Neighbourhood in 2017.

entered into force in May 2016, makes it legally binding for States Parties to implement appropriate measures to protect nuclear facilities and material in peaceful domestic use

so as to prevent thefts, to locate and recover any stolen or missing nuclear material, to protect against sabotage and to mitigate the radiological consequences of any sabotage. In 2017 EU funding supported the implementation of an IAEA international conference on the physical protection of nuclear materials and facilities. EU funding also allowed the IAEA to work with a number of countries on the development and implementation of Integrated Nuclear Security and Support Plans. In addition, IAEA provided training and support on a variety of different topics related to the physical and cyber security of nuclear materials and facilities.

The EU is, moreover, actively supporting the establishment of a low enriched uranium stockpile (LEU Bank) by the IAEA so as to reduce risks of the proliferation of WMD through the spread of sensitive nuclear fuel cycle technologies by providing for nuclear fuel to be supplied in a safe and secure manner.

The risks surrounding weapons of mass destruction though are not only from them getting into the hands of terrorists – there can be threats from State as well as non-State actors. Working in close co-operation with others the EU continues to prioritise strengthening international non-proliferation through effective multilateralism and promoting the universality of international treaties, conventions and agreements.

EU funded assistance to the Preparatory Commission of the CTBT Organisation contributed to improvements in the availability and quality of the vital data needed for effective monitoring of possible nuclear explosions.

The early entry into force and universalisation of the **Comprehensive Nuclear-Test-Ban Treaty (CTBT)** and strengthening the CTBT monitoring and verification system are important EU objectives. With EU funding, the Preparatory Commission of the CTBT

Organisation (CTBTO) maintained the operation of sensitive equipment around the world as well as maintaining and developing software at the international data centre. Further development of the CTBTO's on-site inspection capabilities also continued.

To further advance nuclear non-proliferation by complementing the CTBT and the **Nuclear Non-Proliferation Treaty (NPT)**, the EU has persistently advocated adoption of a treaty banning the production of fissile material for nuclear weapons or other nuclear explosive devices. At the end of 2017, the EU allocated EUR 1.2 million to finance outreach and knowledge sharing events of UNODA to build international awareness of and support for such a treaty.

Amongst many other achievements with EU funding in 2017 OPCW:

- *facilitated the participation of representatives from Asian, African, Latin American and Caribbean regional in visits to chemical weapon destruction facilities to enhance the transparency of the complete destruction of remaining chemical weapons;*
- *assisted 7 Caribbean and Central American countries to draft implementing legislation giving full effect to the CWC and national action plans for the adoption of the necessary legislation; provision of equipment for training sites used by OPCW inspectors;*
- *trained participants from 15 Asian countries on Emergency response to chemical incidents.*
- *promoted chemical safety and security in Africa including through training on the analysis of weapons related materials and the provision of academic and information materials for national authorities, governmental agencies, libraries and institutes.*

As well as the non-proliferation of nuclear weapons, the EU additionally works to combat the proliferation and use of chemical and biological weapons. Support for the work of the Organisation for the Prohibition of Chemical Weapons (OPCW) is an important part of this. EU financial assistance allowed the OPCW to undertake a wide-range of activities in 2017 to promote universalisation of the **Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC)** and its full implementation as well as to enhance the preparedness of countries to prevent and respond to attacks involving chemicals. EU assistance also supported the further development of OPCW's capacities through the provision of equipment for training facilities used by inspectors, the installation of new information management systems and the development of scientific and technological advice and recommendations as well as specific techniques for the analysis of toxins. The EU also continued to provide financial assistance so that the OPCW could gather information on and undertake analyses of allegations the use of toxic chemicals as weapons the Syrian Arab Republic and in 2017 the EU allocated an additional EUR 1 million of funding for the provision of satellite imagery to the OPCW so as to facilitate chemical weapon related monitoring in Syria. The EU additionally allocated EUR 2.5 million in 2017 so that OPCW could assist with the clean-up of a former chemical weapons storage site in Libya. In a similar vein, with EU funding, in 2017 the Organisation for Security and Co-operation in Europe (OSCE) started a project to assist the Ukrainian authorities with their development of the regulatory system on chemical safety and security, the establishment of a national reference centre for the identification of controlled and toxic chemicals and strengthening controls on cross-boundary movements of toxic chemicals.

To support universalisation and implementation of the **Biological and Toxin Weapons Convention (BTWC)** the EU continues to provide financial assistance for important work undertaken by UNODA. In 2017, a regional workshop for Pacific countries was held to promote universalisation of the convention through raising awareness to the convention and promoting efforts to accede to the Convention.

Samoa acceded to the BTWC in 2017 following attendance at an EU financed workshop.

The EU also funded activities to promote universalisation and effective implementation of the **Hague Code of Conduct against Ballistic Missile Proliferation (HCoC)**, which in 2017 included organisation of a number of meetings/seminars to foster dialogue between countries that already subscribe to HCoC and countries that are as yet not parties to the code of conduct as well as to share expert views on the proliferation of ballistic missile technology. In addition, in-country events were organised to further explain and discuss HCoC implementation with four (as yet) non-subscribing countries and four studies were prepared on ways to prevent ballistic missile proliferation. To continue such important activities, which are bearing fruit in the form of new signatories, at the end of 2017 the EU committed an additional EUR 1.8 million of funding.

Combatting the illicit accumulation and trafficking of Small Arms and Light Weapons and other conventional weapons and ammunition

Excessive accumulation and uncontrolled transfers of conventional weapons, including **small arms and light weapons (SALW)** and ammunition, contribute to national, regional and international instability, human rights abuses, humanitarian crises and terrorist and criminal atrocities. A stark example has been provided by recently published study¹⁷ co-funded by the European Union. It demonstrates that, while many of the weapons that Islamic State (IS) use

¹⁷"Weapons of the Islamic State", Conflict Armament Research, London, 2017 (see <http://www.conflictarm.com/publications/>)

in Syria and Iraq were likely captured on battlefields, IS has also obtained weapons (even advanced weapon systems) and, especially, recently produced ammunition as a result of unlawful diversions and retransfers.

As well as this important study of the sources of IS weaponry and ammunition, the three-year EU funded project also supported numerous investigations and enquiries across the Middle East and Africa and the preparation of important analyses such as the sources of weapons and ammunition used by Sudan armed forces and associated militias and weapon supplies to Yemen. It also continued to maintain and further develop IT systems, which allow the rapid entry of data and access to a free publicly accessible online mapping system (iTrace¹⁸). At the end of 2017, the EU committed a further EUR 3.4 million expand upon this important initiative for a further 24 months so as to continue the provision of relevant and timely information about illicit arms trafficking so as to contribute to Europe's collective security.

To contribute to regional and international peace, security and stability, the EU also provides funding for **practical support for measures to combat illicit accumulation and trafficking of SALW and their ammunition**, both in neighbouring countries and further afield.

Already in 2017, over 25 thousand surplus and illicit small arms and light weapons and over 240 thousand items of ammunition have been destroyed across South-East Europe.

For instance, at the end of the 2016 the European Union provided over EUR 6 million of funding for a new three-year programme to further strengthen the management and control of SALW and ammunition in South Eastern

Europe (SEE) thereby reducing surpluses, illicit possession, misuse and illicit trafficking of weapons both within SEE and towards the EU. This assistance is paying particular attention to the gender aspects of SALW associated violence and the consequent needs for sound controls of SALW transfers and reductions in SALW stocks.

In parallel, the EU committed EUR 1.3 million of funding for the Organisation for Security and Co-operation in Europe (OSCE) to increase the physical security and stockpile management (PSSM) of SALW in the Former Yugoslav Republic of Macedonia (FYROM), for the disposal of 461 tonnes of surplus ammunition in Georgia and to help Georgia improve its management of ammunition stockpiles.

In addition to regional initiatives, the European Union also provides political and financial support for a sustained and effective **multilateral** response in the fight against the illicit accumulation of, and trade in, SALW. In 2017 the EU committed over EUR 2.7 million of funding for a 24-month programme of activities to assist United Nations bodies prepare for a successful and relevant outcome of the third review conference of the 2001 UN Programme of Action to prevent, combat and eradicate the illicit trade in SALW.

The EU is also a consistent supporter of the universalisation and effective implementation of the **Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction**. To contribute to human security and bring forward an end to the suffering and casualties caused by anti-personnel mines, the EU committed EUR 2.3 million of funding to support the mine-clearance, provision of assistance to victims and stockpiles destruction aspects of the Maputo Action Plan for significant and sustainable progress in the implementation of the convention as well as for activities to promote and encourage adherence to the convention.

¹⁸ <https://itrace.conflictarm.com/Home/Login>

Promotion of effective worldwide controls on arms exports

To help in preventing irresponsible arms transfers, in line with the provisions of Council Common Position CFSP/944/2008, the European Union also promotes the application of effective controls on arms transfers worldwide.

Outreach activities supported and funded by the Union since 2009 were instrumental in raising awareness to the need for, and supporting the development of a legally binding international **Arms Trade Treaty (ATT)** and the EU has continued its support following the April 2013 treaty adoption by the UN General Assembly. Through a three-year programme of support, which was completed in 2017, the EU promoted the universalisation and full implementation of the Treaty. As well as awareness raising activities, expert assistance was provided to fifteen countries from across the world¹⁹ to facilitate the sharing of experiences on the challenges of and approaches for compliance with Treaty obligations.

The EU has also in parallel provided support for domestic and regional efforts to render international trade in conventional weapons more responsible and transparent. A two-year programme, completed at the end of 2017, provided assistance to 17 countries of the EU's southern and Eastern neighbourhoods and of South East Europe²⁰ as well as 17 west African countries²¹. Through a combination of workshops, study tours and targeted assistance, experience and expertise in the preparation, implementation and enforcement of legislation and administrative measures for the control of arms transfers was shared. Programme implementation also importantly fostered the regional and international co-operation necessary for arms transfer controls to be effective.

For more information on performance indicators, see Annex 12 and for a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft EU Budget.

Election Observation Missions

Specific Objective 1.5: Support and consolidate democratic reforms in third countries, by enhancing participatory and representative democracy, strengthening the overall democratic cycle and improving the reliability of electoral processes, in particular by means of EU Election Observation Missions.

A key objective in the EU Global Strategy is for the EU to do more to uphold and promote its essential values of democracy, rule of law and protection of human rights.

Election observation is a key element of the EU's human rights policy and makes a constructive contribution to the election process in third countries, thus promoting democracy and consolidating stability, particularly where the EU is engaged in post-conflict stabilisation. The deployment of Election Observation Missions (EOMs) brings substantial added value to the democratic process of partner countries as well as to the peaceful transition of countries

¹⁹ Burkina Faso, Colombia, Costa Rica, Georgia, Ghana, Jamaica, Peru, the Philippines, Senegal, Barbados, Cambodia, Ivory Coast, Dominican Republic, Togo and Zambia.

²⁰ Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine; Algeria, Egypt, Morocco and Tunisia (Libya was invited to events but did not attend); Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Kosovo (this designation is without prejudice to position on status and is in line with UNSCR 1244(1999) and the ICJ opinion on the Kosovo declaration of independence).

²¹ Benin, Burkina Faso, Cameroon, Cap Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo (Chad was invited to events but did not attend). China was also invited, but unable, to attend events.

emerging from civil strife or war.

The budget committed under that activity amounted to EUR 40.9 million.

In 2017, FPI deployed a total of **30 electoral missions** comprising over 700 international mission staff. 7 fully-fledged Election Observation Missions (EOMs) were deployed to observe the whole electoral process in **The Gambia, Timor-Leste, Kenya, Kosovo** (two deployments for legislative and municipal elections, respectively), **Liberia** and **Nepal**. Observation encompasses the campaign period, the legal framework, the political environment and the overall electoral process. On average, an EOM is present in the field for approximately three to four months, until the completion of the electoral process. The EOMs followed the objectives, principles and methodology of electoral observation developed over two decades of operational experience with a view to encouraging professionalism and transparency in electoral management, discouraging irregularities and abuse and inspiring public confidence in the electoral process. Therefore, the key programme achievements lie in the contribution to the **consolidation of democracies** in third countries by improving the reliability of electoral processes and in the implementation of a methodology which is considered as one of the most modern among those used by other international organisations. This methodology is based on a comprehensive and systematic observation of the electoral process including among others, the conduct of public and private media as well as issues linked to campaign financing.

11 Exploratory Missions were carried out in **Kenya, The Gambia, Angola, Kosovo, Liberia, Honduras, Tunisia, Nepal, Sierra Leone, El Salvador, and Paraguay** to assess whether a comprehensive EOM would be useful, advisable and feasible – several of these were already carried out with a view to 2018 missions.

In addition, a further 8 Electoral Expert Missions (EEMs) were deployed in **Angola, Algeria, Cambodia, Honduras, Kenya, Myanmar, Palestine and in Papua New Guinea to analyse the electoral process** and whose conclusions provided significant inputs to EU political dialogue with the partner countries. An EEM usually consists of two to four experts who meet with a broad range of election stakeholders and analyse the electoral process. Contrary to an EOM, they do not have media visibility.

Finally, 4 Election Follow-up Missions (EFMs) took place in **Peru, Malawi, Nigeria and Maldives**. EFMs are headed by the initial Chief Observer (MEP) and include a limited number of electoral experts and staff from EEAS and DEVCO and assess the implementation of recommendations made by previous EOMs. These recommendations - included in the EOM's final report - refer to possible improvements in the electoral process for example, providing additional technical assistance to the electoral commission and / or propose changes in the electoral legislation. EFMs aim to ensure a follow-up which focuses on the recommendations of EOMs on the improvement of electoral processes and are thus an increasingly important part of our work in the context of a results-oriented management.

Some of these missions were deployed in **volatile security environments** including the EOM to Kenya and Honduras and the EEM to Papua New Guinea:

- The EOM to **Kenya** was redeployed in a deteriorated context: the outcome of the presidential elections of 8 August was challenged and later annulled by the Supreme Court. During this second deployment, the observers faced two kinds of very different threats: on the one hand the terrorist threat with Al-Shebab groups regularly striking on Kenyan soil from neighbouring Somalia, and, on the other, political violence characterised by frequent demonstrations and hostile checkpoints. On social media,

many messages of hatred and anger were targeting international election observation missions and their chief observers.

- FPI took all the necessary steps to mitigate those risks in close cooperation with the mission, including the designing of ad hoc security measures (social media monitoring 24/7 by a dedicated cell, scouting vehicles ahead of observers, forward operation bases) to enable a credible work in the field by observers and Core Team analysts.
- The EOM to **Honduras** was a challenge in itself mainly because of the tremendous level of criminality prevailing in some parts of the country. FPI devised a suitable response to tackling existing threats in Honduras and let observers operate in a safe way, in close cooperation with the security expert of the mission.
- The EEM to **Papua New Guinea** comprised two independent electoral experts able to evaluate the conduct of parliamentary elections not only in the capital Port Moresby but also in the provinces. Given the high risk of car-jacking and abduction in Papua New Guinea, FPI provided the necessary budget for the contractor to accommodate and escort the experts during their stay in the country.

In spite of these difficulties, sound advance planning and good FPI cooperation on security with the service providers and the security services of the European Commission and the EEAS ensured that all obstacles encountered were addressed efficiently and in a timely manner.

The unstable political environment in several of the priority countries on the 2017 priority list led to the postponement of elections in several cases including Lebanon, Tunisia and Guinea Conakry. During the review of 2017 priorities at mid-term, it was decided that Kosovo municipal elections was added to the list.

Beyond operational planning and the conduct of electoral missions, FPI pursued the following structural measures with a view to further **improve EOM management**:

- Particular emphasis was placed on the **role and impact of EU EOM recommendations** to ensure that issues raised are mainstreamed into the political dialogue with the country concerned in the framework of a continuous follow-up process. In this regard, FPI, together with EEAS, deployed 4 Follow-Up Election Missions (EFM) in **Peru, Malawi, Nigeria and Maldives** to assess the implementation of recommendations made by previous EOMs, which provided fresh impetus to the national debate between major electoral stakeholders (authorities, political parties and civil society) on these recommendations and future electoral reform.
- At the end of 2017, the **Court of Auditors** published a **special report** entitled **"Election Observation Missions – efforts made to follow up on recommendations but better monitoring needed"**. The auditors have assessed whether the European External Action Service (EEAS) and the European Commission have adequately supported host countries to implement the recommendations made by EU Election Observation Missions (EU EOMs). After studying the cases of Ghana, Jordan, Nigeria and Sri Lanka, the Court acknowledges improvements on the follow-up to Election Observation Missions' recommendations in recent years but still calls for further improvements on follow-up and consultation on the ground.
- Work on **training and methodology** continued in 2017. A total of 50 trainees from 28 EU Member States participated in the courses provided by the second phase of EOM's

methodology and training programme Election Observation & Democracy Support (EODS II). A total of 6 trainings for Core Team experts and Observers as well as a series of workshops and seminars were organised, also involving partners in other EU institutions and Member States. With the EU's increased focus on assessing the impact of EU EOMs, methodology and training was geared towards further developing effective drafting of EU EOM recommendations and of how to do proper follow-up on EU EOM recommendations. EODS II also updated the set of guidelines for various methodological and operational aspects of EU EOMs. The project also contributed to building a reliable election observation capacity at regional levels and enhanced cooperation with other signatories of the Declaration of Principles for Election Observation as well as other partner election observation networks such as the OSCE, the Venice Commission, the African Union and the Arab Network for Democratic Elections. Finally, online learning tools such as the e-training for Short-Term and Long-Term Observers and the e-training on security for observers were improved. Given the increasing use of voting technologies in elections, EODS II will aim to address methodological questions regarding how effectively the EU EOMs can observe electronic voting procedures.

- FPI also contributed to the **mid-term evaluation of the EIDHR** which was finalised in 2017 and led by DG DEVCO, in particular to the EOM-related component of the Instrument. Analysing the Instrument at a macro-level, the evaluation concluded that EOMs continue to be an **efficient and effective flagship of EU foreign policy contributing to democratisation in partner countries**.
- Overall, EU election observation has reconfirmed its substantial contribution in the efforts of the EU to promote democracy and human rights values in different regions of the world. Yet, a major challenge for Election Observation is the indispensable need for full support of the governments of the hosting countries. It is their full and active ownership of electoral reforms recommended by the EU EOMs which can lead to a sustainable improvement of democracy in the countries concerned.

For more information on performance indicators, see Annex 12 and for a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft EU Budget.

Partnership Instrument

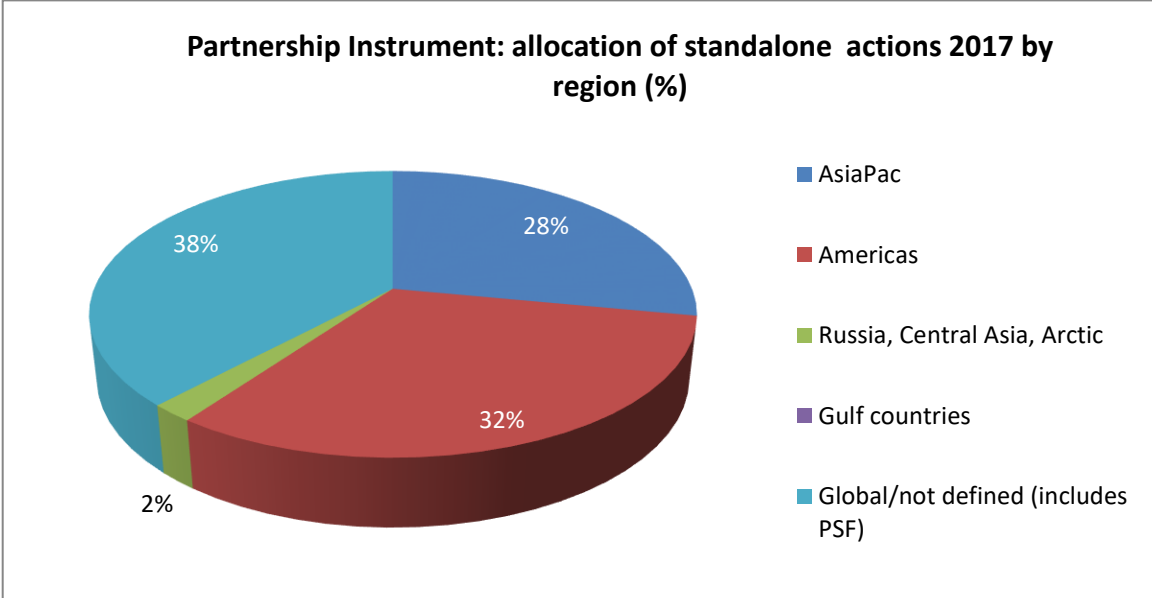
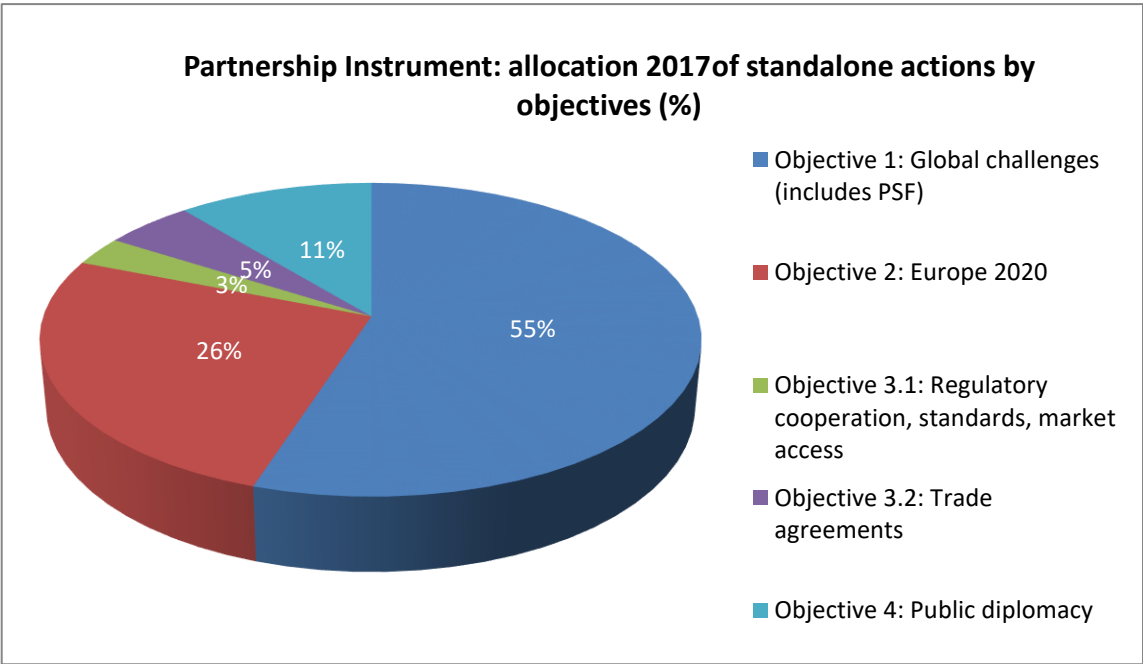
The Mid-Term Review of the EU External Financing Instruments concluded that the PI has effectively influenced policy/political processes in partner countries in line with EU interests and has contributed to development of mutually beneficial relationships with partner countries. An external evaluation carried out by Coffey confirmed that the PI is a directly relevant tool to support the EU's bilateral, regional and multilateral agenda as set out in the EU's Global Strategy and in line with several EU international commitments (notably Agenda 2030). The programming of the Instrument is focused on EU strategic objectives and interests, and its implementation is flexible to make it responsive to challenges, policy priorities and opportunities that have newly emerged or evolved since the Instrument was first created.

Ensuring synergies and strict complementarity of PI programmes with both EU external action instruments and internal instruments with an external window continued to be crucial, given the increasing number of activities in PI relevant domains. This challenge was overcome through a continued effort of coordination by FPI in particular in the context of the Quality Support Group process that screens projects before including them in the annual programme.

In terms of **lessons learnt**, the decision-making process has evolved towards more concentration on strategic EU priorities. Some aspects need further improvement: enhancing the active role of EU delegations in the formulation of actions; increasing the input invested by client services in preparing and implementing the actions; increasing information sharing with Member States; and improving the visibility, knowledge and understanding of the PI, especially within the EU institutions, so that its full potential is realised.

2017 has been a productive year for the Partnership Instrument (PI) which has now reached **full implementation speed**. Contracting for the Annual Action Plans (AAP) 2014, 2015 and 2016 has been completed, and formulation of the AAP 2017 was finalised. This gives a total to date of 81 stand-alone actions, which were complemented by 82 Policy Support Facility (PSF) and 56 TAIEX short-term actions.

In total, EUR 111 million were committed in 2017 under the Partnership Instrument.



FPI Specific objective 1.6: EU and partner countries have developed joint approaches and responses to challenges of global concern

Actions under the Partnership Programme enhance the ability of the EU to project its interests abroad and engage internationally on issues of global concern, fostering partnerships with strategic partners and beyond, underpinning peer-to-peer relationships, influencing partners' policy making and contributing to building global alliances and a level playing field. Activities underpin the growing recognition of the EU's key role on climate change, environment and energy while also advancing cooperation on responsible business conduct and security.

Under this objective, 13 new stand-alone actions were adopted in 2017²², for a total of EUR 64,15 million. The following are examples of on-going or completed actions where the PI reinforced cooperation or partnerships with partner countries:

The action "**Resource Efficiency Initiative – India**" supported the EU's environment policy dialogues with India, contributing to policy development and formulation, including through developing a draft national strategy on Resource Efficiency shared with the relevant government think tank and supporting the participation of India to the World Circular Economy Forum.

The action "**Clean Energy Cooperation with India**" (Policy Support Facility) revised the EU-India high level energy dialogue by implementing concrete activities on the ground that underpin the policy engagement. The off shore wind component of the action clearly contributed to the development of this renewable energy source in India for which the European Investment Bank is keen to provide financing for a first pilot plant.

The PI action has contributed to paving the way for EU- India partnerships in key sectors.

The action "**EU in Multilateral Asia**" supported high-level official meetings as well as second-track dialogue mechanisms, such as conferences, workshops and seminars, with ASEAN, ASEAN Regional Forum and Asia-Europe Meeting partners to enhance the EU's role and involvement within each of the fora and the region in general. The project also supported a series of communication and visibility activities and products to raise the visibility of EU-Asia cooperation.

"**Legal and Illegal Trade in Wildlife Species between the EU and Mexico**" (Policy Support Facility): Comprehensive analysis of the trade of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) listed species between Mexico and the EU (whether legally or illegally traded), in order to pave the way towards the development and implementation of actions to ensure their conservation, and guarantee that their trade is legal, sustainable and traceable.

FPI Specific objective 1.7: Partner countries take up measures and actions towards the implementation of the international dimension of the EU 2020 strategy

In 2017, PI enabled and concretely supported policy dialogue and cooperation with a wide range of partners for the realisation of the external dimension of the Europe 2020 strategy as well as for the strengthening of the EU's political relationship with partners more broadly.

Under this objective, 6 stand-alone actions were adopted in 2017, with a special accent on the

²² Among which a flagship project of EUR 20 million to support the implementation of the Paris Agreement by major economies, which received co-funding from Germany.

themes of Responsible Business Conduct and Economic Empowerment of Women. A few examples of a few finalised or on-going actions where the PI provided input for partner country approaches beneficial to the achievement of Europe 2020 strategy are provided below:

The action **"EU-China dialogue on migration and mobility"** supported the EU-China dialogue on migration and mobility. Concretely, the action increased awareness/knowledge on policies and practices of labour migration strategies as well as on the potential and scope of EU-China labour migration. It enhanced knowledge on irregular migration and addressing human trafficking while adhering to international standards and best practices, and supported exchange and knowledge enhancement on the practicalities of addressing returns and reintegration of migrants from the EU.

The dialogue with China is supporting EU political priorities on migration.

EU-India cooperation on ICT-related standardisation, policy and legislation: India is a strategic economic partner for the EU and a key player both in the South Asia region and at global level. Significant market access barriers exist in the Indian ICT sector and there is a risk that additional India-specific ICT standards could result in further market access barriers for European companies. The action is a clear example of how the PI supports mutually beneficial objectives. The project helped facilitate collaboration on standard setting and capacity building with a view to supporting the realisation of a digital society / the Digital Agenda. Furthermore, it acted as a catalyst for an active dialogue between EU and Indian experts from the public and the private sectors, leading to the identification of priority areas (including 5G and Intelligent Transport Systems) of cooperation.

The EU-India ICT cooperation helped addressing the issue of standards-related trade

The action **"Economic Empowerment of Women in Japan"** (Policy Support Facility), supported a High Level Seminar (HLS) on the economic empowerment of women and a EU-Japan comparative analysis on economic empowerment of women. It responded to a request to exchange information and experiences with the EU on gender issues as expressed in the 2015 EU-Japan Summit. A survey conducted in the margins of the HLS found that following the conference, 83% of the participants will most likely take action to economically empower women.

FPI Specific objective 1.8: Understanding and visibility of the Union and its role on the world scene is enhanced and widened

In 2017, PI public diplomacy actions allowed the EU to engage with a broad range of stakeholders in key partner countries in order to build trust and mutual understanding. Activities targeted students, academia, policymakers, civil society and cultural operators. The actions contributed to enhancing knowledge and understanding of the EU:

Under this objective, 1 public diplomacy action was adopted in 2017 covering academic cooperation and outreach under Jean Monnet and civil society engagement in Indonesia and Russia. On Cultural Diplomacy, action has been significantly boosted through two PI actions which operationalise the EEAS-EAC Joint Communication "Towards an EU strategy for international cultural relations". The following are examples of a few finalised or on-going actions where the PI enabled enhancing knowledge and understanding of the EU.

Under the action "**EU Policy and Outreach Partnership**", a high brand awareness of the EU was developed among targeted audiences in Singapore, Indonesia, Central and South America.

Under the action "**Cultural Diplomacy Platform**", mutual understanding was increased through intercultural dialogue and facilitated future cooperation among cultural operators from the EU and the EU strategic partner countries through the organisation of the second edition of the Global Cultural Leadership Training and cultural events in China (EU-China capitals of culture) and in India (International book fair – EU as guest of honour).

The Partnership Instrument is the only EU instrument specifically targeting public diplomacy

In 2017, several actions with India, Canada and South Korea dedicated to Public Diplomacy efforts were contracted, thus contributing to build mutual trust and understanding between the EU and the partner country. Under the 'civil society engagement', grants were awarded to CSOs in India and in the US in view of establishing or enhancing dialogues between civil society actors and local, national, regional or international institutions on policy areas of common interest to the EU and its partner countries.

The EU-Australia Leadership Forum (EUALF)

is a comprehensive tool of engagement to raise the profile and the importance of the EU-Australia relations across all sectors of Government including the Parliament as well as business, civil society, academia and the media.

At its Australian launch in October 2016, the Australian Foreign Minister referred to EUALF as "an important milestone in what is one of our most important relationships".

Specifically, it aims to effectively inform the formal agenda of the EU-Australia relations as well as to enrich the Senior Official Dialogues, through provision of ideas and informed input.

In addition, it provides a mechanism for the EU to share the international dimension of Europe 2020 with Australian leaders as well as a means to identify and advance work in priority action areas where Australia and the EU can work together. Ultimately, EUALF's objective is to deepen and broaden the partnership between the EU and Australia.

Engagement of EU and Russian think tanks and journalists

The aim is to bridge the gap between key EU-Russia expert communities in view of promoting mutual trust and understanding.

In the overall context of EU-Russia bilateral relations, public diplomacy has become a priority area for the EU work in **Russia**. Launched in November 2015, this initiative provided a direct impetus to strengthen people-to-people contacts between EU and Russian citizens and civil society by focusing on developing

and enabling dialogue, professional debates and exchange between high-profile think tanks and journalists who play an important role in forming public opinion in the EU and Russia. It has been instrumental in initiating discussion/debates and in sharing of diverse non-mainstream points of view in order to contribute to the development of an alternative public opinion discourse on the EU in the Russian society and vice-versa.

FPI Specific objective 1.9: Improved fulfilment of EU's economic interests (trade, investment and business)

In 2017, the PI strengthened engagement between the EU and economic and business stakeholders with a view to opening up market access and ensuring a level playing field for EU companies.

Under this objective, 3 actions were adopted in 2017 covering the areas of CSO involvement in trade agreements and business-related policy dialogues. Besides the standalone actions, several short-term actions were carried out through the PSF and TAIEX. The following examples of on-going actions illustrate how PI action has influenced processes related to market access and business opportunities:

The **EU Gateway | Business Avenues** programme was established a common monitoring methodology for assessing its contribution to the market entry to third markets. During 2016-2017, 15 business missions to China, Japan, Korea and South East Asia were conducted. In total 575 European companies participated and engaged into B2B with some 8,300 potential business partners in the above markets.



The Partnership Instrument has been one of the first EU instruments to get policy dialogues going in Iran and to pave the way for EU business

Supported by PI through TAIEX and PSF actions, the EU engages with Iran on a continued basis through policy dialogues combined with dedicated EU business forums. During 2017, several concrete actions took place in Iran supporting exchange between Iran and the EU on the environment (circular economy, water management and air pollution); a business forum on sustainable energy; technical events on subjects such as air pollution, nano-safety, anti-money laundering and fraud; as well as ensuring the participation of 8 international experts at the 2nd high level seminar on International Nuclear Cooperation and Governance in Esfahan.

Understanding Legal Economic Reform: The aim of this action is to support the EU trade and investment agenda and to better understand China's policy-making process. Through its Policy Support Facility (PSF), provision of expertise to follow, translate and analyse legislative and policy documents related to economic reform developments for the benefit of EU Delegation, line DGs, Trade Counsellors.

Assessment of FTA Implementation and its Effectiveness on EU Business Operators and Consumers in Korea: a PSF Study focused on the qualitative analysis and assessment of EU business operation in Korea, and of the benefits for Korean consumers. The project includes two conferences serving as a main platform for launching the study, in combination with the celebration event of the 5th anniversary of the FTA implementation, and for showcasing the results.

For more information on performance indicators, see Annex 12 and for a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft EU Budget.

Information outreach on the Union's external relations

Press and Information

The information and communication activities under this budget line implemented directly by the FPI were limited to the regular updating and maintenance of the FPI website and the management of the EU Visitors Programme (see below).

In line with the provisions of the FPI/EEAS service level agreement of December 2013, EEAS continued to provide services directly to FPI and other Commission services for implementing certain activities of the annual Press and Information budget for the benefit of the EU, both in its 140 Delegations worldwide and at Headquarters. The communication activities of the EU Delegations focused mainly on building and maintaining contacts with the media, responding to public enquiries, organising events often of a cultural nature, publishing newsletters, producing information and communication materials and promoting cultural diplomacy activities.

Finally, an important part of this budget was allocated to the financing of the digital Euronews service in the Farsi language which is implemented through a framework partnership agreement managed by DG CONNECT. During the second quarter of 2017, Euronews registered 4,3 million visits to its digital Farsi services, making it the 4th most popular language of the 12 language versions provided (see also Section 2.2.5 below).

EU Visitors Programme

In 2017, EUVP continued to enhance the quality and visibility of this long-standing and unique inter-institutional agreement between the Commission and the European Parliament on increasing knowledge of the EU among leader and emerging leader and opinion-formers from third countries via structural information visits to EU institutions and EU Member States. In 2017, EUVP organised 150 study visits, better tailored to participants' interests as well as to EU interlocutors needs. Participants – mostly young leaders – from third countries were received regularly by Members of the European Parliament, high-level officials from Commissioners' Cabinets and from other EU institutions.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by the Service. This section is divided in two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant for the Service.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial 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 Head of Service. The sources of assurance analysed by management are:

General sources of assurance

- regular reporting on **budget forecasts** (commitments and payments) in line with internal (in particular DG Budget) and external requirements (under the CFSP, as laid down in the Inter-Institutional Agreement or IIA);
- controls arising from **ex ante verification** by the central financial unit (FPI.1) for all HQ operations; controls arising in EU Delegations / Regional Teams through financial circuits;
- **"pillar" assessments** - indirect management: FPI bases its assurance on DEVCO compliance reports on international organisations and some agencies, performing its own pillar assessment in CFSP area (contracted externally in accordance with defined terms of reference);
- on-the-spot **monitoring missions** by FPI programme managers (IcSP/IfS, PI/ICI, CFSP) focusing on managerial aspects of implementation by the beneficiary/partner, progress towards achieving their objectives, and (CFSP) budget planning;
- reports of **supervision missions** carried out on delegations implementing FPI funds, in order to assess the effectiveness of the internal control systems in delegations;
- **expenditure verification reports** submitted by beneficiaries in support of payment claims (especially **final payment**) and conducted by FPI-approved external auditors following DEVCO practice (e.g. IcSP/IfS, EOMs);

- CFSP missions/EUSRs require external financial **audit reports** at final payment using a dedicated framework contract concluded by FPI;
- reports of **ex-post controls** by external auditors:
 - o **in direct management:** contracted using DEVCO models for terms of reference for Stability Instrument (IcSP/IfS), EOMs and for PI/ICI;
 - o **in indirect management:** contracted using terms of reference drafted specifically for FPI's needs in the case of CFSP and risk based verification missions (mainly in IcSP/IfS area for UN agencies);
- **annual reports of sub-delegated authorising officers** (at HQ) and by heads of EU delegation / Heads of the Regional Teams²³ managing FPI funds (IcSP/IfS and PI/ICI) which include a declaration of assurance;
- contributions of the Internal Control Coordinator, including results of **internal control monitoring** at FPI level; actions resulting from the **risk management** process;
- annual declarations by services having **cross sub-delegations** or service level agreements – SCIC, CNECT, ENER and the EEAS;
- **observations and recommendations by auditors:** the European Court of Auditors (ECA), the Commission Internal Audit Service (IAS), and the Commission's Accounting Officer (DG Budget) on the accounts and local systems;
- **annual assessment of effectiveness of internal control (iCAT)** on the representative sample of staff in Headquarters and Delegations;
- **limited conclusion of the Internal Auditor on the state of internal control in FPI.**

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 Head of Service of FPI.

Sector- or instrument-specific sources of assurance

Instrument contributing to Stability and Peace: Devolved delegations report regularly to HQ on **project implementation**. This includes financial information on the use of appropriations and is the basis for a regular review of budget implementation.

Common Foreign and Security Policy (Indirect management): Normally two pre-financing payments are made for CFSP missions, one for EUSRs. The second payment follows the acceptance of an interim report and financial statement. In addition, CSDP missions have to provide **monthly**, and EUSRs **3-monthly, implementation reports**. Indirect management - international organisations: Narrative and financial reports must be provided with each payment request. If project duration is more than 12 months, at least one report every 12 months plus a final report.

²³ Please refer to section 2.1.4 and Annex 7 for further details.

Election Observation Missions: FPI procures logistical services for each EOM by a framework contract which foresees pre-financing, as it is necessary to make a range of immediate payments on behalf of the Commission; the invoice is accompanied by a financial guarantee for the whole amount and for the duration of operation. An expenditure verification report by external auditors is required to make final payment.

Partnership Instrument: For the Partnership Instrument the substantial part of individual contracting (legal commitments) and resulting payments are managed by delegations. The supervision and internal control effectiveness in case of operations sub-delegated to delegations are ensured through the **supervision missions** (described below) of the FPI HQ staff.

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.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives²⁴. The Service'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.

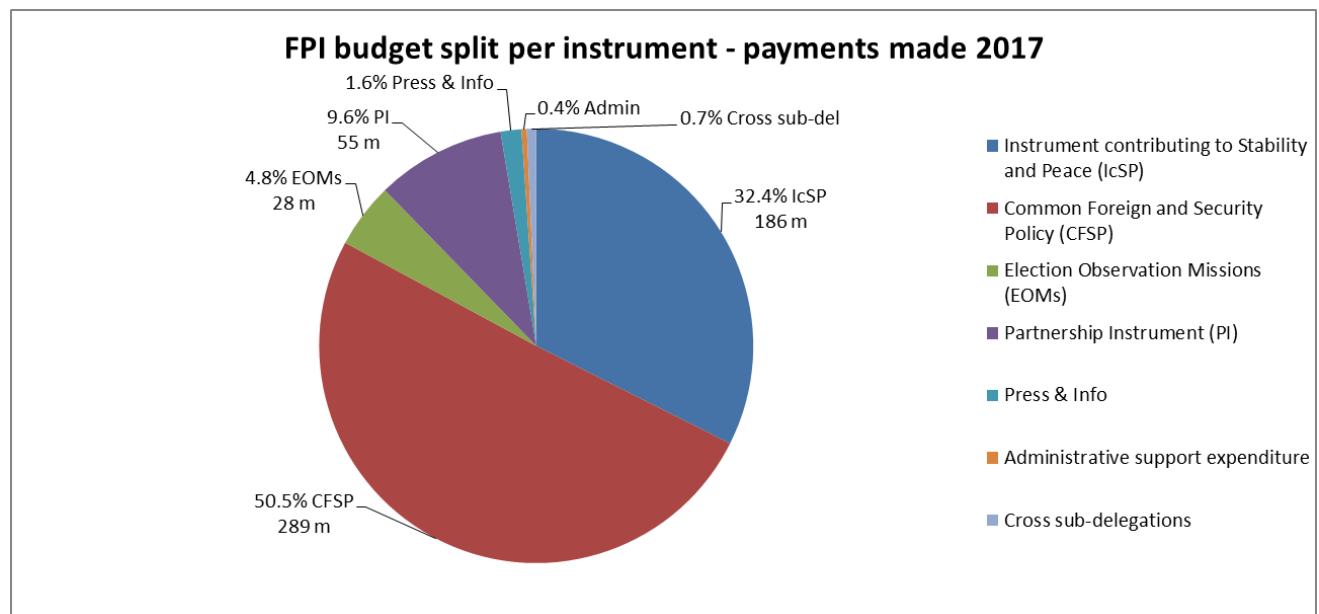
The overview of FPI operational funds in 2017 is presented below per instrument and per type of expenditure. The indicators included in this report cover all FPI operational expenditure.

The split between management modes is 40,3% direct management (either at headquarters or in Delegation) and 59,7% indirect management (mainly CFSP and IcSP).

Payments per instrument in 2017:

	Payments made 2017		Payments made 2016	
	EUR million		EUR million	
Instrument contributing to Stability and Peace (IcSP)	186,11	32,42%	264,01	45,61%
Common Foreign and Security Policy (CFSP)	289,68	50,46%	233,01	40,26%
Election Observation Missions (EOMs)	27,80	4,84%	20,68	3,57%
Partnership Instrument (PI) *	55,37	9,64%	38,97	6,73%
Press & Info	8,87	1,55%	8,97	1,55%
Administrative support expenditure	2,29	0,40%	8,35	1,44%
Cross sub-delegations	3,97	0,69%	4,83	0,83%
Total	574,09	100,00%	578,81	100,00%

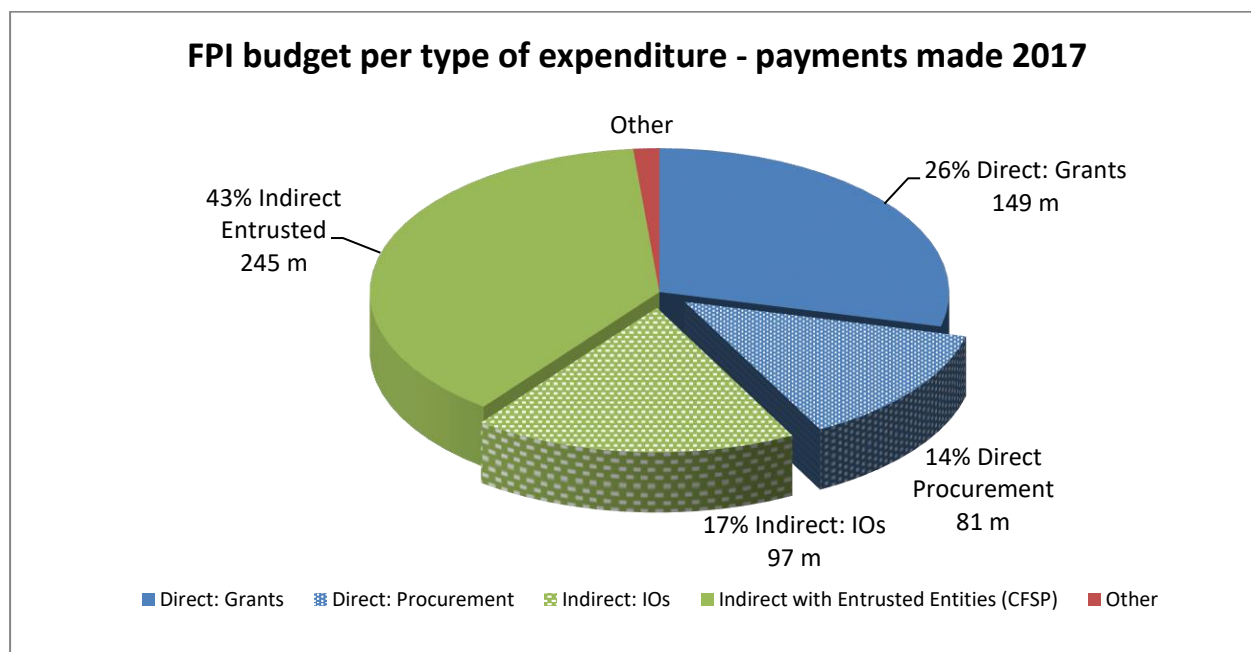
* EUR 55,37m + EUR 0.11m cross sub-del with SCIC + EUR 0,75m cross sub-del with ENER = EUR 56,23 as per Annex 3



²⁴ 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 programmes as well as the nature of the payments (FR Art 32).

Payments by type of expenditure in 2017:

		Payments made 2017	
		EUR million	%
Direct:			
	Grants	149,18	26%
	Procurement	81,36	14%
Indirect:			
	International Organisations	96,95	17%
	Entrusted Entities (CFSP)	245,50	43%
Other		1,09	0%
TOTAL		574,09	100%

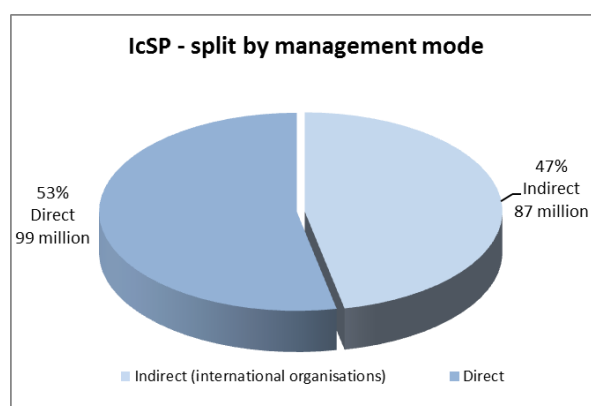


Instrument contributing to Stability and Peace

Whereas under the Instrument contributing to Stability and Peace (IcSP/IfS) the financing decision and budgetary commitment are effected by HQ services, the subsequent individual contracting (legal commitments) is predominantly managed by the delegations. Until 1 September 2017, FPI relied largely on the Commission staff attached to DG DEVCO and DG NEAR, which applied the same rules (Practical Guide, Companion etc.) and financial circuits as DG DEVCO or DG NEAR. As from 1 September 2017 FPI is pursuing the approach consisting of regional teams where its staff is concentrated in a number of regional teams to provide economies of scale in the management of IcSP projects and reduce reliance on staff of other external relations DGs. The financial circuits were adapted for this purpose with Head of Finance in the Regional Team acting as the AOSD on payments. As a consequence of the agreement reached with DG DEVCO and DG NEAR, FPI's contracts whose "end date of activities" expires on 31st August 2017 at the latest remained in their current locations under the responsibility of DEVCO/NEAR sections for their contractual and financial closure. All other contracts have been transferred to the Regional Teams concerned.

In 2017 about EUR 44.6 million or about 24% of IcSP projects (payments) was implemented by FPI HQ with EUR 141.5 million (about 76%) implemented by devolved Delegations. Detailed structure of the 2017 IcSP payments is presented in the tables below:

EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	24.87	66.78	91.65
Procurement	2.24	4.08	6.32
Delegation Agreement	16.43	70.62	87.05
Other	1.08	0.01	1.09
TOTAL	44.62	141.49	186.11
	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	13%	36%	49%
Procurement	1%	2%	3%
Delegation Agreement	9%	38%	47%
Other	1%	0%	1%
TOTAL	24%	76%	100%



The large proportion of implementation by international organisations (IOs) stems from the fact that FPI operations under IcSP are mostly crisis response concentrated in the regions with limited number of operating partners, where UN act often as a single-entry point. In addition, Art.4 of the Regulation establishing an Instrument contributing to Stability and Peace²⁵ requires close coordination with the UN. In 2017 almost 47% of payments (EUR 87 million) under IcSP were done under indirect management mode to international organisations.

As an illustration, in 2017 29 delegation agreements under indirect management were signed for a total amount of EUR 56 million. 46% of the total amount was signed with UN agencies (17 delegation agreements for a total amount of EUR 26 million). The majority of the other delegation agreements were signed with EU Member State partners.

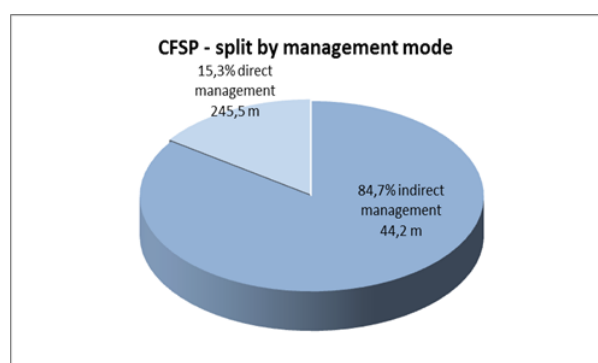
Common Foreign Security Policy

From the total budget implemented, 84,7% was managed under indirect management by CFSP missions (68.9% of the total budget committed), EUSRs (8.7% of the total budget committed) and international organisations (7.1%); and the remainder under direct management (15,3%) covering mainly the grant agreement with the registrar of the Kosovo specialist chambers. For indirect management in the field of the non-proliferation, FPI usually deals with international organisations from the UN family.

²⁵ No 230/2014 of 11 March 2014

EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	43.74	0.00	43.74
Procurement	0.45	0.00	0.45
Delegation Agreement	245.50	0.00	245.50
TOTAL	289.69	0.00	289.69

	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	15%	0%	15%
Procurement	0%	0%	0%
Delegation Agreement	85%	0%	85%
TOTAL	100%	0%	100%

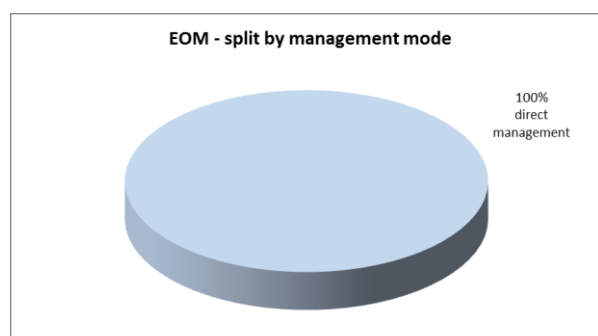


Election Observation Missions

The EOM programme is implemented under direct management (100%). Within the EOM programme, FPI was responsible for the implementation of EUR 40.9 million commitment appropriations and EUR 27.8 million payment appropriations. Due to the nature of the EOMs the operations are implemented through the framework contract, allowing for a rapid deployment of the missions.

EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	0.00	0.00	0.00
Procurement	27.80	0.00	27.80
Delegation Agreement	0.00	0.00	0.00
TOTAL	27.80	0.00	27.80

	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	0%	0%	0%
Procurement	100%	0%	100%
Delegation Agreement	0%	0%	0%
TOTAL	100%	0%	100%

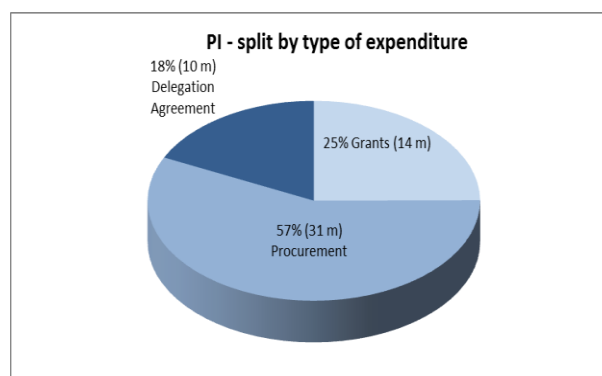


Partnership Instrument

The majority of actions proposed are contracted through procurement of services.

In 2017 about EUR 28.9 million or over 52% of the PI projects was implemented by FPI HQ with EUR 26.5 million (nearly 48%) implemented by devolved Delegations. Detailed structure of the 2017 PI payments is presented in the tables below:

EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	11.85	1.95	13.80
Procurement	11.41	20.26	31.67
Delegation Agreement	5.61	4.29	9.90
TOTAL	28.87	26.50	55.37
	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	21%	4%	25%
Procurement	21%	36%	57%
Delegation Agreement	10%	8%	18%
TOTAL	52%	48%	100%



Information outreach

The Press and Communication programme is implemented under direct management (100%). The EEAS/Delegations and DG CONNECT implement part of the budget. An amount of EUR 12 million was allocated on this budget line, with EUR 8.6 million entrusted to EEAS, EUR 0.27 million used for press and information contracts of FPI and EU Visitors programme and EUR 3.11 million used for Euronews in Farsi (managed by DG CONNECT under cross sub-delegation – please refer below).

Cross sub-delegations

As in previous years, FPI has cross sub-delegated funds on specific budget lines to other DGs as listed in the below table. Being Commission departments as well, all concerned Authorising Officers by Delegation (AOD) are required to implement the appropriations subject to the same rules, responsibilities and accountability requirements.

The cross sub-delegations arrangements require the AOD of these DGs to report on the use of these appropriations. In their reports, the AODs did not communicate any events, control results or issues, which could have a material impact on assurance.

cross sub-delegations		
Description	Fund Management Center	Paid Amount (M EUR)
Partnership Instrument	FPI/SCIC	0.11
Partnership Instrument	FPI/ENER	0.75
Press & Information	FPI/CNECT	3.11
TOTAL		3.97

Management concludes that the control results presented below cover all the internal control objectives relevant for FPI. They are based on reliable and robust information. Completeness is ensured by covering at least 90% of the budget by the analysis based on indicators. Therefore, the results presented below can be used as a source of assurance on the achievement of internal control objectives. The results on legality and regularity on the budget chapter ICI/PI indicate the need to maintain the reservation introduced in the AAR 2015. For details on the reservation please refer to section 2.1.5.

This reservation has no impact on the other FPI activities.

Table I – The summary of the main sources of assurance

Risk-type / Activities	Internal Control Objectives					Other assurance components				
	Grants	Procurement	Indirect mngt	Other	TOTAL	Legality & Regularity	Cost-effectiveness & efficiency	Fraud prevention & detection	Independent info from auditors (IAS, ECA) on assurance or on new / overdue critical recommendations	Reservation?
Instrument contributing to Stability and Peace (IcSP)	91,65	6,32	87,05	1,09	186,11	RER = 1,29%	😊	😊	No	No
Common Foreign and Security Policy (CFSP)	43,73	0,45	245,50		289,68	RER = 1.49%	😊	😊	No	No
Partnership Instrument (PI/ICI)	13,80	31,67	9,90		55,37	RER = 6.30%	😊	😊	No	Yes
Election Observation Missions		27,80			27,80	RER = 0,21%	😊	😊	No	No
Cross sub-del		3,97			3,97	Estimated RER < 2%	😊	😊	No	No
Press & Info		8,87			8,87	Estimated RER < 2%	😊	😊	No	No
Administrative exp.		2,29			2,29	Estimated RER < 2%	Not available	😊	No	No
TOTAL	149,18	81,36	342,45	1,09	574,09					
<i>Links to AAR Annex 3</i>	<i>See Table 2 – payments made for Overall total</i>				574,09					

Control Strategy

a) financial circuits model and ex-ante controls

The financial circuits of FPI follow the centralised model for payments in case of **operations managed in HQ**, with Head of FPI.1 fulfilling the role of AOSD for all the payments above EUR 3 million. **Centralisation of financial initiation and financial verification** aims to streamline the organisational structure and internal control systems to ensure further efficiency gains. Apart from processing the transactions under the financial circuits, FPI.1 offers support and guidance to FPI staff in operational units, EU Delegations, Regional Teams and CSDP missions on issues such as preparation and implementation of projects, assistance in interpretation of PAGODA provisions and support on conduct of tenders and other procedures.

The finance and contracts sector also plays an essential role in non-financial transactions. For example the Annual Action Programmes as well as all financing decisions are subject to the ex-ante verification of the FPI.1. This ex-ante review contributes to identification of potential issues at an early stage of implementation both in HQ and in Delegations and improves the ultimate quality of the documents.

For operations managed by EU Delegations, the year 2017 was the year of the concrete set-up of the five Regional Teams (RTs) through creation of the posts, recruitments and deployments of the staff on the ground. Procedures were set-up, in particular financial circuits and sub-delegations, so that the RTs were officially operational as from 1st September 2017. This included as well the transfer of the files (contracts) under the remit of DG DEVCO and NEAR to the respective RTs and to Headquarters, including the archives which had been distributed among the relevant DEVCO and NEAR delegations.

FPI.1 also takes an active role in all tendering procedures managed by the Service assuming the role of a chairman of evaluation committees for procurement procedures and call for proposals for grants. This role provides valuable value-added aiming at increasing the quality of the tender dossiers managed by FPI and securing the legality and regularity of the tender procedures.

b) ex-post controls

In accordance with the Financial Regulation, the authorising officers must put in place management and control structures and procedures suited to the performance of their duties, **including where appropriate ex post controls**. These are controls which are conducted after project implementation has been accomplished and all the transactions processed. They are designed to obtain an additional assurance that the control system works as intended, and that the initial ex ante controls are effective.

Ex post controls are essential for achieving a reasonable assurance, because: first, a **substantial part of the funds under IcSP and PI are sub-delegated** to be managed by EU delegations and second, the **CFSP budget is nearly entirely managed in indirect management by CFSP missions**, under the authority of Heads of Mission. Thus, FPI **ex ante verification cannot give a complete assurance** since it covers only those transactions processed by HQ services. For CFSP, verification by the ex-ante control unit at HQ covers all transactions up to and including the payment of funds to the

CFSP missions but does not cover the transactions effected by the missions themselves (contracting and payments).

The consequences in terms of ex post controls, controls assessing compliance with the requirements for indirect management (Article 60 FR) and other mitigating measures in the case of non-compliance are described below.

In accordance with ex-post methodology at least 10% of the payments of each instrument are covered each year.

In addition to the direct benefit of identifying expenditure to be recovered, the ex-post controls also assist FPI in the possible identification of system improvements to prevent the declaration of expenditure that is later identified to be ineligible. Thus, ex-post controls contribute to ensuring the continued functioning and improvement of controls at the level of the missions and, hence, to the reduction of potentially ineligible expenditure in the future.

c) assessment of the effectiveness of management and control systems

In the area of indirect management and direct management implemented by the EU Delegations FPI ensures that the management and control systems are robust and reliable before entrusting implementation tasks. This is achieved by pillar assessments in indirect management and by supervision missions in direct management.

Pillar assessments of CFSP missions

Indirect management by CFSP missions remains a challenge for the internal control system and the assurance and an area of risk in the operational budget. Before entrusting funds to CFSP missions in the indirect management mode the Commission must first ensure that they comply with the "pillar" requirements (Art. 60 FR).

For new missions in particular, compliance is not possible due to a particular feature of the CFSP operating environment, namely that CFSP missions are each time created on an ad-hoc basis. In order for them to be operational from day one, the Commission has to entrust them with funds necessary for their functioning, including procurement of equipment, without being able to have a prior assessment of compliance. While this situation pertains in every case where a new body or agency is created under the EU budget, the difference is that CFSP missions operate outside the EU and often in volatile security environments. Longer-established missions have now had a chance, with FPI assistance, to become compliant. During 2017 all pending Pillar Assessments were launched. As a result of that effort, seven out of ten missions are declared compliant with Article 60 FR representing the most substantial part of the CFSP operations: EULEX Kosovo, EUPOL Afghanistan, EUMM Georgia, EUPOL COPPS in the Occupied Palestinian Territories, EUAM Ukraine, EUBAM Rafah and EUCAP Sahel Mali (in January 2018). The number of CFSP Missions accredited has been increased from four to seven during 2017.

The situation of the three non-compliant longer-established Missions, which are no longer new, is as follows:

- In the case of EUCAP Sahel Niger, FPI has intensively supported the Mission to follow-up the Road Map of recommendations for the last months. On the basis of

the improvements (particularly on the six critical findings) FPI has foreseen a validation visit in the first quarter of 2018. FPI expects that the Mission could be declared compliant in the first half of 2018.

- For EUBAM Libya a new Road Map has been recently established with nineteen recommendations, ten of them with critical status affecting mainly the internal control and procurement system of the Mission. Important work on the follow-up of the recommendation and remedial actions is planned for 2018. FPI expects that the Mission could be declared compliant at the end of 2018 or early 2019.
- In the case of EUCAP Somalia (NESTOR) a new full pillar assessment has been launched in 2017. Preliminary information has identified weaknesses in the internal control system, accounting and procurement. A Road Map will be established in February 2018 and FPI will closely follow its implementation.

A new CSDP Mission in Iraq was established in 2017. FPI will proceed to the Pillar Assessment as soon as possible during 2018.

In order to provide assurance, FPI relies on ex ante and ex post controls and monitoring as well as the specific mitigating measures:

- **financial reporting** (delegated management reports) by the missions as fixed in the agreements concluded between the Commission and each CFSP mission.
- obligatory **external audits** before all final payments, also specified in the agreements;
- **monitoring** missions by FPI project managers; missions where financial management is identified as "at risk" may be subject to more intensive monitoring and support and FPI is putting in place arrangements to allow external procurement experts to be made available on an ad hoc basis to assist and advise missions;
- **monitoring/assessment of art. 60 compliance missions** by FPI staff: all pillar assessed missions are subject to monitoring. Such missions take place 6 months after a mission started in full indirect management mode. Subsequently approximately every two years compliant missions will be assessed again by external auditor under dedicated Terms of Reference;
- obligations regarding the main elements (procurement, segregation of duties, accounts and external audits) are specified in the agreements concluded between the Commission and each CFSP mission. Progressive implementation of the Article 60 criteria by the missions, subject to verification by the Commission.

Additional specific mitigating measures for not fully compliant missions:

- reinforced monitoring and support by the FPI project managers; missions where financial management is identified as "at risk" are subject to more intensive monitoring and support and FPI is putting in place arrangements to make available external procurement experts on an ad hoc basis to assist and advise missions.

- all procurement of more than EUR 20 000 is subject to **mandatory prior approval by the FPI HQ;**
- **clearing of pre-financing for non-pillar assessed missions** is done only based on audited final report.

Supervision Missions

Supervision Missions are a management tool to assess the effectiveness and efficiency of the management and control systems in place in EU Delegations implementing FPI instruments (the Instrument contributing to Stability and Peace and the Partnership Instrument) With this diversity of instruments and countries where FPI is active, there is a need for a tool to control and balance in an organised way the risks related to the complexity of its operations.

It is a process where, on the basis of a risk analysis, FPI selects a sample of decentralized spending units. Following a thorough assessment of each of them, as well as on-site visit, FPI is in a position to identify the interaction between all the actors involved in the system, to highlight shortcomings and issue recommendations.

Since 2015 13 Supervision missions have taken place. All the Delegations managing Partnership Instrument have been supervised once in every three years.



The purpose of these verification missions is to check not only whether Delegations and Regional Teams have the capacity to manage the responsibilities deriving from the sub-delegation but also whether the Internal Control Standards are correctly applied.

Their results allow FPI to draw conclusions on lessons learned and to share good practice and information which can be used in management decisions at all levels. Therefore, it is one of the most important tools to help the Head of Service to make FPI a secure place to spend the public money that is entrusted to the organisation.

FPI performed 4 supervision missions in 2017 in line with the 2017 annual plan: Russia, Canada, Haiti and Burkina Faso.

The priority for 2017 was to finalise the assessment of all Delegations managing Partnership Instrument projects, to control some Delegations managing IcSP projects where an important risk remains and to reinforce cooperation with the EEAS Inspection team.

The examples (*non-exhaustive*) of some findings and recommendations issued are presented below:

Burkina Faso: the assessment took place in April concluding that the Delegation is "Fully Effective" when it comes to running FPI operations. Moreover, the mission itself was a pilot project in the sense that it was organized jointly with the EEAS Inspection Division for which a separate report was issued. The outcome produced many immediate positive results in term of synergies, time spared and economies of scale. The EEAS will now build on the success of this mission to plan 5 similar joint-missions with DG DEVCO in 2018.

Russia: the assessment took place in April concluding that the Delegation is "Partially Effective" when it comes to running FPI operations and a number of recommendations were issued; some of which were implemented by year end. In particular, it identified that more internal discussion and common reflection were needed to provide greater clarity for the programming and allowing for full exploitation of synergetic links between the different sections of the Delegation.

Canada: the assessment took place in September ending up with 10 recommendations and the conclusion that the Delegation is "Partially Effective" when it comes to implementing FPI operations. As in the case of Russia, there is a need for more internal discussion on activities under the PI. Solutions and practical arrangements were agreed with the Delegation to improve efficiency in use of PI resources.

Haiti: the assessment was performed in October ending up with 5 recommendations and the conclusion that the Delegation is "Fully Effective" when it comes to implement FPI operations. The main recommendations were related to the monitoring of projects, the completeness of the old contracts and the risk management exercise.

In general, the process shows that the management and control systems in place meet the minimum requirements to make FPI an effective spending organization operating in a decentralized control environment. However, as in the previous years, the main findings identified were: need for more capacity building in financial circuits, dependence on colleagues from other Directorates General, document management and need to enhance further accuracy in procurement procedures in the Delegations managing Partnership Instrument projects. The implementation of the Regional Teams during 2018 will aim to mitigate these findings.

Number of specific findings per delegation				
Delegation	Number of findings Priority 1	Number of findings Priority 2	Number of findings Priority 3	Total number of findings
Burkina Faso	4	4	1	9
Russia	3	4	1	8
Canada	1	4	5	10
Haiti	1	1	2	4
Total number of findings	9	13	9	31

Follow-up of recommendations:

In 2017, FPI performed a follow-up of the 90 recommendations issued through 7 supervision missions made in 2015 and 2016: India, Korea, China, Mexico, Brazil, Japan, USA. This exercise was conducted through desk reviews, phone conversation and in the case of Mexico on the spot follow-up mission. All 90 recommendations are now implemented (or closed because they are obsolete following the set-up of the Regional Teams).

As in previous years and based upon the quality of its supervision methodology, FPI chaired the inter-service coordination meeting (with EEAS, DEVCO and DG NEAR) on exchanging good practices and improving cooperation between Headquarter services supervising Delegations.

Coverage of the Internal Control Objectives and their related main indicators

Control effectiveness as regards legality and regularity

FPI has set up 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. The main control objective for legality and regularity is to ensure that the multi-annual residual error rate does not exceed 2%²⁶ for any of the activities.

The sampling method applied by FPI for ex post controls is stratification per instrument and per risk category (low, medium, high). Both the detailed risk assessment (carried out based on specific criteria for each instrument) and the stratification per risk are carried out in accordance with the relevant guidance. The cost-benefit ratio and the geographical spread are also taken into account for the preparation of the annual plan of ex post controls.

Multiannual error rate (MER): FPI took 2014, the first year of the multiannual financial framework until 2020 and of the new instruments, as its base year for reporting this new requirement. Therefore, 2017 is the fourth year of using the multiannual approach of reporting on ex post controls. The results based on these four years (2014-2017) are presented below²⁷.

	Activity	Payments made in 2014 - 2017 (€)	Number of ex-post controls	Sampled amount verified (includes previous years)	Related total amounts paid (incl. pref)	Value audited = EC share of value claimed	Ineligible amount (€)	Amount to be recovered	Corrections made (i.e. debit note issued or amount registered for offsetting)	Detected error rate (=J/E)	Residual error rate of the sample = $\frac{[(J-K) + (G-E) \times L]}{G}$	Amount at risk in the population (€) = (CxL) - K	Multiannual RER in the population (%)
19.02	Crisis response and global threats to security (IFS/IcSP)	856 739 995	41	95 560 247	134 318 661	132 860 056	2 028 028	1 295 075	550 389	1,36%	0,95%	11 060 536	1,29%
19.03	Common foreign and security policy (CFSP)	1 068 443 238	26	91 749 696	158 425 675	142 191 475	1 459 971	1 445 076	930 685	1,58%	0,99%	15 897 507	1,49%
19.04	European Instrument for Democracy and Human Rights (EIDHR) - EOMs	103 739 460	8	18 766 847	21 145 186	21 144 630	44 277	44 277	25 344	0,24%	0,12%	219 411	0,21%
19.05	Partnership Instrument / Industrialised Countries Instrument (ICI/PI)	134 916 192	18	16 402 600	16 678 671	17 056 331	2 010 008	1 096 677	517 620	6,69%	3,58%	8 502 874	6,30%
	TOTAL	2 163 838 886	93	222 479 390	330 568 193	313 252 492	5 542 284	3 881 106	2 024 037	1,74%	1,13%	35 680 327	1,65%

FPI carried out a detailed analysis of the types of errors encountered at beneficiary level as a result of ex post controls. The majority of errors were linked to lack of adequate supporting documents, errors in the calculation of costs claimed, non-budgeted costs claimed and non-compliance with procurement rules.

The multi-annual residual error rate (RER) for 2014-2017 takes into account total ineligible expenditure detected and corrected compared to total payments made in 2014-2017. **Based on the multi-annual RER, FPI is of the opinion that the control procedures in place give the necessary guarantees for the legality and**

²⁶ Understood as multi-annual RER in the population for any of the activities

²⁷ The planning of ex post controls is still done on an annual basis

regularity of the underlying transactions except for ICI instrument where the rate of above 2% leads to a reservation. The analysis of the residual error rate (RER) indicates that the action plan implemented as a result of a reservation in the AAR 2015 has produced good results for budget chapter 19.03 CFSP with the multi-annual RER at 1.49% level, the reservation can be lifted. Still some actions from the action plan of 2015 were incorporated into the control strategy to ensure in the long-term effectiveness of controls is maintained. Both the reservation and the action plan are summarised below in section 2.1.5 and Annex 10.

In the context of the protection of the EU budget, at the Commission's corporate level, the Commission services' estimated overall amounts at risk and their estimated future corrections are consolidated.

For FPI, the estimated overall amount at risk at payment²⁸ for the 2017 payments made is EUR 8.1 million. This is the AOD's best, conservative estimation of the amount of relevant expenditure during the year 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 corrections²⁹ for those 2017 payments made are EUR 1.7 million. This is the amount of errors that the Service conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure³⁰ of EUR 6.4 million.

²⁸ In order to calculate the weighted average error rate (AER) for the total *relevant expenditure* in the reporting year, the *detected*, estimated or other equivalent error rates have been used.

²⁹ Even though to some extent based on the 7 years historic average of recoveries and financial corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the Service over the past years, the AOD has adjusted this historic average. Any coding errors, ex-ante elements, one-off events, cancelled or waived ROs, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes) have been adjusted in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure for the current programmes in order to get the related estimated future corrections.

³⁰ For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

Table II - Estimated overall amount at risk at closure

FPI	payments made	minus new ^a prefinancing	plus cleared ^c prefinancing [<i>minus</i> retentions (partially) released ^b and deductions of expenditure made by MS]	= "relevant expenditure" ^d	Average Error Rate (<i>weighted AER</i> ; %)	estimated overall amount at risk at payment	Average Recoveries and Corrections (<i>adjusted ARC</i> ; %)	estimated future corrections	estimated overall amount at risk at closure
	(EUR million)	(EUR million)	(EUR million)	(EUR million)		(EUR million)		(EUR million)	(EUR million)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Instrument contributing to Stability and Peace (IcSP)	186	163	115	138	1,36%	2	0,33%	0,5	1
Common Foreign and Security Policy (CFSP)	290	253	178	215	1,58%	3	0,36%	0,8	3
Election Observation Missions (EOMs)	28	24	17	21	0,24%	0			0
Partnership Instrument (PI)	55	48	34	41	6,69%	3	1,11%	0,5	2
Press & Info	9	8	5	7	0,50%	0			0
Administrative expenditure	2	2	1	2	0,50%	0			0
Cross sub-delegations	4	3	2	3	0,50%	0			0
Total	574	502	354	426	1,90%	8,1	0,40%	1,7	6,4

Columns (3) and (4) - the amounts of new prefinancing and cleared prefinancing were distributed in proportion to payments made.

Column (8) - the recoveries and corrections were allocated in proportion to recoveries and corrections done over the last 4 years.

^a New PF actually paid by out the Service itself during 2017 (i.e. excluding any PF received as transfer from another DG)

^c PF actually having been cleared during 2017 (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption')

^d For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see the ECA's AR methodological Annex 1.1 point 10), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts*] during 2017. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

^e For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate

^f differentiated for the relevant portfolio segments at a level which is lower than the Service total

⁹ for types of expenditure with indications that the equivalent error rate might be close to 'zero' (e.g. administrative expenditure), 0.5% Average Error Rate has been used nevertheless as a conservative estimate.

Cost-effectiveness and efficiency

Based on an assessment of the most relevant key indicators and control results, FPI 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 (where possible) of the benefits of controls.

FPI conforms to Article 66(9) FR by quantifying as far as possible the costs of the resources and inputs required for carrying out its controls and their benefits in terms of the amount of errors and irregularities prevented, detected and corrected.

The total cost of controls for FPI⁶⁴ is estimated at EUR 3,95 million, that is **0.69%** of operational payments executed in 2017 (EUR 574 million), which shows slight increase compared to the previous year (0.64% in 2016). The increase is associated with the deployment of the Regional Teams as of 1 September 2017, who took over the tasks previously accomplished by DG DEVCO and DG NEAR colleagues.

For FPI headquarters the approximate cost of ex-ante controls is EUR 2.87 million, whereas the cost of ex-post controls – EUR 1.08 million (with the total of EUR 3.95 million as presented in the table below).

Based on the analysis of the total cost of controls for 2017 and its trend over the last three years, FPI concludes that the controls put in place by FPI are considered to be cost effective.

		Cost of controls by management mode (EUR million)		
		2017	2016	2015
Direct	Grants	1.04	1.34	1.08
	Procurement	1.12	1.16	0.66
Indirect		1.79	1.22	1.76
Total		3.95	3.72	3.50

Information on the cost of administration related to indirect management (entrusted entities) is presented in Annex 6.

⁶⁴ Estimate based on the cost of control missions performed by staff, external audits and cost of staff (FTEs) involved in controls and supervision in the year.

Efficiency indicators

Time-to-pay: In 2017, the average number of days to make a payment was 28, which represents a slight decrease compared to 2016 (29 days). The percentage of invoices paid on time increased compared to 2015 (92% compared to 88%).

Amounts to disburse (reste à liquider): The RAL at the end of the year increased by 100 million, an increase of 11% compared to the RAL at the end of 2016. This increase is linked to both instruments CFSP and PI. The increase for CFSP is due to more needs this year and for PI (which is a new instrument) the duration of activities is longer than the other instruments.

Note: Time to grant (Art.128 (2)) FR: this requirement does not currently apply to FPI as the greater part of its activities is not implemented by open calls for proposals/grants⁶⁵.

Based on the results of the efficiency indicators described above and taking into account the contextual elements impacting the indicator of RAL, we consider that the controls put in place by FPI are efficient.

Control effectiveness: ex post controls

	Instrument contributing to Stability and Peace (IcSP)	Common Foreign and Security Policy (CFSP)	Partnership Instrument (PI / ICI)	Election Observation Missions (EOMs)	TOTAL
(A) Ineligible expenditure detected by ex-post controls	91 579	130 638	1 223 823	18 933	1 464 973
(B) Total cost of audit	127 748	82 500	49 704	25 068	285 020
(C) Average cost of audit (total audit cost/number of audit assignments)	12 775	10 313	9 941	12 534	14 251
(D) Efficiency ratio ((A)/(B))	0,72	1,58	24,62	0,76	5,14

FPI has quantified the cost of the resources required for carrying out the controls described in the AAR and estimates, insofar as possible, their benefits in terms of the amount of errors detected by these controls. Overall, during the reporting year the **controls carried out by FPI** in the framework of its annual ex post control plan have a cost-effectiveness rate of 5,1466.

In addition, there are a number of non-quantifiable benefits resulting from the controls such as deterrent effects, efficiency gains, and better value for money, system improvements and compliance with regulatory provisions. Furthermore, FPI considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk in case they would not be in place. These non-quantifiable benefits are not directly reflected in our conclusion on cost-effectiveness (ratio benefits/costs).

FPI already uses the possibility foreseen in FR art 66.2 to differentiate the frequency and/or the intensity of the DG's controls – in view of the different risk-profiles among its current and future transactions and of the cost-effectiveness of its existing and any alternative controls – by re-directing the control resources towards more stringent controls where needed while having leaner and less burdensome controls where appropriate. With this objective in mind, the revision of the financial circuits and deployment of staff to the regional teams in the delegations was implemented in 2017 as

⁶⁵ Art. 190(1)(a)

⁶⁶ EUR 5.14 of errors was found for every EUR spent (EUR 0.19 was spent for every euro of detected error).

described in section 2.1.1 and 2.2 of this report respectively. FPI will further adapt the risk profiles in its control strategy based on results of controls.

Fraud prevention and detection

FPI has developed and implemented its own Anti-Fraud Strategy (AFS) since 2014, elaborated on the basis of the methodology provided by OLAF. If necessary, the AFS of FPI is updated every 2 years in agreement with all the directorates-general of the external relations family (DEVCO, FPI, NEAR) and the EEAS under the common "Anti-fraud Strategy for EU External Relations set up 2014/2015 and prolonged till 2017". The next revision/update of the Anti-Fraud Strategy is foreseen for 2018.

In 2017, FPI has actively contributed to the elaboration of the methodology and questionnaire set up by OLAF via the FPDNet for the Evaluation of the 2011 Commission Anti-Fraud Strategy (CAFS). FPI also participated in the Evaluation Survey preparing the whole reply from the FPI in tight coordination with the operational units.

Once the CAFS will have been renewed and updated, all Commission services will need to adjust their specific anti-fraud strategies.

In 2017, the total number of ongoing cases has decreased and is now three (compared to four in the previous AOSD Report). Last 04/09/2017 OLAF closed the investigation on the contract for the purchase of furniture for the Congolese army signed by the Mission EUSEC RD Congo in 2012. OLAF has concluded that there is no embezzlement of funds.

a) Detection:

Three investigations from 2013, 2014 and 2015, respectively, remain open. The investigations from 2013 and 2014 concern the Instrument for Stability (IfS) and the one from 2015 concerns the Common Foreign and Security Policy (CFSP).

In addition to these open cases, there are three instances where OLAF has asked FPI for information as part of a so-called "selection" exercise, on the basis of which OLAF decides whether or not to open an investigation.

b) Prevention:

FPI developed its anti-fraud strategy as foreseen in the Commission's overall strategy (Cf. CAFS). To improve capacities of FPI staff to effectively tackle internal and external fraud, in 2014, all staff had already received instructions and information on procedures to be followed in cases of irregularity or fraud in FPI.

In 2015, the AFS priority was the specific training of the staff of FPI in the headquarters (HQ), in the delegations and in the CFSP missions and EU Special Representatives' offices. In 2016, on the occasion of the Partnership Instrument and IcSP Seminars, a specific anti-fraud awareness session was organized for FPI staff of the Delegations, in line with Objective 1 (Prevention Priority) of FPI Anti-fraud Action Plan of FPI AFS. In the context of a supervision mission to the EU Delegation in Mexico, a specific AF awareness session was organised for the staff of the FPI section and for the local staff. The objective of 80% of FPI staff attending the AF trainings had been exceeded further to the organization of seven anti-fraud training courses (i.e. four sessions for the whole FPI staff

in the HQ and three sessions for the staff of the CFSP missions and EU Special Representatives' offices). All in all, 170 FPI staff members have so far attended these AF training courses and information sessions.

In 2017, in the context of the monitoring mission to the CSDP Mission EUBAM-Rafah, FPI gave an anti-fraud awareness/training course to all the staff of the Mission. Also, in the context of the implementation of its specific Anti-fraud Strategy, FPI has achieved the compromise of OLAF to co-organise in 2018 two specific anti-fraud awareness/training sessions for FPI, one for the newcomers to FPI headquarters and one for the new anti-fraud contact points in the CSDP Missions and EUSRs' offices.

In 2017 as well, FPI concluded the preparation of "Guidelines on Ethics and Integrity for CFSP Missions" in coordination with the EEAS under the preparation by the EEAS of the "Upgraded Standards of Behaviour for CSDP Missions and Operations" in the context of the so-called "Code of Conduct and Discipline for EU Civilian CSDP Missions".

c) Follow-up:

Generally, to improve reaction to suspected fraud and to assure the timeliness in recovering sums unduly spent, FPI worked in close cooperation with OLAF on ongoing cases and replied quickly to information requests from OLAF investigators.

In October 2017, the new FPI Director/Head of Service met with the OLAF Director for Investigations (I) to take stock of the state-of-progress of the three open investigations over FPI files, show concern about the long duration of two of these investigations, inform of the proactive cooperation of FPI with OLAF and convey interest and full availability to actively collaborate with OLAF in these cases as well as in the current exercises of evaluation of the Commission Anti-fraud Strategy, of Regulation 883, Commission Fraud Risk Assessment and Role of OLAF Contact Points in the Commission Departments.

In October 2017, the OLAF Contact Point in FPI met with the new OLAF Contact Point in EEAS in order to increase the communication, reinforce the coordination and strengthen the collaboration between the two services in relation to OLAF investigations of files which concern at the same time the EEAS and the FPI, in particular in the area of Civilian CSDP Missions and EUSRs.

FPI also contributed to the so-called OLAF Annual PIF Report (Cf. OLAF Report on the Protection of the Financial Interests of the EU and to the OLAF exercise of identification of the so-called "2017 Investigation Policy Priorities (IPP) of OLAF".

As usual, all new grant beneficiaries and procurement contractors were systematically checked whether they were signalled in the newly set up Early Detection and Exclusion System (EDES). OLAF cases are reviewed several times a year and follow-up measures, if appropriate, are taken in order to speed up the closure. Where necessary, FPI takes precautionary measures as for example specific project risks assessments and the split-up of the pre-financing payments into several instalments. Still, controls aimed at preventing and detecting fraud are essentially the same as those intended to ensure the legality and regularity of the transactions and prevent unintentional errors.

In addition to the annual ex-post control plan, when FPI identifies contracts/granted projects at a higher risk of fraud, it subjects them to an external audit with specific

objectives.

In February 2017, FPI presented the specific anti-fraud strategy of FPI to all FPDNET members, together with the specific anti-fraud strategy for CSDP Missions and FPI practice when dealing with OLAF investigations.

d) Exchanges with OLAF

Relevant information received by FPI was proactively and timely shared with OLAF in 2017. In parallel, FPI also provided information to OLAF exercises of monitoring the implementation by FPI of the (administrative and financial) recommendations following OLAF investigations (i.e. FPI implementation of recoveries; FPI request to OLAF for transmittal of a case to the national authorities).

In addition, in 2017, FPI actively contributed to four substantial consultations launched by OLAF in 2017 through the Fraud Prevention and Detection Network (FPDNET), in particular: (1) Evaluation the application of Regulation 883/2013 concerning investigations conducted by OLAF; (2) Targeted consultation on Regulation 883/2013 in view of the adoption last 12/10/2017 of the Regulation implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office (EPPO); (3) Targeted Internal Stakeholder Consultation/Evaluation of the Commission Anti-fraud Strategy adopted in 2011; (4) OLAF Working Document on the tasks and responsibilities of OLAF Contact Points.

Conclusion

Based on the indicators provided above on prevention and detection of fraud, training of staff and regular feedback received from OLAF on on-going fraud cases as well as advice on the FPI's effectiveness of Anti-Fraud Strategy, FPI concludes that it has sufficient assurance on the achievement of this internal control objective.

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion 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.

European Court of Auditors (ECA)

There were no findings on legality and regularity from the Court of Auditors regarding the 2017 DAS (Statement of Assurance) for FPI. The 2016 Annual Report included no recommendations for FPI. The only open recommendation from prior Annual Reports (DAS 2013) refers to the pillar assessment of the CFSP missions. FPI continues to work towards all CFSP missions being accredited in accordance with the "six-pillar assessments". Detailed information on the current state of play regarding the implementation of this recommendation is presented in section 2.1.1.

As regards Special Reports of the Court of Auditors, FPI was associated (with the EEAS being in the lead) to two performance audits of the ECA in 2017:

- Audit on Election Observation Missions, where FPI is associated to one non-critical recommendation and committed to ensure the availability of budget for the set-up of the database to follow-up the recommendations⁶⁷;
- Audit on EUCAP Sahel Missions: Niger and Mali, where preliminary indications show that FPI will be associated to one non-critical recommendation⁶⁸.

Internal Audit Service (IAS)

Limited conclusion of the Internal Auditor on the state of internal control in FPI

The IAS concluded that the internal control systems audited are effective.

IAS audits

In 2016 the Internal Audit Service carried out an audit of Instrument contributing to Stability and Peace, for which the final audit report was issued on 26 January 2017. The three recommendations (all of them classified as important by the IAS) addressed to FPI focused on swiftness of launching crisis response actions, guidance and supervision of the EU delegations implementing IcSP actions and the relevance of objectives and indicators at project level. FPI accepted all the recommendations and delivered the action plan to address them. In 2017 FPI focused on timely implementation and confirms that implementation for all the recommendations proceeds on track.

As far as the IAS audit on Control Strategy (2014) is concerned: the three partially implemented recommendations downgraded from 'Very Important' to 'Important' as a result of the IAS follow-up audit remain open. FPI is working on implementing the remaining measures and the process is significantly advanced. The status of the open

⁶⁷ The Final Report is expected to be issued on 1st quarter of 2018

⁶⁸ At the time of AAR preparation, the report is at adversarial procedure stage with the Final Report scheduled for summer 2018.

recommendations does not have a material impact on the assurance in the AAR 2017.

In 2017, the internal audit service (IAS) launched two new audit assignments with FPI operations in the scope with the final reports planned to be issued in 2018:

- The audit of the Partnership Instrument, where FPI is the main auditee;
- The multi-DG audit on EC-EEAS cooperation, where FPI is associated to the audit;

At the time of preparation of this report both audits were at planning stage with the final reports scheduled for 2017, therefore they do not fall within the scope of this AAR reporting.

Conclusion

In 2017, there were no critical findings and recommendations (and a limited number of findings overall) related to FPI from audits conducted by the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA). As regards the implementation of recommendations issued in previous years, the relevant action plans are considered to be fully implemented.

2.1.3 Assessment of the effectiveness of the internal control systems

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

FPI 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.

FPI made significant progress in implementation of the new Internal Control Framework adopted by the Commission on 19 April 2017⁶⁹. To this end the following actions were undertaken in 2017:

- The Head of Unit in charge of Risk Management and Internal Control was appointed by the Head of Service on 13 November 2017;
- The internal control monitoring criteria, following an internal discussion and validation process with management were communicated to HRVP Mogherini and reported together with the Management Plan 2018;
- FPI actively participated and contributed to the working group of RELEX DGs and EEAS, whose purpose was to ensure coherent approach towards internal control assessment of the Delegations. The results of the discussion will be implemented by the EEAS, which is in charge of internal control assessment for the delegations.

Regarding the effectiveness of internal control and financial management, FPI considers that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. This conclusion is supported by the results of ex-post controls presented in section 2.1.1.

Concerning the overall state of the internal control system, FPI 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 FPI to its key risks. In addition, further enhancing the effectiveness of FPI 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.

FPI performed a comprehensive assessment of effectiveness of internal control standards (ICS) for the purposes of this report using the iCAT survey made available by Central Services. Overall 60 staff were invited to complete the survey, out of which 6 were management. The response rate was 48 persons in staff sample (89%) and 6 (100%) in management sample. To be noted that the sample included also 10 staff from the newly deployed Regional Teams (2 from each Regional Team). Results indicate an effectiveness rate of 79.5%, which presents a slight decrease compared to 2016 (an effectiveness rate of 84.9%). Detailed analysis demonstrates that the standards which scored lower in 2017 were:

⁶⁹ Communication on the revision of the Internal Control Framework C(2017)2373

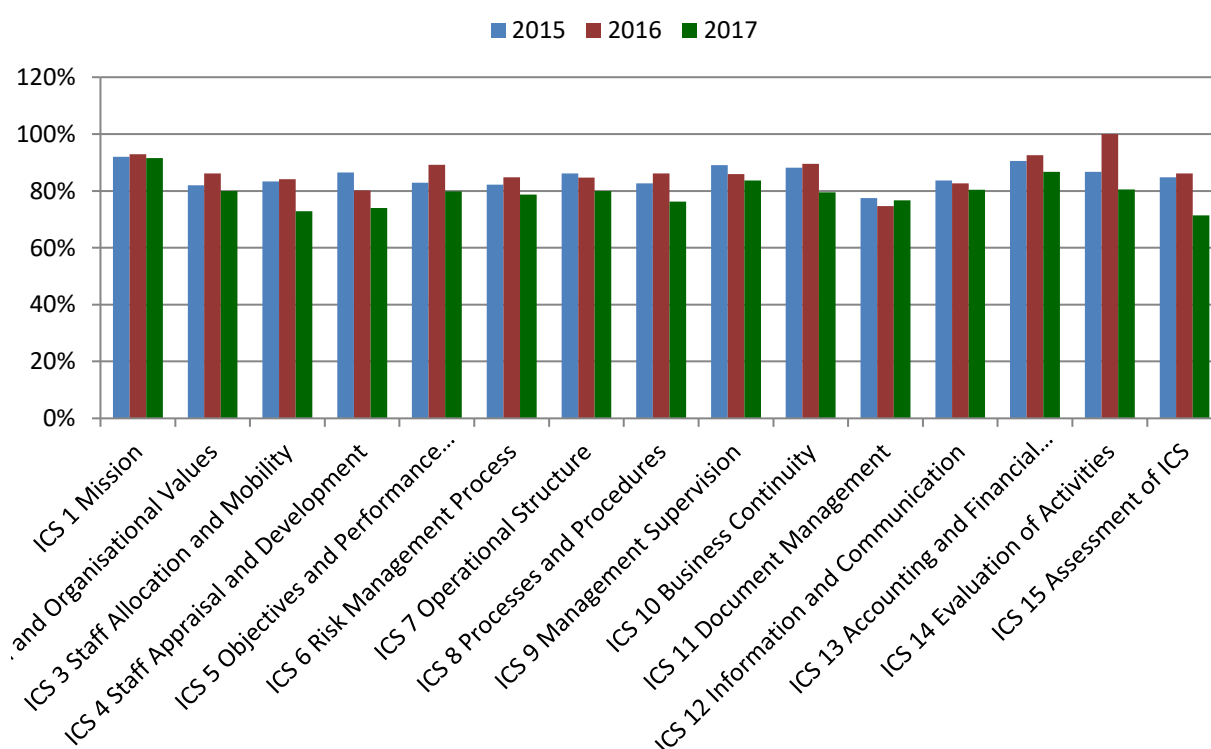
- ICS 3 Staff Allocation and Mobility – 73% in 2017 against 84% in 2016
- ICS 4 Staff Appraisal and Development – 74% in 2017 against 80% in 2016
- ICS 8 Processes and Procedures – 76% in 2017 against 86% in 2016
- ICS 10 Business Continuity – 79% in 2017 against 89% in 2016

The analysis of optional comments provided by respondents indicates that all of the results above were impacted by the organisational changes and deployment of the Regional Teams. Management considers it a temporary situation, which required higher than usual commitment both from the Regional Teams and from the staff in Headquarters. Management intends to look into these issues and closely monitor the situation in 2018. The matter will be included in the agenda of the Supervision Missions to be performed in 2018 to the Regional Teams as well as discussed on FPI days in April 2018.

The results show that measures taken so far on ICS 11 (Document Management), where some areas for improvement were identified in the past, can be discontinued. Especially the analysis of detailed comments provided by respondents indicates that staff is more skilful in using ARES and the frequency of registering documents in the system increased significantly.

Detailed results of effectiveness assessment per Internal Control Standard are presented below:

Effectiveness of the Internal Control Standards in 2015-2017



Lack of compliance with Art. 60 of the Financial Regulation ("six pillars assessment") of some of the CFSP missions might point to the risk of potential internal control issues in this budget chapter. In order to provide assurance in these cases, FPI relies on its ex ante and ex post controls and monitoring as well as the specific mitigating measures as described in section 2.1.1 of this report.

In addition, for the purpose of assessment of effectiveness of the internal control systems, the AOSD reports of the EU Delegations, as well as the reports for cross-sub-delegated activities and activities managed under service level agreements were analysed. No issues with potential impact on assurance were identified.

Considering the results of its self-assessment of internal control, the analysis of the implementation of action plans relative to the recommendations of the different audit bodies; the results of controls; the risk analysis performed in the context of the Management Plan and the management knowledge gained from daily operations, Management concludes that effectiveness of the control standards was maintained in 2017.

Measures will be taken in 2018 to remedy any remaining weaknesses, in particular for areas for improvement identified in iCAT self-assessment and linked to staff issues and Regional Teams. Attention will also be paid to the issue of pillar assessment of CFSP missions and efforts will be continued towards full compliance of all the missions with Art. 60 of the Financial Regulation by the end of 2018.

Conclusion

FPI has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended. None of the internal control issues described above, in Management's opinion, has any potential impact on the assurance. The areas for improvement identified under several Internal Control Standards are considered as a temporary situation resulting from deployment of the Regional Teams. Management will carefully monitor the situation and address these issues by dedicated actions in 2018.

2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.22 and 2.1.33) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2.1 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 Head of Service of FPI.

Functioning accountability chain

The accountability and reporting chain in FPI is organised as a pyramid through which the statements of assurance signed by each Head of Delegation set the basis of the assurance provided by the other AOSDs at the upper levels of the pyramid. For 2017 59 AOSD reports by the Heads of Delegations were received and analysed at HQ, 5 AOSD reports by the Heads of the Regional Teams and 5 AOSD reports by Heads of Units in FPI HQ. The reports do not point to any issues which could have potential material impact on the assurance.

Full coverage of expenditure by the control mechanisms

The control mechanisms in place cover the entire budget managed by FPI. No part of the budget is left out of the control strategy. As regards detective and corrective elements in the control strategy, external audits cover a significant amount of the funding managed by FPI. They contribute therefore substantially to assurance as regards legality and regularity. Ex-ante transactional checks of 100% of payments add up as well to assurance provided.

IAS limited conclusion

IAS concluded that the internal control systems audited are effective.

Legality & regularity based on RER results

While the multiannual residual error rate (RER) for 2014-2017 is below 2% (1.65%) for the whole budget of FPI, the RER under the budget chapter 19.05 (ICI / PI) is 6.30%. Therefore, the Head of Service has decided to maintain a reservation in the current report.

The reservation linked to the errors found in NPD projects (budget chapter 19.03), as described in section 2, can be lifted this year. Although the action plan to address this reservation can be considered as implemented, some of the actions have been incorporated into the FPI's Control Strategy and will be continued to ensure long-term effectiveness of controls. These are: kick-off meetings with the entities implementing NPD actions; monitoring missions by FPI staff within 3 months of the start-up of an action and increased participation of financial and/or procurement staff in monitoring missions as necessary.

For detailed factual information on actions taken to address the weaknesses in both instruments please refer to Annex 10. This reservation has no impact on the other FPI activities.

FPI's assessment on legality and regularity for ICI / PI returns a level of detected error which appears to be "persistently high" over the years in terms of potential financial impact. Given the inherent risk related to a key modality of the programme mentioned below, the residual error is expected to remain above 2%.

FPI 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 objectives nor abandon the financial scheme.

Furthermore, the reservation under the budget chapter 19.05 covers only the Instrument for cooperation with Industrialised Countries, which is part of the former MFF (2007-2013) and is closed. Consequently, the follow up actions that can be taken for these errors are limited.

Therefore, under the prevailing risk environment and from a managerial point of view, FPI's AOD can sign the Declaration – even with a reservation for a budget chapter ICI / PI.

A favourable assessment of control efficiency and cost-effectiveness

The total cost of controls for 2017 in FPI is estimated at EUR 3.95 million and represents 0.69% of total payments made by FPI in 2016. Taking into account the risky environment in which FPI operates, we consider the total cost of control as reasonable.

Effective implementation of the Internal Control Standards

FPI has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended. None of the internal control issues described above, in Management's opinion, has any potential impact on the assurance. The areas for improvement identified under several Internal Control Standards are considered as a temporary situation resulting from deployment of the Regional Teams. Management will carefully monitor the situation and address these issues by dedicated actions in 2018 (e.g. FPI Days in April 2018).

Anti-Fraud Strategy in place.

The Anti-Fraud Strategy of FPI is in place and functioning as intended. The next revision/update of the Anti-Fraud Strategy is foreseen for 2018.

Overall Conclusion

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 Head of Service, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by a reservation concerning the error rate.

2.1.5 Declaration of Assurance and reservations

DECLARATION OF ASSURANCE

I, the undersigned,

Head of the Service for Foreign Policy Instruments

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁷⁰.

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 results of the self-assessment, ex-post controls, the limited conclusion of the Internal Auditor on the state of control 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.

However the following reservation should be noted: reservation linked to the material multi-annual error rate for ICI/PI.

Brussels, 28 March 2018

(signed)

Hilde HARDEMAN

⁷⁰ True and fair in this context means a reliable, complete and correct view on the state of affairs in the Service

Reservation

DG	Service for Foreign Policy Instruments (FPI)
Title of the reservation, including its scope	Reservation concerning the error rate for ICI/PI being above 2%
Domain	Direct management mode – grants
Programme and amount affected ("scope")	19.05 (Instrument for Cooperation with Industrialised Countries - ICI) Payments made in 2017: EUR 55,37 ⁷¹ million (ICI: EUR 2.3 million).
Reason for the reservation	Legality and regularity: occurrence of errors at beneficiary level in the underlying transactions; multi-annual RER above 2%.
Materiality criterion/criteria	Legality and regularity criterion: the materiality criterion is the multi-annual residual error rate, i.e. the level of error which remains undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle.
Quantification of the impact (= actual exposure")	The estimated actual exposure for this activity is EUR 3.49 million for 2017.
Impact on the assurance	Legality and regularity of the affected transactions. The assurance is affected by the quantified budgetary impact (EUR 3.49 million at risk), which in overall terms remains quite limited compared to the total FPI payments made in 2017. The reservation has no impact on the remainder of the FPI budget. The residual error rate overall for FPI is below 2% (1.65%). The reservation is made on the total budget line 19.05 PI/ICI and thus is calculated actual exposure of EUR 3.49 million. However, to be noted that ineligible expenditure was identified mostly for ICI payments, which amount to EUR 2.3 million in 2017. Thus the exposure, as calculated above, does not reflect the real risk of legality and regularity, which (especially with the RAL on ICI of EUR 5.6 million) is significantly lower.
Responsibility for the weakness	Implementing partners/beneficiaries of grants
Responsibility for the corrective action	The reservation on IC/PI is a recurring reservation, which for the first time was made in the AAR 2015, the action plan below was set up in 2015. The ex-post control results for 2017 indicate that the reservation on CFSP can be lifted, whereas the one on ICI/PI should be maintained. Therefore, FPI will continue with the implementation of the actions concerning ICI in 2018 and outlined below. The reservation under the budget chapter 19.05 relates only to the Instrument for cooperation with Industrialised Countries (EUR 2.3

⁷¹ The scope amount does not cover the total of payments made under the budget line 19.05 (EUR 56,23 million) – the amounts of cross sub-delegations with DG SCIC and DG ENER (respectively EUR 0.11 million and EUR 0.75 million) were excluded from the scope as being under the materiality threshold of 2%.

million in payments out of EUR 55 million on this budget line), which is part of the former MFF (2007-2013) and is discontinued. Consequently, the follow up actions that can be taken for these errors are limited. The risk of significant ineligible expenditure to be identified in future payments is also limited as RAL as of 31 December 2017 amounts to EUR 5.6 million.

The main elements of the **action plan** set up by FPI for correcting the weakness for ICI/PI are:

1. Reinforcing the financial control at HQ and in Delegations by strengthening the FPI financial circuits in Delegations (through the setting up of regional teams)
2. Reinforcing the accountability of Delegations as to the follow-up and corrective measures to errors identified by audits.
3. Ask beneficiaries to provide (a sample of) **supporting documents** when they submit a financial report.
4. Identify synergies between **supervision missions** and potential monitoring missions to beneficiaries with a focus on financial aspects (i.e. combine the two where feasible).

Some of the actions concerning CFSP (NPD) were incorporated into the long-term control strategy of FPI, not only for NPD projects but also for other instruments like PI and IcSP where appropriate to ensure the long-term best possible outcome in terms of legality & regularity:

1. Increase **ex-ante audits** (special purpose audits) to ensure that the expenditure presented on the final financial statement by the beneficiary is free of irregularities before the final payment is issued (20.000/25.000 euros per audit), taking into account the cost-effectiveness of controls.
2. Awareness-raising of the most common types of errors and the ways to avoid them: organise **info sessions** (kick off meetings) with key beneficiaries to raise awareness on applicable contractual provisions and regulations and to insist on the negative impact at the end of the project if financial management is taken lightly. For IcSP and PI, the HQ should provide support to the Delegations to help them with training materials and possible participation to the info sessions on the spot.
3. Further improvements on the quality of mandatory expenditure verifications: check the professional capacity of local auditors proposed by beneficiaries to perform **expenditure verifications**. The Commission has the possibility to reject and ask to change to another auditor.
4. In the field of NPD: increase financial professional capacity of beneficiaries with small structure by requiring them to **have/hire professional financial staff** to ensure proper financial reporting. For non-proliferation and disarmament projects, Member States will be informed of the mitigating measures taken in order to address financial weaknesses encountered with certain implementing partners.

2.2 Other organisational management dimensions

Example(s) of initiatives to improve economy and efficiency of financial and non-financial activities of the DG

FPI Results Framework and Manual

On 27 September 2017, FPI adopted its Results Framework in conjunction with the FPI Manual providing a clear framework against which the Service can report on the results of its interventions – projects/programmes/missions – and show in a clear and understandable way FPI performance in achieving its policy objectives (SPP/ABM). A key concern was to demonstrate how our instruments – IcSP, CFSP, PI and EOM – contribute to implementing EU policies in external action under the Commission’s political priority 9 ‘Europe as a global actor’ and in line with the policy objectives of BFOR – Budget focused on Results.

The Results Framework is fully aligned with the FPI Strategy, the EU 2020 Strategy, the Global Strategy and the European Union’s commitments under Agenda 2030. In time, it will allow FPI to provide easily-accessible and understandable information on results achieved for the wider EU public and for the benefit of stakeholder dialogue, including with industry and civil society. Moreover, the effectiveness of EU spending will be demonstrated over time via summary information sourced from OPSYS that will feed into the BFOR database of results⁷².

As regards the Manual, its purpose is to bring together, for the first time since FPI was created in 2011, an overview of the way the Service works and provide detailed description of terminology, concepts and processes used within FPI in four areas: FPI Strategy, Project Management, Monitoring & Evaluation, and Reporting at Service-level.

5 meetings of an Inter-Unit Task Force were convened between May and September to draft both documents and to agree on definitions, choice of corporate-level indicators and terminology in line with Better Regulation guidelines. Care was taken to integrate and reconcile various approaches to indicators developed during 2016 by the IcSP and the Partnership Instrument while foreseeing space for development of customised indicators for CFSP and EOM to be developed during 2018. Clearer indicators will also contribute to greater definition and improved design of FPI interventions.

By implementing a common working methodology and processes both in Headquarters and in Delegations, the Results Framework and the Manual will contribute to further improving the efficiency and effectiveness of FPI and the operations it manages.

Operational information system OPSYS

In 2017, FPI pursued its cooperation and engagement with DGs DEVCO and NEAR in the development of the new operational information system OPSYS. This system will integrate the European Commission’s management of EU interventions in external action

⁷² BFOR database on results is managed by DG BUDGET and covers all areas of EU expenditure within its scope https://ec.europa.eu/budget/euprojects/search-projects_en

from their planning to evaluation. All FPI managed instruments and operations with a financial implication including CFSP, will be integrated into OPSYS by 1 January 2019. OPSYS is organised in 3 Tracks: Results & Monitoring (Track 1); Contracts & Procurement (Track 2) and Programming, Actions and Documents (Track 3). Work focused on the testing and implementation of Track 1 including the organisation of 2 webinars in October and December which involved FPI staff from Headquarters and Delegations alongside their DEVCO and NEAR colleagues. OPSYS work also involved preparations for the electronic 'migration' of FPI projects' logical frameworks to OPSYS as well as the electronic encoding of all on-going and completed evaluations into the EVAL module of OPSYS. This work will continue into 2018 and will include the testing of additional functionalities. The detailed calendar for the roll out work on Tracks 2 and 3 remains to be set.

Indicators under the EU Gender Action Plan

While not related to organisational management per se, it is important to note that in 2107 FPI continued to implement progressively the EU Gender Action Plan 2016-2020 in line with the Management Plan. Particular focus was given to reporting against the OECD aid-tracker/policy marker in support of gender equality and women's rights (G-marker)⁷³ which is a qualitative statistical tool to record aid activities that target gender equality as a policy objective. In 2017, 40 % of Heads of CSDP missions were women and 42.9 % of technical experts deployed in Electoral Observation Missions were women alongside 48.8 % of all observers. In addition, 100% of EOM actions contracted in 2017 achieved a score of G-Marker⁷⁴ 1 while the corresponding scores for IcSP and PI for 2017 were respectively 51.6 % and 5.8 %. The respective scores in relation to G-Marker 2 were 8.3% and 22.6%.

This will serve as a very good basis to track the gender effectiveness of FPI operations in the coming years.

Further details on FPI performance on Gender Mainstreaming during 2017 are available in the Programme Statements annexed to the Draft Budget for 2019.

IcSP performance on the gender coverage of its indicators was particularly commended in an assessment commissioned by the European Parliament Research Department 'EU Gender Action Plan 2016-2020 at year one'⁷⁵ referenced in Mid-term review report of

⁷³ The G-marker is used by OECD Development Assistance Committee (DAC) members as part of their annual aids activities reporting and is based on a three-point scoring system:

- Principal (marked 2) means that gender equality is the main objective of the activity and that the activity would not have been undertaken without this objective.
- Significant (marked 1) means that gender equality is an important but secondary objective.
- Not targeted (marked 0) means that the activity has been screened using the gender equality policy marker and does not target gender equality.

- <http://www.oecd.org/dac/gender-development/dac-gender-equality-marker.htm>

- *The G-marker only covers IcSP (Articles 3 and 4) PI and EOM operations (EIDHR). It does not include CFSP operations as the latter are not registered in CRIS and consequently not marked against the OECD G- Marker. This situation is due to change in 2019 when use of OPSYS becomes obligatory.*

⁷⁴ Gender-marker is an OECD/DAC a marker which attributes a score to projects based on how significant is their gender dimension, see footnote 31 above

⁷⁵ EU gender action plan 2016-2020 at year one: European implementation assessment by the European
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External Financing Instruments⁷⁶. The assessment noted results achieved in terms of engagement with women's NGOs and other civil society organizations on the "whole of society" approach. This demonstrates the quality and robustness of the IcSP approach to gender indicators and on delivering on EU commitments on Women, Peace and Security (WPS)⁷⁷

Pooling of resources and central stocking of equipment for CSDP missions

The process and procedures to establish a large-scale logistical platform / warehouse to provide all CSDP missions with rapid access to essential equipment and logistical services (IT, fleet management, etc.) commenced in 2016. A suitable Entity to implement the logistical platform was identified in 2017 with the signature of a delegation agreement foreseen during the 1st half of 2018. The new warehouse will provide a centrally managed stock of critical items ready available to CSDP Missions, greatly enhancing the ability of the EU to rapidly deploy new Missions and in parallel, to reduce the number of separate procurement procedures being launched in existing Missions.

The recruitment of Mission Support Platform (MSP) staff started in September 2016 and ended in February 2017. In line with the Council agreement, 7 staff members were recruited under the Civilian Planning and Conduct Capability (CPCC) cell to work on IT and logistical matters while 1 staff member was recruited under the FPI cell for procurement tasks.

In 2017, the MSP procurement expert worked managed tender procedures for the signature of new framework contracts (FWC) or the renewal of expired ones. The renewal of the FWC for the Health and High Risk Insurance service - EUR 15 Million - was launched in November. This is an essential support pillar to the operation of CSDP Missions and their staff as it secures a comprehensive contract in the field of health insurance and high risks. The MSP cell in FPI played a pivotal role in providing assistance and support for the set-up phase of EUAM Iraq, resulting in a swift and rapid launching of the Mission. Triggered by renewed political support to address rapid response, Member States decided in November 2017 to create a Core Responsiveness Capacity consisting of a reinforced MSP as well as resources placed in existing CSDP Missions. Based on a joint Commission/EEAS proposal and on Council Conclusions of November 2017, the CivCom working group issued an advice in December 2017 regarding the implementation of a Core Responsiveness Capacity based on a multi-layered approach. According to CivCom Advice, the existing MSP will be staffed with additional 8 staff (5 under the CPCC MSP cell, and 3 under the FPI MSP cell) in order to reach a total of 16 staff as originally proposed by the Commission/EEAS in 2015. This recruitment is foreseen for completion in May 2018, as requested by the Council in its November's conclusions.

The reinforced MSP will boost the EU ability to ensure rapid reaction to crisis- situations,

Parliament:

http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU%282017%29603256 57

⁷⁶ Report from the Commission to the European Parliament and the Council : Mid-term review report of the External Financing Instruments, COM (2017) 720 final of 15 December 2017, p. 18, footnote 56

⁷⁷ http://ec.europa.eu/budget/biblio/documents/2017/2017_en.cfm

and at the same time achieving economies of scale by centralising critical mission support services and reducing the administrative burden of CSDP missions.

2.2.1 Human resource management

The HR Modernisation project as laid down in the Communication on Synergies and Efficiencies continues to be rolled-out in the Commission. In 2017, the FPI HR services started being delivered by the Account Management Centre (AMC) while the HR Business Correspondent coordinates strategic human resources matters and prepares the related decisions of the service's management".

FPI manages financial instruments with a worldwide outreach and an increasing budget of EUR 713 to 861 million per year with limited human resources. It is therefore of utmost importance to employ these human resources effectively and flexibly according to political priorities.

Due to the specificities of its instruments and operations, FPI staff needs to build up a specialised expertise in crisis management. To realise this objective, a learning and development strategy is being drafted which will be implemented in 2018.

Special attention also needs to be given to the roll-out of the FPI Manual/FPI Results Framework as well as specific training (webinars and classroom) on the new evaluation methodology (EVAL module) being developed in cooperation with NEAR, DEVCO and ECHO .

To adapt its workforce to the requirements of its instruments, FPI invested both in terms of recruitment and in terms of internal training. Three days of operations-focused training for the IcSP and the PI (FPI Training Days) took place in June. This approach will continue in 2018 with a further five-day session of FPI Training Days to meet ongoing needs. This will also include specific targeted training on the new OPSYS application, which will target all staff, in particular those coming from the Regional Teams.

FPI will also continue to work on an action plan following the latest Staff Survey of 2016, which shows the expectations of FPI staff with regard to career management, communication and well-being (work conditions in Delegations and work-life balance). As some of the staff expectations, e.g. relating to career development or work-life balance in Delegations, shall be addressed at corporate level, the BC - which was fully staffed only in December - will work closely with the new AMC to develop an appropriate action plan, which could not be completed during 2017. An internal communication strategy will also be developed. It will include additional changes to the FPI intranet and other staff engagement actions to reinforce FPI corporate identity (see Section 2.2.4 below).

Creation of FPI regional teams (IcSP and PI)

As a first priority, FPI completed administrative preparations for the establishment of 5 regional teams in 5 key Delegations – Dakar, Nairobi, Bangkok, Brasilia and Beirut, covering respectively the regions of West Africa, East Africa, Asia- Pacific, the Americas and the Middle East – and recruited and mobilised the necessary staff by mid-year. In agreement with EEAS, DEVCO, NEAR and the Heads of Delegation concerned, the 5 regional teams commenced formal operations on 1 September 2017 even though logistical preparations had been launched as far back as April. By year-end, all 5 teams

were fully staffed and started to work.

The objective is to ensure worldwide coverage of its instruments and to provide a better service to the High Representative/Vice-President while ensuring solidity of financial circuits. This new organisation permits closer cooperation with other Commission services, in particular DGs DEVCO, NEAR and TRADE both at Headquarters and in Delegations.

Following these changes in Delegations, the distribution of human resources in Headquarters will also need to undergo an internal screening to ensure that the scarce staff available is assigned where it is most needed, to free posts for new priorities such as communication and to install the necessary flexibility in case of urgencies. For this purpose, FPI plans to conduct a workload assessment in 2018.

Female representation in management

In May 2017, Hilde Hardeman took up the position of Director/Head of service for FPI.

Furthermore, continued efforts were invested in 2017 in preparing promising talent for management positions. This led to the appointment of one new female Head of Unit in June while another female Head of Unit joined FPI in September. The Service thus reached the unprecedented level of 40% female middle managers (2 out of 5 HOU posts) while also realising its 20% target by the end of 2017⁷⁸. It should also be noted that 2 female Team Leaders were nominated during the year.

In the coming years, FPI will strive to maintain the level of female managers and will aim to reach the target set by the Commission of 40% female middle managers by the year 2019. The scope for flexibility within FPI is limited by its size; there are only 5 units.

This commitment is also given in the 2018 Management Plan.

2.2.2 Better regulation (only for DGs managing regulatory acquis)

Not applicable for FPI.

2.2.3 Information management aspects

Procedures were in place during 2017 to follow up on the correct and timely attribution and filing of documents. As a first priority, FPI gave attention to ensuring business continuity to secure the effective delivery of its operations and to guarantee sound document management. There were improvements to the management of information during 2017 with a further decrease in the number of HAN files not filed compared to the previous year, falling from 14.57 % to 11.91% and an increase in the number of HAN

⁷⁸ SEC(2017)505

files readable and accessible to all staff, rising from 92.80% (2016) to 94.08 % (2017). The target for 2020 is 95%. However, a decrease was registered in the number of HAN files shared across services – falling from 17.55 % (2016) to 14.94% (2017).

In terms of internal communication, the FPI intranet was revamped in September to coincide with the adoption of the FPI Results Framework, providing a single source of corporate-level information for all staff both in Headquarters and in Delegations, particularly the 5 Regional Teams.

To ensure efficient and transparent management of all contract and financial information as a support to its operations both in Headquarters and in Delegations, FPI pursued the archive reorganisation project. The final phase– an inventory of all closed files for all FPI-managed instruments – and the drafting of Guidelines of the Handling of Financial Documents was completed by end March. This facilitated the repatriation to Headquarters of all closed actions during the second half of the year following the establishment of the FPI Regional teams in September. It also enabled FPI to comply with Internal Control Standard Nr.11 – Document Management by June as indicated in the Management Plan. A single central archive providing for easy document location will allow FPI to meet its legal obligations to retain information on matters for which it is accountable as well as facilitate internal and external audits in the coming years.

2.2.4 External communication activities

Most of the information and external communication activities were carried out by the EEAS, both in Headquarters and in Delegations, in line with the Service Level Agreement (SLA) concluded between FPI and EEAS in 2013. Activities concerned mainly the annual press and information budgets for some 140 EU Delegation sites throughout the world to implement actions that suit the bilateral environment and also act to reinforce the image of the EU as a global player.

In 2017, FPI continued to enhance the quality and visibility of the European Union Visitors Programme (EUVP) a long-standing and unique inter-institutional agreement between the Commission and the European Parliament on increasing knowledge of the EU among leaders, emerging leaders and opinion-formers from third countries via structural information visits to EU institutions and EU Member States. EUVP organized 104 study visits, better tailored to participants' interests as well as to EU interlocutors needs. Participants – mostly young leaders - from 78 different countries were received regularly by Members of the European Parliament, high-level officials from Commissioners' Cabinets and from other EU institutions.

As in previous years, FPI financed the production and dissemination of Euronews in Farsi language, which is implemented through a framework partnership agreement with Euronews, managed by DG CONNECT. As of April 2017, the traditional television broadcasting service was transformed into a digital service, including the production and web-streaming of specific content for Euronews' website in Farsi. This switch took into account the evolution of audiences and the increasing importance of the digital consumption among potential viewer target groups and particularly young people.

The digital audience for the Farsi service has experienced a steady increase compared with 2016. During the second quarter of 2017, Euronews registered 4,3 million visits to its digital Farsi services, making it the 4th most popular language of the 12 language versions provided. The increase in visits to the Farsi service was 87 % compared to

2016.

In 2017, FPI contributed EUR 80,000 towards the definition of the DG COMM-led and managed corporate information and communication campaign under its Strand III 'An EU that protects and defends in a volatile, uncertain environment'.

The information and communication activities of FPI itself were limited to the regular updating and maintenance of the FPI website.

Further details are provided in Annex 2.

