



2015

Annual Activity Report

**[Service for Foreign
Policy Instruments -
FPI]**

FOREWORD OF THE HEAD OF SERVICE

This report presents the main results and achievements obtained by FPI in its fifth year of activity. In close coordination with the European External Action Service (EEAS) and under the direct authority of the High Representative/Vice President of the Commission, its mission is to help the EU achieve the objectives of its foreign and security policy. FPI is characterised by the diversity and complexity of its activities.

FPI's level of achievement in 2015, and its unique interaction with the diplomatic activities of the EEAS, underlined its specific role and usefulness: its main activities are to respond to international crises and conflicts. It operates in a difficult environment which requires a capacity for rapid and flexible response. Throughout the year, FPI demonstrated its commitment by delivering on important political priorities.

In 2015, the Instrument contributing to Stability and Peace has put forward a record number of 44 projects under Article 3 for an amount of over EUR 250 million, focusing on top political priorities such as refugees/Internal Displaced Persons, countering violent extremism and conflict resolution.

The launch of the new Partnership Instrument has marked an important step in our cooperation with non-EU countries. It reflects both the changes in the world in recent years and the changes the EU has made in the way it responds to world challenges. For the first time, the EU has a financing instrument designed to promote and advance EU interests and to underpin its political agenda, especially towards strategic partners. FPI aims to demonstrate that this instrument can contribute to advancing the EU agenda with the strategic partners by translating political commitments into concrete actions.

FPI achieves its objectives while at the same time being a relatively "lean" service, using its resources efficiently, with low overheads and relying on support from other services. 2015 was a challenging year for FPI in terms of budget management and this trend continues in particular with the Partnership Instrument.

Tung-Lai Margue

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List of acronyms

ABB: Activity Based Budgeting
AQIM: al-Qaeda in the Islamic Maghreb
AOD: Authorising Officer by Delegation
AOSD: Authorising Officer by Sub-Delegation
CFSP: Common Foreign and Security Policy of the European Union
CPCC: Civilian Planning and Conduct Capability
CVE: Counter Violent Extremism
DAS: Statement of Assurance
DCI: Development Cooperation Instrument
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
ENV: DG for Environment
EODS: Election Observation & Democracy Support
EOMs: Election Observation Missions
EP: European Parliament
EU: European Union
EUDEL: Delegation of the European Union
EUSR: European Union Special Representative
FPI: Service for Foreign Policy Instruments
FWC: Framework Contract
GROW: DG for Internal Market, Industry, Entrepreneurship and SMEs
HQ: Headquarters
HR/VP: High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission
ICI: Instrument for Cooperation with Industrialised Countries
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
MSP: Mission Support Platform
NEAR: DG for Neighbourhood and Enlargement Negotiations
NPD: non-proliferation and disarmament
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
RELEX family: DEVCO, ECHO, FPI, NEAR, TRADE
RER: Residual Error Rate
SALW: small arms and light weapons
SGBV: sexual and gender-based violence
SLA: Service Level Agreement
TEU: Treaty on the European Union (Lisbon Treaty)
TFEU: Treaty on the Functioning of the European Union
TJRC Transitional Justice and Reconciliation Commission
TRADE: DG for Trade
USA: United States of America
VAW: violence against women
WMD: Weapons of Mass Destruction

INTRODUCTION

The Service in brief

The Service for Foreign Policy Instruments (FPI) supports the EU's foreign and security policy and helps the European Union to pursue its interests and to project its image in the world. It does so (as described hereinafter) by implementing a number of financing instruments and foreign policy regulatory instruments (sanctions).

FPI is responsible for the operational and financial management of Common Foreign and Security Policy (CFSP) operations (44% of FPI 2015 commitment budget); Instrument contributing to Stability and Peace (IcSP) crisis response (34%); Partnership Instrument (PI) (14%); Election Observation Missions (EOMs) (6%); and press and public diplomacy (PPD) (2%). In addition it is responsible for implementing the EU's foreign policy regulatory instruments such as 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.

These instruments and their budgets 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.

FPI works to achieve the security and foreign policy objectives of the EU pursued by the High Representative for Foreign policy and security policy/Vice-President of the Commission, who is also assisted in this task by the EEAS. Sharing the same objectives, both services have in place working methods and procedures in all areas where they cooperate and they work together on a daily basis at all levels. FPI also coordinates closely with relevant Commission services. In doing so, the various EU actors remain attuned to assuring complementarity and coherence across the EU's instruments.

The management environment in which the Service operates is determined by:

- The **evolution of world events** including unforeseen events/crises: the Service's activities are shaped largely 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 external relations services mentioned already as well as other Commission services. Maintaining business continuity and effective operations is a challenge in the face of complex and sensitive operations and high stakeholder expectations.
- Increasing **financial challenges**: the budget FPI manages has increased, with EUR 745 million in operational expenditure authorised in 2015 (appropriations for commitments) compared to EUR 709 million in 2014. Moreover operations in crisis situations by definition carry higher risks.

¹ Regulation 1236/2005 of 27 June 2005.

The year in brief

Instruments managed by FPI are chiefly geared towards the world-wide preservation of peace, the prevention of conflicts, the strengthening of the international security and the engagement with partner countries of increasing strategic importance.

For the first time since 2010, the worldwide insecurity shifted from a 5-year increasing trend 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 2014, from 424 conflicts worldwide to 409 of which 43 are classified as highly violent (19 wars and 24 limited wars, respectively 21 and 25 in 2014). In fact, China, Russia, and the DR Congo were less affected by highly violent conflicts as the Indo-Pakistani area. In our immediate neighbourhood the intensity decreased in the Ukraine crisis during the last three months of the year but the situation remains unstable.

The security risks in various parts of the world remains high: in Syria with the Islamic State of Iraq and Syria (ISIS) and in Libya with the civil war. The Sahel region is still facing unique security challenges as well as West Africa where the threat posed by al-Qaeda in the Islamic Maghreb (AQIM) has been growing steadily. The Horn of Africa and the ongoing crisis in the Central African Republic and Sudan/South Sudan have combined to create a very volatile regional situation in north, central, west and east Africa. The EU has been active in most of these conflicts by mobilising its diplomatic efforts, along with the international community, and its instruments, in particular EU restrictive measures (sanctions), CFSP operations and missions, and the Instrument contributing to Stability and Peace. FPI's instruments were therefore deployed throughout the year, responding in a timely manner to political priorities.

Overall the budget authorised for FPI was used up at 93% for commitments and 99% for payment appropriations. For operational expenditure, EUR 552 million were paid, 88% of which related to crisis response or crisis management operations under CFSP and IcSP.

In its CFSP operations FPI implemented decisions adopted by the Council in response to particular political and security issues. Under the IcSP, FPI intervened to help prevent conflict, to respond to emerging or actual crises or to build the capacity of a wide range of peace-building actors. The Political and Security Committee (PSC) of the Council gives strategic guidance and political direction for CFSP operations, the main current ones being the CFSP missions on the field in Kosovo, Afghanistan and Georgia.

As a result of the migration issue facing the EU, the Council decided to strengthen the Common Security and Defence Policy (CSDP) mission in Niger and to foresee a new deployment in the city of Agadez. The CSDP mission in Mali was also reinforced. The HR/VP proposed to re-launch the EU Special Representatives (EUSRs) for the Middle East Peace Process and for Central Asia. A review of the EUSRs took place, with a particular emphasis on the double-hatted EUSRs. Work also continued on a new and possibly expanded CSDP warehouse to replace the current warehouse. The Council also agreed at working group level at the very end of 2015 to endorse the concept of the mission support platform for the CFSP. This will need to be confirmed by the Council in 2016.

PSC was kept informed of the crisis response measures under the IcSP, with a view to ensuring overall coherence. Operations focused on security sector reform in partner countries through building/reinforcing police and security forces, counterterrorism and actions to countering violent extremism, including support in the justice area. In terms of geographical coverage, Sub-Saharan Africa and the Middle East and North Africa (MENA) remained the major areas of interventions linked with the many cases of instability and crises occurring in those regions. Progress with the Minsk agreement amid continued tensions in Ukraine also necessitated mobilising the IcSP, while the earthquake in Nepal and the 'liberation from Islamic State' of Kobane in Syria demanded a rapid EU response

to initiate recovery actions. An important stabilisation project was also mobilised to help consolidate the peace process in Mindanao in the Philippines.

In 2015, the management of EUR 102.7 million saw the identification of 17 actions that respond to the PI core objectives and priorities: addressing challenges of global concern, implementation of the external dimension of Union's internal policies, support economic and trade relations with key partner countries as well as engaging with partner countries through public diplomacy and outreach. The 2015 PI actions build upon and complement actions included in the Annual Action Plan (AAP) 2014 whilst broadening the thematic and geographic scope and ambition of cooperation with partner countries in line with the PI multi-annual programming priorities and the overall Commissions priorities.

Close cooperation with the EEAS geographic and thematic departments, Commission DGs (i.e. CLIMA, ENV, HOME, ENER, GROW, TRADE) and EU delegations has been essential for designing the Annual Action Programme of this innovative instrument with ambitious objectives.

In 2015 the process towards sub-delegating an important part of PI programmes to EU Delegations with PI dedicated staff continued (USA, Mexico, Brazil, Canada, Russia, China, India, Japan and Korea) and has been the subject to the first wave of supervision missions that will be completed in 2016.

In the field of EU Election Observation Missions (EOMs), the overall objectives have remained the building of confidence, the enhancement of the reliability and transparency of democratic electoral processes, and the discouragement of irregularities, abuse and electoral violence. FPI ensured the timely deployment of 28 electoral missions, namely 8 full-fledged Election Observation Missions (EOMs), 8 Election Expert Missions (EEMs), 3 Election Follow-up Missions (EFMs) and 9 Exploratory Missions (ExMs).

Under the foreign policy regulatory instruments, FPI's role as lead service for the inter-service group (ISG) on sanctions saw the team deeply involved in developing and negotiating a package of restrictive measures in view of Russia's actions destabilising the situation in Ukraine. As regards the Kimberley Process (KP) on trade in rough diamonds, FPI successfully ensured adoption of a proposal for amending Regulation (EC) 2368/2002, enabling Greenland to participate in the KP Certification Scheme through its Overseas Countries and Territories (OCT) status with the EU.

In 2015 there were no significant changes to the internal organisation of FPI or its capacity to react to new challenges such as the refugees' crisis.

EXECUTIVE SUMMARY

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

The executive summary has four subsections:

- a) Policy highlights of the year (executive summary of section 1)
- b) The five most relevant Key Performance Indicators (5 KPIs) for the illustration of policy highlights identified in the 2015 Management Plan
- c) Key conclusions on Management and Internal control (executive summary of section 2)
- d) Information to the Commissioner (the main elements of the AAR have been brought to the attention of the responsible Commissioner)

a) Policy highlights of the year (executive summary of section 1)

FPI's operations contribute to political priority number 9 "A stronger global actor" under the 10 political priorities of the Juncker Commission: most of the operations and budget are dedicated to contribute to the world-wide preservation of peace, the prevention of conflicts and the strengthening of the international security. This represents almost 80% of the budget available for commitments. Included are also the EU's regulatory instruments (e.g. sanctions, Kimberley process). The other operations relate to the election observation missions and the Partnership Instrument.

Instrument contributing to Stability and Peace (IcSP)

In 2015, EUR 257.6 million were committed encompassing some **44 new actions under the crisis-response component** (EUR 232.6 million, including a budget reinforcement of EUR 10 million) and EUR 25 million based on the action plan under the Conflict prevention, peace building and **crisis preparedness component** of the Instrument contributing to stability and Peace (IcSP).

IcSP crisis response measures can complement EU humanitarian assistance, and contribute to the "Linking Relief, Reconstruction, and Development" (LRRD) approach. In addition, IcSP actions complement EU CSDP operations and other actions, and make critical contributions to an EU comprehensive approach in response to conflicts and crises. Under the IcSP Regulation, the Commission reports to the European Parliament and Council on every **Exceptional Assistance Measure** (EAM) on the rationale for intervention and the complementarity with other instruments.

Working in close cooperation with the EEAS and reflecting the EU's foreign policy priorities, the IcSP allows the EU to make timely interventions in some particularly high-profile crises. Volatile conditions across parts of (sub-Saharan) **Africa** saw a high number of IcSP support actions adopted. In the **Sahel and the Lake Chad basin**, a number of IcSP actions were mobilised supporting stabilisation and resilience efforts after serious crises related to attacks and outright warfare by **terrorist groups** (AQIM, Boko Haram), whilst also the transition in the **Central African Republic** called for additional support for recovery actions. Across the **MENA region**, there was ongoing support related to **refugees from the Syrian** crisis, to their host communities and some direct assistance to affected populations still within Syria itself (Kobane). A number of IcSP decisions **support counter-terrorism** actions and activities to counter violent extremism in the region (Lebanon, Libya, Jordan, Tunisia). In Europe, continued **support to Ukraine** targeted directly conflict-affected populations and allowed the OSCE Monitoring mission to expand its remit in monitoring adherence to the Minsk agreements.

Given the IcSP's focus on stabilisation actions in crisis contexts, FPI has been 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 activities².

Crisis preparedness actions continued to support EU efforts to mainstream conflict prevention in fragile and conflict prone countries and, in line with Council conclusions on

² Joint Communication "Capacity building in support of security and development – Enabling partners to prevent and manage crises" - JOIN(2015) 17 of 28 April 2015

conflict prevention, these actions contributed towards increasing emphasis on early action and strengthened capacity to design viable, operational and realistic options for **preventive action**. Measures included: continued investment in capacity-building of grass-root level civil society to engage in peace-building and conflict prevention actions across 23 conflict affected countries; enhancing the EU's early warning capacity by bridging the warning-response gap; continued support to the League of Arab States capacity to respond to crises; strengthening the capacity of EU police and gendarmerie services to participate in civilian stabilisation and international crisis management missions; **post-disaster and post-conflict needs** assessment support to Nepal, Yemen and Nigeria; creating an evidence-base on violence against women (VAW) for improved policymaking and programming in the OSCE region; supporting country compliance with the Kimberly Process Certification Scheme alongside developing a regional approach to Kimberly Process (KP) implementation in West Africa (Mano river region).

Foreign Policy Regulatory Instruments

In 2015, FPI in its role as lead service for the Inter-Service Group (ISG) on **sanctions** has been involved in developing and negotiating an EU Information Note on the lifting of nuclear-related restrictive measures against **Iran** and an updated Commission Guidance Note on the implementation of certain restrictive measures in view of **Russia's** actions destabilising the situation in Ukraine. In parallel, as part of Commission and EU efforts to strengthen the **fight against terrorist financing** FPI has taken action to ensure swift implementation of United Nations sanctions and has worked to ensure a successful conclusion of Council negotiations on the updated **EU Best Practices on the effective implementation** of restrictive measures. 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 such as the Iran nuclear deal.

Representing the EU in the **Kimberley Process** (KP) on trade in rough diamonds, FPI successfully ensured the adoption of a KP Decision that would allow for a partial and gradual lifting of the **Central African Republic's** suspension from participating in the KP certification scheme. FPI has been working closely with the KP authorities of the Central African Republic and other KP member countries to implement this Decision, which over time would enable the country to generate much-needed revenues from the export of rough diamonds. FPI had also contributed substantially to a successful conduct of a **KP peer review visit to the EU**, with the preliminary conclusions confirming that in many respects the EU's internal control system serves as a best practice model for other KP member countries.

Furthermore, FPI presented its Commission proposal for amending the **Anti-Torture Regulation** (Council Regulation (EC) 1236/2005) to the European Parliament and has come up with compromise suggestions to facilitate the **trilogue** talks at the first stage of the ordinary legislative procedure. The proposed amendments to the Regulation aim to define appropriate modalities for export controls applied to prevent EU goods from being used for **capital punishment in third countries**. Importantly, over the past three years this work has already contributed to the postponement of death penalty executions in the United States of America (USA) as well as the effective self-regulation of the pharmaceutical industry.

Common Foreign and Security Policy

In 2015, CFSP operations continued to contribute to increased stability and security in the world and gave the EU visibility as a relevant security actor, particularly in the civilian sphere. The main highlights of the year were the **continued engagement in the Balkans, Ukraine, Georgia, Afghanistan, as well as in Africa** through CSDP missions linked, among others, to anti-terrorism and migration. Considerable progress was made on the support to a **tribunal for Kosovo** in the Netherlands, but the delayed implementation of this initiative contributed to the incomplete implementation of the CFSP budget.

The EUSRs for Central Asia and for the Middle East peace Process, discontinued in 2013, were reinstated in 2015 following a proposal of the HR, highlighting the renewed need to be involved for the EU in those regions. Also, 2015 saw the beginning of a strategic discussion with the Member States on the EUSR as a policy tool, with a specific focus on the double-hatted EUSRs (Kosovo, Bosnia and Herzegovina, Afghanistan).

The CSDP missions EUPOL Afghanistan and EUSEC Congo were further downsized with a view to their closure in 2016. EUBAM Libya was also downsized and reduced to a small presence in Tunis for security concerns. Its future will be decided in early 2016, depending on the political developments in Libya linked to the formation of a government of national accord.

In terms of **non-proliferation and disarmament**, there were several new actions linked to high-priority topics like the destruction of chemical weapons in Syria. There were also early discussions on support to the IAEA for the implementation of the nuclear agreement with Iran. Difficulties with the new contractual template PAGO DA presented a particular challenge for projects with some UN agencies.

Finally, in terms of horizontal initiatives, there was progress in 2015 on the approval by the Member States of the concept of a mission support platform for the CFSP and on the definition of a new concept for the CSDP warehouse.

Election Observation Missions

2015 has been a challenging year for election observation due to the volatile political developments in the priority countries for EU Election Observation Missions (EOMs) deployment. FPI successfully implemented **19 electoral missions and 9 exploratory missions in 2015**, most of them in highly challenging security environments.

Eight fully-fledged EOMs, together with nine Exploratory Missions (ExMs)³, were deployed to **Nigeria, Burundi, Haiti, Sri Lanka, Burkina Faso, Guinea Conakry, Myanmar and Tanzania**. In addition, 8 EEMs were deployed to **Togo, Tanzania, Ivory Coast** (one mission for the assessment of the voters' registration process and another for the Presidential elections), **Guatemala, Morocco, Egypt and Venezuela**. FPI also deployed three Election Follow-up Missions to **Paraguay, Cambodia and Honduras**, to assess the implementation of previous EU EOM recommendations.

Partnership Instrument (PI)

The actions adopted in 2015 are at an early stage of implementation and have not been evaluated yet in terms of outcomes/results. Through the actions included in the AAP 2015, the EU will engage with key partner countries to **address jointly global challenges** and pursue EU policy objectives and interests with particular focus on **climate agenda, environmental protection** and **support to economic interests**. In a nutshell, with 2015 actions, the focus has been on urbanisation, which is embedded in urbanisation partnerships and policy dialogues with a number of important partners in both America and Asia, as well as prevention of biodiversity loss, promotion of resource efficiency with the Union's strategic partners and support to growth and market access in Asia.

It is expected for example that the PI International Urban Cooperation programme will offer a European contribution to the debate on a new urban agenda for the 21st century as part of a longer-term strategy of fostering urban diplomacy; it will in addition support the EU climate change agenda.

³ One ExM was conducted in 2015 for an EOM deployed in 2016

The AAP 2015 also contains a programme aimed at fostering environmental protection and bio-diversity and engaging with partner countries such as Brazil, China, India, Mexico, and South Africa to advance global ecosystem accounting and improve the management of ecosystems as well as a programme to enhance cooperation on issues related to resource efficiency with India.

The **implementation of the external dimension of Union's internal policies** is addressed through the objective 2 of the Regulation with a focus on fostering regulatory convergence to help reduce non-tariff barriers and to promote the adherence to global rules standards. Within this context, the AAP 2015 includes a programme aimed at improving and reinforcing the market perspectives for the EU Information and communications technology sector in India helping boost trade, investment and business opportunities for European companies, while eliminating barriers to market access and investment, by means of regulatory cooperation and exchange of statistical data and metadata.

In terms of **supporting economic and trade relations** with key partner countries and contributing to a secure climate for increased trading and investment opportunities for companies from the EU, including small and medium sized companies, the focus in 2015 has been on Japan, the EU's second biggest trading partner in Asia (after China), and on support to the European aviation industry in South Asia where aviation traffic forecasts over the next 20 years are among the highest in global aviation.

Lastly, in the field of **public diplomacy**, actions adopted encompass four pillars: working with academia, engaging in policy research and debate with think tanks (policy and outreach partnerships) on policies of common interest, engaging with civil society actors and using culture as a vector for public diplomacy, including 'EU Policy and Outreach Partnership' actions in Russia, Japan, China, USA and in the regions of Central America, South America, Asia-Pacific, the Arctic as well as at global level.

Information outreach on the Union's external relations

As a result of the Service Level Agreement (SLA) concluded between FPI and EEAS in 2013, most of the activities are carried out by the EEAS, both in Headquarters and in Delegations. The related activities concern mainly the annual press and information budgets for some 135 EU Delegations 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**. FPI remains responsible for the preparation and adoption of the Annual Work Programme (financing decision), and for the overall control of this activity in keeping with the implementation responsibilities delegated to the FPI Head of Service by the Commission.

The information and communication activities of FPI were limited to the regular updating and maintenance of the FPI website and the management of the EU Visitors Programme. Finally, this budget covers the financing of the TV Euronews programme in the Farsi language.

European Union Visitors Programme (EUVP)

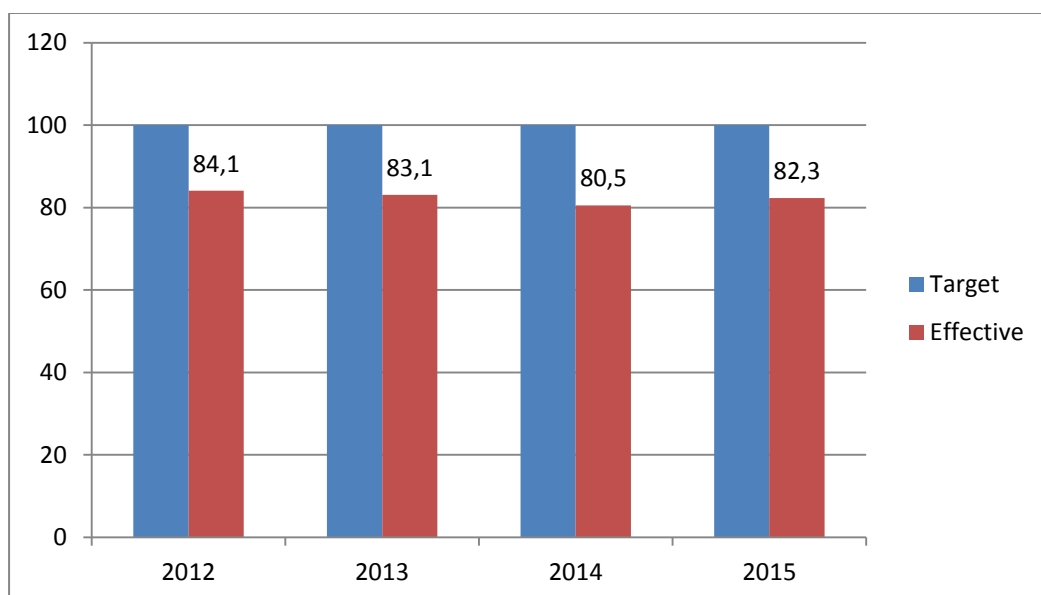
In 2015, FPI continued to implement the EU Visitors Programme in close and effective collaboration with the EP secretariat and offered the opportunity to about **120 invitees from third countries** to benefit from individually catered programmes on the basis of their particular interests. Furthermore, **EUVP celebrated its 40th anniversary** in the context of a well prepared meeting in which the President of the European Parliament, two Commissioners and several distinguished EUVP alumni expressed their appreciation for the programme.

b) Key Performance Indicators (5 KPIs)

FPI Key Performance Indicators – as per 2015 Management 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

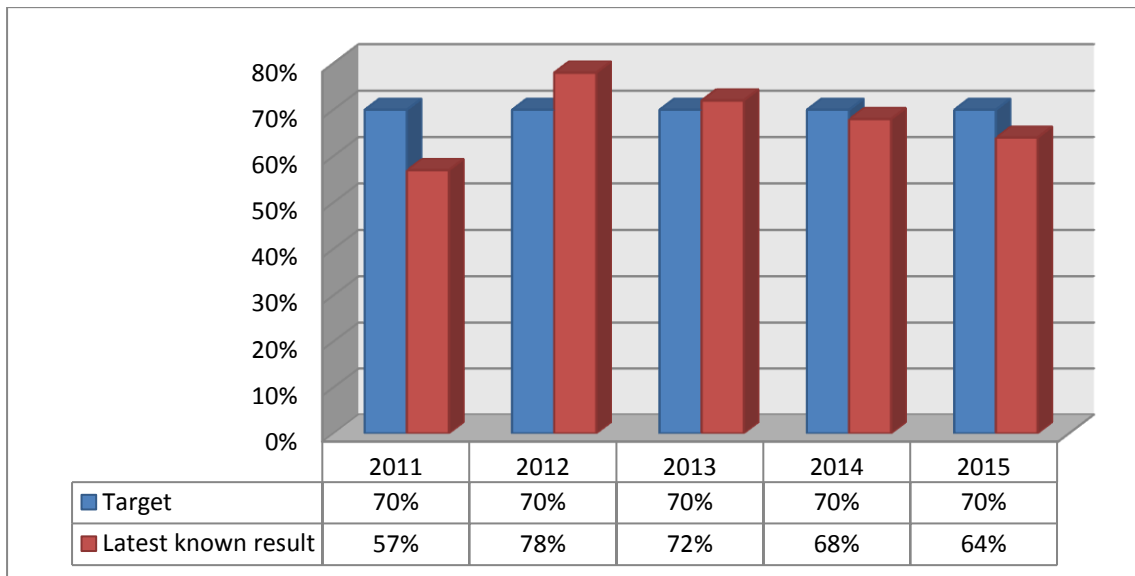


Reading: in 2015, the deployment rate in the CFSP missions was 82,3% of the total maximum number of international staff authorized by the respective Council decisions of the European Union. The indicator monitors the effectiveness of the ongoing civilian CSDP missions' deployment: the fulfilment of the 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.

See page 26 (Specific objective 1) for an explanation of the 2015 trend.

KPI 2: IcSP: Percentage of IcSP crisis response measures adopted within 3 months of a crisis context (date of presentation to PSC)

Result/Impact indicator (description)	Trend	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

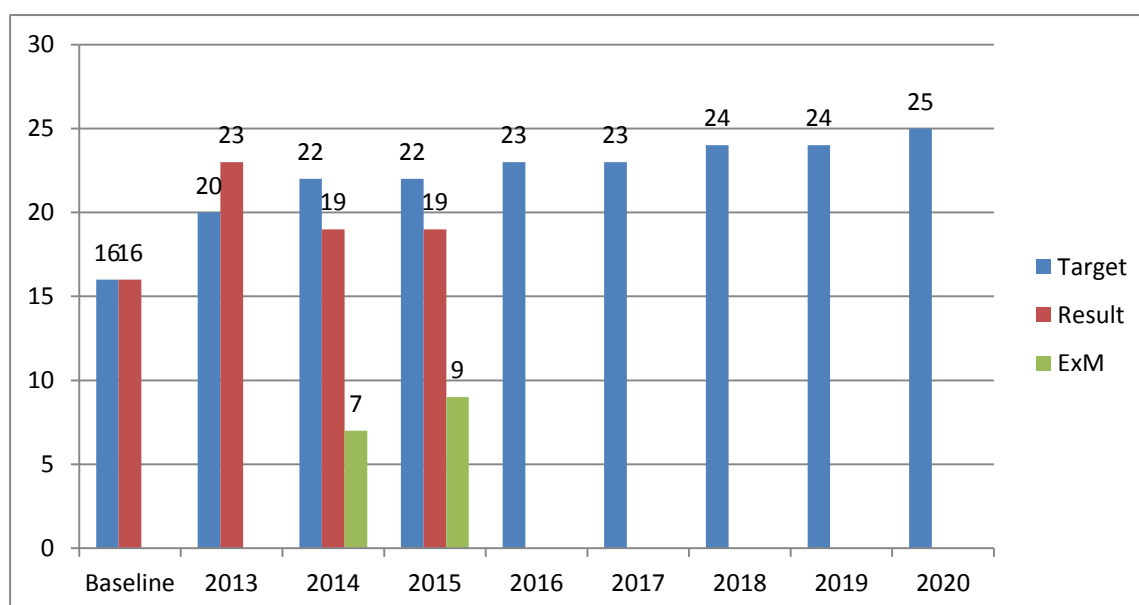


Reading: in 2015, 64% of projects prepared by FPI were adopted within 3 months: the indicator measures the swift adoption of short-term crisis response measures following exceptional and unforeseen situations as set out under Article 3 of the IcSP Regulation.

A significantly higher number of new crisis response actions were launched in 2015 due to the intensity of crises that are of immediate concern to the EU. This had a negative effect on the indicator.

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)

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Number of electoral missions		2020: 25	2015: 19 (plus the corresponding 9 ExMs)



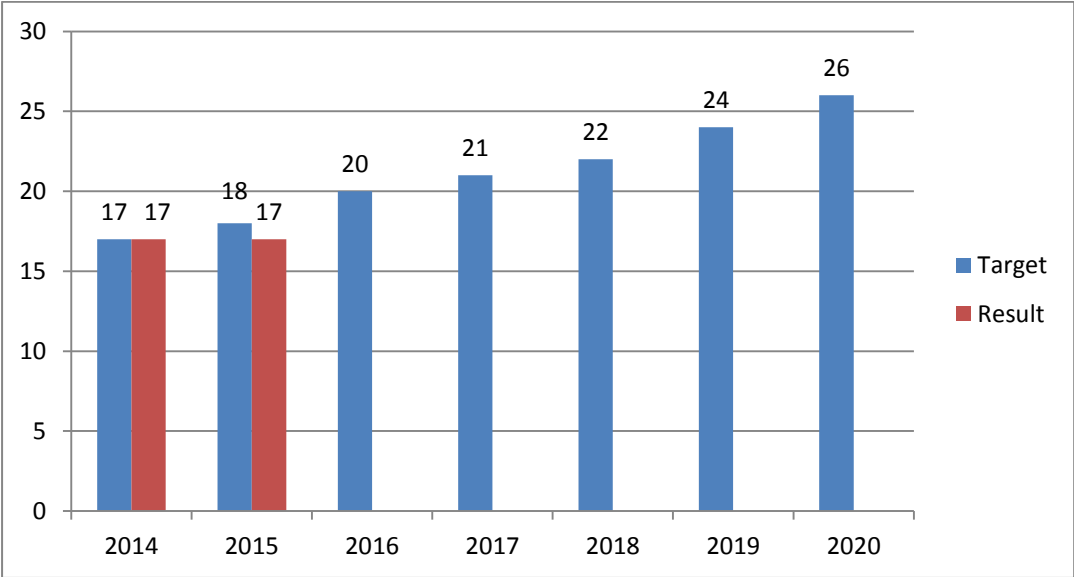
Reading: in 2015, FPI has deployed 19 electoral missions abroad (which required 9 exploratory missions to prepare the deployments).

The unstable political environment in several of the priority countries on the 2015 list led to the cancellation or postponement of elections (Philippines, Palestine, Libya and Afghanistan). Furthermore, two EOMs (Ivory Coast and Guatemala) were changed from fully-fledged EOMs to smaller election expert missions leading to a significant decrease in their budget. Overall, the volatility of the 2015 electoral calendar resulted in a lower number of electoral processes observed in 2015 compared with the original forecast.

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 indicator and the impossibility to measure progress in global terms a broken down has been done for the overall indicator into measurable, concrete sub-indicators:

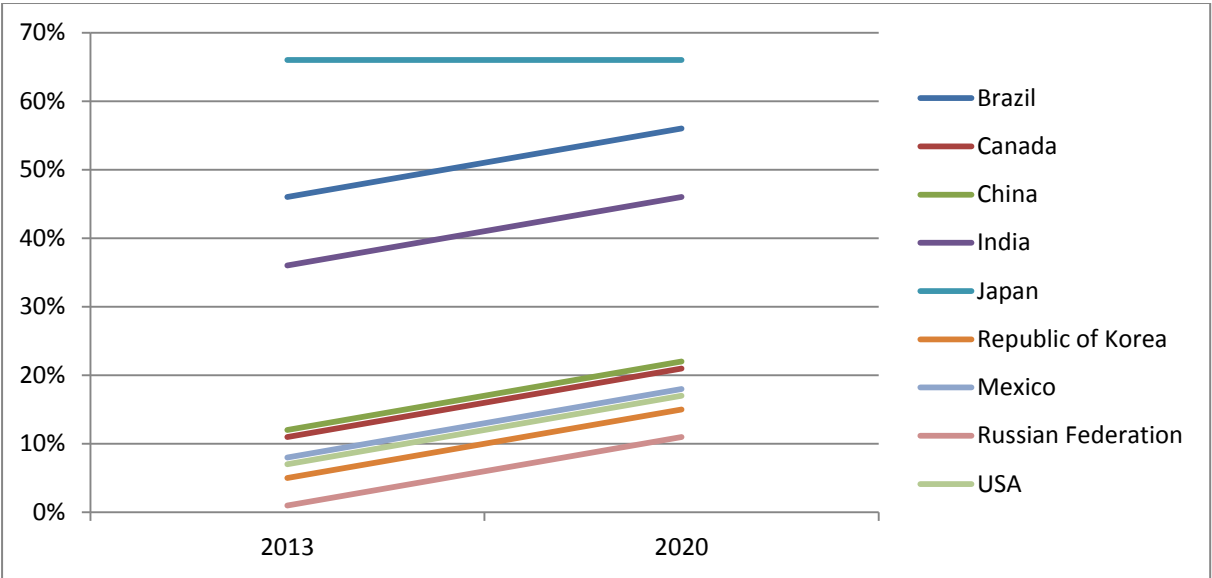
Sub-indicator 4.1: Operating Emissions Trading Schemes for greenhouse gas mitigation (ETS) outside the EU/EEA (at city, regional, country or multi-country level)



Reading: in 2015, 17 Operating Emissions Trading Schemes were currently in force worldwide.

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 increase to reach 26 trading schemes by 2020.

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

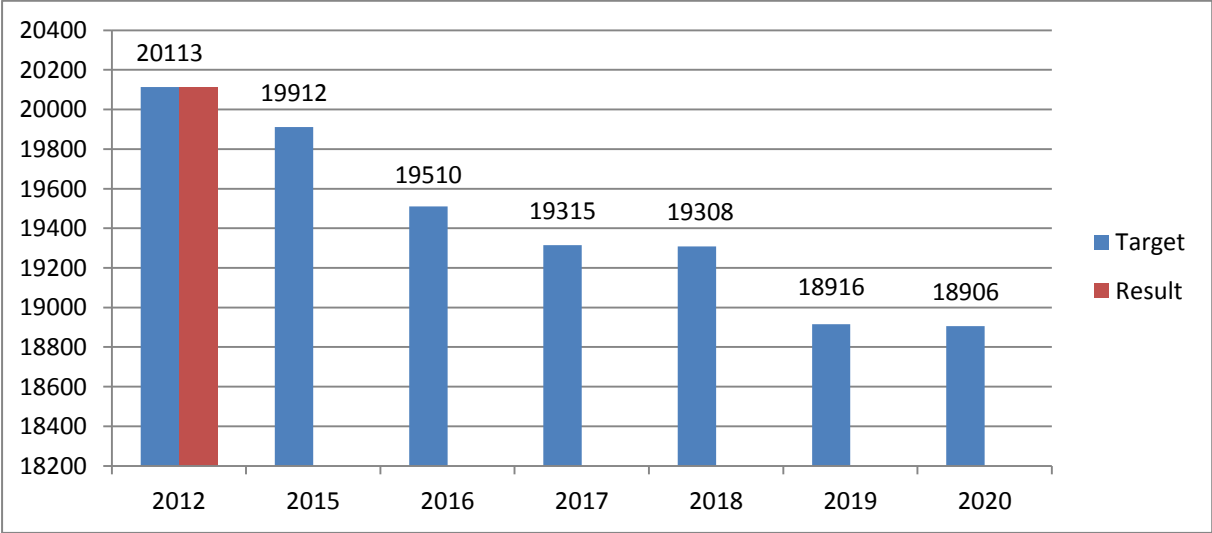


Data for sub-indicators 4.2. are not yet available (the latest data available are those of 2013).

Reading: in 2013, the share of renewable energy in total energy production for Mexico was of 8%.

FPI expects, through support under the Partnership Instrument, to contribute to an increase in the share of renewable energy in the total energy production of the 9 EU strategic partners. The objective is to increase the use of renewable energy by some 30% by 2020.

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

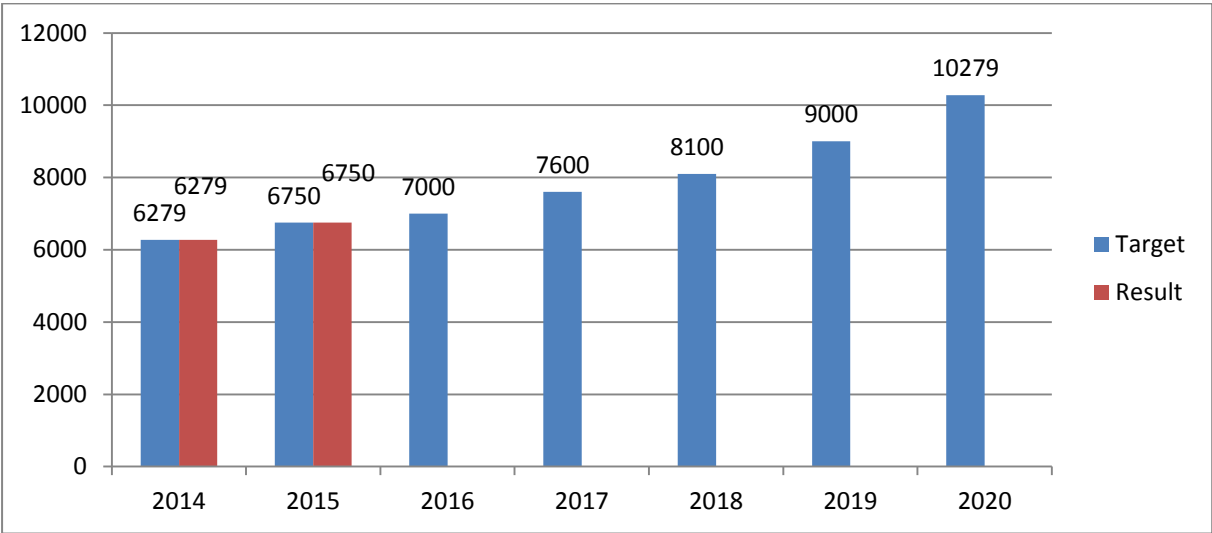


Data for sub-indicators 4.3. are not yet available (the latest data available are those of 2012).

Reading: in 2012, in the 9 EU strategic partners, the CO₂ emissions from fuel combustion was 20113 millions of tons.

The final target (2020) corresponds to a decrease of 6% of the 2012 total CO₂ emissions in the 9 strategic partners. 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.

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

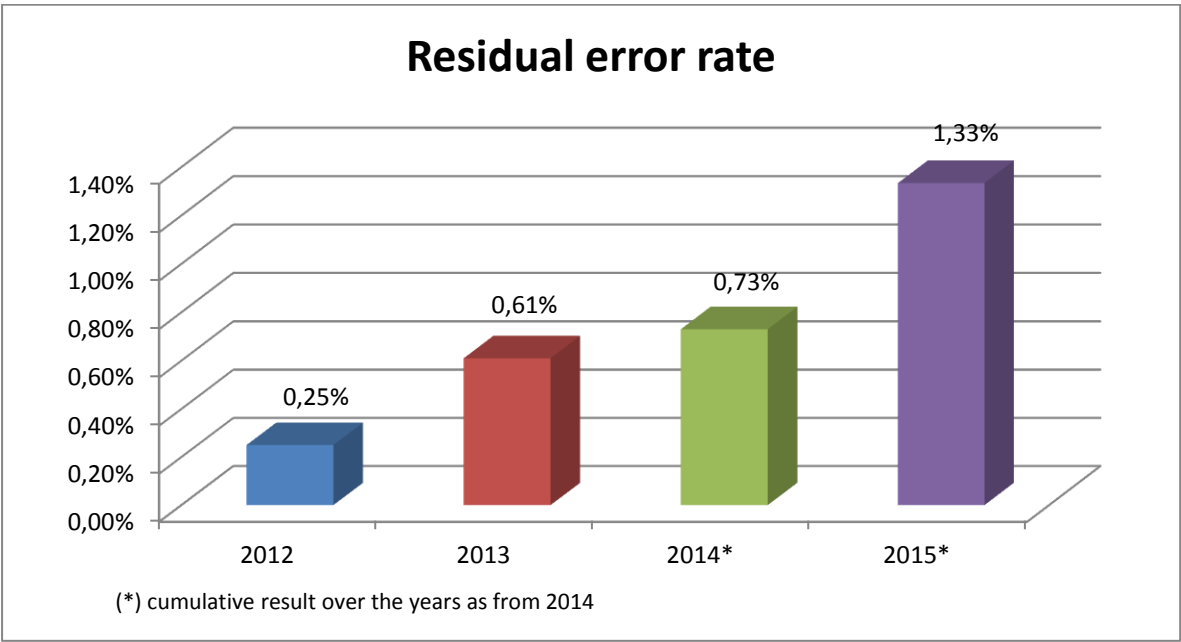


Reading: in 2015, 6750 local and regional authorities had signed the Covenant of Mayors.

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

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Residual error rate	😊	Below 2%	2014-2015: 1.42%



Reading: in the period 2014-2015 (two years), the residual error rate of FPI was of 1,33%.

The cumulative residual error rate for 2014-2015 is 1,33%. Nevertheless, for 2015, the materiality threshold for two ABB activities is above 2%. Please see section 3 for the related reservation.

c) Key conclusions on Management and Internal control (executive summary of section 2)

In accordance with the governance statement 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 principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. FPI has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2 for further details.

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. Please refer to Section 2 for further details.

In conclusion, despite the reservation, 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 his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the error rate.

d) Information to the Commissioner(s)

The main elements of this report and assurance declaration, including the reservation, 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 (ABB 19.02)

Specific objective 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 objective, 41 actions were launched in 2015. The following are examples of a few of the timely EU responses to many high-priority crises on the EU's political agenda last year:

Counter-terrorism/Countering violent extremism: In view of the rising terrorist threat in several parts of the world, not least in the EU neighbourhood, a number of IcSP decisions to support the affected countries' efforts to counter terrorism and violent extremism were taken in 2015. They include support to development and implementation of national strategies on counterterrorism and countering violent extremism as well as the strengthening of the capacity of the judiciary to handle terrorism cases, all in conformity with international human rights standards and the rule of law.

MENA: In August 2015, a new Financing Decision 'Strengthening counter terrorism capacities in the Middle East, North Africa and Iraq' for EUR 6 million was adopted. In line with the EU "Syria and Iraq: Counter Terrorism (CT)/Foreign Fighters Strategy" of 20 October 2014 and the Joint Communication on an EU comprehensive **regional strategy for Syria and Iraq as well as the Da'esh threat** of 6 February 2015, this new measure aims to address the terrorist threat in the region by strengthening the capacity of state actors that play a key role in countering terrorism and violent extremism. For this purpose, a contract was signed with the European Police College (CEPOL) for EUR 2.5 million in November 2015.

In complementarity to the above-mentioned regional action, the Decision foresaw a specific measure aimed at developing a human rights-compliant counter terrorism strategy, legislation and coordination measures in **Iraq**. For this purpose, a grant contract was signed with Crown Agents in October 2015 (EUR 3,5M). This action aims to specifically address the threat posed by extremist groups in Iraq by strengthening the counter terrorism capacities of the Iraqi government.

Aware of the potentially destabilising effect of radicalisation in **Jordan** and the large number of foreign terrorist fighters going from Jordan to join terrorist groups in Syria, the Jordanian authorities have developed a national and multi-sectorial action plan to Counter Violent Extremism (CVE). A new EUR 10 million EAM was adopted under the IcSP in 2015 to contribute to CVE in Jordan. This measure includes a component of support to the implementation of the Government of Jordan's CVE action plan, primarily through technical assistance to the Ministry of Interior and the provision of equipment. A second component supports local grassroots-level interventions aiming to prevent radicalisation through engagement with vulnerable youth and communities on a range of social, cultural, economic, and political issues.

Developments in the region have also contributed to a recent wave of radicalisation in **Lebanon**, in addition fuelled by domestic factors including economic and social disparities as well as sectarian strife. A new EUR 2.5 million IcSP action was adopted in 2015 as a direct response to the crisis situation in Lebanon. A first project under this measure aims to empower unions of municipalities in vulnerable areas in the North of Lebanon to mitigate local tensions and to deliver services in a conflict sensitive fashion while a second component aims to support the Sunni High Council, Dar el Fatwa, to counter the appeal of Islamic ultra-radicalism and to promote religious tolerance.

Since the fall of former President Ben Ali, **Tunisia** has adopted a new constitution and held two rounds of elections in 2011 and 2014. Despite the significant advances of the democratic process there is growing concern about political violence, unrest and, most recently, around insecurity along the country's borders. On the one hand, the country needs to take urgent steps to strengthen its security provisions, particularly at its borders. On the other hand, the right balance must be struck so as to avoid that the methods of the former police state are re-legitimated and undermine the democratic space and freedoms Tunisians have just recently gained.

In this context, two IcSP measures totalling EUR 4 million were adopted in December 2015: they aim to 1) contribute to an inclusive and democratic security governance of Tunisia's land borders and to counter violent extremism through building more resilient communities, and 2) support Tunisia in its counter-terrorism efforts, in particular the planning for and implementation of the Tunisian Counter-Terrorism Strategy and the strengthening of the judiciary's capacity to handle terrorism cases.

Pakistan: The increase in terrorist activity in Pakistan and continued uncertainty regarding security at the Afghan border has spurred the Government to take additional measures in the fight against terrorism. However, the handling of terrorism cases by the criminal justice system in Pakistan faces myriad challenges including a lack of specialised expertise, inadequate processes in investigation, forensics, intelligence and prosecution, a legal framework that is not adapted to the needs and insufficient coordination. An IcSP interim response programme (EUR 7.3 million), adopted in 2015, will support federal and interprovincial coordination on counter terrorism. The Khyber Pakhtunkhwa province has been particularly hit by terrorism and the project will provide assistance to operationalise the Khyber Pakhtunkhwa province Police Counter Terrorism department as well as contribute to enhancing prosecutorial and judicial anti-terrorism specialisation in the province.

In view of the continuing threat it is foreseen that the IcSP will be called upon to support counterterrorism and CVE actions in several parts of the world also in the future.

Niger: In early 2015 the first **Boko Haram** attack in Niger coincided with the country joining the regional response effort to counter Boko Haram. The Diffa region, already suffering from agricultural and pasture deficits, is having to cope with the arrival of a large number of returnees and refugees from Nigeria. The reduction of trade and its severe consequences for agricultural and pastoral communities impose further strain, providing potentially fertile grounds for radicalisation and recruitment by Boko Haram who focus both on men and women and in particular youth. Activities in the Diffa region include support to the security of the Niger-Nigeria border; support for resilience and economic recovery at the community level; quick impact initiatives to promote education, for example through vocational training to stimulate youth employment, or through incentives to schooling for girls and boys and the rehabilitation of school infrastructure; continued support to efforts on inter- and intra-religious dialogue and prevention of radicalisation; as well as support to the High Authority for the Consolidation of Peace (HACP) in its role of supervision and coordination of national and local initiatives to promote stability. The programme complements initiatives by Member States and other donors and has synergies with EUCAP Sahel Niger, especially on training and development of response procedures for border police forces.

In addition to these activities responding to the Boko Haram crisis, the IcSP is supporting a pilot project to set up in Agadez the multi-purpose centre proposed in the European Agenda on Migration. Niger is a strategic crossroad for **migration** in sub-Saharan Africa, with an estimated 2,000 migrants passing through the country to enter Libya each week. The instability in Libya and repatriation agreements between Algeria and Niger have increased the flow of migrants returning back to Niger, often in difficult conditions, with a risk to threaten the fragile security balance in Niger. The intervention supports the existing infrastructure for migrants in the Agadez region and kick-starts the establishment of a Migration Response and Resource Mechanism in Niger. In line with the European Agenda on Migration of May 2015, the centre will assist migrants with information, protection, food, family tracing, medical assistance and limited support for voluntary return. The action provides an entry-point for the long-term actions being

prepared by the European Commission and Member States and complements other EU actions, such as the reinforcement of EUCAP Sahel Niger and the ongoing pilot information campaign. This action is a precursor of upcoming actions under the IcSP addressing migration. Another intervention decided at the end of 2015 aims to facilitate voluntary return of migrants from Libya, providing alternatives to irregular migration across the Mediterranean.

New IcSP actions in Niger in 2015 totalled EUR 15.5 million.

Ukraine: While the 'Package of Measures for the Implementation of the Minsk Agreement' signed in February 2015 has renewed hopes for a peaceful and sustainable solution to the crisis, the conflict in eastern Ukraine is still ongoing. Violence has decreased, but the security situation remains tense, with an increase in ceasefire violations. Moreover, the initial movement of heavy weapons away from the lines of contact, as observed by the OSCE, does not constitute an irreversible withdrawal, as heavy weapons continue to be present in the security zone. As it is critical that adherence to the Package of Measures by all parties is closely monitored by the OSCE, an additional EUR 18 million were mobilised in June 2015 for assistance in the area of satellite imagery and complementary monitoring tools and for the continuing EU contribution to OSCE Special Monitoring Mission staff costs (in addition to previous IcSP support of EUR 7 million made available to the OSCE in 2014). These measures will ultimately further enhance the OSCE overall monitoring capacity and thus contribute towards, inter alia, normalisation of the security situation, monitoring of conflict prone areas or localities, investigating specific incidents and supporting respect for human rights.



In 2015, new IcSP actions for Ukraine reached EUR 37.5 million

Apart from the past and on-going IcSP support to the work of the OSCE in Ukraine, actions were identified to also directly support the conflict-affected populations at various levels. A new EUR 9.5 million IcSP support package for Ukraine has therefore been adopted in August 2015 with the overall objective of helping to mitigate the most acute effects of the conflict, both physical and psychological, for conflict-affected populations. Specifically,

one component monitors human rights abuses with the aim of building up a well-documented caseload which will then assist in the restoration of justice for affected individuals and communities. A second component works with Ukrainian regional media addressing the diverse perceptions of the conflict so as to promote balanced media coverage. Thirdly, psychosocial assistance is provided to conflict-affected communities and a fourth component provides training and equipment for the state services responsible for demining as well as mine risk education activities for affected populations.

A third area of IcSP intervention planned during 2015 aims to address the conflict in the Donetsk and Luhansk Oblasts which resulted in the division of the region into government- and non-government controlled areas and led to a large scale displacement of people. Displacement, fear and diminishing levels of trust in local government in the Donetsk and Luhansk oblasts are acute problems, and conflict-related distress across communities is widespread. A EUR 10 million IcSP support measure has therefore been adopted in December 2015 to improve regional and local government capacity in recovery planning and service delivery, enhance community security for people in conflict-affected areas, with a focus on Internally Displaced Persons and host communities, restore and strengthen social cohesion between local authorities and communities, and enhance capacity of gender equality advocates and women affected by conflict to demand accountability and transparency on local decision-making and spending.

Specific objective 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 addition to the crisis response actions, the EU committed **EUR 25 million of IcSP funds in 2015** for activities supporting **conflict prevention, peace building and crisis preparedness** within the framework of the so-called Peace-building Partnership.

Focus was put on actions under all priorities of Article 4, namely in the areas of civil society capacity building; enhancing EU early-warning and crisis preparedness capacity; developing police training; post-disaster and post-conflict assessments; combating violence against women and support to the Kimberley Process Certification Scheme. In doing this, the EU worked with a wide range of stakeholders, such as the United Nations (UN), international organisations and civil society actors:

- In 2015, an additional EUR 9.3 million was invested to continue enhancing **civil society capacity** to contribute to conflict prevention and peace building in conflict-affected third countries. Since 2010, such investment increased grassroots civil society capacity to engage in peace-building and conflict prevention actions across 23 conflict-affected countries in all geographical regions, notably in the areas of mediation and dialogue, fragility and conflict, women peace and security, young people as agents for peace and children and conflict. This allowed the EU to contribute effectively to building durable peace with grassroots civil society and to promote its policy on Women, Peace and Security (WPS) and Transitional Justice.

In 2015, IcSP committed EUR 25 million for activities supporting conflict prevention, peace building and crisis preparedness

- **European Union Police Services Training Programme (EUPST II)** aims to strengthen the capacity of police and gendarmerie services from EU Member States, non-EU CSDP contributing countries, and third countries, to participate in international crisis management missions and projects of the EU, the United Nations, the African Union and other international organisations. Investment

under EUPST I was capitalised upon through this second phase worth EUR 5 million. The network expanded to include 17 police and gendarmerie forces from 13 EU Member States while the scope of activity broadened to focus on improved and harmonised training delivery (efficiency) and increasing inter-operability in deployments (effectiveness). A particular focus was given to incorporating human rights, gender and culture as key cross cutting issues in training while planning advanced to deliver two 'live training exercises' in Central Africa for the benefit of AU and national police officers as a complement to the EDF regional funds. In addition, it allows the EU to engage further with African countries on peace and security issues in line with the ambition of the EU Africa Partnership.

- Collection of data on **Violence Against Women (VAW)** in conflict-risk areas aims to prevent and combat sexual and gender-based violence in the OSCE region by creating an evidence base on VAW for improved policymaking and programming by relevant national actors (security, executive and legislature and social sectors) in the long term. Implemented by OSCE, the action will replicate the original, robust methodology of the well-received EUFRA (Fundamental Rights Agency) 2014 survey on VAW across EU member States, to create an evidence-base on the different forms of VAW in an initial wave of ten OSCE countries: Albania; Bosnia and Herzegovina; former Yugoslav Republic of Macedonia; Montenegro; Serbia; Turkey; Georgia; Armenia; Azerbaijan; Ukraine; and conflict-affected areas related to these countries where the situation is stable and conducive to survey research. EU commitment to the WPS agenda is advanced and policy synergies are facilitated.

- Investment in **post-disaster and post-conflict needs assessment (PDNA/PCNA)** increased the capacity of governments and local authorities in post-disaster and conflict situations to assess and identify their own recovery needs and allowed the EU to deploy technically competent expertise to support these local recovery processes. Five post-disaster needs assessments (PDNA) were conducted focusing inter alia on the Ebola epidemic in West Africa and recovery planning after the Nepal earthquakes in April and May 2015. The latter allowed the Commission to lead the joint donor assessment and to have a visible input to the donor conference in June, thereby enhancing cross-instrument coordination and the overall effectiveness of EU external assistance. Two post-conflict needs assessments (PCNA) in Yemen and Nigeria supported donor coordination and local consultations to identify opportunities for peace-building and recovery work thereby contributing to efficient planning of future interventions. Investment in this policy area also reinforces complementarity between EU external instruments (DCI, ENI, EDF, ECHO) while politically underpinning the 2008 Trilateral Declaration (EU, UN, World Bank) aiming to coordinate and harmonize recovery planning for countries and populations affected by disasters and strife.

Highlights:

ERMES (European Resources for Mediation Support), launched in January 2014, provides the EU with a facility to support global peace mediation efforts by supporting third parties through quick response engagements as well as capacity-building efforts. In 2015, ERMES was mobilised, amongst others, on: a) Syria, to facilitate the search for a peaceful solution to the Syrian conflict and the identification of entry points to promote the de-escalation of violence and the re-establishment of a minimum of normality to life in the country; b) Libya, to support the UN-led dialogue for a peaceful resolution of the conflict through involvement of and engagement with municipal authorities in diplomatic discussions; c) ASEAN, for the organisation, co-led by the EU and Indonesia, of a second preventive diplomacy and mediation training for the ASEAN Regional Forum (ARF) in November to contribute to the implementation of the "ARF Preventive Diplomacy Work Plan"; d) the Philippines, to identify lessons learned to support the planning of the arms decommissioning process in Mindanao; e) enhancing the cooperation between the UN and regional and sub-regional organisations on mediation by organising and hosting in May, the "4th Meeting of Regional, Sub-regional and other International Organisations on Preventive Diplomacy and Mediation". This investment concretely supports implementation of Council Conclusions of 2011 on Conflict Prevention.

- **Gender and Transitional Justice** aims to secure non-recurrence of violations and to increase the effectiveness of transitional justice in preventing further conflict and in promoting reconciliation. Launched in 2014, this action with UN Women supported global training on investigating cases of sexual and gender-based violence (SGBV) as international crimes, deployed SGBV Justice Experts to identified international and national investigative bodies and supported international courts and tribunals to document good practices and lessons learned on prosecution of conflict-related sexual and gender based violence. In Kosovo, a pilot project on economic empowerment of women war victims organised a workshop with 60 survivors from 4 different regions - the first time many of these survivors had ever met each other. In Colombia, two mechanisms are envisaged; a truth commission and an international tribunal. SGBV Justice Experts will be deployed with sexual crimes as one of the major topics. The country team also travelled to the FARC-controlled region for a first dialogue with civil society on the truth commission, consulting 80 women from different regions. In the Philippines, support has been given to the Transitional Justice and Reconciliation Commission (TJRC) established under the Bangsamoro Comprehensive Peace Agreement to undertake a study and make recommendations to address legitimate grievances of the Bangsamoro people, human rights violations, to correct historical injustices and marginalization through land dispossession. The country team will engage in a listening process, working with study groups and dealing with past assessments.

- **Conflict Prevention and Governance in the Diamond Sector**, launched in 2014 and implemented by the Nobel Peace Prize co-candidate "Partnership Africa Canada" (PAC), contributed to strengthening cooperation between Kimberley Process (KP) stakeholders - governments, industry and in particular civil society - and promoted better understanding of KP requirements and enforcement capacities in particular in the Mano River region of West Africa (Ivory Coast, Guinea, Liberia and Sierra Leone). In 2015 the action focused *inter alia* on: 1) enhancing civil society's active participation in the KP, by supporting its engagement with governments and industry during the Plenary Meeting in Angola in November; 2) building civil society capacity to better understand and tackle challenges in the artisanal diamond sector; 3) improving the implementation of a Regional Approach to KP compliance in the Mano River region, through active participation in a multi-lateral teams; 4) strengthening KP compliance-monitoring mechanisms. This investment underpins the EU role as chair of the KP Working Group on Monitoring (WGM) while creating leverage for additional EU influence in other KP committees and working groups.

Foreign Policy Regulatory Instruments

As regards **sanctions** or restrictive measures, FPI has been preparing and negotiating joint proposals of the Commission and the HR/VP for Council Regulations as well as Commission Regulations. In this context, FPI has **represented the Commission** in meetings of relevant Council working parties, in particular the **Foreign Relations Counsellors working party** (typically meeting twice a week), as well as dedicated RELEX Sanctions meetings with officials and experts from capitals throughout each semester. In 2015, FPI prepared a total of 30 proposals for (amending) Council Regulations on sanctions, including those related to implementation of the nuclear deal concluded between the E3+3⁴ and **Iran**. Moreover, FPI prepared 20 Commission Implementing Regulations concerning the **Al Qaida sanctions** regime, which transposes decisions taken by the UN Al-Qaida Sanctions Committee into EU law.

Furthermore, in 2015 FPI launched the renewed **financial sanctions database** to assist financial institutions in identifying persons and organisations that are the object of EU sanctions (asset freezing measures) and started up the development of a new electronic **platform for information-sharing** on sanctions implementation issues among Member States' competent authorities and with the Commission.

As regards the **Kimberley Process (KP)**, FPI on behalf of the EU continued to **chair the KP Working Group on Monitoring (WGM)** - which is one of the most important KP working bodies as it deals with country compliance issues - and to play an active role in the other KP committees and working groups. In its capacity as Chair of the WGM, FPI has been instrumental in achieving concrete results in the debate on **strengthening KP implementation** as well as in ensuring an all-important KP Decision that would allow for a partial and gradual lifting of the **Central African Republic's** suspension from participating in the KP certification scheme. FPI has also been actively involved in KP efforts to support the four **Mano River Union (MRU) countries** (Côte d'Ivoire, Guinea, Liberia and Sierra Leone) to further develop and implement a strategy and action plan for a joint approach to deal with KP compliance issues with a regional dimension.

Furthermore, FPI had contributed substantially to a successful conduct of a **KP peer review visit to the EU**, with the preliminary conclusions confirming that in many respects the EU's internal control system serves as a best practice model for other KP member countries.

⁴ E3: informal troika composed by France, Germany and United Kingdom. The +3 are composed by China, Russia and the United States of America.

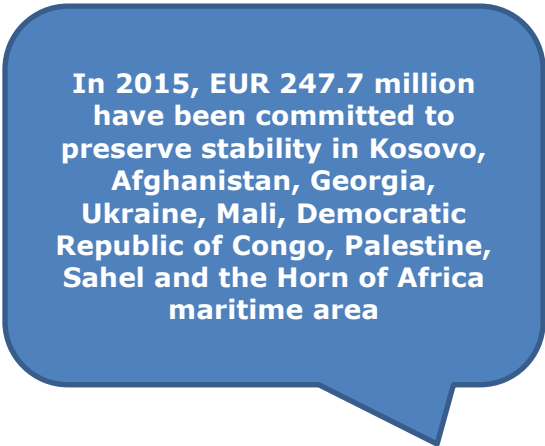
And as for the **Anti-Torture Regulation** (Council Regulation (EC) 1236/2005), in 2015 FPI presented its Commission proposal for amending the Regulation to the **European Parliament's** Committee for International Trade and Sub-Committee for Human Rights, and has come up with compromise suggestions to facilitate the **trilogue** talks at the first stage of the ordinary legislative procedure. The proposed amendments to the Regulation aim to define appropriate modalities for export controls applied to prevent EU goods from being used for **capital punishment in third countries**. Importantly, over the past three years this work has already contributed to the postponement of death penalty executions in the United States (USA) as well as the effective self-regulation of the pharmaceutical industry.

Common Foreign and Security Policy (ABB 19.03)

FPI's management of each CFSP action is based on specific decisions adopted by the Council under the CFSP provisions of the Treaty on European Union (TEU). There is no over-arching instrument (basic act) adopted for the full period of the multiannual financial framework. Actions are either CSDP civilian crisis management missions, European Union Special Representatives (EUSRs) or actions in the field of non-proliferation of Weapons of Mass Destruction (WMD) and small arms and light weapons (SALW).

Specific objective 1: Support to preservation of stability through substantial CSDP missions and EUSRs mandates

FPI committed a total of EUR 247.7 million for CFSP missions and EU Special Representatives (EUSRs) under Specific Objective 1. The bulk was committed to finance 10 CSDP missions (EUR 206.4 million): EULEX Kosovo (EUR 75.8 million), EUPOL Afghanistan (EUR 43.7 million), EUMM Georgia (EUR 17.6 million), EUCAP Nestor (EUR 12.0 million), EUAM Ukraine (EUR 14.4 million), EUCAP Sahel Niger (EUR 18.4 million). The remainder (EUR 11.9 million) went to missions in Mali, Democratic Republic of Congo (DRC) and Palestine.



In 2015, EUR 247.7 million have been committed to preserve stability in Kosovo, Afghanistan, Georgia, Ukraine, Mali, Democratic Republic of Congo, Palestine, Sahel and the Horn of Africa maritime area

In 2015, the downward trend observed in recent years in terms of deployment of staff in CSDP missions was reversed (see KPI 1.). Indeed, the effective deployment rate increased by nearly 2% in 2015, bringing the effective rate to 82.3%.

The main factor contributing to this increase was a rise in relative terms of contracted staff, which more than compensated a drop in terms of seconded staff. Indeed, the actual number of contracted staff has remained pretty constant over the years (435 in 2012 and 450 in 2015).

Seconded staff still remains preponderant in CSDP missions, constituting two-thirds of all staff. Yet the share of seconded staff in CSDP missions has constantly declined over the years: in 2012 it was above three quarters of the total. The reason for this decline in seconded staff share is to be found in the decreasing willingness by Member States to second their personnel, and their preference to keep this staff inside national administrations. There are no signs of this trend changing as of yet.

Still, according to the figures, the objective of 85% of deployed staff against the planned capacity looks attainable in 2016. Much will depend on the planned downsizing of the largest CSDP mission (EULEX Kosovo), as well as the planned closure of the second largest CSDP mission (EUPOL Afghanistan).

Key CFSP specific objective 1 related activities:

- **9 EU Special Representatives** (total budget: EUR 41.2 million⁵) were active in: Afghanistan, Bosnia and Herzegovina, Central Asia, Horn of Africa, Human Rights, Kosovo, Middle East Peace Process, Sahel, South Caucasus and the crisis in Georgia. Each EUSR has a specific mandate to promote the EU's policies and interests in troubled regions and countries and to play an active role in efforts to consolidate peace, stability and the rule of law.
- **EU Rule of Law mission EULEX Kosovo:** the biggest CSDP mission has been one of the key elements ensuring stability in Kosovo, including through executive (police) operations. The objective is to maintain civilian law and order, to improve the rule of law and to support the government in administering the territory through mentoring, monitoring and advising activities. Following a major downsizing exercise, the mission staff decreased from 2250 to 1600. The mission under its executive mandate is active in the areas of law enforcement, customs, and administration of justice.

Highlights:

EU Police Mission in Afghanistan: in the context of the international community's efforts to support the Afghans in taking responsibility for law and order, EUPOL operates within a coordinated EU approach that includes local political guidance provided by the EU Special Representative and a reconstruction effort managed through the EU delegation. EUPOL adds significant value as the only multilateral actor able to provide highly-qualified civilian policing and rule of law expertise in spite of the volatile political and security situation. Results point to slightly improved civilian policing capacity and improved police-judiciary coordination.

- **EUMM Georgia:** set-up in 2008 following the Russia-Georgia war in 2008, the mission monitors compliance by all sides with the EU-brokered "Six-Point Agreement" between Georgia and Russia and the Agreement on Implementing Measures (2008). Its mandate consists of stabilisation, normalisation and confidence-building, as well as reporting to the EU in order to inform European policy-making and thus contribute to the future EU engagement in the region. First and foremost, the mission is working to prevent the renewal of an armed conflict. It continues to be fully operational to conduct routine inspections within the stipulated zone that includes Georgia, South Ossetia and Abkhazia. The EU efforts to stabilize the region in the CFSP field include also the EUSR for the South Caucasus and the crisis in Georgia.
- **In the Middle East:** CFSP activities contribute to the wider efforts of the European Union in support of Palestinian state-building in the context of working towards a comprehensive peace based on a two-State solution. These include the EU Police Mission (EUPOL COPPS), the EU Border Assistance Mission (EUBAM Rafah). Both missions were established in 2005. EUPOL COPPS continued its activities to

⁵ The HR/VP decided in 2015 to first renew 6 EUSRs for 8 months (from 01.03.2015 to 31.10.2015) and then to extend them for another 16 months (from 01.11.2015 to 28.02.2017): by consequence, the commitment amount is higher than the initial budget of EUR 20 million foreseen to cover EUSRs mandate. The budget line was reinforced through internal transfers.

strengthen the rule of law institutions within the Palestinian Territories throughout 2015. The capacity building of the Palestinian police progressed, the criminal justice sector set up and functioning is progressing as well and, furthermore, EUPOL COPPS works steadily on the improved interaction between both sectors. However, the mission at the Rafah crossing point between Egypt and Gaza could not implement its mandate due to the closure of the Gaza strip. As a result, EUBAM Rafah is to some extent still in a stand-by mode until agreement to reopen the border crossing at Rafah, even though the mission has diversified its border-assistance activities under the most recent mandate agreed by the Council. The EU's efforts to stabilize the region in the CFSP field include also the European Union Special Representative (EUSR) for the Middle East Peace Process, reinstated in 2015, and the support to the destruction of chemical weapons in Syria.

- **In the Democratic Republic of Congo (DRC): EUSEC DRC** contributes to different aspects of army-related reform. The restructuring of the Congolese Police has advanced. The interaction between police and criminal justice system has improved. Human resources management, logistics and training of armed Forces also improved. The mission will be closed in 2016.
- **EUBAM Libya:** its objective is to improve security in Libya through support to Libyan authorities for developing their capacity and strategy for enhancing border security. Due to the difficult security situation, the mission was evacuated to Tunis in the fall 2014.
- **EUCAP Nestor (Horn of Africa):** the CSDP Mission EUCAP Nestor is a civilian mission complementary with the European Union Naval Force (EUNAVFOR – Operation Atalanta) and the EU Training Mission (EUTM) in Somalia for training and capacity-building of the national coast guard in targeted countries, and training local police and justice staff in Somalia in the area of maritime law and piracy.
- **EUCAP Niger:** EUCAP Sahel Niger aims at building-up the capacities of Niger authorities to fight terrorism and organised crime. It has trained over 700 Niger security force personnel, on increasing operational response and coordination between the security actors, scientific police, intelligence handling. It also contributed to improving coordination of international security projects. Also, the **EUSR for Horn of Africa** was established in 2012 and a **EUSR for Sahel** was established in 2013.
- **EUCAP Sahel Mali,** whose objective is to deliver strategic advice and training for the three internal security forces in Mali, focusing on internal management and human resources. It has 80 staff members.
- **EUAM Ukraine,** whose objective is to assist Ukraine in the field of civilian security sector reform, including police and rule of law. It has 100 staff members.

Specific objective 2: 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.**

In 2015, the positive trend observed in recent years in terms of number of countries having ratified an international Treaty (notably the Comprehensive Nuclear Test Ban Treaty [CTBT] and the Arms Trade Treaty [ATT]) or countries being assisted (by IAEA) has been maintained. It is expected that the trend will be confirmed in 2016.

FPI committed a total EUR 18 million for Specific Objective 2. A number of Council decisions were adopted establishing new actions. Implemented by international organisations and other partners, these provided a tangible contribution to the universalisation and implementation of major arms control and disarmament treaties and instruments and strengthened the efforts of the international community to counter the illicit trafficking of small arms and light weapons (SALW) and the proliferation of weapons of mass-destruction (WMD) and their means of delivery, as well as to enhance meaningfully nuclear security worldwide.

Projects related to nuclear, biological, chemical and missile disarmament activities are implemented by the International Atomic Energy Agency (IAEA) the Commission of the Comprehensive Test-Ban Treaty Organization (CTBTO); the Organization for the prohibition of Chemical Weapons (OPCW); and the World Health Organization (WHO).

Election Observation Missions (ABB 19.04)

Specific Objective: Improving the reliability of electoral processes, in particular by means of EU Election Observation Missions.

2015 has been a challenging year for election observation due to the volatile electoral calendar in the priority countries for EU EOM deployment. This led to the postponement or cancellation of several of the electoral processes to be observed which created difficulties in the management of human and financial resources. Yet, FPI managed to fully and successfully implement 19 electoral missions as well as 9 exploratory missions (ExMs), some of them in highly challenging security environments.

Eight fully-fledged EU EOMs (together with nine ExMs⁶) were deployed to Nigeria, Burundi, Haiti, Sri Lanka, Burkina Faso, Guinea Conakry, Myanmar and Tanzania. In addition, 8 Election Expert Missions (EEMs) were deployed to Togo, Tanzania, Ivory Coast (2), Guatemala, Morocco, Egypt and Venezuela. The unit also deployed three Election Follow-up Missions (EFM) to Paraguay, Cambodia and Honduras, to assess the implementation of previous EU EOM recommendations.

A total of 77 trainees from 27 EU member States participated in the courses provided by the training programme Election Observation & Democracy Support (EODS). EODS has finalised the edition of the new Handbook for European Union Election Observation and launched a database of election-related case law.

Additionally, an evaluation of the EODS project was launched in 2015. Its goal is, inter alia, to identify possible shortages in the selection of Observers and electoral experts (for example with respect to technical specialisation, nationality, linguistic expertise) so that future training can better address the bottlenecks. The conclusions of the evaluation (to be completed in 2016) will feed the reflection on the shaping of EODS' successor project starting on 01/01/2017.

Despite efforts undertaken, security risks remain high in the electoral missions. FPI is increasingly requested to deploy electoral missions to countries with a very volatile security environment. Relations with the in-house security services are being further consolidated.

⁶ One ExM was conducted in 2015 for an EOM to be deployed in 2016

- The EOM to Burundi was overshadowed by violent demonstrations. With the Core Team electoral experts already deployed in Bujumbura, FPI insisted that the deployment of the Observers in the countryside should be done when security conditions were met (an evacuation would be more complex and risky with Observers deployed in the countryside). Finally, the HRVP decided on the withdrawal of the whole mission as the political and security situations were rapidly deteriorating.
- The 1st round of the elections in Haiti was marred by violence and FPI, in close cooperation with the security expert of the EOM, reviewed the security measures for the 2nd and 3rd rounds on the basis of "lessons learned".
- Further to EEAS concerns on the EEM to Venezuela which was bound to operate in a politically hostile environment, given the government's reserves on this mission, FPI took the necessary measures to ensure its low profile with the minimum visibility possible.
- For the ongoing Election Expert Mission to the Central African Republic (CAR), FPI in coordination with the in-house security services devised a security package which, even if later adjusted to emerging operational needs on the ground, allowed the mission to work in conditions of reinforced security.

As described above, FPI has implemented the necessary corrective actions to mitigate identified risks and thus reduce their negative impact on the achievement of the programme's objectives.

Partnership Instrument (ABB 19.05)

Objectives

The PI is a financial instrument of political nature. As defined in its legal basis⁷ the Partnership Instrument has been set up to advance and promote Union and mutual interests, with the following objectives:

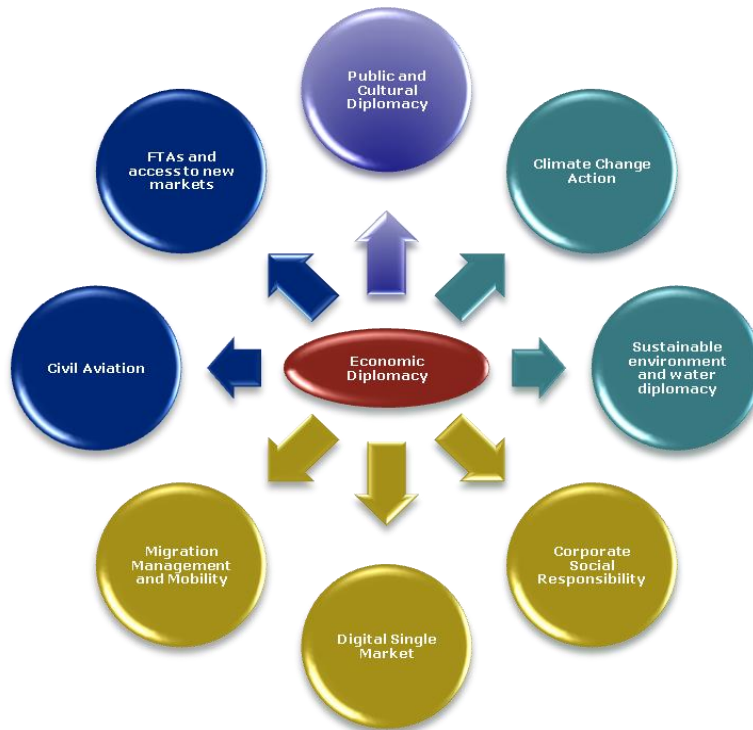
- Objective 1 of the PI refers to Global challenges and policy support. This objective includes support for the implementation of Partnership and Cooperation Agreements, Action Plans and similar bilateral instruments, deepening the political and economic dialogue and engaging with partner countries of particular relevance in bilateral and global issues of common concern.
Global challenges such as climate change, energy security and the protection of the environment are particularly relevant under Objective 1.
- Objective 2 of the PI articulates around the implementation of the international dimension of "Europe 2020" strategy and the promotion of internal policies.
- Objective 3 of the PI advances broadly market access, trade and investment, and business opportunities.
- Finally, Objective 4 of the PI promotes understanding and visibility of the Union and its role on the world scene through cooperation in higher education, public diplomacy and outreach activities.

⁷ Regulation (EU) No. 234/2014 of the European Parliament and of the council of 11 March 2014 establishing a Partnership Instrument for cooperation with third countries

Main achievements

The PI Regulations and the MIP 2014-2017 were adopted in 2014, as well as the first Annual Action Programme. As a result, 2015 has been the first year of actual implementation. This has been accompanied by the finalisation of the actions of AAP 2015, as well as the launching of programming for 2016.

With the goal of having in the medium term a clear impact and visible policy results for PI actions, FPI has aimed to ensuring focus and avoiding excessive fragmentation in annual programming. This required strict prioritisation of areas of intervention (as per diagramme below) and seamless coordination with other policy areas of the EU external action contributing to enhance policy coherence across EU instruments and programmes.

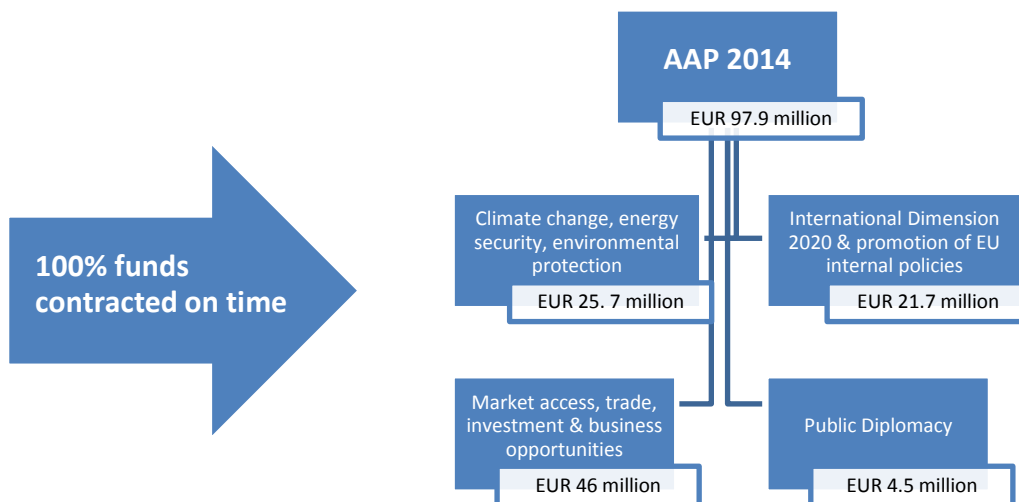


MIP 2014-2017



Annual Action Programme 2014 (AAP 2014)

Given the late adoption of the AAP 2014, the commitment appropriations under the AAP 2014 were safeguarded by the way of the validation of a commitment level 1 with a deadline for contracting at the end of 2015. All contracts were committed and signed by the given deadline thanks to rigorous monitoring of the calls for tenders and calls for proposals at Headquarters and Delegations.



Annual Action Programme 2015 (AAP 2015)

The AAP 2015 was adopted in two phases: the first phase, comprising 14 action fiches for an amount of EUR 91,47 million C(2015)4109⁸, was adopted on 22nd June 2015 and the second phase, for a total amount of EUR 11.23 million C(2015)9106, was adopted on 16 December 2015.

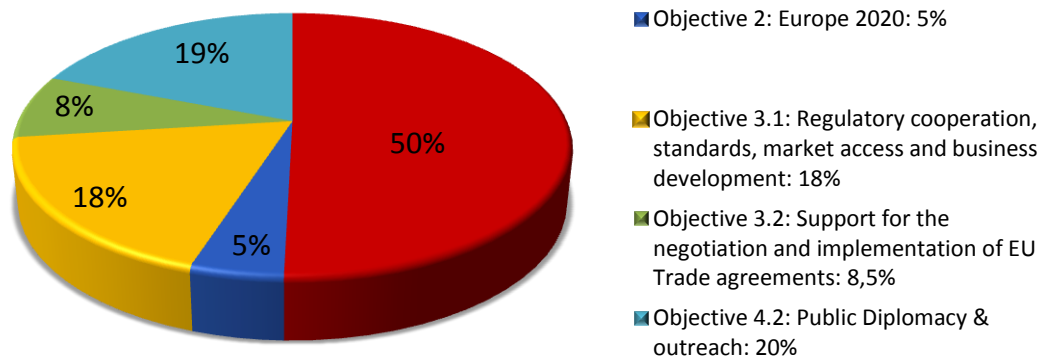
Full available PI budget for the year 2015 was committed on time (EUR 102,72 million)

FPI is responsible for the management of EUR 98 million, the remaining EUR 16 million being allocated to: Erasmus+ (EUR 11.7 million), EACEA (EUR 3 million - Jean Monnet) EAC (EUR 0.350 million), and NEAR (EUR 1 million - TAIEX). Out of the EUR 98 million managed by FPI, EUR 0.6 million were contracted in 2015. The remaining budget will be contracted in 2016.

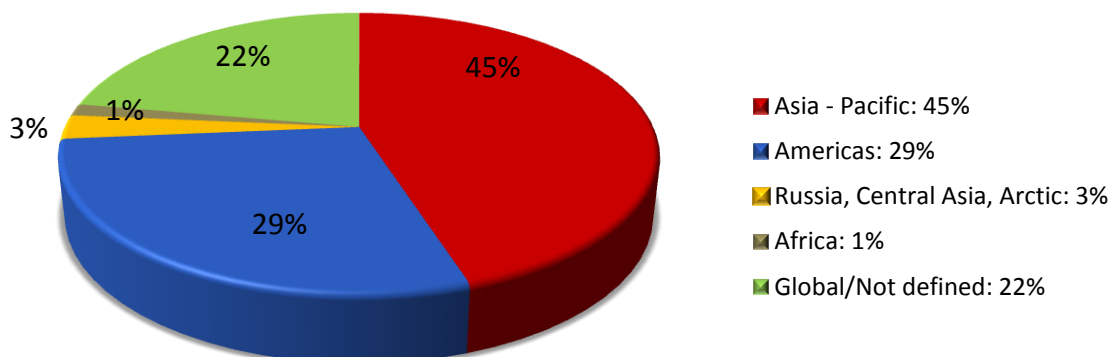
A calendar including all calls for proposals and/or calls for tender, as well direct negotiations to be managed by either FPI HQ or the concerned Delegations has been established with a view to ensuring the remaining funds out of 2015 are contracted by the end of 2016. In this regard, FPI will monitor closely the work undertaken by the Delegations towards that objective.

⁸ http://ec.europa.eu/dgs/fpi/key-documents/2015-aap_en.htm

AAP 2015 - situation per objective



AAP 2015 - situation per region



Examples of actions launched in 2015:

International Urban Cooperation

The urbanisation process constitutes a clear global trend. More than 50% of the global population is located in urban areas. 60% of the global GDP is generated by 600 urban centres. The economic growth of partners such as China and India is occurring in tandem with rapid urbanisation and there is a large demand for expertise in urban policy and development. Cities play a key role as contributors to smart, green and inclusive growth. Cities are also at the heart of climate change action. The International Urban Cooperation programme would offer a European contribution to the debate on a new urban agenda for the 21st century as part of a longer-term strategy of fostering urban diplomacy as a vehicle of EU's external relations. The programme will in addition support the EU climate change agenda.

Highlights:

EU-South Asia civil aviation cooperation:

The aviation sector is a major source of high-tech employment in Europe. It is also one of the key drivers for research and development and as such the aviation industry can make a significant contribution to meeting the objectives of the Europe 2020 strategy. With regard in particular to South Asia, aviation traffic forecasts over the next 20 years are among the highest in global aviation. Ensuring access to future markets and participating in their expected growth is essential for the sustained commercial success of the European aviation industry. The EU-South Asia civil aviation cooperation will promote European aviation policies, standards and technology which will foster a higher level of aviation safety and environmental standards in the region.

Environmental protection and biodiversity

The EU has pledged to meet the international 2020 biodiversity goals and objectives agreed to under the Convention on Biological Diversity. This requires taking action within the EU, but also at global level. Mainstreaming biodiversity and ecosystem services into national development plans remains poorly articulated in important partner countries such as Brazil, China, India, Mexico, and South Africa. Through The Natural Capital Accounting and Valuation of Ecosystem services the EU will engage with those countries (decision-makers, civil society academia) to advance global ecosystem accounting and improve the management of ecosystems and their services.

Preparation Annual Action Programme 2016 (AAP 2016)

In March/April 2015, wide-ranging 'clusters' meetings were organised and offered the opportunity to discuss strategic policy and political priorities, per themes and regions. Consequently, discussions were continued in smaller cluster groups in HQ, in Delegations and between HQ and Delegations, so that a limited number of potential actions, around which a consensus between the concerned line DGs, the EEAS and FPI was being progressively built. This cluster approach basis resulted in 11 "Quality Support Group" peer reviews (covering 12 draft actions) being organized in November 2015, which led to 11 of those actions being taken forward to the next phase of programming in 2016.

Given the different level of maturity of project ideas in the pipeline, some of which associate a high degree of complexity to political sensitiveness, it was decided to proceed in two phases: the AAP 2016-phase 1 is expected to be adopted in May 2016, while the second phase in Q4 - 2016. It is possible that some of the actions under phase 2 may be anticipated and presented for adoption as individual measures.

Information outreach on the Union's external relations (ABB 19.06)

Press and Information

In line with the provisions of the FPI/EEAS service level agreement of December 2013, EEAS has continued to provide services directly to FPI and other Commission services for the implementing certain activities of the annual Press and Information budget for the benefit of the EU, both in Delegations and EEAS Headquarters. An important part of the budget resources was allocated to the financing of the television programme in the Farsi language on the Euronews channel which is managed by DG CONNECT under cross-subdelegation. FPI managed the regular update and maintenance of the FPI website.

EU Visitors Programme

In 2015, FPI continued to implement the EU Visitors Programme in close and effective collaboration with the EP secretariat and offered the opportunity to about 120 invitees from third countries to benefit from individually catered programmes on the basis of their particular interests. In this respect the invitees had the opportunity to meet senior

officials of the EC, EP, EEAS and other EU institutions in order to discuss issues of mutual interest. Furthermore EUVP celebrated its 40th anniversary in the context of a well prepared meeting in which the President of the EP, two Commissioners and several distinguished EUVP alumni expressed their appreciation for the programme.

Specific efforts to improve economy and efficiency of spending and non-spending activities

In accordance with the Financial Regulation (Art. 30), the principle of economy requires resources used by the institution in the pursuit of its activities to be made available in due time, in appropriate quantity and quality at the best price. The principle of efficiency aims for the best relationship between resources used and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units, etc.) and in accordance with the principle of economy (e.g. the procurement rules ensure procurement in optimal conditions).

The following examples (included in the 2015 Management Plan) show how FPI adapts internal arrangements in order to improve the efficiency and economy of its operations:

Election observation missions: FPI continued the scrutiny of the draft budgets submitted by service providers for EOMs and other electoral missions. This practice led to a 13% reduction of the average cost of missions under the present (2013-16) and the previous (2011-13) Framework Contract. However, FPI aims to ensure that additional cost reductions do not undermine the security and operational capabilities of the electoral missions which are often deployed to highly volatile countries.

Partnership Instrument: In 2015, FPI indicated in its Annual Work programme it would pursue the cooperation with DG NEAR with regard to the use of the Technical Assistance Information Exchange instrument (TAIEX). This collaboration is a perfect example of a specific effort to improve economy and efficiency of financial and non-financial activities, well-fitted to the context of the recent work that Vice-President Georgieva has started on synergies and efficiencies in the Commission.

TAIEX provides the necessary EU expertise and best-practices with a proven track record of performance in this area. The expertise is provided by EU member states public administration experts and it proved capable to cover any policy area: Europe 2020, external projection of internal policies, support to the implementation of Partnership and Cooperation Agreements, Association Agreements, Framework Agreements or any jointly agreed action plans including developing common approaches to global challenges, all of which are at the core of the PI.

The results of the first activities that have been completed to date have demonstrated that TAIEX provides extremely valuable opportunities to project EU policies and to offer EUs know-how, expertise and best practices in ways that underpin our relations with key partner countries in support of the EU policy priorities. EEAS and Commission line DG's have also expressed satisfaction with the outcome of the twenty-two events that have been completed to date.

From DG NEAR's perspective, the feedback received from experts and local co-organisers of each event indicate that overall, beneficiaries are satisfied with PI-TAIEX events. Positive feedback has been provided by participants too.

FPI risk assessment

FPI implemented the necessary corrective actions to mitigate identified risks in 2015 and how this might impact progress in the implementation of the FPI programmes towards achieving their objectives. While FPI took some corrective actions regarding the critical risk below, most mitigating measures are outside FPI's control.

FPI business continuity

FPI is a lean service with low overheads and only operational staff. It depends on other DGs and Services and their staff for administrative support functions and to fulfil requirements for its financial circuits in delegations. Insufficiency and unavailability of resources and/or changes in organisational structures could cause discontinuity or unavailability of support and impact on the ability of FPI to meet its policy objectives.

Observation by the Director/Head of Service: the resources made available to FPI, in particular in EU delegations, for the management of the Instrument contributing to Stability and Peace and the Partnership Instrument, are insufficient and contingent on specific organisational decisions. For its financial circuits, and in absence of statutory staff in Delegations, FPI has to rely on staff from other DGs who lack the knowledge of the specificities of FPI instruments which are closely linked to the political and diplomatic agenda of the EU or who are not financial experts. This has a consequence on sound financial management, as the financial circuits that are currently in place for FPI instruments in Delegations are too weak (as evidenced by three procurement procedures that had to be recently cancelled in three different Delegations).

The Head of Service considers this as a strong indicator of potential problems for 2016. The solution FPI envisages to remedy these weaknesses is the progressive setting up of five regional FPI teams which would cover the key regions through autonomous financial circuits on a regional basis. This would represent a modest but indispensable reinforcement in Delegations and would also provide the possibility to have a worldwide coverage with experienced FPI staff able to respond efficiently and flexibly to the specificities of the instruments in terms of implementation.

2. MANAGEMENT AND INTERNAL CONTROL

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

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

General

- results arising from **ex ante verification** by the financial counterweight unit (FPI.1) for all HQ operations;
- contributions of the Internal Control Coordinator, including results of **internal control monitoring** at FPI level; actions resulting from the **risk management** process;
- 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);
- reports of **ex-post controls** by FPI staff or by external auditors (contracted using terms of reference drafted specifically for FPI's needs in the case of CFSP; using DEVCO models for Stability Instrument (IcSP/IfS), EOMs and for PI/ICI; findings are cross-checked with results of other controls notably financial reports/audits conducted in relation to payments (see next points) and corrections /recoveries made if necessary;
- **pre-financing**: FPI conducts mainly urgent and/or crisis response or crisis management operations where because of the short duration (IcSP/IfS, EOMs) immediate cash flow is required or implementing bodies (CFSP missions) have continuous treasury needs; interim payments are used in some cases (IcSP/IfS, PI/ICI);
- **expenditure verification reports** submitted by beneficiaries in support of payment claims (especially **final payment**) and conducted by FPI-approved external auditors following DEVCO practice (IcSP/IfS, EOMs); CFSP missions /EUSRs deliver external audit reports at final payment using a dedicated framework contract concluded by FPI;
- reports of **supervision missions** (formerly verification missions) carried out on delegations implementing FPI funds, in order to assess the effectiveness of the internal control systems in delegations
- **indirect management** (mainly IcSP/IfS): audit reports on control results as well as results of the Commission controls (verification missions) - mainly UN agencies (governed by the EU-UN framework agreement or FAFA);
- **"pillar" assessments** - indirect management (formerly indirect and joint): FPI relies on DEVCO compliance reports on international organisations and some agencies, sometimes doing its own; for CFSP, FPI performs its own assessments (see below);
- on-the-spot **monitoring missions** by FPI programme managers (IcSP/IfS, PI/ICI, CFSP) focuses on managerial aspects of implementation by the beneficiary/partner, progress towards achieving their objectives, and (CFSP) budget planning;
- **annual reports of subdelegated authorising officers** (at HQ) and by heads of EU

delegation managing FPI funds (IcSP/IfS and PI/ICI) which include a declaration of assurance;

- annual declarations by services having **cross sub-delegations** or service level agreements - DGs CNECT, SCIC, DEVCO 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;

Sector- or instrument-specific

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 centralised management): Normally two pre-financing payments are made for CFSP missions, one for small budget and/or short duration 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**. Also, In case of non-compliance with the requirements for indirect management, **mitigating controls** are put in place (see below). (Indirect management - international organisations): Narrative and financial reports must be provided with each payment request. If project duration is more than 12 months, i.e. at least one report every 12 months plus a final report.

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. The auditor must comply with the Terms of Reference and use the template annexed to the Specific Contract. The auditor must carry out a complete and exhaustive verification of all the fees and expenditures reported and claimed in the final invoice and verify the conformity of the fees charged and the reimbursable expenses reported by the contractor with the terms and conditions of the service contracts.

Partnership Instrument:

As far as the de-concentration is concerned, the first priority was to build fully fledged and sound financial circuits in the strategic countries. In this context, various aspects directly linked to the conditions of operation of the sub-delegation were analysed beforehand with a view to perform a qualitative assessment of the management and control system in the 8 Delegations concerned.

In this context, the sub-delegated authorising officer (SDAO) reports from Head of Delegations were scrutinised to check whether Delegations have the capacity to manage responsibilities deriving from the sub-delegation and whether internal control standards are correctly applied. Feedback is provided to Delegations. Additionally, three supervision missions have been conducted in 2015 and will also be organised in 2016 to assess whether the Delegations have performed effectively the new tasks and responsibilities resulting from these sub-delegations.

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

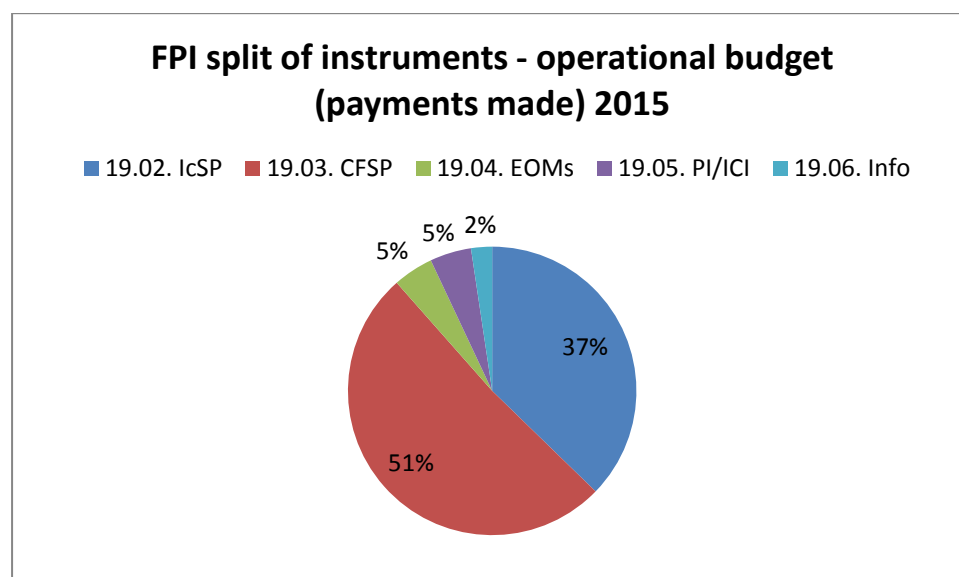
2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁹. 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 spent in 2015 is presented below (per instrument). The indicators included in this report cover all FPI operational expenditure. The payments made by FPI for administrative expenditure in 2015 totalled EUR 11.6 million.

Regarding FPI operational expenditure, the split between management modes is 30% direct management (either at headquarters or in Delegation) and 70% indirect management (mainly CFSP).

	Payments made in 2015	
	EUR million	
19.02 IcSP	205.68	37.27%
19.03 CFSP	282.61	51.21%
19.04 EOMs	24.93	4.52%
19.05 PI/ICI	25.6	4.64%
19.06 Info	13.01	2.36%
Total	551.83	100.00%



⁹ 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).

Instrument contributing to Stability and Peace

In 2015, FPI signed 120 new contracts for a total of EUR 275.4 million. Including those signed before 2015, FPI HQ and devolved Delegations managed 383 ongoing contracts for a total value of EUR 788 million. Under direct management, procurement represented some 5.3% of the total (29 contracts) while grants 41.1% (241 contracts). Roughly 6.5% of IfS projects were implemented under centralised indirect management (12 agreements) and 29.2% (EUR 230.2 million) were implemented by indirect management with international organisations, mainly UN (55 contribution agreements). IcSP contracts signed in 2014 and 2015 under the new indirect management mode introduced by the revised Financial Regulation (IMDA/PAGODA) account for EUR 129.1 million or 16.4% of the total (38 IMDA agreements).

EUR 154.6 million or nearly 20% of IfS/IcSP projects was implemented by FPI HQ (66 contracts) with EUR 633.5 million (80%) implemented by devolved Delegations (317 contracts).

Common Foreign Security Policy

From the total budget implemented, 98.3% was managed under indirect management by CFSP missions (77.5% of the total budget committed), EUSRs (15.4% of the total budget committed) and international organisations (5.4%); and the remainder under direct management (1.7%). The small amount of direct management is subject to the headquarters' ex ante control system, which, as described in this report, provides sufficient assurance. For indirect management in the field of the non-proliferation, FPI usually deals with organisations of the UN family.

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, 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 from scratch 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. In keeping with its action plans in response to various past audit findings, FPI has already positively assessed the compliance with Article 60 FR of EULEX Kosovo, EUPOL Afghanistan, EUMM Georgia and EUPOL COPPS and has launched the assessment for EUCAP Sahel Niger and EUCAP Nestor. FPI will launch the assessment of EUBAM Rafah, EUCAP Sahel Mali and EUBAM Ukraine in 2016. The 4 compliant missions consumed approximately EUR 146 million i.e. 47% of the 2015 CFSP budget.

Following IAS recommendations, FPI will regularly reassess the compliance of those Missions with Article 60 FR. FPI launched a specific methodology for carrying out monitoring missions to verify pillar compliance (both under the old and new FR for missions declared compliant under the old FR). In 2015, FPI used that methodology to positively reassess the compliance of EULEX Kosovo, EUMM Georgia and EUPOL COPPS. In addition FPI will assess compliance with Article 60 FR of the single hatted EUSRs through the application of the specific methodology that has been developed.

In order to provide an assurance in these cases, and as reported in previous AARs, FPI relies on its ex ante and ex post controls and monitoring as well as the specific mitigating

measures:

- a) **financial reporting** (delegated management reports) by the missions as fixed in the agreements concluded between the Commission and each CFSP mission.
- b) obligatory **external audits** before all final payments, also specified in the agreements;
- c) **monitoring** missions by the 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.
- d) **monitoring/assessment of art. 60 compliance missions** by FPI staff: all art. 60 compliant missions are subject to these specific monitoring missions carried out by a team of FPI staff. The first such mission takes place 6 months after the mission started in full indirect management mode. Subsequently approximately every two years compliant missions will be assessed again.
- e) **ex post / on-the-spot controls** by the Commission.
- f) 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:

- a) reinforced monitoring and support by the 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 make available external procurement experts on an ad hoc basis to assist and advise missions.
- b) in view of the temporary inability to ensure compliance with Article 60 for some of the missions, the agreements subjected all procurement by the CFSP missions of more than EUR 20 000 to **mandatory prior approval by the FPI HQ.**

CSDP Missions and EUSRs are fully funded by the Commission. Therefore, in case of ineligibility of costs, it is almost impossible for the Commission to recover those funds. Therefore, a strict control environment culture has been implemented, guidance has been developed and strengthened monitoring is in place to avoid these cases.

On the other hand, it is the Council, and not the Commission who selects the entities in charge of implementing actions in the field of the non-proliferation of weapons of mass destruction and disarmament. In some cases, those entities do not have either sufficient resources or sound structures to manage EU funds. In consequence, there is a real risk of finding a significant amount of ineligible costs from the funds managed by those entities. Please see the reservation partly linked to this issue in section 3 (reservation 1).

Election Observation Missions

The EOM programme is implemented under direct management (100%). Within the EOM programme, in 2015 FPI was responsible for the implementation of EUR 31.3 million commitment appropriations and EUR 25 million payment appropriations.

Partnership Instrument

The Commission manages most of the proposed PI actions (direct management), only one action is currently implemented through indirect management. The majority of actions proposed are contracted either through calls for proposals or procurement of services.

In order to implement the PI actions, it is not intended to conclude a financing agreement with any partner country, as referred to in Article 184(2) (b) of the Financial Regulation. However, in some instances, in order to guarantee smooth implementation of the PI funded actions, cooperation with the local authorities will be sought and encouraged through the EU Delegations.

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 12.5 million was allocated on this budget line, with EUR 7.55 million entrusted to EEAS, EUR 4.44 million used for Euronews in Farsi (managed by DG CONNECT), and EUR 0.05 million used for press and information contracts of FPI.

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 is to ensure that the residual error rate does not exceed 2%.

Summary of controls

The operational budget implemented by HQ used the financial circuit “**partially decentralised with counterweight**” meaning that all transactions were subject to prior verification by a financial control unit (FPI.1.) which did not report to, or take instructions from, the subdelegated authorising officer (AOSD) in the operational units, but report instead to the Head of Service. No transaction could be validated by the AOSD without the agreement of the financial control unit, and in the case of disagreement the matter was referred ultimately to the Head of Service for decision.

The financial control unit performs an additional operational verification in which it can raise issues to do with the principle of sound financial management (economy, efficiency and effectiveness) rather than just the financial correctness or legality and regularity. Such intervention at the beginning of the project cycle is important for ensuring good project design and the correct choice of implementation method.

The financial control unit also plays an essential role in non-financial transactions. The Annual Action Programmes for the PI and the IcSP are subject to the ex-ante verification of the FPI.1 as well as all financing decisions. This ex-ante review improves the ultimate quality of the documents and ensures an increase coherence between the actions to be financed and the management mode.

FPI.1 is also taking an active role in all tendering procedures managed by the Services. This ex-ante review provided valuable comments aiming at increasing the quality of the tender dossier managed by the FPI and securing the legality and regularity of the tender procedure.

The financial verification team is also taking an increasing role in the interpretation on existing rules and in the support to delegation implementing FPI programmes. In 2015,

a particular effort has been brought in the documentation of the procedures prevailing within the Services through the issuance of numerous guidance and instructions notes. This allows compliance with Internal Control Standard 8 and provides to the AOD reasonable assurance that the processes and procedures used for the implementation and controls are effective and efficient, adequately documented and compliant with applicable provisions.

The value of this **ex ante control** is shown by the fact that overall some 7,3% (6,7% in 2014) of all transactions were sent back to the operational service for correction. This strong element of *ex ante* control on all transactions at HQ continues to be a main pillar for the assurance, based on the results of the control work set out below.

Another pillar for the assurance was continual management review of the **functioning of financial procedures** and their correct documentation. Particular attention was needed to ensure that the correct financial circuits and subdelegations were in place and documented. Instructions recalling the procedures were issued and documented. The proper checklists to be used by the initiators and verifiers of transactions were in place and applied correctly. Procedures for recording exceptions are in place. Subdelegated authorising officers have reported on their financial management and relevant observations are taken into account in this report.

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 begun and after a significant transaction has been completed. They are designed to obtain an additional assurance that the control system is working, and that the initial *ex ante* controls are effective.

The performance of *ex post* controls was further strengthened by improved reporting and monitoring by management. *Ex post* controls are essential for achieving a reasonable assurance, because: **first**, over 80% of funds under the Stability Instrument are subdelegated 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 effected by HQ services:

- **For the Instrument contributing to Stability and Peace (IcSP/IfS)**, this covers the financing decision and budgetary commitment, whereas the subsequent individual contracting (legal commitments) and resulting payments are managed in delegations. There, FPI relies largely on Commission staff attached since the beginning of 2011 to DG Devco and DG NEAR. IfS/IcSP management on behalf of FPI follows strictly the same circuits and procedures as DG Devco and apply the same rules (Practical Guide etc). A guidance note to the delegations implementing IcSP/IfS projects lays down specific features of the instrument.
- **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.

Control effectiveness: ex ante verification at headquarters

Ex-ante controls in FPI are carried out by the FPI.1. All financial transactions are subject to prior verification. FPI.1 produces a "fiche de visa" for each transaction or group of transactions. In 2015, 979 visas were issued (compared to 852 visas in 2014), concerning the activities listed in Table 1.

Table 1: Financial transactions by instrument

Activity	Commitment L1		Commitment L2		Payment		Recovery		Total Count
	Count	Amount	Count	Amount	Count	Amount	Count	Amount	
CFSP	0	0	107	266,641,407	81	282,757,384	69	14,913,441	257
IcSP/IFS	49	259,821,762	85	80,875,333	81	49,841,231	6	1,057,657	221
EOM	7	29,515,951	100	31,124,551	90	24,828,674	4	172,173	201
PI/ICI	10	98,210,000	56	51,736,208	95	15,526,103	4	19,355	165
P&I	0	0	105	7,599,395	29	7,842,202	1	9,391	135
	66	387,547,713	453	437,976,894	376	380,795,594	84	16,172,017	979

Table 2: Importance by activity

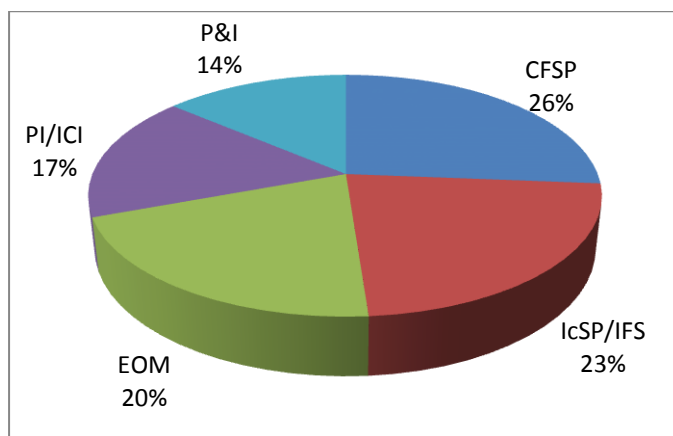
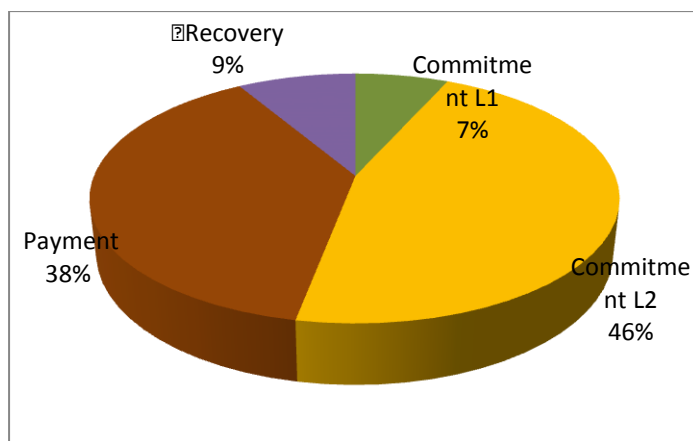


Table 3: Importance by type of transaction



The number of unfavourable opinions given by FPI.1 in 2015 was 71 (7.3% of all transactions), as can be seen below:

Table 4: Unfavourable opinions by type of transaction

Type	Number of transactions	Unfavourable opinion	
		Number	%
Commitment (L1 & L2)	519	28	5.4%
Payment	376	41	10.9%
Recovery	84	2	2.4%
	979	71	7.3%

Table 5: Unfavourable opinions by type of visa

		Type of transaction			Total	
		Commitment	Payment	Recovery	Number	%
SC	Suspension	24	36	2	62	6.33%
SR	Refusal	1	0	0	1	0.10%
SP	Suspended	3	5	0	8	0.82%
		28	41	2	71	

The table below presents the results of the analysis of the main types of errors (one transaction can sometimes present more than one error).

Table 6: Unfavourable opinions by type of error

	Commitment	Payment	Recovery	Total	%
Legal Framework	16	6	0	22	20.95%
Validation Process	3	8	0	11	10.48%
Supporting Document	4	17	0	21	20.00%
Validity of the transaction	3	22	0	25	23.81%
Payment Process	0	4	0	4	3.81%
Quality of the information	7	12	3	22	20.95%
	33	69	3	105	

FPI aims to constantly improve the quality of the financial files presented and is therefore continuously taking measures where necessary, including through additional guidance to the operational units.

Control effectiveness: ex post controls

For the reservation linked to the error rates in budget chapters 19 03 and 19 05, please see section 3.

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, 2015 is only the second year of using the multiannual approach of reporting on ex post controls. The results based on these first two years (2014-2015) are presented below¹⁰.

¹⁰ The planning of ex post controls is still done on an annual basis

a	b	c	d	e	g	h	i	j	k	l	m	n	o
	ABB activity	Payments made in 2014-2015 (€)	Number of 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 = [(J-K) + (G-E)xL]/G	2014-2015 Amount at risk (€) = (CxL) - K	2014-2015 ABB Materiality (%)
19.02	Crisis response and global threats to security (IfS/IcSP)	406.620.867	22	53.647.522	53.393.584	53.747.143	1.156.401	941.591	550.389	1,76%	0,72%	6.586.391	1,62%
19.03	Common foreign and security policy (CFSP)	545.752.902	13	52.767.126	98.241.623	82.707.870	1.368.178	1.368.178	652.047	2,59%	1,93%	13.498.568	2,47%
19.04	European Instrument for Democracy and Human Rights (EIDHR) - EOMs	55.644.477	4	8.255.192	10.632.975	10.632.975	1.305	1.305	1.305	0,02%	0,00%	7.491	0,01%
19.05	Relations and cooperation with industrialised third countries (IC)	40.577.317	9	5.333.681	6.064.131	5.987.412	780.255	516.645	516.645	9,69%	1,17%	3.413.862	8,41%
	Total	1.048.595.563	48	120.003.522	168.332.313	153.075.399	3.306.140	2.827.720	1.720.386	2,36%	1,33%	23.506.313	2,24%

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. As a result of this analysis and of the current level of MER (which leads to a reservation), FPI has prepared a detailed action plan. Both the reservation and the action plan are summarised below in section 3.

Results by instrument:

Instrument contributing to Stability and Peace

17 controls were conducted:

IcSP/IfS Ex post controls	2011	2012	2013	2014	2015
A) Delegations checked by FPI staff (verification/supervision missions)	5	7	6	5	5
B) Beneficiaries of which:					
<i>checked by FPI staff</i>	4	6	1	1	0
<i>checked by external auditors</i>	16	12	17	11	12
Sub-total	20	18	18	12	12
TOTAL A) + B)	25	25	24	17	17

The **multi-annual materiality rate for 2014-2015** takes into account total ineligible expenditure detected and corrected compared to total payments made in 2014 and 2015. **Based on the multi-annual materiality rate of 1.62%, FPI is of the opinion that the control procedures in place for IfS/IcSP give the necessary guarantees for the legality and regularity of the underlying transactions.**

2015 detailed results:

Results of IfS/IcSP control processes A) controls on Delegations: Supervision missions covering systems as well as transactions were conducted in five EU Delegations. Payments for a total amount of EUR 58.7 million (29% of total 2015 payments) were

checked. One material error for an amount of EUR 305,000 was found in one Delegation, however the error was corrected before the closure of the project. Some administrative weaknesses were identified, none of which had financial consequences. **FPI concludes that financial management of IfS/IcSP is satisfactory in all the Delegations checked.**

Results of IfS/IcSP control processes B) controls on beneficiaries: 12 IfS projects implemented in 8 countries were subject to *ex post* controls (and using the DEVCO Framework Contract for Audits with Terms of Reference based on standard DEVCO methodology for such audits). The selection was made using the FPI methodology. Total expenditure audited was EUR 20 million or 7.5% of the total value of contracts signed in 2015.

In addition to the audits contained in the 2015 *ex post* controls plan, FPI.2 launched one special purpose audit in order to check that vehicles and other supplies delivered to civilian authorities in one African country were being used for the intended purpose. The results of this special purpose audit are expected by mid-2016.

IfS/IcSP beneficiaries: Analysis of the errors detected: Financial findings: *Ex post* controls of beneficiaries resulted in an amount of EUR 1,049,234 of project expenditure declared ineligible, of which EUR 884.208,49 (84.3%) was financed by the EU. Missing and/or inadequate documentation was the most frequent cause for ineligible expenditure (9 occurrences), followed by expenditure not for project purposes and irregularities (5 occurrences each). Findings relating to the latter two contribute for 57.7% of the total detected amount of ineligible expenditure.

IfS/IcSP <i>ex post</i> controls on beneficiaries: FINANCIAL FINDINGS		
Compliance issue / reason for ineligible expenditure	Number of occurrences	affected amount in EUR
Missing / inadequate documentation	9	€98,356.67
Incorrect procurement procedure applied	1	€12,506.00
Expenditure outside contractual period	4	€18,576.07
Expenditure includes VAT / other taxes	0	/
Incorrect exchange rate used	1	€23,539.00
Budget exceeded	4	€69,444.75
Expenditure not for project purposes	5	€352,865.46
Irregularities	5	€252,564.54
Income not declared / not reported	0	/
Other financial findings	27	€221,381.26
Total financial findings	56	€1,049,233.75

IfS/IcSP beneficiaries: Analysis of the errors detected: Internal control findings: these recommendations in audit reports are passed on to the beneficiaries to enable them to improve their own internal management. 40 internal control issues were identified. Weaknesses in the accounting system and procedures were the most common reason for a finding (9 occurrences), followed by weaknesses relating to the financial reporting system and procedures, the control environment and cash/bank management (6 occurrences each), asset management including the procurement process and human resources/payroll management (4 occurrences each):

IfS/IcSP ex post controls on beneficiaries: INTERNAL CONTROL FINDINGS				
Internal control issue	number findings priority 1	number findings priority 2	number findings priority 3	total number of findings
No documentation or inadequate documentation	2	1		3
Accounting system and procedures	6	3		9
Financial reporting system and procedures	2	3	1	6
IT systems and procedures (computerised information systems)				0
Control environment	2	3	1	6
Asset management including related procurement process and procedures	1	3		4
Cash and bank management (treasury)	1	4	1	6
Expenditure control including related procurement process and procedures	1	1		2
Human resources and payroll management	2	2		4
Total internal control findings				40

IfS/IcSP beneficiaries: Analysis of the errors detected: Other compliance findings: Contractual requirements for visibility and publicity not respected (4 occurrences) and delays in project reporting to the Commission and the non-respect of EU reporting formats (2 occurrences each) were the main causes for other compliance findings:

IfS/IcSP ex post controls on beneficiaries: OTHER COMPLIANCE FINDINGS				
Compliance issue	number findings priority 1	number findings priority 2	number findings priority 3	total number of findings
Delays in (financial / non-financial) project reporting to the Commission		1	1	2
Reporting formats not respected		2		2
Contractual requirements for visibility and publicity not respected		3	1	4
Other		3	1	4
Total other compliance findings				12

Common Foreign Security Policy – 2015 detailed results

Based on the FPI methodology, 7 CFSP projects were approved for the ex-post control plan 2015. The selected projects included 3 CSDP missions, 2 EUSRs and 2 non-proliferation and disarmament (NPD) grant agreements. The total amount of contracts

audited for CFSP actions was just over EUR 35 million. The CSDP mission and EUSR contracts audited dated from 2013 and 2014, one of the grant agreements dated from 2010 and the other from 2013.

Overall, EUR 12.7 million (53%) of the declared expenditure in respect of these projects was audited. Of the expenditure verified, following further controls, EUR 0.55 million (4%) was found to be ineligible and to be recovered. (For details see the reservation made under section 3 below).

The financial findings from the ex-post controls of **CSDP missions and EUSRs** (relating to 0.84% of the verified expenditure) concerned such items as ineligible flight costs, per diems and accommodation exceeding permitted levels, costs incurred outside the eligibility period, some incorrect social security benefit payments, the use of an incorrect procurement procedure and some missing documentation.

The financial findings from the ex-post control of CFSP **grant agreements** (relating to 13.34% of the verified expenditure) concerned such items as incorrect personnel costs, incorrect per-diem payments, costs incurred outside the eligibility period and incorrect administrative cost claims. Most of the ineligible costs (EUR 0.44 million) come from a grant agreement signed with the think tank consortium (a consortium created by the Council and consisting of different Foundations and Institutes). For the reservation linked to the financial findings for NPD agreements, please see section 3.

In addition to the financial findings, the ex-post controls also gave rise to management and internal control findings. For CSDP missions and EUSRs, these findings related to such issues as weaknesses in accounting, payroll and inventory records or systems, inadequate controls over assets (e.g. bank reconciliations, inventory controls/reconciliations), overreliance on particular staff, non-recording of certain costs. For the CFSP grant agreements the management and internal control findings related to such issues as the use of incorrect exchange rates, inadequate documentation and reconciliation of expenses (including payroll), incorrect allocation of costs and general weaknesses in understanding the rules and regulations applicable to grant contracts.

The risks highlighted by both the financial and non-financial findings are significantly mitigated by the rigorous and in-depth ex-post controls implemented by FPI, which result in the identification and recovery of ineligible expenditure.

The risks are also mitigated by monitoring missions conducted by FPI, which are focused on the analysis of systems implemented. Although these monitoring missions do not include controls on transactions or establish an error rate, as they are not regarded to be ex-post controls, they contribute to the assurance of the Head of Service that actions were progressing in the achievement of the objectives (effectiveness). Project managers conducted 17 monitoring missions of their projects in 2015; 10 different CSDP missions and 2 EUSRs were monitored at least once during the year and 2 monitoring missions of the CSDP Warehouse were conducted in 2015. The methodology applied for carrying out monitoring missions and the reporting format were the same as applied in 2014.

Furthermore, in order to assess the continued compliance with Article 60 of the new Financial Regulation (relating to 'Pillar Assessments') controls were carried out EUMM Georgia and EUPOL COPPS. As a result of these compliance checks, 37 findings and observations were made of which 25 were considered to be important and 2 very important. Out of the 37 findings, 12 related to the internal control systems, 5 to accounting, 8 to procurement and 1 each to ex-post publication of information and protection of personal data. These findings and observations will be followed up in 2016.

Additional **measures to mitigate financial risks** put in place by FPI include: kick-off meetings with new Head of CFDP missions, EUSRs and entities implementing NPD actions; monitoring missions by FPI staff within 3 months of the start-up of an action; increased participation of financial and/or procurement staff in monitoring missions as necessary; the conduct of regular pillar assessment of CSDP Missions by FPI staff; requesting additional information from EEAS justifying the selection of entities to implement NPD actions (including where appropriate information in respect of the financial and management accounting of the entity); where appropriate only signing NPD

actions after a positive Pillar Assessment of the entity concerned or after the entity demonstrates that it has hired a qualified accountant.

Election Observation Missions – 2015 detailed results

In accordance with the 2015 ex-post control (EPC) planning, two EOM contracts were controlled through external auditors. In accordance with the final reports available, the following errors were discovered:

- Financial Findings 4
- Internal Control Findings 1
- Other Compliance Findings 0

The total amount of financial findings was EUR 1,305 due to expenditure claimed which was not incurred for project purposes. As for the internal control finding, errors were noted in the contract addenda with local consultants. The contractor has since then incorporated the systematic check of addenda into their procedures.

Partnership Instrument – 2015 detailed results

ICI audits control results

The 2015 ex post control plan included five audits on ICI beneficiaries (although the PI is different from the former ICI, the two instruments have the same budget chapter, 19.05, however, in 2015, the PI was not in an advanced enough state of implementation for ex post controls to be conducted).

The five audits revealed high error rates (leading to a materiality of 15.75% for 2015) at beneficiary level, mainly linked to the lack of supporting documents. As a result of these error rates, the Head of Service is including a reservation in this report (please see section 3). However, the ICI as a programme is closed (no new contracts are being signed), therefore the follow up measures that can be taken by the Head of Service are limited. In addition, the new instrument uses a different type of beneficiaries.

Supervision missions on Delegations As far as the de-concentration for the Partnership Instrument is concerned, after the sub-delegations have been given to the Head of Delegations by end of 2014 and the first programmes have been implemented throughout 2015, the priority in 2015 was to consolidate the existing financial circuits in the strategic countries. In this context, it was agreed that the first verification missions would take place 6 to 12 months after the sub-delegation. The first verification missions have been performed to India, the Republic of Korea and to China to assess whether the Delegations had performed effectively the new tasks and responsibilities resulting from these sub-delegations.

The remaining six Delegations (Brazil, Canada, Japan, Mexico, Russia and the United States) will be reviewed in the course of 2016 and the beginning of 2017. The purpose of these verification missions is to check not only whether they have the capacity to manage the responsibilities deriving from the sub-delegation but also whether the Internal Control Standards are correctly applied.

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

For FPI, the estimated overall amount at risk¹¹ for the 2015 payments made is 23M€.

¹¹ In order to calculate the weighted average error rate (AER) for the total annual expenditure in the reporting year, detected, estimated or proxy error rates have been used (not the RER).

This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year (552 M€, payments made) 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 corrections¹² for those 2015 payments made are 1.5 M€. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

- **Efficiency and Cost-effectiveness**

Based on an assessment of the most relevant key indicators and control results, 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 FPI¹³ is estimated at EUR 3,5 million, that is **0.63%** of operational payments executed in 2015 (EUR 552 million), which represents a decrease compared to last year (0.71%).

Cost of controls by management mode (EUR million)			
		2014	2015
Direct	grants	1.10	1.08
	procurement	0.68	0.66
Indirect		1.96	1.76
Total		3.74	3.50

	EUR	EUR
	2014	2015
Total ineligible amount	1,130,969.43	2,207,263
Costs of ex post controls	513,281.37	503,226.01

¹² This estimate is based on past performance, namely on the average recoveries and financial corrections (ARC) implemented since 2009 and applied to the payments of the year. FPI has adjusted this in view of the specificities of the DG's control system, with a view to maintaining the conservative character of the estimation.

¹³ Estimate based on the cost of control missions performed by staff, external audits and cost of staff involved in controls and supervision in 2015

Cost-efficiency ratio	2.20	4.39
Average cost of audit	22,352.45	18,458.36

Instrument for Stability/IcSP: The total cost for outsourcing ex post controls (EPC) of beneficiaries to external auditors is EUR 205,871 for the EPC plan (average cost of EUR 17,156 per audit).

The total value of errors **detected** as a result of audits from the EPC plan is EUR 897,189 which gives a relative efficiency rate of 4.35 (errors detected / cost of the audit). For the 2015 EPC plan it is not yet possible to determine the final benefits in terms of amounts of ineligible expenditure **recovered** as most recovery procedures are still being finalised.

Common Foreign and Security Policy: the cost of the 7 ex-post control audits amounted to EUR 177,003 which represents 0.5% of the total commitment (EUR 35 million) for the contracts subject to ex-post control.

The ineligible expenditure identified as a result of these audits amounted to EUR 559,729 i.e. in strictly financial terms, the ex-post control audits resulted in EUR 3.16 of benefit per euro of cost.

In addition to the direct benefit of identifying expenditure to be recovered, the ex-post controls also assist the organisations in the identification of system improvements to prevent the declaration of expenditure that is later identified to be ineligible. This is particularly the case for CSDP missions and EUSRs, where, due to the nature of the contracts and the timescale of the actions, ex-post controls are conducted on interim payment claims. Thus, while the cost of the 5 ex-post controls conducted in 2015 for CSDP missions and EUSRs (EUR 134,475) exceeded the expenditure identified as being ineligible (EUR 79,283.82), ex-post controls significantly contribute to ensuring the continued functioning and improvement of controls at the level of the missions and EUSRs and, hence, the relatively low levels of expenditure that is declared and subsequently found to be ineligible. This is demonstrated by the contrast with NPD actions, where contractually all payments prior to the final payment are advances and, hence, ex-post controls are conducted following the completion of an action; in 2015 the ineligible expenditure identified in the expenditure verified for NPD actions was EUR 480,445 as compared to a cost of EUR 42,015 for these ex-post controls.

Election Observation Missions: The two controls carried out (for a total cost of EUR 35,643) resulted only in one financial finding, for a small amount (EUR 1,305). This could be linked to the extensive experience in relation of EOMs of the service providers contracted.

Industrialised Countries Instrument: Controls carried out (for a total cost of EUR 59,640) led to the identification of an amount of EUR 749,040 as ineligible. This results in a relative efficiency rate of 12.6 (errors detected/cost of the audits).

Efficiency indicators

Time-to-pay: In 2015, the average number of days to make a payment was 30, which represents a slight increase compared to 2014 (29 days). The percentage of invoices paid on time increased significantly compared to 2014 (81% compared to 72%).

Amounts to disburse (*reste à liquider*): The RAL at the end of the year increased by 44 million, an increase of 5% compared to the RAL at the end of 2014. This increase is linked to the new PI instrument which started in 2014 and for which the duration of the 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/

grants.

Control efficiency and cost-effectiveness - Conclusion

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. FPI will further adapt the risk profiles in its control strategy based on results of controls.

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-efficiency rate of 4,39¹⁴**. This represents an improvement compared to last year (when the cost-efficiency rate was 2,20).

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).

- **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. The AFS of FPI is updated every 2 years in agreement with all the directorates-general of the "Relex" family (DEVCO, FPI, NEAR) and the EEAS under the common "Anti-fraud Strategy for EU External Relations 2014/2015". FPI AFS will thus be updated in 2016 as agreed with DEVCO, NEAR and the EEAS.

Detection:

In 2015, the total number of ongoing cases is five. Three investigations from 2013 and 2014 remained open. The one from 2013 concerns the Instrument for Stability (**I_fS**) and the two from 2014 concern the Common Foreign and Security Policy (**CFSP**). Two new cases were reported in **2015**. The first one concerns the Instrument contributing to Stability and Peace (**I_cSP**) and the second one relates to CFSP.

Prevention and follow-up:

FPI developed its anti-fraud strategy as foreseen in the Commission's overall strategy¹⁵. 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 has been 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.

¹⁴ EUR 4.84 of errors was found for every EUR spent (EUR 0.21 was spent for every euro of detected error).

¹⁵ COM(2011) 376 24.06.2011.

In 2015, FPI organised seven anti-fraud **training** courses, in particular, 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. Moreover, on the occasion of a Partnership Instrument training seminar for the financial verifying officers in Partnership Instrument (**PI**) circuits in the delegations, a specific session was also dedicated to training on anti-fraud. All in all, 110 members of FPI staff attended these training sessions, in line with Objective 1 (Prevention Priority)¹⁶ of FPI Anti-fraud Action Plan in the context of FPI AFS 2013-2015. The objective of 80% of FPI staff attending the trainings has been exceeded.

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. At several times, FPI met with OLAF in 2015. Relevant information received by FPI was proactively shared with OLAF. In parallel, FPI also provided information to OLAF exercises of monitoring of implementation of actions carried out by FPI following the recommendations of OLAF contained in the reports of closure of investigations (i.e. implementation of recoveries).

As usual, all new grant beneficiaries and procurement contractors were systematically checked whether they were signalled in the Early Warning System (EWS). OLAF cases are reviewed several times a year and follow-up measures, if appropriate, are taken in order to speed up the closure.

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.

Finally, 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 forensic objectives.

Other control objectives: use of resources for their intended purpose, reliability of reporting, safeguarding of assets and information

Use of resources for their intended purposes: the controls in place (ex-ante, checks carried out on the obligatory reports, monitoring mission, on-the spot controls, external audits, ex-post controls) are sufficiently comprehensive to ensure that resources are used for their intended purposes.

Reliability of reporting: all reports provided by the controlled entities are checked and approved by FPI staff. Reports produced inside FPI are at least cross-checked by the team leaders/Deputy Head of Unit, and often, for the AAR, by FPI.1.

Safeguarding of assets and information: all CSDP missions and EUSRs have to include an inventory list in the mandate final report. This list is scrutinised by the external auditors carrying out an audit of the mandate final report. Both the final report and the audit report are again checked by the FPI project managers and by the financial team. Precise instructions are given for the filing and archiving of all information produced and processed in FPI. The CSDP missions and EUSRs receive precise instructions on filing and archiving and transferring the same to HQ at the closure of their mandates.

¹⁶ FPI AFS 2013-2015 – Objectives – Objective 1: To raise the general awareness of staff concerning fraud and especially of fraud prevention and detection during the preparation and implementation of contracts – Participation of key staff in training on anti-fraud (prevention and detection).

2.2 Audit observations and recommendations

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

European Court of Auditors (ECA)

At the time of drafting the Annual Activity Report, there were no final findings from the Court of Auditors regarding the 2015 DAS (Statement of Assurance). The 2014 Annual Report included no recommendations for FPI.

In 2015, the Court of Auditors issued an audit report in respect of the performance of EUPOL Afghanistan. Only one finding, regarding liquidation issues, directly related to issues within FPI's sole competence. FPI is working with the mission in this respect to ensure appropriate liquidation rules.

As regards previous findings resulting from audits of the Court of Auditors, the Court has noted that its recommendation given in its 2011 annual report that FPI accelerates the closure of old CFSP contracts has been fully implemented. The other two recommendations from that audit continue to be implemented. FPI continues to work towards all CFSP missions being accredited in accordance with the "six-pillar assessments". With respect to the supervision of grant contracts, specific risk assessment criteria have been created for the selection of CFSP projects to be audited and as elaborated in section 2.1 above, FPI has taken measures to even further strengthen the impact of monitoring missions in the prevention and detection of ineligible expenditure.

Internal Audit Service (IAS)

Conclusion of the Internal Auditor on the state of internal control in FPI

The IAS concluded that the internal control systems audited are overall working satisfactorily with the exception of one recommendation which was partially rejected and for which FPI is assuming the risk. This relates to better documenting the decision-making process when issuing recovery orders.

IAS audits

The Internal Audit Service carried out in 2014 an audit on the control strategy of FPI, focusing on CFSP and IfS. The recommendations made by the IAS (none of which were critical) related to the improvement of anti-fraud measures in CSDP Missions/EUSRs, the assurance from current system of controls (including the calculation of the residual error rate and Art.60 compliance), the downsizing of CSDP missions and the improvement of the calculation of the error rate for the AAR.

In 2015, the internal audit service (IAS) conducted a follow-up audit of its 2014 audit of FPI's Control Strategy. As a result of that follow-up, taking into account the actions taken by FPI, the IAS downgraded recommendation numbers 1, 2 and 3 resulting from the 2014 audit from 'Very Important' to 'Important'. The IAS noted that all recommendation had been partially implemented. FPI is working on implementing the remaining measures by the end of 2016. However, some of the actions to be taken are linked to the setting up of the Mission Support Platform (MSP) for CFSP.

Regarding the calculation of the residual error rate, FPI took measures in 2014 in

consultation with DG BUDGET to further improve the presentation of the RER in the AAR on the basis of a methodology agreed with DG BUDGET, as already reflected in the 2014 AAR.

Internal Audit Capacity (IAC)

Audit on the effectiveness of the management of the Industrialized Countries Instrument (ICI) by FPI HQ and the Tokyo and Washington EU Delegations

An internal audit on the effectiveness of the management of the industrialized Countries Instrument (ICI) by the Tokyo and Washington EU Delegations was performed by the Internal Audit Department (IAC) of DG DEVCO in 2014. The draft report was received in January 2015.

FPI has drawn lessons from the three recommendations contained in the ICI audit report in the context of the Partnership Instrument, for example in terms of reinforced guidance to Delegations and enhanced monitoring of the PI actions.

Conclusion

In 2015, there were no critical findings and recommendations (and a limited number of findings overall) related to FPI from audits conducted by the Internal Audit Capability (IAC) of DEVCO¹⁷, the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA). The validation of local systems carried out by DG BUDG included no critical findings for FPI. As regards the implementation of recommendations issued in previous years, the relevant action plans are considered to be fully implemented.

¹⁷ Internal audit assignments were carried out by the IAC of DG DEVCO based on a service level agreement, before the IACs ceased to exist

2.3 Assessment of the effectiveness of the internal control systems

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

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.

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.

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 general assessment of effectiveness of internal control standards (ICS) for the purposes of this report, involving a representative sample of the staff concerned. Based on experience and available information, it assessed whether systems provide a reasonable assurance that the ICS are achieving their goals and working as intended. Results indicate an effectiveness rate of 84.9%, which constitutes an increase compared to 2014 (an effectiveness rate of 81.2%). The results show that measures taken so far on ICS 11 (Document Management) need to be continued in 2016.

In light of the results of its self-assessment of internal control carried out and for the purposes of this report (ICS 15 – Assessment of internal control systems); in light 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, effectiveness of the control standards and the documentation thereof was maintained in 2015. The functioning of the ICS, and in particular key standards for financial management, contributed to a mitigation of the risks and weaknesses identified, having regard to the specificities and objectives of external relations and the instruments managed by FPI. Measures will be taken in 2016 to remedy any remaining weaknesses, in particular in light of the reservation included in this report.

In conclusion, the internal control standards are effectively implemented and functioning.

2.4 Conclusions as regards assurance

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

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

While the residual error rate for 2014-2015 is below 2% (1.33%), the materiality of the errors found amounts to 2.24%, due to the high detected error rate (2.36%), which is the basis for calculating the amount at risk and subsequently the materiality. Therefore the Head of Service has decided to include a reservation in the current report, as follows:

The reservation linked to the errors found in NPD projects (budget chapter 19.03), as described in section 2, is maintained. However, it should be noted that the following remedial actions have been taken, which will be further pursued and complemented in 2016: kick-off meetings with the entities implementing NPD actions; monitoring missions by FPI staff within 3 months of the start-up of an action; increased participation of financial and/or procurement staff in monitoring missions as necessary; the conduct of regular pillar assessments by FPI staff. Member States will be informed of the mitigating measures taken in order to address financial weaknesses encountered with certain implementing partners.

In addition, the reservation included in this report also covers budget chapter 19.05, Instrument for cooperation with Industrialised Countries, due to the results highlighted in section 2. However, the follow up actions that can be taken for these errors are limited, as the programme was part of the former MFF (2007-2013) and is closed.

This reservation has no impact on the other FPI ABB activities.

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

3. Declaration of Assurance and reservations

DECLARATION OF ASSURANCE

I, the undersigned,

Head of Service 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 view¹⁸.

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 opinion 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 two budget lines.

Brussels, 31 March 2016

(signed)

Tung-Lai Margue

¹⁸ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

Reservation 1

DG	Service for Foreign Policy Instruments (FPI)
Title of the reservation, including its scope	Reservation concerning the error rate for CFSP and ICI being above 2%
Domain	Direct management mode – grants
ABB activity and amount affected (= "scope")	19.03 CFSP (non-proliferation and disarmament projects - NPD) Payments made in 2015: EUR 282.6 million (NPD: EUR 11.2 million) 19.05 (Instrument for Cooperation with Industrialised Countries - ICI) Payments made in 2015: EUR 25.6 million
Reason for the reservation	Occurrence of errors at beneficiary level in the underlying transactions (legality and regularity); DER and materiality above 2%; see AAR section 2) – lack of supporting documents or insufficiently clear obligations about the same.
Materiality criterion/criteria	Legality and materiality criterion: the materiality criterion is the residual error rate, i.e. the level of errors which remain 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 amount at risk for the budget is calculated by multiplying the payments made in the year with the detected error rate and then subtracting any corrections made. The estimated amount at risk for the two activities as a whole is EUR 9.6 million for 2015.
Impact on the assurance	Legality and regularity of the affected transactions. The assurance is affected by the quantified budgetary impact (EUR 9.6 million at risk for the activities as a whole), which in overall terms remains quite limited (compared to the total FPI payments made in 2015). The reservation has no impact on the remainder of the FPI budget. The residual error rate overall for FPI is below 2% (1.33%).
Responsibility for the weakness	Implementing partners/beneficiaries of grants
Responsibility for the corrective action	<p>The main elements of the action plan set up by FPI for correcting the weakness, for NPD and ICI/PI are:</p> <ol style="list-style-type: none"> 1. Awareness-raising on 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. 2. Reinforcing the financial/control skills at HQ and in Delegations. Strengthening the weak FPI financial circuits in Delegations (through the setting up of regional teams) 3. Reinforcing the accountability of Delegations as to the monitoring of performance and the follow-up and corrective measures to errors identified by audits. 4. Increase monitoring missions (especially to NGOs beneficiaries) with a real focus on financial aspects. 5. 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). 6. Further improvements on the quality of mandatory expenditure verifications: check the professional capacity of local auditors proposed by beneficiaries to perform expenditure verifications.

	<p>The Commission has the possibility to reject and ask to change to another auditor.</p> <ol style="list-style-type: none">7. Develop a brief user guide focused on financial matters to the attention of beneficiaries of grant agreements.8. Ask beneficiaries to provide (a sample of) supporting documents when they submit a financial report.9. Identify synergies between supervision missions and potential monitoring missions to beneficiaries with a focus on financial aspects (i.e. combine the two where feasible).10. Increase financial professional capacity of beneficiaries with small structure by requiring them to have/hire professional financial staff to ensure proper financial reporting.11. 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.
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