



2016

Annual Activity Report

**Directorate-General for
International Cooperation
and Development**

FOREWORD

This report reviews the work of the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO) in 2016. DG DEVCO is responsible for formulating European Union (EU) development policy in the wider framework of international cooperation and sectoral policies in the field of external aid, in pursuit of a number of objectives. These include reducing poverty in the world, securing sustainable economic, social and environmental development and promoting democracy, the rule of law, good governance and respect for human rights. DG DEVCO promotes coordination of EU and Member States (MS)' development activities and manages the external aspects of EU development cooperation. This report looks at the main steps taken by DG DEVCO to fulfil its commitments, to achieve the objectives set in its Strategic Plan (SP) 2016-2020 and its Management Plan (MP) 2016 and to provide assurance on the use of resources provided for the completion of its mission.

In 2016 DG DEVCO played an important role in the Commission's efforts to implement the United Nation (UN) 2030 Agenda and the Addis Ababa Action Agenda (AAAA) which have set a new framework for global action to eradicate poverty and achieve sustainable development. In this context, proposals by the Commission on the new European Consensus on Development, and jointly by the Commission and the High Representative for a new framework to govern relations between the EU and the African, Caribbean and Pacific (ACP) countries and regions after 2020 were adopted by the College of Commissioners in November 2016.

Another important policy development in 2016 was the increased focus on the security-development nexus in the design of programmes in particular in Sub-Saharan Africa (notably in the Sahel, Lake Chad and Horn of Africa). In this context, a Commission proposal on Capacity Building on Security and Development (CBSD) in partner countries was adopted by the College in July 2016 as an amendment to the Instrument contributing to Stability and Peace (IcSP).

The humanitarian, development and political efforts to address forced displacement have been strengthened with the adoption of the Commission Communication on Forced Displacement and Development, in association with the European External Action Service (EEAS). It sets out a new multi-stakeholder, development-oriented approach to support refugees, internally displaced persons, returnees and host populations in partner countries to gradually end dependence on humanitarian assistance in displacement situations by fostering self-reliance.

DG DEVCO has given support to measures that aim to create conditions to generate growth and jobs. By alleviating poverty, improving the enabling environment for the private sector in developing countries while contributing to decent work, and making a contribution to public financial management, good governance and the rule of law, the EU's bilateral, multilateral and global development efforts made a positive contribution to sustainable growth in developing countries.

The COP22 was symbolically held in Africa in 2016. Climate change and environmental degradation are linked to the root causes of under- or unfair development. It was proposed to strengthen the EU cooperation by integrating climate change and environmental considerations in all development activities. This includes addressing the lack of energy access, support to production of clean energy while at the same time contributing to the fight against climate change.

Furthermore, migration, mobility and development have remained at the top of the EU agenda. In this context, DG DEVCO aimed at addressing both short and long term challenges and opportunities, notably as a follow-up to the Commission Communication on establishing a new Partnership Framework under the European Agenda on Migration, in particular through strengthened policy dialogue and cooperation with priority countries

coupled with concrete implementation of support measures, including under the EU Trust Fund (EUTF) for Africa, combining geographic and thematic parts of the European Development Fund (EDF) and the Development Cooperation Instrument (DCI).

In addition, a Commission proposal for a Regulation on the European Fund for Sustainable Development (EFSD) was adopted by the College in September 2016 as part of the European External Investment Plan (EIP). The EIP aims to support investments in regions outside the EU as a means of contributing to the achievement of sustainable development goals (SDGs) and thereby contributing to addressing root causes of irregular migration.

Clearly, international cooperation and development policy is at the core business of the EU so that it contributes to address key European challenges.

Brussels, 31 March 2017

Stefano Manservigi

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GLOSSARY

AAAA = Addis Ababa Action Agenda
AAR = Annual Activity Report
ACP = Africa, Caribbean and Pacific group of states
AEC = ASEAN Economic Community
AFD = Agence Française de Développement
AFS = Anti-fraud strategy
AOSD = Authorising Officer by Sub-Delegation
APF = African Peace Facility
APSA = African Peace and Security Architecture
ARAC = ASEAN Risk Assessment Centre for Food Safety
AREI = Africa Renewable Energy Initiative
ARISE = ASEAN Regional Integration Support from the EU
ASSIST = ASEAN Solutions for Investments, Services and Trade
AUC = African Union Commission
BS = Budget Support
BSSC = Budget Support Steering Committee
CBSD = Capacity Building on Security and Development
CFSP = Common Foreign and Security Policy
CIR = Common Implementing Regulation
DCI = Development Cooperation Instrument
DG = Directorate-General
DG DEVCO = Directorate General for International Cooperation and Development
DG ECHO = Directorate General Humanitarian Aid & Civil Protection
DG NEAR = Directorate General Neighbourhood and Enlargement Negotiations
DM = Direct Management
DRR = Disaster Risk Reduction
EAMR = External Aid Management Reports
ECA = European Court of Auditors
ECB = European Central Bank
EDDs = European Development Days
EDF = European Development Fund
EEAS = European External Action Service
EFSD = European Fund for Sustainable Development
EIDHR = European Instruments for Democracy and Human Rights
EIP = External Investment Plan
ElectriFI = Electrification Financing Initiative
ENI = European Neighbourhood Instrument
EU = European Union
EU GS = European Union Global Strategy
EUTF = European Union Trust Fund
EYD = European Year of Development
GAP = Gender Action Plan
GCCCA+ = Global Climate Change Alliance
GNI = Gross National Income
GO = General Objective
GPEDC = Global Partnership for Effective Development Cooperation
IAC(s) = Internal Audit Capability
IAS = Internal Audit Service
IcSP = Instrument contributing to Stability and Peace
ICT = Internal Control Template
IM = Indirect Management
INCS = Instrument for Nuclear Safety Cooperation
IO(s) = International Organisation
IOM = International Organisation for Migration
IPA = Instrument for Pre-accession Assistance
JVAP = Joint Valletta Action Plan
KPI(s) = Key Performance Indicator

LDCs = Least Developed Countries
MP = Management Plan
MS = Member States
MSME = Micro, small and medium enterprises
NDCs = Nationally Determined Contributions
OCTs = Overseas Countries and Territories
ODA = Official Development Assistance
PI = Partnership Instrument
PI = Partnership Instrument
PSOs = Peace Support Operations
RER = Residual Error Rate
SDG(s) = Sustainable Development Goals
SETF = Staff Engagement Task Force
SO = Specific Objective
SP = Strategic Plan
SUNREF = Sustainable Use of Natural Resources and Energy Finance
SWD = Staff Working Document
TCCs = Troop Contributing Countries
TFEU = Treaty on the Functioning of the European Union
ToR = Terms of Reference
UN = United Nations
WB = World Bank
YSLA(s) = Youth Savings and Loans Associations

THE DIRECTORATE GENERAL (DG) IN BRIEF

As of May 2016 the new Director General of DG DEVCO is Mr. Stefano Manservigi.

The mission statement

Within the European Commission, DG DEVCO is in charge of development cooperation policy in a wider framework of international cooperation, adapting to the evolving needs of partner countries. This encompasses cooperation with countries at different stages of development, including during the transition from low income to upper middle income countries.

DG DEVCO plays a leading role in implementing the 2030 Agenda and Sustainable Development Goals (SDGs) in development policy.

DG DEVCO works closely with other Commission services responsible for sectoral policies, as well as with the European External Action Service (EEAS) and Commission services on external action, so as to facilitate and help ensure a consistent and coherent approach.

DG DEVCO is responsible for formulating EU development policy and sectoral policies in order to reduce poverty in the world, to ensure sustainable economic, social and environmental development and to promote democracy, the rule of law, good governance and the respect of human rights, notably through external aid. It fosters coordination between the EU and its Member States in the area of development cooperation and ensures the external representation of the EU in this field.

DG DEVCO is responsible, together with the EEAS, for the multiannual programming of the external aid instruments. This is increasingly done jointly with Member States' programming of their national assistance.

DG DEVCO is in charge of implementing some of the EU's external financing instruments¹ which are financed by the General Budget of the Union and the European Development Fund. In this context, DG DEVCO ensures the high quality and impact of EU assistance, the swift implementation of projects and programmes and the visibility of European assistance.

The role of DG DEVCO

DG DEVCO is responsible for designing and implementing European international cooperation and development policy. Within the Commission, DG DEVCO promotes coherence between the EU's development policy and internal and external policies, notably in the area of migration and mobility.

DG DEVCO conducts dialogues on development with non-EU bilateral donors, emerging economies and with International Organisations in order, on the one hand, to present a united European position and, on the other hand, to ensure that the Commission on behalf of the EU contributes to negotiations in international development fora. Moreover, DG DEVCO enters into dialogue on development issues with non-state actors with whom it defines and implements cooperation measures.

DG DEVCO seeks to target funds to countries most in need. This is in support of the EU and Member States commitment to provide 0.15%-0.20% of Gross National Income (GNI) as Official Development Assistance (ODA) to Least Developed Countries (LDCs), the Addis Ababa Action Agenda (AAAA) on financing for development and the particular

¹ The Development Cooperation Instrument (DCI), the Instrument for Democracy and Human Rights (EIDHR), the Instrument contributing to Stability and Peace (IcSP) - the Instrument for Nuclear Safety Cooperation (INSC) and the Instrument for Greenland (IfG).

importance the EU places on supporting development in Sub-Saharan Africa. DG DEVCO focuses on delivering better results and higher impact of its actions. It has also developed a results framework to improve its reporting on results².

DG DEVCO implements cooperation policy in a devolved way through EU Delegations. For this purpose, it defines, establishes and runs the management, supervision, support and control systems required to ensure the highest levels of regularity, quality, impact and visibility of the programmes implemented.

DG DEVCO strives to be a learning organisation promoting the capitalisation of knowledge and expertise. DG DEVCO implements an information and communication policy in order to raise awareness among EU citizens and partner countries regarding the action taken by the EU to support development.

DG DEVCO finds itself working increasingly in difficult environments which can have an impact on its operations. In close cooperation with other Commission services and the EEAS, DG DEVCO takes all reasonable practicable duty-of-care responsibilities in order to protect its personnel deployed outside the EU from harm and injury.

The operating context

Development cooperation is defined in Articles 208 to 210 of the Treaty on the Functioning of the EU (TFEU). Development cooperation is based on the principle of partnership and takes place with a large variety of countries at different stages of development.

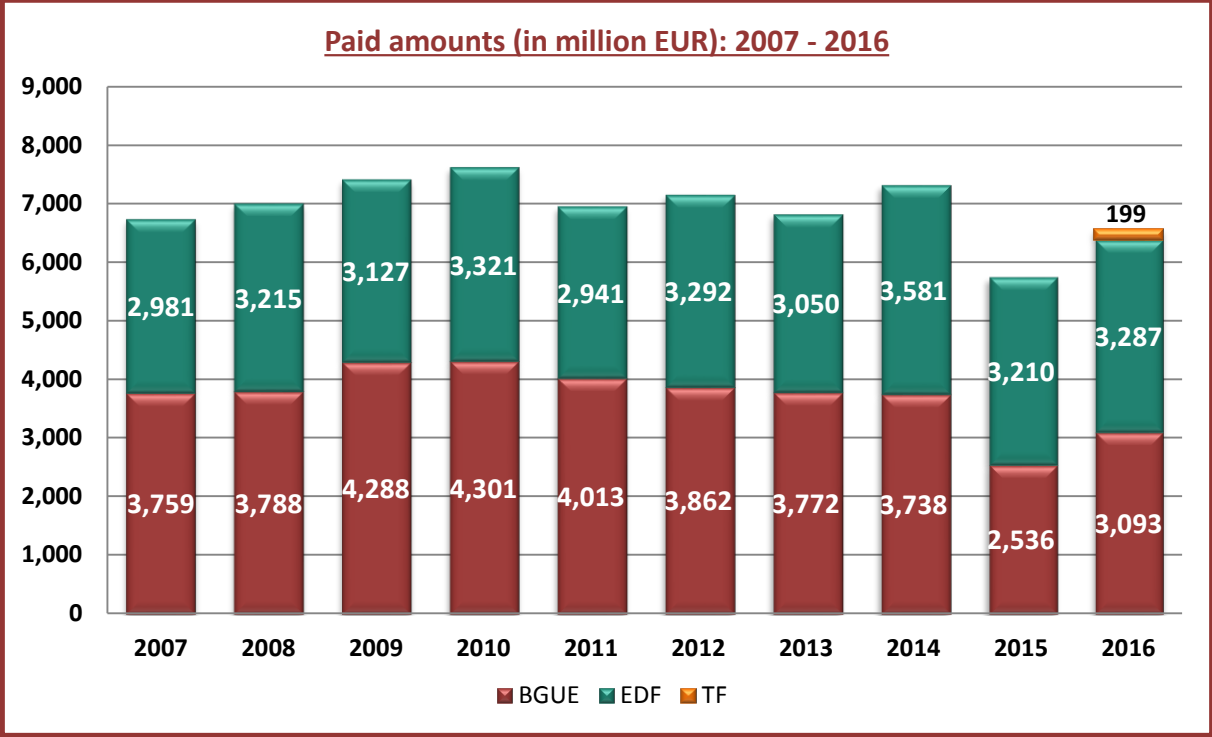
DG DEVCO can represent the Commission/EU in certain circumstances on the international stage, in bilateral settings and multilateral fora like the United Nations (UN). It has been in charge of the management of over EUR 9 billion in commitments for the year 2016, providing assistance to around 130 countries on five continents. The EU and its MS collectively form the world's largest donor, accounting for more than half of global ODA.

DG DEVCO is in charge of implementing the following EU's external financing instruments:

- DCI,
- EDF,
- EIDHR,
- IcSP (long term objectives),
- INSC,
- EU-Greenland cooperation instrument

The evolution of the volume of payments funded by the General Budget of the Union, the European Development Fund and the Trust Funds of the European Union is presented in the graph below:

² 20/7/2016 (ref. SWD(2016) 255)



In 2016, a total amount of EUR 6,579 million was paid by DG DEVCO (General Budget: EUR 3,093 million³, EDF: EUR 3,287 million⁴ and EUTFs Bêkou and Africa: EUR 199 million⁵).

o Legal and policy setting

Development cooperation is a policy in its own right and at the same time forms part of EU's external action, along with, for example, trade, neighbourhood, enlargement, humanitarian, and foreign and security policies. Since the Lisbon Treaty came into force, all of these policies must be pursued within the setting of general principles and objectives. In addition to eradicating poverty, these include *inter alia* fostering sustainable development, supporting democracy, the rule of law and human rights, integrating developing countries into the world economy, preserving peace, preventing conflicts and strengthening security.

The current legal instruments⁶ for aid delivery were negotiated between 2011 and 2013 and are applicable until 2020. The 11th EDF finances cooperation with ACP countries under the Cotonou Agreement, and also with MS' Overseas Countries and Territories (OCTs). It is an intergovernmental fund managed outside the EU budget and it accounts for about 40% of the portfolio. Instruments financed from the budget account for the remainder and include a series of EU Regulations, both geographic and thematic, notably on democracy and human rights, and stability and peace. Accounting for one quarter of the portfolio, the DCI encompasses geographic assistance for Asia and Latin America and a Pan-African programme.

³ Reconciliation of the amount of EUR 3,093 million paid by the General Budget in 2016 with the amount of EUR 3,265 presented in annex 3A: EUR 3,093 million + EUR 27 million (contribution to EU TF) + EUR 100 million (support expenditure for EDF or EUTF paid under BL 21.010407 and 21.010408) + EUR 45 million (co-delegations given by DG DEVCO to other DGs) = EUR 3 265 million.

⁴ Reconciliation of the amount of EUR 3,287 million paid by EDF with the amount of EUR 3,350.5 million presented on table 2.1 of the annex 3B: EUR 3,287 million + EUR 128.5 million (contribution to EU TF) - EUR 65 million (Recovery Orders).

⁵ EUTF Bêkou: EUR 23 million and EUTF Africa: EUR 176 million.

⁶DCI, EUR 19,661.64 million; the EDF EUR 30,506 million; EIDHR EUR 133.75 million; INSC EUR 225.32 million; the Greenland Decision EUR 217.8 million and Common Implementing Regulation (CIR).

It also includes major thematic programmes geared towards cooperation with civil society organisations and local authorities, and towards global public goods and challenges in the areas of human development, food security and agriculture, environment and climate change, sustainable energy, migration and asylum.

o Ways of delivering EU assistance

DG DEVCO has continued to encourage innovative modalities such as blending of grants and the use of EUTFs on top of traditional aid deliveries such as project implementation, budget support, delegation agreements with international institutions and cooperation with MS. The main goal remains to meet the commitment to devote 0.7% of GNI to ODA, but also to leverage private funds in order to boost the impact of EU action.

o Accountability and reporting chain in DG DEVCO

The accountability and reporting chain in DG DEVCO is organised as a pyramid with several levels: on the first level, there are the EU delegations that are accountable and report to the relevant geographical directors (second level), who at their turn report to the Director General. Through this system, the statements of assurance signed by each Head of Delegation set the basis of the assurance provided by the other authorising officers by (sub)-delegation (AOSD) at the upper levels of the pyramid.

All AOSDs substantiate their statements of assurance in their annual reports taking into account the results achieved for 24 DG DEVCO KPIs regrouped in three categories: sound financial management, efficiency of the internal control systems and efficiency of the audit system.

EXECUTIVE SUMMARY

The Annual Activity Report (AAR) is a management report of the Director-General of DG DEVCO to the College of Commissioners. AARs are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁷.

a) Key results and progress towards the achievement of general and specific objectives (SOs) of the DG

The EU's development cooperation is succeeding in spreading European values across a fast-changing world, gaining influence and respect for the EU. Above all, it makes a decisive contribution to the overriding aim of eradicating extreme poverty once and for all. EU development policy and DG DEVCO's work in implementing this policy are strongly anchored in two political priorities of the President Juncker Commission "**The EU as a Stronger Global Actor**" and "**Towards a New Policy on Migration**". Furthermore it significantly contributes to the Commission priorities "**A New Boost for Jobs, Growth and Investments**" and "**A Resilient Energy Union with a Forward Looking Climate Change Policy**".

2016 was another remarkable year for development cooperation and DG DEVCO. Poverty and inequality, climate change, fragility, migration, and security remained high on the global political agenda, underlining the **importance of development policy to tackle the root causes** of these complex and interrelated challenges. The international community made its first steps to implement its collective policy response to these challenges as set by 2015's landmark agreements on the 2030 Agenda for Sustainable Development, the AAAA, and the Paris Agreement on Climate.

The operational expenditure authorised by DG DEVCO has contributed to the key policy achievements (described in the 3 performance stories that DG DEVCO chose for 2016) and generated EU added value⁸.

EU AS A STRONGER GLOBAL ACTOR

DG DEVCO, together with other Commission services and the EEAS, has brought **clear added-value** through a unique federator role, articulating EU and MS own responses and building on complementarities in the pursuit of common objectives. This has allowed the EU to play a leading role in developing and implementing responses to the challenges of globalisation, be it at the European level or at the global level, reinforcing the EU as a global actor and affirming the role of development policy in the framework of the recently approved EU Global Strategy (EU GS).

On the policy front, DG DEVCO started to implement the 2030 AAAA which has set a new framework for global action to eradicate poverty and achieve sustainable development. In this context, a Commission proposal on the **new European Consensus on Development**⁹ has been adopted by the College in November 2016.

The proposed new Consensus sends the strong political message that the EU is ready to be a driving force in the implementation of the SDGs worldwide.

In parallel, the Commission and the High Representative released the Communication "**A renewed partnership with the countries of Africa, the Caribbean and the**

⁷ Article 17(1) of the Treaty on EU.

⁸ For more details, the relevant programme statements annexes to the 2018 EU draft budget, can be consulted online. The programme statements identify all EU financed programmes and give an overview of their performance framework: http://ec.europa.eu/budget/library/biblio/documents/2017/DB2017_WD01_en.pdf

⁹ 20/11/2016 (ref. COM(2016) 740)

Pacific¹⁰ which sets out the ideas and proposed building blocks for a strong political partnership with these countries. The initiative revolves around an umbrella agreement emphasising common values and interests together with regional tailored partnerships for each region.

The Commission Communication on establishing a new Partnership Framework with third countries under the European Agenda on Migration announced the need to establish an ambitious European **EIP**¹¹. The EIP offers a coherent overall investment framework that contributes to support investments in regions outside the EU as a means of contributing to the achievement of SDGs and thus tackling some of the root causes of irregular migration and provides a guarantee for the private sector to invest in more risky contexts.

As a follow up to the World Humanitarian Summit held in Istanbul in 2016, DG DEVCO together with the Directorate General Humanitarian Aid & Civil Protection (DG ECHO) are aiming at further strengthening collaboration in countries affected by crises in collaboration with the UN and World Bank (WB). A set of pilot countries have been identified for enhanced cooperation in an Action Plan for the period 2016-17.

On the **security-development nexus**, situations of armed conflict are one of the main sources of poverty in some partner countries and very often linked to radicalisation and terrorism. In fact, poverty was often both at the origin of conflict and a consequence of it. Therefore, the EU has continued to contribute substantially to addressing peace building and peace keeping, namely through the **African Peace Facility (APF)**. In addition, together with the EEAS, DG DEVCO put forward a Joint Communication on security sector reform and a legislative proposal to foster security and sustainable development in partner countries by providing more effective assistance to all security sector actors, through an amendment to the Regulation establishing the IcSP¹².

DG DEVCO continued to focus efforts through its actions to create conditions to generate **growth and jobs**. DG DEVCO has supported projects and programmes aiming at promoting conditions that create sustainable development and economic activity in sectors and regional integration that attract **private sector** investments in view of creating decent jobs in particular for women and young people.

Furthermore, DG DEVCO has supported several projects aiming at promoting **women and youth** economic empowerment and thus contributing to reducing poverty.

TOWARDS A NEW POLICY ON MIGRATION

Migration and mobility remained a priority for the EU in 2016, including under EU development policy and cooperation. DG DEVCO strongly contributed to the overall EU migration response, notably in line with the 2015 Valletta Declaration and its Action Plan and the 2016 **Commission Communication on establishing a new Partnership Framework** under the **European Agenda on Migration**. For instance, EU development cooperation has actively contributed to improve the cooperation on migration with Partnership Framework priority countries such as Ethiopia, Mali, Niger, Nigeria and Senegal, through the launch of concrete actions implementing the agreed priorities under this framework. The EUTF for Africa has proven instrumental for this contribution; up to today -106 projects worth EUR 1,589 million have been approved, with EUR 594 million contracted and of EUR 175 million paid in 2016. These programmes aim at improving the capacities in partner countries for better management of migration and refugee flows, and also address the more structural root causes of irregular migration and forced displacement. In addition, and as a more long-term contribution to address root causes, a proposal to establish a new EIP was presented by the Commission in September 2016.

¹⁰ 22/11/2016 (ref. JOIN(2016) 52)

¹¹ 14/09/2016 (ref. COM(2016)586)

¹² 5/7/2016 (ref. COM(2016)447)

Humanitarian, development and political efforts to address forced displacement have been strengthened with the adoption in April 2016 of the **Commission Communication on Forced Displacement and Development**¹³. Prepared by DGs DEVCO, ECHO and the Directorate – General Neighbourhood and Enlargement Negotiations (DG NEAR) in association with the EEAS, the Communication sets out a new, development-oriented policy approach to support refugees, internally displaced persons, returnees and host populations in partner countries to gradually end dependence on humanitarian assistance in displacement situations by fostering self-reliance. As a result DG DEVCO stepped up its engagement to address forced displacement, and coordinates closely with other EU services who respond under their respective mandates.

TOWARDS A RESILIENT ENERGY UNION WITH A FORWARD LOOKING CLIMATE CHANGE POLICY

The first COP after the historic adoption of the Paris Agreement, **COP22**, the "COP of action", was symbolically held in Africa, in November 2016. The EU played a decisive role in brokering the Paris Agreement and once again showed its leadership in Marrakech. The EU has been working to integrate the Agenda 2030, the AAAA, the Sendai Framework on Disaster Risk Reduction (DRR) and the Paris agreement in the EU policy framework to meet its international commitments and contribute to reshaping the EU international and development cooperation. At least 20% of the EU budget has to be spent on climate action by 2020.

This target also refers to our development cooperation activities. The EU and its MS are the biggest contributors of climate finance to developing countries with EUR 17.6 billion in 2015 (latest data available). In order to ensure development efforts are "climate-smart and sustainable", it is essential to integrate climate change in all relevant sectors (mainstreaming). Since 2015 climate change and environmental considerations are systematically integrated in all DG DEVCO activities. Inclusive and sustainable development is pursued in particular by supporting sectors that have a strong multiplier impact on developing countries' economies and contribute to climate change mitigation and adaptation as well as to reducing environmental degradation, like agriculture, forestry, urban development.

On 28 November 2016, the Council adopted conclusions on Energy and Development, stating that the EU stands ready to support all relevant development partners around the world in their energy transition efforts, in line with the EU GS on Foreign and Security Policy and with the external dimension of the Energy Union strategy. The Council conclusions stress the need for an EU strategic approach with three interlinked objectives:

- addressing the lack of energy access;
- increasing energy efficiency and renewable energy generation;
- contributing to the global fight against climate change in line with the Paris Agreement.

In line with this approach, DG DEVCO is working to strengthen our cooperation and impact in the energy sector by supporting the deployment of renewable energy in partner countries, particularly, in Sub-Saharan Africa, through the Africa Renewable Energy Initiative (AREI). Other relevant programmes are the Electrification Financing Initiative (ElectriFI), boosting private sector investments in sustainable energy, and the Covenant of Mayors in Sub-Saharan Africa, supporting the capacity local authorities to provide their citizens with appropriate energy and urban services.

¹³ 26/04/2016 (ref.COM/2016/234)

CHALLENGES 2016

2016 has also been marked by a series of challenges. Political and security crises as well as climate change related challenges influenced our work. To address difficulties, the Commission has gone for a strong coordination with MS and following a coherent and coordinated approach wherever possible.

b) Key Performance Indicators (KPIs)

Result/Impact indicator (description)	Target (or milestones)	Latest known results as per AAR												
Most relevant KPI 1: Share of EU-funded international cooperation and development assistance directed towards supporting human development	<ul style="list-style-type: none"> (2014-2018) 19.2% (2014-2020) 20% 	<ul style="list-style-type: none"> Cumulative (2014-2016): 16.8% (2016): 13.7% 												
Most relevant KPI 2: Amount and share of EU-funded international cooperation and development assistance contributing to climate change (adaptation and mitigation)	<ul style="list-style-type: none"> (2014-2018) 18.3% (2014-2020) 20% 	<ul style="list-style-type: none"> Cumulative (2014-2016): 17.2% (2016) 24.1 % 												
Most relevant KPI 3: Proportion of EU-funded cooperation and development initiatives promoting gender equality	<ul style="list-style-type: none"> (2014-2018) 74.3% (2014-2020) 85% 	<ul style="list-style-type: none"> Cumulative (2014-2016): 45.4% (2016) 58.8% 												
Most relevant KPI 4 =Residual Error Rate (RER)	<ul style="list-style-type: none"> (2020) 2% 	<ul style="list-style-type: none"> (2016) 1.67% <div data-bbox="794 1061 1388 1444" data-label="Figure"> <table border="1"> <caption>DEVCO: Evolution of the RER</caption> <thead> <tr> <th>Year</th> <th>RER (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>3.6%</td> </tr> <tr> <td>2013</td> <td>3.3%</td> </tr> <tr> <td>2014</td> <td>2.8%</td> </tr> <tr> <td>2015</td> <td>2.2%</td> </tr> <tr> <td>2016</td> <td>1.67%</td> </tr> </tbody> </table> </div>	Year	RER (%)	2012	3.6%	2013	3.3%	2014	2.8%	2015	2.2%	2016	1.67%
Year	RER (%)													
2012	3.6%													
2013	3.3%													
2014	2.8%													
2015	2.2%													
2016	1.67%													

The KPIs above reflect current key policy priorities of the EU, in the areas of human development, climate change (adaptation and mitigation) and gender equality.

Human development is an important component of EU aid policies, with a 20% budget benchmark for the period 2014-2020. By 2016, 16.8% of EU-funded international cooperation and development assistance has been committed towards supporting human development in line with the milestone of 19.2% for the period 2014-2018. The figure for 2016 is below the average. This is due to a temporary reduction of human development commitments in absolute terms compared to 2015 and to an increase of DG DEVCO's total commitments in 2016.

Furthermore, by 2016, 17.2% of EU-funded international cooperation and development assistance addresses climate change, reflecting EU commitment to sustainable development. This shows considerable improvement towards the 2020 targets of 20% and is in line with the intermediate milestone to be achieved in 2018.

In addition, the European Commission is contributing to gender equality and women's

empowerment development initiatives with 45.4% of its projects and programmes. Over the last three years, there has been a consistent increase in the proportion of initiatives that promote gender equality (they were 31.3% of the total in 2014). This said, further effort has to be made to reach the ambitious 85% 2020 target presented in the Gender Action Plan (GAP) 2016-2020.

The fourth KPI, the RER is an indicator measuring internal control aspects, and it was selected as relevant since DG DEVCO is managing spending programmes.

c) Key conclusions on financial management and internal control

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

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG DEVCO has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended. Please refer to AAR section 2.1.3 for further details.

In addition, DG DEVCO 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 (ECA). 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 2.1 of this report for further details.

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

d) Information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of Commissioner Mimica, responsible for International Cooperation and Development.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG¹⁴

General Introduction

Poverty and inequality, climate change, fragility, migration, and security remained high on the global political agenda in 2016, underlining **the importance of development policy** to tackle the root causes of these complex and interrelated challenges. In this context, 2016 saw the international community's first steps to implement its collective policy response to these challenges as set by 2015's landmark agreements on the 2030 Agenda for Sustainable Development, the AAAA, and the Paris Agreement on Climate. This new international framework brings about a paradigm-shift marked among others by universality and the search for a balanced approach to the three dimensions of sustainable development.

Over 2016, DG DEVCO's activities made strong contributions to the four Commission priorities it is associated to, all strongly related to the 2030 Agenda ("EU as a Stronger Global Actor"; "A New Boost for Jobs, Growth and Investment"; "Towards a New Policy on Migration"; "A resilient Energy Union with a Forward Looking Climate Change Policy"), as well as the related DG DEVCO SOs. DG DEVCO directed its efforts towards **enhanced coordination and synergies** in the area of sustainable development and formulated **key policy proposals and orientations**, to align and adapt its policy and tools to the new international framework and challenges. In this regard, DG DEVCO's activities in the field of sustainable development provided a significant contribution to the implementation of the Global Strategy on the EU's Foreign and Security Policy adopted in June 2016, which provides a vision for Europe's engagement in the world and highlights the importance of the 2030 Agenda's SDGs in the context of EU external action.

DG DEVCO lead, together with other Commission services and the EEAS, has brought **clear added-value** through a unique uniting (collective) role, articulating EU and MS' own responses and building on complementarities in the pursuit of common objectives. This allowed the EU to play a leading role in developing and implementing responses to the challenges of globalisation, be it at the European level or at the global level, reinforcing the EU as a global actor and affirming the role of development policy in the context of external action.

In particular, in November 2016, the Commission presented a Proposal for a **new European Consensus on Development**, which updates the European development response to current global challenges and aligns EU development policy with the 2030 Agenda and SDGs. Once adopted in the form of a Joint Statement by the Council, the European Parliament and the Commission, the Consensus will provide a common vision and framework of action for development policy, which will apply to the EU and its MS. The proposal for a new Consensus aims to enhance the coordination of EU and MSs development cooperation policies for greater credibility, added-value, impact and coherence. The proposed new Consensus sends a strong political message that the EU is ready to be a driving force in the implementation of the SDGs worldwide.

A key feature of the policy approaches envisaged in the proposed new Consensus is to increasingly **diversify and tailor development partnerships** to reflect partner countries' evolving and diverse capacities and needs. This means focusing financial cooperation on least developed, fragile and conflict-affected countries while at the same time developing EU engagement with more advanced developing countries beyond financial cooperation, engaging in development policy dialogue and across a range of

¹⁴ See footnote 2.

policies through combinations of political, security, economic, scientific, technical, technological and adapted financial cooperation, depending on each country's specific context.

In this context, at the global level, DG DEVCO remained strongly committed to **strengthening EU and MS' collective voice and global influence** by shaping unified positions of EU institutions and MS on development matters in IOs and fora (e.g. UN, OECD, G20, G7), contributing to more effective multilateral discussions.

At the country level DG DEVCO further promoted **Joint Programming and EUTF** as significant tools to reduce aid fragmentation and maximise the coherence, impact, effectiveness and visibility of EU development support. Building on the positive example of the EUTF Bêkou for the Central African Republic and the EU Emergency TF for Africa in terms of pooling EU and MS resources in a quick and flexible manner and addressing linkages between relief, rehabilitation and development programmes, a new EUTF was established for Colombia. DG DEVCO's leadership was also instrumental in putting forward a proposal for an ambitious **EIP** for sustainable investment in Africa and the Neighbourhood. The EIP will allow going beyond traditional development assistance by using guarantees and innovative financial instruments to support investment, trade, domestic resource mobilisation and good governance, which will multiply the impact on the ground. Leveraging funds from the EU, MS, other donors, public financing institutions and the private sector, the EIP offers a coherent overall investment framework that will promote sustainable investment through three pillars of interventions: innovative financial instruments, technical assistance and promoting an enhanced investment climate. It is providing in particular a new innovative guarantee mechanism for the private sector to invest in more risky contexts. The objective is to promote sustainable development and therefore also addressing some of the root causes of irregular migration in our partner countries.

Together with the EEAS, DG DEVCO also led Commission preparations towards a new relationship with the countries of ACP after 2020 over the year. The Commission released the Communication **"A renewed partnership with the countries of Africa, the Caribbean and the Pacific"**, which sets out the ideas and proposed building blocks for a strong political partnership with these countries. The proposal revolves around an umbrella agreement emphasising common values and interests together with regional tailored partnerships for each region.

Strengthening the **strategic Africa-EU Partnership** remained high among 2016 political and cooperation priorities. In line with the EU Global strategy and the 2030 Agenda, DG DEVCO continued its efforts to boost sustainable and inclusive growth across the African continent and to contribute to prosperous and peaceful societies, throughout all its instruments. Significant progress has been particularly achieved in the implementation of the newly established EU Emergency Trust Fund for Africa. DG DEVCO together with the EEAS has launched preparations for the upcoming 2017 Africa-EU Summit, which will include a joint communication to give this Partnership a new impetus.

Throughout 2016 DG DEVCO also increased its focus on the **security-development nexus** when designing programmes, in particular in sub-Saharan Africa (notably in the Sahel, Lake Chad countries and Horn of Africa). Building on the principle of African ownership, DG DEVCO has, through the APF, continued to support continental and regional efforts in preventing, managing and resolving conflicts on the continent, allowing for African solutions to contemporary threats to peace and security. The global security environment marked by complex conflicts is putting "traditional" development policy under unprecedented pressure and increasingly calls for it to address the root causes of irregular migration, terrorism and violent extremism to remain effective. The 2030 Agenda recognizes challenges currently posed by security to development and vice-versa, notably in SDG 16 on the promotion of just, peaceful and inclusive societies. So does the proposal for a new Consensus, which emphasizes the complexity and interconnected nature of today's challenges and the importance of nexuses between

policy areas. In this context, together with the EEAS, DG DEVCO hence put forward a Joint Communication on **security sector reform and a legislative proposal** to foster security and sustainable development in partner countries by providing - through an **amendment to the Regulation establishing the IcSP** more effective assistance to all security actors with a sustainable development objective, including under exceptional and clearly delimited circumstances, the military actors of partner countries.

DG DEVCO is associated to four General Objectives (GO) of the European Commission to which it contributes via 7 Specific Objectives (SO).

The four GOs are:

- GO 1. EU as a Stronger Global Actor
- GO 2. Towards a New Policy on Migration
- GO 3. A New Boost for Jobs, Growth and Investment
- GO 4. A resilient Energy Union with a Forward Looking Climate Change Policy

The seven SO of DG DEVCO and their links to the four GOs are the following:

DG DEVCO SOs	Commission GOs
DG DEVCO SO 1: Contribute to sustainable development and development effectiveness in the areas of EU international and development cooperation with a view to the implementation of the Agenda 2030 and AAAA.	GO1
DG DEVCO SO 2: Under the overall objectives of the legal bases of the main instruments, DEVCO will promote human development by supporting actions in the field of social protection, health, education and better access to decent jobs in order to ensure a solid foundation for partner countries' further development.	GO1, GO2
DG DEVCO SO 3: Under the overall objectives of the legal bases of the main instruments and mostly by targeting the poverty reduction, DG DEVCO will promote the enabling vectors for inclusive and sustainable growth, notably through a stronger business environment that will maximise the contribution to poverty reduction, encourage green economy, create new and decent jobs and deeper regional integration.	GO1, GO2, GO3
DG DEVCO SO 4: Under the overall objectives of the legal bases of the main instruments, DEVCO will promote the inclusive and sustainable development particularly by supporting sectors that have a strong multiplier impact on developing countries' economies and contribute to protecting the planet from environmental degradation, including climate change mitigation and adaptation, sustainable agriculture and energy.	GO1, GO4
DG DEVCO SO 5: Under the overall objectives of the legal bases for the main instruments, DG DEVCO will promote democracy, human rights, rule of law, gender equality and empowerment of women, the economic and social inclusion of vulnerable groups, support the civil society and local authorities.	GO1
DG DEVCO SO 6: Under the overall objectives of the legal bases of the main instruments, DG DEVCO will support the public sector capacity, public finance management, tax policy and administration, procurement and fight against corruption in our partner countries.	GO1
DG DEVCO SO 7: Under the broader coverage of the legal bases of the IcSP and the Instrument for Nuclear Safety Cooperation (INSC), DG DEVCO will address nuclear safety issues (EURATOM based) as well as specific global, trans-regional and emerging security threats, including among others chemical, biological, radiological and nuclear (CBRN) risks, terrorism and protection of critical infrastructure in third countries (TFEU based).	GO1

DG DEVCO selected to present in its AAR 2016- **3 performance stories linked to 3 key GOs and 3 SOs:**

- **Performance story 1: Sustainable Development, investment and job creation**
- **Performance story 2: Migration**
- **Performance Story 3: Climate change and renewable energy**

Performance story 1 – Sustainable development, investment and job creation

GO 1: EU as a Stronger Global Actor

DG DEVCO SO 3: Under the overall objectives of the legal bases of the main instruments and mostly by targeting the poverty reduction, DG DEVCO will promote the enabling vectors for inclusive and sustainable growth, notably through a stronger business environment that will maximise the contribution to poverty reduction, encourage green economy, and create new and decent jobs and deeper regional integration.

The main challenges for developing countries remain achieving **inclusive and sustainable growth and creating decent jobs, particularly for women and youth**. This is particularly true for the African continent. As Africa's population is expected to continue to increase, 18 million new jobs need to be created per year by 2035.

As the **private sector** provides the bulk of jobs in developing countries, it is paramount to have a vibrant private sector with a business-friendly environment. In the 2016 New European Consensus for Development, the importance of private sector development is recognised as key for improving the conditions for economic activity by promoting better policies and regulatory environment, better business environments, new business models and greater government capacity.

Political context

The private sector has been placed at the forefront of international development in line with agreements at global level notably in **2015 AAAA** and **2030 Agenda for Sustainable Development**. The 2014 Communication on **"A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries"** set a new global approach, a new paradigm for sustainable development –in which the private sector plays a critical role. In 2016 the Commission adopted the **EIP**, providing an integrated financial package to finance investments in Africa and the EU neighbourhood. With this package, Europe offers its experience and support to Africa and neighbourhood to fulfil its potential, ensuring continued political and policy dialogue, ownership of the strategies and the promotion of universal values. The package also includes support to the local economy by respecting the country's own development agenda.

Commission/DG DEVCO role and added value

As laid out in the Communication on **"A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries"**, there are twelve concrete actions in areas where the Commission believes it can add value and effectively complement actions by MS and other development partners. These address better regulatory environments in partner countries, business development and access to finance, especially for job-creating micro, small and medium enterprises (MSME) in the formal as well as in the informal sectors. Accordingly, DG DEVCO has had a crucial role in

supporting governments' efforts to develop the private sector, focusing its support on MSMEs.

Illustrative examples of implementation, results and outputs, risks and mitigation actions

DG DEVCO has supported projects and programmes aiming at promoting conditions that create sustainable development and economic activity in sectors and regional integration that attract private sector investments, in view of creating decent jobs in particular for women and young people. In order to reach these objectives, DG DEVCO has used a combination of interventions under geographic with bilateral cooperation in Asia, Latin America, ACP countries and regional programmes as well as thematic programmes such as using DCI and Global Public Goods and Challenges (GPGC). Under the thematic programmes DG DEVCO often co-finance International and Civil Society Organisations (CSOs).

The following illustrative examples show DG DEVCO's substantial contribution to sustainable development, investment and job creation:

○ Sustainable Use of Natural Resources and Energy Finance (SUNREF) Initiative

Development cooperation with **Africa** focused on the development of private sector to boost strong sustainable economic growth, create decent jobs and promoting gender equality. The **SUNREF** is a good example of private sector engagement. SUNREF started to be implemented in 2014 with an initial amount of EUR 30.4 million financed from the EU Africa Infrastructure Trust Fund from the EDF. The project is being implemented by Agence Française de Développement (AFD) aiming at supporting local capacities to appraise and finance energy efficiency and renewable energy projects and creating job opportunities. The SUNREF model provides credit lines for private sector through the partner country local banking system, financing a large number of small and medium sized projects in East Africa (Kenya, Tanzania and Uganda), West Africa (Nigeria, Ghana), Mauritius and India. Within the scheme, the final beneficiaries of the credit lines have been required to contribute, usually in the form of equity, to complement the investment. The EU contribution consists of (i) technical assistance programmes to project developers, local service providers and local partner banks, and (ii) performance-based investment grant schemes providing additional incentives to green investments and job creation. As of June 2016, 40 sub-loans representing more than EUR 124 million were selected and a loan of EUR 44 million was granted to local banks – among which 21 sub-loans for Renewable Energy activities (solar, biomass and biofuel), 13 in Energy Efficiency (commercial buildings, industry) and 6 in clean production sectors. Thanks to these projects, 15,000 MWh of energy will be saved and a capacity of 7.7 MWh could already be produced out of renewable energy enabling job opportunities in the private sector.

○ EU ElectrIFI Initiative

The **EU ElectrIFI** is an innovative mechanism to unlock, accelerate, and leverage investments that can increase and improve access to affordable, reliable, sustainable, and modern energy with a special focus on Africa. ElectrIFI is a key platform gathering efforts and resources in support of the sustainable energy agenda and is open to the private sector, development financiers and global development partners. The ElectrIFI started to be implemented in 2016 with an initial amount of EUR 75 million funded by the EU Budget, DCI under the GPGC programme. It is implemented under the EU blending framework for bridging the financial gap and bringing sustainable energy investments to financial close, so that project implementation can actually start. The Commission delegated the ElectrIFI operations to the Dutch Development Bank (FMO), which is acting on behalf of all European Development Finance Institutions (EDFI). The first call for investment proposals under ElectrIFI took place in 2016 and generated 290 applications requesting EUR 800 million of financial support to leverage a total investment of EUR 8.5

billion, to install 3.7 GW of new renewable energy generation capacity in 55 countries. A solar energy project in Tanzania and a solar mini-grid in Nigeria that were amongst the first selected for receiving support under ElectriFI were presented at COP22 in Marrakesh whilst due diligence was advanced in view of providing ElectriFI funding for many more projects. The size and quality of the response of the private sector and the financiers to the first invitation for investment proposals under ElectriFI proved that this initiative can be a game changer in responding to the challenge of universal access to energy.

○ ASEAN Regional Integration Support from the EU (ARISE)

In **Asia**, DG DEVCO has been supporting ASEAN economic and trade connectivity agenda through the **ARISE** programme. The EUR 15 million ARISE programme funded from the DCI envelope has been running from 2012 to 2017 and will now be succeeded by the ARISE Plus (EUR 45 million, 2017-2021). The objective of this programme is to support ASEAN integration through contributing to the implementation of the ASEAN Economic Community (AEC) Blueprint for the realisation of the AEC. The programme is assisting in enhancing the capacities of the ASEAN MS in harmonising policies and regulations in the economic and trade sectors and to implement them effectively on national and regional levels, also by drawing on the EU own economic integration experience. The programme is also enhancing the capacity of the ASEAN Secretariat to support ASEAN MS in this endeavour. In 2016 the on-line complaints reporting mechanism called ASEAN Solutions for Investments, Services and Trade (ASSIST) was formally set up to assist with cross-border trade dispute settlements for companies. 2016 also saw the launch of the ASEAN Risk Assessment Centre for Food Safety (ARAC) and the endorsement of the Monitoring and Evaluation Framework for the ASEAN Economic Community Blue Print 2025. Another tangible example of the ARISE programme is the ASEAN Trade Repository -an electronic portal maintained by the ASEAN Secretariat, providing information on trade and customs laws and procedures in individual ASEAN MS, which will be essential to address the current lack of transparency and to lower business costs for companies.

○ AL-INVEST

In **Latin America**, **AL-INVEST** has been a flagship programme of EU cooperation with this region since 1994, facilitating the internationalisation of thousands of Latin American small and medium enterprises **in collaboration with their European partners**. For the current phase - AL-INVEST 5.0 - that started its operation in 2016, the EU contribution amounts to EUR 25million financed from the DCI. The programme has evolved over time, since local actors have taken more ownership, in particular as regards AL-INVEST 5.0 that is implemented by a consortium of Latin American chambers of commerce, Trade Associations and Export Promotion Agencies, etc. Within the programme Latin American Small and Medium Enterprises will continue to benefit from training and technical assistance that will improve their productivity and competitiveness, participate in business meetings in relevant trade fairs, and have access to quality information as well as to advice on market opportunities, potential clients or business partners and EU legislation and policies. The current phase of AL-INVEST has already shown positive outcomes as a total of 124 proposals from 17 Latin American countries and the EU were received from the call of proposals that indicates that the programme continues to be attractive to the private sector both in Latin America as well as for the EU. The evaluation of the programme has highlighted the outreach of AL-INVEST IV to almost 60,000 companies in Latin America and mentioned concrete results such as the generation of EUR 84 million exports in the region Mexico, Central America and Cuba alone. Each euro of EU contribution generated five euros of new business, the creation of more than 20,000 direct employments and more than 60,000 indirect ones in Bolivia, Colombia, Ecuador and Peru, while more than 6,500 SMEs in the Andean Region increased their exports –of which more than 1,000 were first-time exporters. The programme can boast of thousands of stories of transformed fortunes and changed lives.

● Youth Economic Employment Programme

Last but not least, DG DEVCO has supported several projects and programmes aiming at promoting **women and youth economic empowerment** –thus contributing to reduce poverty. Such an example can be found in Tanzania with the Youth Economic Employment Programme with an EU contribution of EUR 3.1 million financed from former thematic programme "Investing in People". The project that is implemented by Plan International UK together with local Tanzanian partners together with the EU aims at improving the access to wage and self-employment employment opportunities among marginalised young men and women. It has contributed to improve the livelihoods of young men and women working in the informal economy, by skills development and by vocational and education training and supporting initiatives aiming at increasing self-employment and job creation/improvement. Between April 2015 and June 2016 a total of 9,100 marginalised youth –of which 53% female and 10% youth with disabilities, have improved their market-relevant skills and knowledge, and a total of 5,108 youths have been trained on market relevant vocational skills and financial literacy either through outreach or apprenticeship, while 99 Youth Savings and Loans Associations (YSLAs) were set up.

Performance story 2 – Migration- focusing mostly on addressing the root causes of irregular migration and forced displacement

GO 2: Towards the new policy on migration

DG DEVCO SO 2: Under the overall objectives of the legal bases of the main instruments, DG DEVCO will promote human development by supporting actions in the field of social protection, health, education and better access to decent jobs in order to ensure a solid foundation for partner countries' further development.

The **root causes of irregular migration and forced displacement are multi-faceted** and complex: they derive from a combination of structural push factors, perceived pull-factors, as well as from the migration management regimes that govern national migration management, including the distinction between regular and irregular migration.

Promoting human development links to the **European Agenda on Migration** in a number of ways:

- An improved management of migration and mobility facilitates the safe, regular and orderly movements and reduces the human costs caused by many forms of irregular migration -thereby helping unlock the positive development impact of migration on host and sending countries, as well as for migrants themselves.
- Promoting human development in partner countries reduces some of the negative push factors for migration -including insecurity, lack of opportunities and economic inequalities.
- Improved opportunities for legal migration and mobility helps leverage the positive impact of migration for development by providing access to economic opportunities amongst others.
- Promoting human development results in greater skill levels and ability of future migrants to contribute to the development of both the host and sending countries. This will facilitate EU's ability to attract the workers its economy needs.

Political context

While migration and mobility are not new, the number of international migrants has

increased in recent years, to reach 244 million in 2015 (from 232 million in 2013). Global forced displacement figures remain at all-time high. During 2016 the EU as a whole received over 1.2 million first-time asylum claims, registering a small reduction compared to 2015¹⁵. At the same time, the **vast majority of refugees continue to be hosted by developing countries**. The year 2016 was also the deadliest year for migrants: increased levels of forced displacement globally were tragically accompanied by record-high numbers of people perishing or going missing while trying to cross international borders. Over 7,700 migrants worldwide are estimated to have died or gone missing in 2016, a 43% increase compared to 2015¹⁶.

In this context, **migration and mobility clearly remained high on the EU agenda in 2016**, including for EU development policy. Migration as a development enabler is now fully recognised in the **2030 Agenda for Sustainable Development**, adopted by the UN General Assembly on 25 September 2015. Migration and migrants are referred to both in terms of migration, as a positive force for development, and in terms of promoting the rights and wellbeing of migrants. The 2030 agenda also recognizes international migration as a multidimensional reality of major relevance for the development of countries of origin, transit and destination, requiring coherent and comprehensive responses. Such responses should also strengthen the resilience of communities hosting refugees, particularly in developing countries.

The Partnership Framework with third countries under the **European Agenda on Migration** was adopted in June 2016, engaging DG DEVCO to support its implementation as part of an ambitious and comprehensive approach, fully embedding migration in the EU external and foreign policy. It is based on genuine partnerships with developing countries -pooling all instruments and tools available to the EU and its MS to deliver on jointly agreed targets and commitments, including in areas such as resilience and job creation, infrastructure, investments, border management and disrupting the business model of migrant smugglers and traffickers in human beings.

Since the launch of this new partnership framework, significant efforts have been made to increase awareness and cooperation on migration in particular with the 5 priority partner countries: Ethiopia, Mali, Niger, Nigeria and Senegal. Already at the end of 2016 concrete progress was reported in most of these countries, as included in the December progress report.

In full coherence with the partnership framework, important progress was noted on implementation of the **Joint Valletta Action Plan (JVAP)**, adopted at the Summit in La Valletta on 11-12 November 2015. The Summit recognised that migration is a shared responsibility of countries of origin, transit and destination and that EU and Africa must work in a spirit of partnership to find common solutions to challenges of mutual interest and agreed concrete and operational measures to be implemented. Priority initiative 1 of the JVAP is a call to "launch projects to enhance employment opportunities and revenue-generating activities in regions of origin, transit of migrants in East, North and West Africa to enhance the professional skills and employability of young people".

With the Communication **"Lives in Dignity"** of April 2016, the EU has adopted a new approach on forced displacement and development¹⁷. The objective is to promote joint and early engagement of humanitarian, development and political actors, and a focus on sustainable self-reliance of the forcibly displaced and their host communities. Development cooperation thus plays a much more important role in addressing forced displacement.

¹⁵ <http://ec.europa.eu/eurostat/documents/2995521/7921609/3-16032017-BP-EN.pdf/e5fa98bb-5d9d-4297-9168-d07c67d1c9e1>

¹⁶ <https://missingmigrants.iom.int/>.

¹⁷ COM(2016) 234 final of 26 April 2016

Commission/DG DEVCO role and added value

Addressing **migration under development cooperation** is not new for the EU, and DG DEVCO has been playing a **leading role** in driving forward the international dialogue and policy on addressing the root causes of irregular migration and forced displacement. To achieve real impact in this area, it has proved vital to combine high level political commitments with policy dialogue and concrete and effective implementation on the ground. DG DEVCO has substantially contributed to that objective.

DG DEVCO has been actively engaged in ensuring that EU development policy fully contributes to the implementation of the **Partnership Framework** and the **Joint Valletta Action Plan**, whilst fully respecting core development policy objectives and principles. It has been done both through funding and implementation of relevant programmes, as well as through DG DEVCO's contribution to policy dialogues at the bilateral, regional, continental and international level. DG DEVCO's long-standing experience and expertise in the area of migration and development, combined with a thorough knowledge of the political and socio-economic situation in partner countries, has largely contributed to achieving progress in this area.

However, making a real progress is only possible if all stakeholders -the Commission as a whole, the EEAS, EU MS, other donors, IOs, civil society, and most of all partner countries- cooperate in a coordinated and comprehensive way, pulling together resources and making use of all policy tools available.

In 2016, DG DEVCO was able to mobilise substantial funding and create flexible instruments such as the **EU Trust Fund for Africa** to boost socio-economic development, contributing amongst others to the creation of new, decent jobs in many African partner countries.

Between December 2015 and February 2017, a total of 106 projects worth EUR 1,589 million have been approved by the EU Trust Fund for Africa established in November 2015 under the Sahel/Lake Chad, Horn of Africa and North of Africa regions. Out of this amount, EUR 485 million have been allocated to programmes targeting greater economic and employment opportunities, in particular through inclusive economic programmes creating employment, especially for young people and women in local communities, with a focus on vocational training and creation of micro- and small enterprises. Some interventions will support sustainable reintegration efforts to migrants after their return to their countries of origin.

In Asia, Afghanistan, Bangladesh, Pakistan and Iraq are the EU's priority countries with regard to origin and transit of migratory flows (Communication on establishing a new Partnership Framework with third countries under the European Agenda on Migration (7 June 2016) & HR/VP Federica Mogherini letter to all EU Ministers of Foreign Affairs (3 August 2016). It is of vital importance that the EU supports these countries as much as possible with the challenging task of sustainable reintegration of those nationals who return and set up effective migration management systems. In this spirit, the Commission has developed a major operation to improve the reintegration of returnees in Afghanistan, Bangladesh and Pakistan promptly mobilizing approx. EUR 92 million for the period 2016-2020. The aim of the programme is (i) to ensure that those who return will be equipped with the necessary resources, skills and knowledge to achieve a decent standard of living and contribute to the long-term development of their communities and (ii) to improve the national migration management systems and policies.

In 2016 the Commission proposed an ambitious **EIP**, which builds on and expands these efforts. Given the current demographic trends, on average 18 million new jobs will be needed in Africa per year until 2035. By creating decent jobs and growth in developing countries, the Investment Plan will bring more stability and improve conditions on the ground in the least developed and fragile countries. And by doing so, it will also contribute to address the root causes of irregular migration.

Illustrative examples of implementation, results and outputs, risks and mitigation actions

The following illustrative examples show DG DEVCO's substantial contribution to addressing the root causes of irregular migration and forced displacement:

○ Transforming systems built around irregular migration in Agadez/Niger, where migrant smuggling and services for migrants are important economic factors

Agadez in Niger is the main zone of transit of the Mediterranean migration routes, with a fast growing population. At its height, up to 2,000 migrants per week originating mostly from Western African countries were estimated to transit through the city of Agadez in 2016, crossing the Sahara to reach Libya, with Europe in mind as a final destination. In the context of a related economic dependence on 'the migration business' in the region of Agadez, the Niger government adopted in May 2015 a law criminalising all activities related to the smuggling of migrants. In 2016, the EU has been engaged in supporting the Niger authorities to implement this law criminalizing the smuggling of migrants and human trafficking, as well as to develop a comprehensive national strategy on migration.

In response, DG DEVCO supported the EU Migration partnership Framework with Niger, based on a comprehensive engagement in the region, itself encompassing migration, development and security assistance, in cooperation with the civilian Mission EUCAP of the Common Security and Defence policy (CSDP) in Sahel Niger, the Agadez city and the whole region.¹⁸ The aim is to transform the economic system currently built around and dependent on irregular migration, by intervening both in supporting local governance or decentralisation and in engaging on security, social and economic development, with a special focus on young people. To achieve this objective, four targeted initiatives worth EUR 70 million were approved under the European Emergency Trust Fund in 2016.¹⁹ One of these projects, the *Plan d'Actions à Impact Economique Rapide à Agadez (PAIERA)*, implemented through grants to the High Authority for the Consolidation of Peace and non-governmental organisations, aims to implement accompanying measures in parallel to the repressive measures taken by the Government of Niger on irregular migration.²⁰

The action seeks, on the one hand, to initiate a dialogue with the main actors of the irregular migration channels, to raise their awareness of the State's policy in this area and the risks related to trafficking, as well as to formulate options of reconversion; on the other hand, it seeks to offer employment opportunities and socio-professional integration to economic actors who benefit directly or indirectly from the financial activities associated with irregular migration. With an allocation of EUR 8 million, the action will inter alia contribute to the creation of 65,000 new jobs.

○ Support Programme to the Refugee Settlements and Host Communities in Northern Uganda

This action has demonstrated the ability of the EU Emergency Trust Fund for Africa to use an evidence-based approach to respond in anticipation of a crisis and while it is unfolding with a long-term developmental perspective in cooperation with humanitarian partners. Originally a EUR 10 million project, this action was scaled up with a further EUR 10 million in December 2016 in response to the recent influx of forced displacement due to the civil war in South Sudan. The project aims at addressing the developmental needs of South Sudanese refugees and host communities in targeted areas of Northern Uganda, with support directly contributing to the UNHCR Comprehensive Refugee Response Plan agreed in the margins of the UN General Assembly in September 2016. Actions include support to livelihoods and food security, intercommunity dialogue and conflict prevention,

¹⁸ <https://eeas.europa.eu/sites/eeas/files/factsheet-niger.pdf>

¹⁹ https://eeas.europa.eu/delegations/niger/19168/node/19168_fi

²⁰ https://eeas.europa.eu/delegations/niger/19168/node/19168_fi

as well as education.

Performance story 3 – Climate change and renewable energy

GO 4: A resilient Energy Union with a forward looking Climate Change Policy

DG DEVCO SO 4: Under the overall objectives of the legal bases of the main instruments, DG DEVCO will promote the inclusive and sustainable development particularly by supporting sectors that have a strong multiplier impact on developing countries' economies and contribute to protecting the planet from environmental degradation, including climate change mitigation and adaptation, sustainable agriculture and energy.

The **Energy Union** strategy has five interrelated dimensions to bring resilience, greater energy security, sustainability and competitiveness. The external dimension of the Energy Union is where international and development cooperation contributes to decarbonisation and resilience of the world's economy. Energy policy is often regarded as a foreign policy tool therefore the EU has to work towards an improved global governance system for the sustainable energy transition.

The **2030 Agenda on Sustainable Development** explicitly recognises the importance of the interaction of economic, social and environmental aspects. An ambitious climate policy is integral to the Energy Union; by being the world leader in renewable energy the EU is leading by example and making quick progress on delivering on its commitments for reducing emissions by at least 40% by 2030.

Under this external dimension the EU has started cooperating with partner countries to achieve the ambitious objectives under the Paris Agreement, in the context of sustainable development and efforts to eradicate poverty, through the European climate diplomacy making full use of trade and development instruments.

Political context

On the 28 November 2016, the Council adopted **conclusions on energy and development**, stressing the need for an EU strategic approach for cooperation and development in energy. The **Communication on a new European Consensus on Development** has defined a shared vision and framework for development cooperation aligned with the **2030 Agenda on Sustainable Development**. Particular emphasis has been put on **sustainable energy and climate action** in line with the EU leadership in tackling climate change and supporting third countries to tackle climate change and transition into a low-carbon climate-resilient green economy.

In the **Joint Communication of the European Commission and the HRVP on a Renewed partnership with African, Caribbean and Pacific countries**, protecting the environment and tackling climate change have been set as one of the six main priorities, including providing universal access to sustainable, modern, affordable, secure and reliable energy services.

The **Global Strategy on the EU's Foreign and Security Policy** has committed the EU to enhance energy and environmental resilience. Energy transition, climate change and environmental degradation must be properly managed to avoid fuelling potential conflict.

Last but not least, the **UN Paris Agreement** to mitigate climate change and to adapt to its effects is applicable to all countries in the context of sustainable development and efforts to eradicate poverty. It needs to be implemented in line with the Nationally Determined Contributions (NDCs).

Commission/DG DEVCO role and added value

The EU has been providing support to the **implementation of the SDGs** and the relevant EU policies, in particular the external dimension of the Energy Union, while addressing fragility and cross-cutting issues such as sustainable energy, food security and climate change.

As part of a revitalised **European energy and climate diplomacy**, especially after **COP21**, the EU has been using its foreign policy and development instruments to establish strategic partnerships leading to longer-term policy coherence delivering climate-resilient sustainable outcomes. In that regard, sustainable energy and sustainable agriculture are fundamental to social and economic climate-resilient green development.

The establishment of the **EIP** was initiated, to contribute to the attainment of the SDGs and the Paris Agreement through scaling-up private and public investments in renewables, energy efficiency and climate action.

The Commission has been working to integrate the 2030 Agenda, the Addis Ababa Agenda for Action, the Sendai Framework on DRR and the Paris Agreement into the EU policy framework so as to meet EU international commitments and reshape the EU international and development cooperation. At least 20% of the EU budget has to be spent on climate action by 2020 -thus making the EU and its MS the biggest contributors of climate finance to developing countries.

Sustainable energy is fundamental to social and economic climate resilient green development, in line with the strategic priorities delineated in the **Council Conclusions on Energy and Development. Cooperation** in the energy sector is part of the wider EU agenda on Energy, Climate and Migration. The Commission has been promoting sustainable growth through energy by focusing on access to energy, renewables and tackling climate change.

In that respect, renewables and energy efficiency are critical for meeting the 20% objective and for implementing the Paris Agreement. EUR 3.7 billion have been allocated to energy for development over 2014-2020, oriented to support governance and to provide innovative mechanisms to leverage private finance.

Illustrative examples of implementation, results and outputs, risks and mitigation actions

The following illustrative examples of projects launched in the past, show a continuous trend of adapting our support to evolving development programmes addressing increasingly ambitious and multi-faceted dimensions and objectives, by constantly moulding on the new global commitments of relevance, such as the Rio+20, COP 21, COP 22 and reporting to achieving the SDGs. These illustrative examples are grouped around three main areas of intervention:

A) Energy networks and services

Energy has been a focal sector of development cooperation in 29 countries and 5 regional programmes. In 2016, three Joint Declarations were signed on reinforced cooperation on sustainable energy between the EU and Mozambique, Zambia and the Caribbean Forum (CARIFORUM) respectively. This added up to a total of 26 Joint Declarations, which shape up concrete commitments and steps to achieve them in improving the enabling environment and assisting our development partner countries boost private and public investments in sustainable energy projects. At the COP22 in Marrakesh in 2016, the EU announced five projects relevant to the AREI.

○ Energy sector in Liberia

In Liberia, the energy sector has been a focal one with EUR 100 million of development assistance funding over 2014-2020. In 2016 a project supported by the EU was started to rehabilitate the Monrovia electricity distribution network (290.000 inhabitants) –with aim of increasing the access to sustainable and affordable electricity produced by the rehabilitated Mount Coffee hydropower plant.

○ Sustainable cities in Africa

Cities are at the frontline of the energy transition and will be greatly affected by climate change. Modelled on the EU Covenant of Majors, the regional Covenant of Mayors (CoM) in Sub-Saharan Africa has aimed to increase the capacities of cities to provide access to sufficient, sustainable and safe energy related services. EU funding of a CoM Office for Sub-Saharan Africa includes among other tasks network development, adaptation of methodologies and governance to the regional context, technical assistance, communication, outreach and knowledge management. A regional help desk was set-up in Accra, Ghana. Selected cities form a first group of "early movers" received funding to support efficient planning related to sustainable energy and climate change, especially the design and implementation of Sustainable Energy Access and Climate Action Plans. The first pilot cities are: Kampala, Uganda; Lubumbashi, DRC; Dakar, Senegal; Bouaké, Ivory Coast; Zou, Benin; Nouakchott, Mauritania; Tsévié, Togo.

B) Mainstreaming environment and climate change

Without appropriate and timely actions, climate change and environmental degradation will further affect the development in our partner countries. Environment and climate change mainstreaming in EU development cooperation shall enhance opportunities for sustainable development and mitigate harmful effects and also build awareness of its benefits towards a low carbon green economy, contributing to the 20% objective. In 2016 DG DEVCO, has significantly stepped up environment and climate change mainstreaming efforts. The share of climate-relevant actions in food and nutrition security and sustainable agriculture has more than doubled by 2016 as compared to the previous period 2007-2013. In farming, adaptation and mitigation can be twin benefits, not competing needs.

○ Environment and Climate Change Mainstreaming Facility

A dedicated Facility, the Environment and Climate Change Mainstreaming Facility (ECCM), was set up to support the mainstreaming of these issues into policy and programmes. Tools to help DG DEVCO staff and beneficiaries developed in 2016 include: new environment and climate change mainstreaming guidelines, the systematic screening and review of action documents in five priority sectors that have the highest potential to contribute to the 20% target, and the delivery of 6 trainings and 1 training module in 2 regional seminars in sustainable agriculture and 12 ad-hoc requests from EU Delegations.

C) Mitigation and adaptation measures

The EU has been pushing for the inclusion of the NDCs into national development and economic development planning in order to facilitate the implementation of the Paris Agreement and the 2030 Agenda. DEVCO has started to assist partner countries to implement their climate change adaptation and mitigation policies reflected in their NDCs while striving for synergies to achieve the SDGs. At COP22 in 2016, the EU joined a global initiative led by Germany, the NDC Partnership contributing to delivering the Paris Agreement and the 2030 Agenda, the NDC Partnership.

○ **Global Climate Change Alliance (GCCA+) and Ethiopia's Climate resilient green Economy project**

DG DEVCO pushes up the implementation of NDCs while striving for synergies to achieve the SDGs through managing the [GCCA+](#), a flagship initiative funded under the EU budget, DCI and the EDF. The GCCA+, managed by DEVCO, has been supporting 51 projects in 38 countries with a commitment of about EUR 350 million for 2014-2020. It builds on policy dialogue and technical and financial support for implementation of national climate policies in vulnerable countries. For the 7 GCCA+ projects approved in 2016, countries applying for funding were encouraged to identify areas in line with the NDCs.

The Ethiopia GCCA+ project (2012-2016) has supported the implementation of Ethiopia's Climate Resilient Green Economy strategy through capacity building and promotion of sustainable land management. Agriculture is the most vulnerable sector to climate change in Ethiopia, where over 7 million people still face food insecurity. The project has succeeded in reducing soil erosion, increasing biomass for livestock and reducing expansion of gully formation, including 2,498 ha community managed enclosures, 22 million trees replanted over 3,552 ha, 2,728 km hill terraces, 3,460 ha drought resilient crops, 4,268 efficient stoves (including biogas) and 102 ha conservation agriculture impacting 2,915 farmers.

○ **EUROCLIMA in Latin America**

In Latin America, the flagship programme EUROCLIMA in operation since 2010, with a budget of EUR 16 million over 2010-2017 funded by the EU under the EDF, DCI and managed by DG DEVCO, has achieved a number of results, including a regional Climate Change Negotiators meetings under the UNFCCC, "no-regret" measures or measures with additional benefits for adaptation and mitigation, support countries to prepare climate financing proposals to international climate funds, support to the countries (I)NDCs preparation and how to accelerate their implementation. A new EUROCLIMA phase, EUROCLIMA+ has been prepared with a financial allocation of EUR 80 million as of 2016. A number of agencies of EU MS will be key stakeholders in the programme implementation in order to maximise its international impact and to ensure synergies with MS programmes in Latin America.

○ **SWITCH Asia and Green Finance**

The SWITCH-Asia programme, has been promoting Sustainable Consumption and Production (SCP) since 2007 in Asia funding its activities from the DCI. The programme is DG DEVCO's action response to the Asia Regional Strategy Paper for Asia for 2014-2020 [C (2014) 9382] to achieve the objectives set for the Green Economy priority.

Its long standing interventions have led to the selection of 95 grant proposals being implemented in 18 Asian countries, and a regional policy support component which supported together under DG DEVCO's lead the formulation and the implementation of supporting policies in the region. The efforts undertaken by the SWITCH-Asia grants are being complemented with work done on the support policy level. Three National policy support activities had been designed and concluded successfully their implementation in Thailand, Malaysia, and Indonesia in 2016. Furthermore, countries like Pakistan, Cambodia, and Mongolia received direct support in 2016 in drafting and in parts implementing their Green Growth Strategies through the SWITCH-Asia policy support portfolio implemented jointly by DG DEVCO and UN Environmental Programme.

DG DEVCO has been actively engaged in setting priorities of intervention and in leading regionally and bilaterally the policy dialogue on sustainable consumption and production together with its programme implementers (non for profit organisations, IOs, civil society organisation, and business association).

With a budget of EUR 120 million (2014-2020), SWITCH-Asia has set increasingly ambitious and multi-faceted dimensions and objectives, constantly moulding on the new global commitments of relevance, such as the Rio+20, Cop 21, Cop 22 and reporting to achieving the SDGs. 2016 has been the year that the programme aligned its objectives with the newly established SDGs, contributing via its actions to achieving Sustainable Development Goal 12 (Responsible Consumption and Production) in Asia.

The programme's main objective of alleviating poverty in Asia is pursued by reducing environmental impacts of industrial activities, enhancing competitiveness of local small and medium sized enterprises, changing consumption practices and providing policy recommendations for national development agendas.

Green Finance has been added to the SWITCH portfolio in 2013. Ten projects reported contributions in 2016 to increasing access to finance for green investments which was done linking SMEs with Financial Institutions.

2016 Challenges

Difficulty to operate in crisis situations

Throughout 2016's complex tenure, where several crises - old and new -, exacerbated the already fragile and unstable contexts which affect many of the countries we work in. A large number of the countries in our regions remain characterised by fragility, including political, conflict, corruption and weak governments. Transnational issues, including terrorism and irregular migration, continued to evolve and grow. **Political and security crisis and/or incidents have impacted the work of delegations in several countries in 2016.** All these underlying threats and demanding conditions represented major challenges for our partner countries, our programmes and for the work of the EU Delegations.

Climate change challenges

Many of the regions we work in are prone to climate change related disasters and stand particularly vulnerable to natural disasters and the adverse effects of climate change. For example the desertification in the Middle East and Central Asia, water shortages in East and Southern Asia, sea level increase and tropical cyclones on South East Asia and the Pacific region are seen as important challenges that require continuous exploration for innovative implementation modalities as well more effective cooperation modalities in different regions.

Graduation of partner countries

A growing number of countries mostly in Asia and Latin America have graduated from receiving bilateral assistance. As major economies, their impact on global public goods and challenges including climate change is increasingly significant. They also have an important role and influence within their regions and beyond. The EU is continuously seeking to develop new and stronger partnerships in order to promote the implementation of the 2030 Agenda and to pursue other shared interests, taking into account the need for tailored approaches and available instruments and reduced presence on the ground.

Human resources and security challenges

Delegations face particular challenges in recruiting experienced and qualified staff which result in several-months long vacancies that are difficult to manage, especially given the already heavy workload. The profiles of staff do not always cover the required expertise in all areas of intervention and underline the limited flexibility in adjusting profiles of staff to the evolving needs in terms of sectoral expertise. The shift of more traditional

development cooperation towards new innovative financing mechanisms such as Blending, or towards new areas for cooperation such as organised crime and border management as an example, requires a different set of skills and experience.

Difficulties in recruiting are especially amplified in countries under hardship conditions. Difficulties in recruiting staff with special expertise corresponding to the wide array of sectors covered by DG DEVCO's operations, complex political environments, and lengthy or delayed application procedures are having serious consequences in terms of efficiency and business continuity. This causes disruptions in the completion of planned activities and puts extra pressure on our staff and on the implementation of our programmes.

The fact remains that in some of our countries under hardship conditions we continue having no access to the ground, most of our partners work under difficult conditions (or have evacuated the country), we have no institutional partners to coordinate the work on the ground, and the conflict continues to escalate dangerously.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

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

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

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

2.1 Financial management and internal control

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

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

- **86 External Aid Management Reports (EAMR)** produced by EU Delegations, together with the statements of assurance signed by the Heads of Delegations. These statements include - as foreseen in the Financial Regulation - information on the effectiveness of the internal control systems put in place in the Delegations, as well as information on the management of the operations sub delegated to them providing thus their assurance to the relevant Director in accordance with the sub delegation received. In particular EAMR present the results of each Delegation for 24 KPIs which are grouped in 3 categories (sound financial management, effectiveness of the internal control system, effectiveness of the audit system) and form the basis of the assurance signed by the Heads of Delegations.
- **13 Sub-Delegated Authorising Officers' Reports** produced by DG DEVCO Directors and Heads of units having received a sub-delegation from the Director-General or his Deputies;
- **12 reports from Authorising Officers in other DGs** managing budget appropriations in cross-delegation;
- the **activity reports of the Authorising Officers by Sub-delegation** designated for the EU Trust Fund "Békou" and for each window of the EU trust Fund Africa;
- **Management declarations** from IOs and Development Agencies;
- **Available pillars assessment reports**: IOs and National Agencies need to pass pillar assessments pursuant to the Financial Regulation in order to be able to sign delegation agreements under indirect management. These assessments are designed to check whether the European Commission can entrust budget implementation tasks to entities that demonstrate a level of financial management and protection of the EU's financial interest equivalent to that of the Commission;
- the 2016 **Report on Internal Control Standards** - compliance and effectiveness - issued by the Internal Control Coordinator;
- the **observations and recommendations** reported by the Commission Internal Audit Service (IAS);
- the Commission IAS's **conclusion on the state of DG DEVCO's internal control**;
- the 2016 **RER Study**;
- a **desk review of the results of the RER studies** and the ECA reports for the last 3 years (2013-2015)

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

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**.

It covers also the **EU Trust Funds "Bêkou", "Africa" and "Colombia"** managed by DG DEVCO.

The Director General of DG DEVCO is Delegated Authorising Officer for the **EU Trust Funds "Bêkou", "Africa" and "Colombia"**. Related activities and expenditure are therefore reported in the Annual Activity Report of DG DEVCO and covered by the Declaration of Assurance signed by the Director General.

- The **EU TF "Bêkou"** was established in July 2014 to prepare the transition from emergency response towards longer-term development assistance to the Central African Republic following the "Linking Relief, Rehabilitation and Development" approach.
- The **"EU Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa"** was signed at the EU-Africa Valletta summit, by 27 Heads of State. This EUR 1.8 billion Trust Fund supports some of the most fragile and vulnerable countries across Africa (in the 3 regions Sahel and Lake Chad, Horn of Africa, North of Africa as well as in neighbouring countries), reinforcing the EU's ongoing, significant development cooperation in the continent.
- The **"EU Trust Fund for Colombia"** in support of the implementation of the peace agreement with FARC was adopted by the DCI committee and was launched on 12 December 2016. It is expected that this Trust Fund which mainly focuses on integrated rural development will bring major economic, political and social benefits, including for the stability of its neighbouring countries and the larger region.

EU TFs have been introduced by the Financial Regulation entered into force in 2013 according to which "in order to strengthen the international role of the Union in external actions and development and to increase its visibility and efficiency, the Commission can create and manage Union TFs for emergency, post-emergency or thematic actions" (Recital 68, FR) "under an agreement concluded with other donors" (Art. 187 - Union trust funds for external actions).

The Commission retains full responsibility for the establishment and the management of EU TFs for external actions. In this respect, the FR stipulates that:

- The Commission sets up the TF and chairs its board (composed of representative of the Commission and of the donors);
- The Accounting officer of each TF is the Accounting officer of the Commission;
- The TFs have to be managed in full compliance with the relevant provisions of the FR, and in particular in accordance with the principles of sound financial management, transparency, proportionality, non-discrimination and equal treatment.

The EU Trust Fund operates in the general system of internal control defined by the Commission. The rules and procedures developed by the DG DEVCO for the management and implementation of its operations are equally applicable to the EUTF.

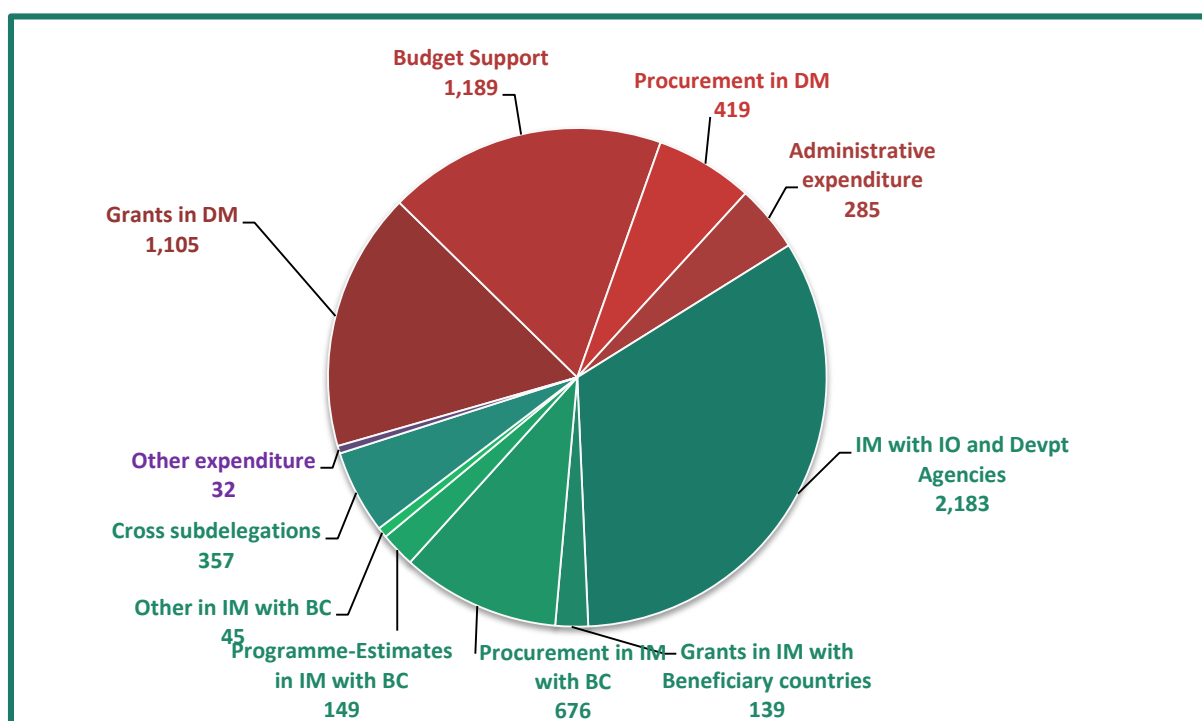
Once approved by the Operational Committee, actions are implemented in accordance with the implementing procedures provided for in the applicable Commission rules and regulations, including those applicable to EDF. The Trust Fund accounts are subject to an annual external audit.

The Trust Fund Managers take into account reports and recommendations of the different control bodies, notably the IAS and Court of Auditors, for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes, in addition to the results of the audits carried out at the level of contractors/beneficiaries.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives²¹. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The breakdown by management modes of total payments made by DG DEVCO in 2016 is presented in the below chart²². Total 2016 DG DEVCO payments: EUR 6,579 million²³.



²¹ 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).

²² Payments made by the EU Trust Funds follow the same Internal Control Templates that all other operations implemented by DG DEVCO. Those payments are therefore included in the graph and split between the relevant ICTs. Payments made in the framework of financial instruments are included in ICT "IM with IO and Development Agencies". They account for a very limited part of DG DEVCO payments in 2016 (EUR 32 Million).

²³ Excluding General Budget and EDF contributions to EU Trust Funds (EUR 156 million) and including payments made by EU Trust Funds (EUR 199 million).

2.1.1.1 Control effectiveness as regards legality and regularity

DG DEVCO has set up internal control processes aimed at ensuring 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.

● General Objective of control

Regarding the legality and regularity of the underlying transactions, the control objective is to ensure that the estimated residual error is less than 2% at the end of the implementation of the programme.

Since 2012, DG DEVCO estimates an annual residual error rate by means of a RER study based on a methodology developed as a reply to a recommendation by the ECA²⁴. The main purpose of the RER study is to provide a representative indicator for the determination of the materiality of potential weaknesses. The errors identified by the RER are systematically followed-up.

The fifth RER study was carried-out in 2016. The methodology is based on the examination of closed contracts, after the implementation of all ex-ante and ex-post controls. As a consequence, it results in an assessment of the errors not detected by the overall control system. The RER study for 2016 applied the methodology on the basis of a sample (drawn by monetary unit sampling) of 195 transactions. These transactions relate to contracts closed in the CRIS data base in the period September 2015 to August 2016. The multiannual nature of DG DEVCO's programmes is taken into account in this methodology, as the contracts closed during the said period and taken into account for the monetary unit sampling were authorised over a period of several years.

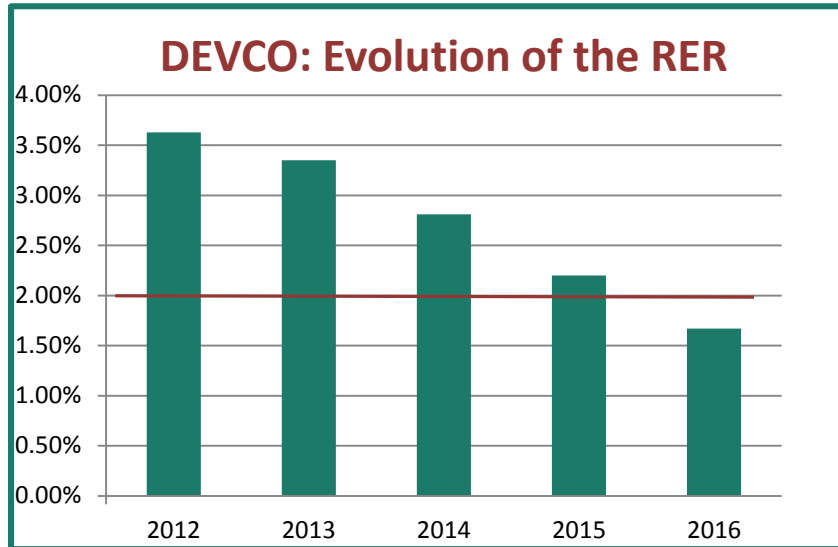
In 2016, the RER stands as follows:

Confirmed errors:	0.54 points
Of which Indirect Management with IOs:	0.32 points
Of which grants in direct management (mainly NGOs):	0.22points
Error due to missing or inadequate documentation:	0.89 points
Of which Indirect Management with IOs:	0.45 points
Of which grants in direct management (mainly NGOs):	0.44 points
Estimated errors:	0.24 points

As a consequence, the most likely estimate of the representative RER was 1.67%²⁵ compared with 2.2% in 2015, 2.81% in 2014, 3.35% for 2013 and 3.63% for 2012. The overall error rate should be seen in the light of the fact that a large part of the error is due to missing or inadequate documentation (altogether 0.89 percentage points, of which 0.45 percentage points relating to transactions with IOs) rather than confirmed errors.

²⁴ The RER study does not represent an assurance engagement (or audit) and therefore is not performed in accordance with International Standards on Auditing. It follows its own methodology which is described in the RER Methodology and Instruction Manual. The main differences with an audit are: reliance on previous supervision and controls; mainly desk review; estimation of errors in defined cases; scope of examination of procurement procedures. The methodology and manual provide the framework for RER procedures and clearly describe the situations in which reliance should be placed on previous control work and where substantive testing should be undertaken. Previous control work may include financial and technical audits, audits performed in the framework of the European Court of Auditor's Declaration of Assurance (DAS), verifications, evaluations and technical supervisors' reports. Reliance on previous control work does not entail re-performance of audit procedures or examination of detailed working papers. This aspect of the RER Methodology is founded on cost-effectiveness considerations. Where the quality of previous control work is examined and deemed capable of supporting reliance, there remains the possibility that errors will not have been detected by that previous control work, as is the case for any similar engagement. In such a case, these errors will remain undetected where full reliance is placed on previous control work. Where there is no previous control work or where the quality of previous control work cannot be demonstrated to have reached the standards demanded by the RER Methodology, the study requires performance of detailed substantive procedures designed to reveal undetected errors.

²⁵95% confidence rate with an upper error limit at 3.82% and a lower error limit at 0.42%.



● Risk-differentiated assurance

As for 2015, a risk analysis was carried out on the basis of past RER and ECA results for a three-year period (now covering reporting years 2013, 2014 and 2015). Following the recommendation by the ECA, Internal Control Template (ICT) IV was analysed in a more detailed breakdown and a conclusion was drawn for each sub-segment in this spending area.

Per ICT, an apparent specific error rate was calculated. These apparent error rates should be used with prudence. They can, however, give an indication about the inherent risk per ICT and were therefore transformed into risk indexes, setting the overall error rate at a risk index of 100:

Expenditure categories	Related to 2016 DG DEVCO portfolio
Global	100
I Direct Management - Grants	184
II Direct Management – Budget Support	2
III Direct Management – Procurement	6
IV Indirect Management with Beneficiary Countries	99
IVa Grants	171
IVb Programme Estimates	166
IVc Services, Supplies and Works	68
V Indirect Mgt. with IO and Development Agencies	127

Main risk areas:

There are three spending areas with a low risk: Direct Management of Budget Support and Procurement and indirect management of Services, Supplies and Works. Four areas are associated with a higher risk: Direct Management: Grants, Indirect Management: IOs and Development Agencies, Grants and Programme Estimates under Indirect Management with Beneficiary Countries.

Even is the overall error rate is below 2% a reservation is issued concerning the four spending areas with a higher risk.

Below sections describe the main implementation modalities used by DG DEVCO in 2016 for the delivery of External Aid. They present for each of them the characteristics and results of the applicable controls and conclude on the level of risk associated to each of these implementation modalities.

Main controls by Internal Control Template (ICT)						
Moment of Control	Control type	ICT 1 Grants in DM	ICT 2 Budget Support (DM)	ICT 3 Procurement in DM	ICT 4 IM with Beneficiary countries	ICT 5 IM with IO or Devpt Agencies
Prior to Contracting	Budget Support Eligibility Assessment	NA	100%	NA	NA	NA
	Ex-ante checks	100%	100%	100%	100%	100%
Contracting	Ex-ante checks	100%	100%	100%	100%	100%
Prior to Payment	Expenditure verifications contracted by fund recipients	All final payments of grants > EUR 100 000	NA	Only for fee-based service contracts	Only for fee-based service contracts	All final payments of grants > EUR 100 000
		Further pre-financing > EUR 5 million				Further pre-financing > EUR 5 million
Payments	Ex-ante checks	100%	100%	100%	100%	100%
Monitoring the Implementation	Service contracts for the supervision of works	NA	NA	Only for works contracts	NA	NA
Partly ex-ante/partly ex-post	Engagements under Annual Audit Plans	overall audit coverage ratio > 5%	NA	overall audit coverage ratio > 5%		
After implementation of all other controls	Annual RER Study	representative monetary unit sample				
Relative Weight of payment per ICT		ICT 1 Grants in DM	ICT 2 Budget Support (DM)	ICT 3 Procurement in DM	ICT 4 IM with Beneficiary countries	ICT 5 IM with IO or Devpt Agencies
Payments made in 2016 for each ICT (EUR million)		1 105.20	1 188.91	418.70	1 009.69 ²⁶	2 182.66
% of total of DG DEVCO payments in 2016 (EUR 6,579 million) ²⁷		17%	18%	6%	15%	33%

²⁶ Of which: grants (EUR 139.4 Mo) and Programme-Estimates (EUR 149 million).

²⁷ Excluding General Budget and EDF contributions to EU Trust Funds (EUR 156 million) and including payments made by EU Trust Funds (EUR 199 million).

A) Direct Management

Under Direct Management, funds are channelled to the final recipients through contracts signed directly by the Commission as contracting authority.

Grants in Direct Management (ICT 1)

General description:

Grants are financial contributions from the EU budget/EDF/EU TF awarded as donations to third parties in order to co-finance actions intended to achieve an objective forming part of the EU's aid development policy (action grants), or the functioning of a body pursuing an aim of European interest in the same field (operating grants). Grants are based on the reimbursement of the eligible costs, i.e. costs effectively incurred by the beneficiaries that are deemed necessary for carrying out the activities in question. The results of the action remain the property of the beneficiaries. In direct management, the entire grant process is managed by DG DEVCO staff.

Payments for grant contracts in direct management represented 17% of the total amount paid in 2016 on DG DEVCO Budget lines (General Budget, EDF and EU TF).

Controls in place:

Stage 1 – Prior to contracting

Grants are subject to Annual Work Programmes published on the DG DEVCO website and implemented through calls for proposals. Calls for proposals are based on a standard template developed by DG DEVCO and regularly up-dated in accordance with the Financial Regulation. Candidates are expected to present proposals for actions that correspond to stated objectives and fulfil the required conditions set in each call. All applications are examined and assessed on the basis of eligibility and evaluation criteria (selection and award) that were clearly announced in the calls for proposals. This includes an assessment, by an Evaluation Committee composed by DG DEVCO staff, of the technical and financial capacity of the candidate, as well as of the relevance, impact, sustainability and cost effectiveness of the proposals. In order to prevent any potential conflict of interest, each member of the Evaluation Committee must sign a declaration of impartiality and confidentiality. At the end of the evaluation process, DG DEVCO contacts all candidates to inform them of a final decision concerning their proposals.

Stage 2 – Contracting

DG DEVCO establishes and sign contracts with successful candidates. A standard grant contract model is used for all EU-financed grant contracts for external actions.

Stage 3 – Implementation

All payment requests and related reports are verified and approved by DG DEVCO staff (ex-ante controls). Before any operation is authorised, the operational and financial aspects are initiated and verified by two different (operational/financial) entities, unless for simplified payments (ie initial pre-financings). This is the "four eyes" principle of the Financial Regulation, which DG DEVCO, taking into consideration the specific high risk environment of external aid actions, reinforces by requiring controls by two separate agents for each of these two stages. Checklists and types of controls are regularly updated in accordance with the results of the risk analyses as well as changes in the regulatory environment.

The first pre-financing payment, which covers either 80% of the amount of the contract or 100% of the EU's part of the first annual budget, is paid after both parties have signed the contract. For multi-annual actions, an interim report (technical and financial) and payment request are usually sent once a year. The balance is paid on approval of the final report. If it appears that actual eligible costs are lower than anticipated or declared, the grant is reduced proportionately.

When required by the grant contract, payment requests are accompanied by an expenditure verification report of an independent external auditor contracted by the beneficiary. DG DEVCO has developed standard Terms of Reference including a reporting model for expenditure verifications which are included in the standard grant contracts. They reinforce the verification of compliance with the contract terms including those relating to procurement by the beneficiary.

Under the current templates, expenditure verifications are compulsory for:

- Any request for payment of the balance in the case of grants of more than EUR 100,000;
- Any request for pre-financing payments per financial year in case of grants of EUR 5 million or more.

Stage 4 – Ex Post controls and follow-up

Additional audits to be carried out by external auditors can be contracted by DG DEVCO as part of DG DEVCO's annual audit plans based on risk analyses. Moreover, payments for grants in direct management are included in the population of the RER study ordered each year by DG DEVCO on representative sampling of closed contracts. Findings from the risk based audits and from the RER study are systematically followed up by DG DEVCO which take necessary actions for the recovery of non-eligible expenditures.

Control results and risk analysis:

- Desk review of the results of ECA reports and the RER studies from 2013 to 2015 shows that grant contracts in Direct Management have a high risk index value of 184 compared with the average index value of 100. The amount at risk for this ICT is EUR 28.7 million.
- High risk index values are confirmed by the result of the RER study 2016 in which grants in direct management represent 49.9% of the overall error identified by the consultants.
- High risk index values are also confirmed by the results of the audits contracted by the Commission and by the assessment made by project manager in the EAMR. Indeed, 6.89% of the total amount audited in 2016 for grants in direct management was identified as non-eligible by the external auditors²⁸. Grants in Direct Management represent 40% of the total ineligible amount identified in 2016 by external audits.

The root causes of these errors are related to the essential nature of the grants which are implemented by non-profit organisations often based in developing countries. These organisations sometimes lack the necessary expertise for the rigorous application of the general and specific conditions of the grant contracts. Root causes of errors lie also in the poor quality of some of the expenditure verification reports contracted by the fund recipients. Conclusions of these reports are often questioned by the ECA or by external auditors contracted by DG DEVCO. Contractual provisions not requesting grant beneficiaries to enclose the invoices and other supporting documents with their financial reports can also create difficulties for ECA and for external auditors in the verification of the expenditure.

²⁸ Based on final audit reports received and registered in 2016.

Based on the above elements, the level of **risk associated to Grants in Direct Management** is assessed by DG DEVCO as **HIGH**. This is why the declaration of assurance of DG DEVCO will be qualified with a reservation for the expenditure made in the framework of grants in direct management (see point 2.1.4 below).

Several actions were decided by DG DEVCO in 2016 in order to mitigate these risks:

- Revision of the Terms of Reference for expenditure verifications implemented by beneficiaries and contract services, including the application of quality assessment criteria to the reports;
- Use of the audit Framework Contract to complete insufficient expenditure verifications carried out by beneficiaries;
- Requesting supporting documents of randomly selected transactions related to requests for payment, and verifying them before approving the disbursement and/or clearing of expenditure;
- Simplification of procedures and contractual conditions for grants.

Budget Support in Direct Management (ICT 2)

General description:

Budget support is the transfer of financial resources from the Commission to the National Treasury of a partner country, following the respect of agreed conditions for payment. The financial resources received become part of the global resources of the partner country, and are consequently used in accordance with the public financial management system of the partner country.

As it contributes to financing the totality of a country's budget and not a specific subset of budgeted expenditures, Budget Support is accompanied by a dialogue on the overall stance of budget policy and the functioning of public financial management in a context of harmonisation and alignment. This dialogue frequently leads to agreement on capacity development measures.

The Commission implements budget support directly and performs all control functions: no implementation tasks are delegated to third parties.

Payments for Budget Support represented 18% of the total amount paid in 2016 on DEVCO Budget lines (General Budget, EDF and EU TF).

Controls in place:

Stage 1 – Prior to contracting

In line with the legal framework, COM(2011) 638/2 ('The Future Approach To EU Budget Support To Third Countries') sets the four main budget support eligibility criteria as follows:

- a stability oriented macro-economic policy;
- a credible programme to improve public financial management (PFM);
- a well-defined national development policy (supported by the EU);
- and transparency and oversight of the budget.

When designing budget support programmes, DG DEVCO relies on a framework based on clear policy objectives of the partner country, priorities and results to be achieved, their consistency with budgetary allocations, and the capacity of the partner to implement them. This framework is the basis for the policy dialogue with the partner country and the assessment of performance which ultimately trigger disbursements.

Stage 2 – Contracting

DG DEVCO signs standard Financing Agreements with partner countries benefitting from Budget Support. These FA include objectives, expected results, main activities, financing plan/budget, implementation modalities, monitoring of performance and criteria for disbursement.

Stage 3 – Implementation

Disbursements only take place once agreed results (e.g. policy reforms or service delivery targets) have been achieved and the above mentioned budget support eligibility criteria are met. Thus the ex-ante transactional checks performed by Commission staff at the point of payment claims on continuing eligibility and fulfilment of disbursement performance criteria are fundamental to the budget support control structure. In such cases the Commission can withhold or reduce (variable) disbursements, often in a co-ordinated manner with other donors, until corrective measures are undertaken by the partner government.

An important element of the governance of budget support is the Budget Support Steering Committee (BSSC) composed of higher Management of DG DEVCO, the EEAS and DG ECFIN whose role is to enhance political and policy scrutiny and to ensure coherence of EU budget support operations. A risk management framework is also part of DG DEVCO's decision making process regarding budget support operations. Building on an identification of major risks and ways to mitigate them, the risk management framework systematically informs the policy dialogue with partner countries on the strategic level, as well as by focussing on key issues.

Eligibility criteria have to be met both prior to and throughout the subsequent life of a budget support programme. The continuous assessment of the eligibility criteria enables the Commission to ensure the legality of the programmes, through commitments to payments.

BSSC Activity	2012	2013	2014	2015	2016
New BS operations	18	56	41	36	40
<i>Good Governance and Development Contracts (GGDC), Fundamental Values assessment</i>	10	5	3	6	4
<i>State Building Contracts</i>	4	6	12	9	10
<i>Sector Reform Contracts</i>	4	45	26	21	26
Payments	84	141	100	70	59
<i>for guidance</i>		84	76	70	53
<i>for info</i>		57	24		6
Others	6	5	3	4	5
TOTAL decisions	108	202	144	110	104
Risk Management Frameworks validation			61	71	90
TOTAL including RMFs validation	108	202	205	181	194

Stage 4 – Ex Post controls and follow-up

Payments for Budget Support are included in the population of the RER study ordered each year by DG DEVCO on representative sampling of closed contracts. Findings from the RER study are systematically followed up by DG DEVCO which take necessary actions for the recovery of non-eligible expenditures.

Control results and risk analysis

- Desk review of the results of ECA reports and the RER studies from 2013 to 2015 shows that Budget Support operations have a very low risk index value of 2 compared with the average index value of 100.
- Low risk index values are confirmed by the result of the 2016 RER study in which no errors were identified for Budget Support operations by the consultants.
- Low risk index value also results from a system of ex-ante controls put in place by DG DEVCO for Budget Support operations and which prevents any payment to be made unless all required pre-conditions and targets have been met by the beneficiary countries. The efficiency of the ex-ante control system is illustrated by the fact that BS Operations represent 46% of the amount of payment requests blocked by ex-ante controls in 2016.

Based on the above elements, the level of **risk associated to Budget Support Operations** is assessed by DEVCO as **LOW**. This is in line with the 2015 Annual Reports concerning EDF and the budget, wherein ECA mentioned that the nature of the instrument and of the payment conditions limit the extent to which transactions are prone to errors.

Procurement in Direct Management (ICT 3)

General description:

Procurement contracts are commercial contracts concluded in writing between economic operators and one or more contracting authorities in order to obtain, against payment of a price paid from the General Budget/EDF/EU TF resources, the execution of works, the supply of goods or the provision of services. In direct management, procurement contracts with third parties are awarded and managed directly by DG DEVCO in accordance with the applicable rules and procedures.

There are three types of procurement contracts: service contracts (fee based or global price), supply contracts and works contracts.

Payments for procurement contracts in direct management represented 6% of the total amount paid in 2016 on DG DEVCO Budget lines (General Budget, EDF and EU TF).

Controls in place:

Stage 1 – Prior to contracting

The basic means of awarding contracts is competitive tendering. All contract awards must obey the principles of transparency, proportionality, equal treatment and non-discrimination.

Standard tender procedures are used according to predefined thresholds per type of contract. The selection of the contractor is made by an evaluation/selection committee composed of DG DEVCO staff on the basis of pre-defined eligibility, capability (selection) and award criteria. In order to prevent any potential conflict of interest, each member of the Evaluation Committee must sign a declaration of impartiality and confidentiality. At the end of the evaluation process, DG DEVCO contacts all tenderers to inform them of a final decision concerning their offers.

Stage 2 – Contracting

DG DEVCO establishes and signs contracts with successful tenderers. Standard contract models are used for each type of contract.

Stage 3 – Implementation

All payment requests and related reports are verified and approved by DG DEVCO staff (ex-ante controls). Before any operation is authorised, the operational and financial aspects are initiated and verified by two different (operational/financial) entities, unless for simplified payments (i.e. initial pre-financing). This is the "four eyes" principle of the Financial Regulation, which DG DEVCO, taking into consideration the specific high risk environment of external aid actions, reinforces by requiring controls by two separate agents for each of these two stages. Checklists and types of controls are regularly updated in accordance with the result of risk analyses as well as changes in the regulatory environment.

Disbursement of pre-financing is subject to contractual conditions (e.g. if an advance exceeds a specified threshold, the Contractor must provide a financial guarantee for the full amount of the pre-financing payment). The release of intermediary and final payments is subject to verification/validation of expenditure²⁹:

- Service contracts: All invoices must be accompanied by an interim or final report. All invoices for a fee-based contract must also be accompanied by an up-to-date financial report. Before payments are made for a fee-based contract, an external auditor who is a member of an internationally-recognised supervisory body for statutory auditing, notified by the Consultant must examine and verify the invoices and the financial reports sent by the Consultant to the Commission. DG DEVCO has developed standard Terms of Reference including a reporting model for expenditure verifications which are included in the standard service contracts.
- Supply contracts: The supplies shall not be accepted until the prescribed verifications and tests have been carried out. The supplies shall be taken over by the Contracting Authority when they have been delivered in accordance with the contract, have satisfactorily passed the required tests, or have been commissioned, and a certificate of acceptance has been issued or is deemed to have been issued by the project manager, i.e. the legal or natural person responsible for monitoring the execution.
- Works contracts: The works shall not be accepted until the prescribed verifications and tests have been carried out. The works shall be taken over by the Contracting Authority when they have satisfactorily passed the tests on completion and a certificate of acceptance has been issued or is deemed to have been issued by the Supervisor i.e. the legal or natural person responsible for monitoring the execution of the contract on behalf of the Contracting Authority.

Stage 4 – Ex Post controls and follow-up

Additional audits to be carried out by external auditors can be contracted by DEVCO as part of DG DEVCO's annual audit plans based on risk analyses. Moreover, payments for procurement contracts in direct management are included in the population of the RER study ordered each year by DG DEVCO on representative sampling of closed contracts. Findings from the risk based audits and from the RER study are systematically followed up by DG DEVCO which takes necessary actions for the recovery of non-eligible expenditures.

Control results and risk analysis:

- Desk review of the results of ECA reports and the RER studies from 2013 to 2015 shows that procurement contracts in Direct Management have a very low risk index value of 6 compared with the average index of 100.
- Low risk index value is confirmed by the result of the 2016 RER study in which no error for procurement in direct management was identified.
- Low risk index value is also confirmed by the external audits carried out in 2016.

²⁹ These payment requests may be subject to additional ex-ante audits contracted as part of DEVCO's annual audit plans by the Commission as deemed appropriate by the Authorising Officer by Sub-delegation.

Indeed, only 1.84% of the total amount audited in 2016 for procurement contracts in direct management was identified as non-eligible by the external auditors³⁰.

Based on the above elements, the level of **risk associated to procurement contracts in Direct Management** is assessed by DG DEVCO as **LOW**.

B) Indirect Management

Indirect management is a management mode under which the final recipient receives EU funds through a contract concluded with an intermediary to which the tasks of selecting the final recipients and managing the resulting contracts (so-called budget-implementation tasks) have been entrusted by the Commission.

Indirect management with beneficiary countries (ICT 4)

General description

Under indirect management with beneficiary countries, either the beneficiary country or an entity designated by it is entrusted by the Commission with the budget implementation tasks. By default, this delegation is partial: it does not include the delegation of the budget-implementation task of carrying out payments.³¹

Payments for indirect management with beneficiary countries represented 15% of the total amount paid in 2016 on DG DEVCO Budget lines (General Budget, EDF and EU TF).

Description of the controls in place in Partial delegation

Despite the delegation to Partner Countries of the conduct of procurement and grant award procedures and of the management of the resulting contracts, controls described in Section 2.1 above apply to Indirect Management with Beneficiary Countries³². Within this scope of delegation, it is the Commission, and not the contracting authority, which makes all payments directly to the contractors and grant beneficiaries.

All contracts must be awarded and implemented in accordance with the procedures and standard documents laid down by the Commission for its external operations, in force at the time of the launch of the procedure in question (with ex-ante control by the Commission at regular steps during the procedure).

Ex-ante control means that the Commission has to give its prior approval at all important stages in a contract award procedure, as detailed in the Practical guide to contractual procedures for EU external actions (PRAG).

The endorsement of a contract prior to its conclusion by the Commission signals the Commission's agreement to the later financing of the contract, provided that no errors in the procurement and grant award procedures are discovered later. In the event of a failure to comply with the procedures, the Commission may at any time refuse its approval for a given operation and thereby refuse EU funding for the operation in question.

³⁰ Based on final audit reports received and registered in 2016.

³¹ In addition to Partial delegation, the Commission has the possibility to delegate to the Partner Countries (PC) the power of carrying out payments to contractors and grant beneficiaries in the framework of programme estimates (PE) and of Partner Country managed Pool funds. For Pes, such payments relate to the ordinary operating costs of the PE, direct labour and small size contracts (i.e. below EUR 300 000). In 2016, total payments made for programme estimated amounted to EUR 149 million. For PC Pool funds, the full delegation of budget implementation tasks is conditional upon a prior successful pillar assessment of the PC-entity's systems and procedures (i.e. the same pillar-assessment as described below for indirect management with IOs and development agencies).

³² Except for Budget Support Eligibility Assessment which by definition applies only to Direct Management

In addition, the Commission exercises control through audits or verifications of on-going and closed projects contracted as part of DG DEVCO's annual audit plans.

The EU financial interests are therefore safeguarded, in addition to all the other possible means offered by the Financial Regulations, by the Commission's ex-ante control of individual transactions as well as subsequent controls or audits and resulting recovery of any unduly disbursed funds where the agreed procedures have not been respected, or where the activities were not eligible for EU financing.

Control results and risk analysis

- Desk review of the results of ECA reports and the RER studies from 2013 to 2015 shows that operations in Indirect Management with Beneficiary Countries have a risk index value of 99, in line with the average index value of 100. An analysis of the sub-categories in this ICT revealed, however, that Grants and Programme Estimates have a risk index of 171 and 166, respectively. The amount at risk for these sub-categories is EUR 8.5 million.
- The analysis of the results of the external audits carried out in 2016 on operations implemented in Indirect Management with Beneficiary Countries shows that 3.54% of the total amount audited was identified as non-eligible by the external auditors³³. This is due to grants and programme-estimates. Indeed, 7.63% of the amount audited on grant contracts and 3.56% of the amount audited on programme-estimates were identified as non-eligible by the external auditors. This is the case for only 0.65% of the amount audited on procurement contracts.

The root causes of these errors lie in the nature of the programme-estimates which often cover very large numbers of small expenditures for which original supporting documents have to be provided by the imprest administrator and the imprest accounting officer designated by the beneficiary countries. Other difficulties relate to the respect of procurement procedures which have to be applied in the imprest part of the programme-estimates.

Based on the above elements, the level of **risk associated to operations in Indirect Management with Beneficiary Countries** is assessed by DEVCO as **AVERAGE** overall, but that the level of risk for the sub-categories **Grants** and **Programme Estimates** is assessed as **HIGH**.

Several measures were taken by DEVCO in order to simplify or clarify the rules and procedures for the management of programme-estimates and reduce the risk of errors:

- Improved list of indicative supporting documents sorted per type of expenditure;
- Possibility to use country system for procurement within the imprest account under certain conditions;
- Possibility to use grants instead of Programme Estimates in certain cases;
- Further harmonisation of the rules between EDF and the General Budget;
- New and easier terminology for different modes of operations;
- More precise and detailed description of different type of Pes;
- More precise description of what falls under the imprest component and under specific commitments (including new chart);
- New annex on internal control to guide partner countries when using their own procedures.

Indirect management with IOs and Development Agencies (ICT 5)

³³ Based on final audit reports received and registered in 2016.

General description

Under indirect management with IOs and Development Agencies budget implementation tasks are entrusted by the Commission to this type of entities.

Description of the controls in place

Stage 1 – Prior to contracting

Candidate entities to be entrusted with budget-implementation tasks (the candidate delegate) have to demonstrate a level of financial management and protection of the EU financial interests equivalent to that of the Commission.

This is verified by carrying out an ex-ante assessment, a pillar assessment of the entity. Pillars are the broad areas covered by this assessment and include (1) internal control, (2) accounting and (3) independent external audit. Moreover, the assessment must also include at least one of the following, so that the entity can be entrusted with the corresponding budget-implementation tasks: (4) procedures and rules for grants, (5) for procurement, (6) for financial instruments, as well as (7) a specific pillar for sub-delegation for which the entities concerned have been assessed positively

Stage 2 – Contracting

DEVCO establishes and signs agreements with the organisations assessed and identified under stage 1. A standard agreement model is used for all EU-financed operations under indirect management with IOs and Development Agencies.

Stage 3 – Implementation

All payment requests and related reports are verified and approved by DEVCO staff (ex-ante controls). Before any operation is authorised, the operational and financial aspects are initiated and verified by two different (operational/financial) entities³⁴ unless for simplified payments (ie initial pre-financings). This is the "four eyes" principle of the Financial Regulation, which DEVCO, taking into account the specific high risk environment of external aid actions, reinforces by requiring controls by two separate agents for each of these two stages. Checklists and types of controls are regularly reviewed and updated to respond to feedback from risk analyses as well as changes to the regulatory environment.

Stage 4 – Ex Post controls and follow-up

Additional verification missions to be carried out by external auditors can be contracted by DEVCO on the basis of a risk analysis. Moreover, payments for operations in Indirect Management with IOs and Development Agencies are included in the population of the RER study ordered each year by DEVCO on representative sampling of closed contracts. Findings from the risk based audits and from the RER study are systematically followed up by DEVCO which take necessary actions for the recovery of non-eligible expenditures.

Control results and risk analysis

- Desk review of the results of ECA reports and the RER studies from 2013 to 2015 shows that Operations in Indirect Management with IO and Development Agencies have a high risk index value of 127 compared with an average index value of 100. The amount at risk for this ICT is EUR 22.9³⁵ million.
- High risk index value is confirmed by the result of the 2016 RER study in which Operations in Indirect Management with IO and Development Agencies represent

³⁴ These payment requests may be subject to additional ex-ante verifications contracted as part of DEVCO's annual audit plans by the Commission as deemed appropriate by the Authorising Officer by Sub-delegation.

³⁵ Excluding the APF, for which the amount at risk is shown separately in the reservation.

43.3% of the total error identified by the consultants.

- It is also of interest to consider in this context the limited effect of ex-ante controls on payments with regards to operations in Indirect Management with IO and Development Agencies. Only 1.2% of the expenditure made in 2016 for these operations was identified as ineligible by ex-ante controls. It represents only 12% of the total amount of payment requests blocked by ex-ante controls.

An important factor when assessing DEVCO's relationship with IOs are certain peculiarities in the field of financial and operational reporting. Reports submitted by certain IOs do not allow for a meaningful assessment of whether or not the reported expenditure can be accepted. In a number of instances the reporting practice of the IOs concerned seems to go against the reporting obligations foreseen in the underlying agreements.

Based on the above elements, the level of **risk associated to operations in Indirect Management with IO and Development Agencies** is assessed by DEVCO as **HIGH**. This is why the declaration of assurance of DG DEVCO will be qualified with a reservation for the expenditure made in the framework of operations implemented in Indirect Management with IOs and Development Agencies (see point 2.1.4 below).

The following actions decided by DEVCO in 2016 should help mitigate these risks:

- Suspension of indirect management in case of repeated errors or breach of compliance with the rules for provision of documentation;
- Adaptation of the Terms of Reference for Verification Missions to IOs other than the WB and the UN;
- Raising awareness and monitoring action for the clearing of pre-financing paid to IO more than two years ago;
- Regular meetings with IOs to ensure continued cooperation in the provision of information for DAS and RER purposes;
- Creating of a focal point unit to coordinate relations with IOs at all levels.

C) Cross-sub delegations

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

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

The total payments made in 2016 in the context of cross-sub-delegation given by DEVCO to other DGs amount to EUR 357 million³⁶

Based on the above analysis, a reservation is issued for the four spending areas which were assessed as areas with higher risk: direct and indirect grants, indirect management with IOs and Development Agencies and Programme Estimates (see section 2.1.4).

- Estimation of amounts at risk

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.

³⁶ Including EUR 265 million EDF funds delegated to other DGs (EAC, ECHO, EACEA)

For DG DEVCO, the estimated overall amount at risk at payment³⁷ for the 2016 payments made is EUR 104.5 million. This is the AOD's best, conservative estimation of the amount of relevant expenditure³⁸ during the year (EUR 5394 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections³⁹ for those 2016 payments made are EUR 24.6 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure of EUR 79.9 million.

³⁷ In order to calculate the weighted average error rate (AER) for the total relevant expenditure in the reporting year, the estimated corrections were added to the error rate at closure. The latter was estimated by multiplying the global RER with the relevant expenditure in each spending area, weighted with its specific risk index.

³⁸ "relevant expenditure" during the year = payments made, minus new pre-financing paid out, plus previous pre-financing cleared

³⁹ This estimation is based on the historic average of the recovery orders issued by DEVCO during the past seven years for the reimbursement of undue payments identified by ex-post controls (i.e.: recovery orders encoded with recovery context "errors" or "irregularity"). Necessary adjustments were made in order to deduct the estimation of the amount of recoveries of pre-financing or earned interests that were encoded with recovery context "Errors" or "Irregularity", as well as the cancellations of recovery orders previously issued. Adjustments were also made in order to take into account in the estimation the amount of recoveries erroneously encoded with recovery context "None" instead of "Errors" or "Irregularity".

Estimated overall amount at risk at payment and at closure

	Payments made (2016; EUR million)	Minus new prefinancing (2016; EUR million)	Plus cleared refinancing (2016; EUR million)	= "relevant expenditure" (2016; EUR million)	Average Error Rate (weighted AER; %)	Estimated overall amount at risk at payment (FY; EUR million)	Average Recoveries and Corrections (adjusted ⁴⁰ ARC; %)	Estimated future corrections [and deductions] (for FY; EUR million)	Estimated overall amount at risk at closure (EUR million)
EU Budget	3093.2 ⁴¹	1961.3 ⁴²	1400.3 ⁴³	2532.2					
EDF	3287.0 ⁴⁴	1928.7 ⁴⁵	1469.4	2827.8					
EU TF Bêkou	22.96	21.88	7.88	8.97					
EU TF Africa	175.95	151.29	0.07	24.73					
Total	6579.1	4063.1	2877.6	5393.6	1.9%	104.5	0.5%	24.6	79.9

⁴⁰ Explanation of the adjustment made on the average correction rate of 1.8% communicated by DG BUDG: The average correction rate of 1.8% calculated by DG BUDG for the General Budget includes credits notes and ineligible parts of cost claims. These elements relate to ex-ante controls and have therefore to be excluded from the estimation of the corrective capacity of DEVCO which is based on the results of ex-post controls.

The average correction rate calculated by DEVCO is based only on the recovery orders issued by DEVCO during the past seven years for the reimbursement of undue payments identified by ex-pots controls (i.e.: recovery orders encoded with recovery context "errors" or "irregularity"). It covers the General Budget, EDF and the EU TF.

⁴¹ Reconciliation of the amount of EUR 3 093 million paid by the General Budget in 2016 with the amount of EUR 3 265 presented in annex 3A: EUR 3 093 million + EUR 27 million (contribution to EU TF) + EUR 100 million (support expenditure for EDF or EU TF paid under BL 21.010407 and 21.010408) + EUR 45 Mo (co-delegations given by DEVCO to other DGs) = EUR 3 265 million.

⁴² Reconciliation with report "Ageing Prefinancing" produced by BUDG: EUR 1961.3 Mo – EUR 71.6 million (cross subdelegations given by DEVCO or pre-financings on profit centres other than DEVCO) + EUR 7.4 million (Contribution to EU TF) + EUR 1.3 million (various corrections PX and PZ) = EUR 1898.4 million

⁴³ Reconciliation with report "Ageing Clearing" produced by BUDG: EUR 1400.3 million – EUR 77.6 million (cross subdelegations given by DEVCO) + EUR 7.4 million (Contribution to EU TF) + EUR 3.7 million (Clearing on profit centre "DEVCO" but with excluded workflow organisations or Fund Management Centres) = EUR 1333.8 million.

⁴⁴ Reconciliation of the amount of EUR 3 287 million paid by EDF with the amount of EUR 3 350.5 million presented on table 2.1 of the annex 3B: EUR 3 287 million + EUR 128.5 million (contribution to EU TF) – EUR 65 million (Recovery Orders).

⁴⁵ Reconciliation with report "Ageing Prefinancing" produced by BUDG: EUR 1928.7 million + EUR 1.1 million (conversion from payment to PF (PX)) = EUR 1929.8 million.

2.1.1.2 Cost-effectiveness and efficiency

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

A) Cost-effectiveness of controls

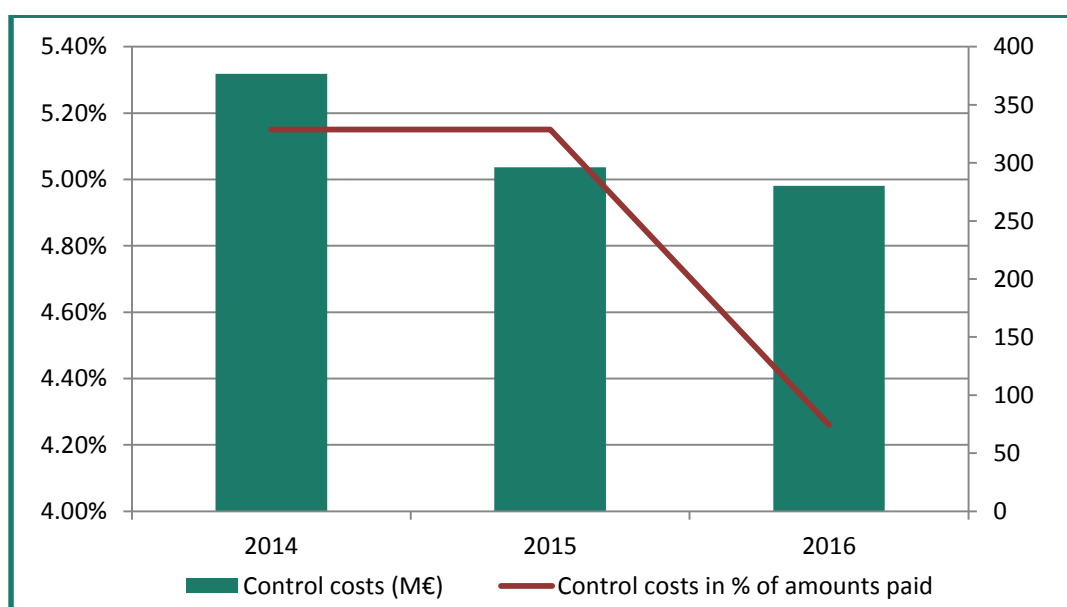
DG DEVCO's control costs were estimated by using the same methodology as used for AAR 2015.

No changes were made to the methodology for the distribution of costs of control to internal control templates and control stages.

The total cost of controls for year 2016 is estimated by DEVCO at EUR 280,17 million. This represents 4,26% of total payments made by DEVCO in 2016.

Control cost 2016 in EUR million per management mode and per control stage							
Control Stages ⁴⁶	ICT1 - Grants in DM	ICT2 -BS (DM)	ICT3 - Procurement in DM	ICT4 - IM with Beneficiary Countries	ICT4 - IM with IO or MS Agencies	Other	Total
Stage 1	19,02	12,20	12,81	16,63	21,32	10,11	92,09
Stage 2	9,51	0,54	6,41	8,32	10,66	5,06	40,49
Stage 3	17,99	13,01	44,80	12,74	17,96	6,32	112,82
Stage 4	7,96	1,57	5,07	6,96	9,41	3,79	34,76
Total	54,48	27,32	69,09	44,65	59,34	25,28	280,17

The total cost of controls estimated by DEVCO has steadily decreased in recent years and the cost as a percentage of the total amount paid decreased in 2016.



⁴⁶ Stage 1: prior to contracting; Stage 2: contracting; Stage 3: Implementation; Stage 4: Ex Post controls and follow-up.

The following table presents an assessment of the most relevant **key indicators of the control results and their values** structured in line with the internal control templates in annex 5.

These indicators provide a complete overview of the controls in place and are reliable.

Internal Control Templates (ICT)							
<u>Cost effectiveness of controls (2016)</u>	ICT 1 - Grants in DM	ICT 2 - BS	ICT 3 - Procurement in DM	ICT 4 - IM with Beneficiary countries	ICT 5 - IM with IOs and Devpt. Ag.	Other	Total
Control costs / Paid amounts	4,93%	2,30%	16,50%	4,42%	2,72%	3,75%	4,26%
Control cost (EUR million)	54,48	27,32	69,09	44,65	59,34	25,28	280,17
Paid amounts (EUR million)	1105,20	1188,91	418,70	1009,69	2182,65	674,00	6579,15
Ineligible expenditure identified by ex-ante controls / Cost of ex-ante controls on payments	94,94%	486,70%	16,81%	197,25%	90,53%	112,66%	120,94%
Ineligible expenditure identified by ex-ante controls (EUR million)	17,08	63,32	7,53	25,13	16,26	7,12	136,44
Cost of ex-ante controls on payments (EUR million)	17,99	13,01	44,80	12,74	17,96	6,32	112,82
Ineligible expenditure identified by external audits contracted by the Commission / Cost of external audits contracted by the Commission	786,49%	NA	43,44%	402,00%	305,96%	NA	435,71%
Ineligible expenditure identified by external audits contracted by the Commission (EUR million)	22,53	NA	0,49	13,25	18,08	3,16	57,51
Cost of external audits contracted by the Commission (EUR million)	2,86	NA	1,13	3,30	5,91	0,00	13,20
Recovery orders issued by DEVCO in 2016 for the reimbursement of undue payments / cost of stage 4 of controls (ex-post controls and follow-up)							41%
Recovery orders issued by DEVCO in 2016 for the reimbursement of undue payments							14.16 ⁴⁷
Cost of stage 4 of controls (ex-post controls & follow-up)	7,96	1,57	5,07	6,96	9,41	3,79	34,76

⁴⁷ Necessary adjustments were made in order to deduct the amount of recoveries of pre-financing or earned interests that were wrongly encoded with recovery context "Errors" or "Irregularity", as well as the cancellations of recovery orders previously issued. Adjustments were also made in order to take into account the amount of recoveries erroneously encoded with recovery context "None" instead of "Errors" or "Irregularity".

Conclusion on the cost-effectiveness of DG DEVCO's controls

For this conclusion the following elements were taken into account:

- The **RER of DG DEVCO** for 2016 is estimated at 1.67%. This error rate is below materiality and down from 3.63% in 2012.

The main benefit of DEVCO's control system is the prevention of errors. The fact that DEVCO's system is geared towards ex-ante controls and not ex-post controls can be explained by the nature of its operations.

In 2016, DEVCO was in charge of operations implemented in more than 130 countries on five continents, supervised by more than 90 fund centres (Delegations and HQ services) involving thousands of fund recipients and other stakeholders involved in the implementation.

Most of these operations take place in a context which is much more error-prone than is the case for operations of other Commission DGs and Services, in countries and regions with a low level of development, deficient infrastructure and weak governance. However, these operations are needed and the EU has decided to play an active role in implementing them in line with a wide-ranging international consensus, not only at the level of governments but also at civil society level. Operations implemented by DEVCO are also necessary because of the EU's very own interest.

Due to the diversity of DEVCO's operations and the fact that it covers a vast geographical area, DEVCO has no other choice than to rely on a significant number of external partners for its operations. Funds usually are provided by means of pre-financing payments; expenditure is then incurred by DEVCO partners and subsequently cleared on the basis of reports. Relationships with partners are less stable than in other spending DGs and Services and/or a higher number of partners are located outside EU jurisdiction. All these factors lead to a very pronounced need to focus on preventive controls.

- Some **measurable benefits** of DEVCO's controls are captured in its information systems:
 - **KPI 20:** Total amount of EUR 136 million of undue payment was prevented by DEVCO's ex-ante controls in 2016. It represents 121% of the cost of the ex-ante controls. Ex-ante controls are particularly cost effective for Budget Support (ratio benefit/cost of 487%) and for Indirect Management with Beneficiary countries (ratio benefit/cost of 197%).
 - **KPI 24:** Total amount of EUR 58 million was identified as ineligible in the final audit reports received by DEVCO in 2016. It represents 436% of the estimated cost of external audits contracted by the Commission. External audits are particularly cost effective for Grants in Direct Management (ratio benefit/cost of 787%), Indirect Management with Beneficiary countries (ratio benefit/cost of 381%) and Indirect Management with IO and Development Agencies (ratio benefit/cost of 306%).
 - **Recovery Orders:** Recovery Orders for a total amount of EUR 14.16 million were issued by DEVCO in 2016 for the reimbursement of undue payments (errors & irregularities). It represents 41% of the cost of ex-post controls and follow-up.

Taking into account the important non-quantifiable benefits of DEVCO's controls such as better value for money, deterrent effects, efficiency gains, system improvements and compliance with regulatory provisions, we consider that the benefits of controls largely exceed the related costs.

Based on the above, the controls put in place by DG DEVCO are considered to be cost effective.

DG DEVCO continuously gauges whether control resources should be re-directed towards more stringent controls where needed while having leaner and less burdensome controls where appropriate. At this juncture it is considered that the different risk-profiles and the different cost-payment ratios are reflected in DG DEVCO's ICTs to the extent possible (e.g. budget support operations are not subject to audits or verification under annual audit and verification plans; certain expenditure verifications are obligatory only for high risk ICTs).

B) Control efficiency

The table below presents the most relevant **key indicators on the efficiency of controls and their values** structured in line with the internal control templates in annex 5. These indicators provide a complete overview of the controls in place and are reliable.

Internal Control Templates (ICT)							
Control efficiency (2016)	ICT 1 - Grants in DM	ICT 2 - BS	ICT 3 - Procurement in DM	ICT 4 - IM with Beneficiary countries	ICT 5 - IM with IOs and Devpt. Ag.	Other	Total
Ineligible expenditure identified by ex-ante controls/Invoiced amount	1,79%	5,06% ⁴⁸	1,74%	2,37%	1,24%	1,77%	2,52%
Ineligible expenditure identified by ex-ante controls (EUR million)	17,08	63,32	7,53	25,13	16,26	7,12	136,44
Invoiced amount (EUR million)	956,39	1252,23	433,09	1059,79	1305,96	402,68	5410,15
ICT part in ineligible expenditure identified by ex-ante controls	12,52%	46,41%	5,52%	18,42%	11,92%	5,22%	100,00%
Ineligible expenditure identified by external audits / Audited amount	6,89%	NA	1,84%	3,54%	1,81%	2,36%	3,10%
Ineligible expenditure identified by external audits contracted by the Commission (EUR million)	22,53	NA	0,49	13,25	18,08	3,16	57,51
Audited amount (EUR million)	326,80	NA	26,63	374,20	996,20	134,09	1857,93
ICT part in ineligible expenditure identified by external audits	39,18%	NA	0,85%	23,04%	31,44%	5,50%	100,00%
Time to pay (Art. 92.1 FR): % of payments made within contractual deadlines.							83,00%
% of payments made within 30 days							63.65%
Time to inform applicants (Art. 128.2 FR)	104,6	NA	NA	NA	NA	NA	NA
Time to grant as from information notice (Art. 128.2 FR)	57,9	NA	NA	NA	NA	NA	NA

⁴⁸ "The system of ex-ante controls put in place by DG DEVCO for Budget Support operations prevents any payment to be made unless all required pre-conditions and targets have been met by the beneficiary countries. The efficiency of the ex-ante control system is illustrated by the fact that BS Operations represent 46% of the amount of payment requests blocked by ex-ante controls in 2016. In the case of Budget Support the high rate of errors detected ex-ante is an indicator of reduced risk."

Conclusion on the efficiency indicators

Ineligible expenditure identified by ex-ante controls on payments (KPI 20):

In 2016, the ex-ante controls have prevented the payment of a total amount of EUR 136.44 million of ineligible expenditure. This represents 2.52% of the total invoiced amount and is above the benchmark of 2% set by DEVCO for this indicator.

Ineligible expenditure identified by external audits (KPI 24):

In 2016, the external audits contracted by the Commission have identified a total amount of EUR 57.51 million of ineligible expenditure. This represents 3.10% of the total audited amount and is above the benchmark of 2% set by DEVCO for this indicator.

Time to pay:

In 2016, 83% of the payments were made within the contractual deadlines provided by the Financial Regulation. Moreover, 64% of the payments were made with the internal target of 30 days set by the Commission.

Those results are below the Commission average of 88% of payments made within the contractual deadlines in 2016. This balance is partially explained by the impact of the lack of payment credit encountered by DG DEVCO in 2015 and which resulted in the postponement of the payment of the related invoices from 2015 to 2016.

The IAS carried out an audit on payment deadlines in 2016, which resulted in one recommendation classified as 'very important' that was already implemented. Several actions were put in place by DEVCO in 2017 in order to improve its performance in terms of payment:

- Replacement of KPI on % of payments made within 30 days by a new KPI on the respect of contractual payment deadlines;
- Creation of a new KPI on the % of invoices registered within 7 calendar days;
- Launch of a pilot phase for "e-invoicing";
- Reinforcement of the monitoring of payment workflow;
- Clarification of the instructions and reinforced training on the processing of invoices and the proper management of suspension period.

Grants management⁴⁹:

In 2016, and except for 15 out of 385 grant contracts, DG DEVCO has respected the time limit of six months set by the Financial Regulation for informing applicants of the outcome of the evaluation of their application. The average time taken by DEVCO in 2016 is 106 calendar days.

In average, DG DEVCO has respected the time limit of three months set by the Financial Regulation for signing grant contracts as from the date of informing applicants of the outcome of the evaluation of their application.

The average time taken by DEVCO in 2016 is 58 calendar days. However, in 74 cases out of 385 grant contracts signed in direct management after call for proposal the time limit was not respected.

⁴⁹ Partial results based on grant contracts implemented in direct management and whose calls for proposals were managed in PROSPECT.

These results have to be interpreted in the light of the provision of the Financial Regulation which states that those reference periods "may be adjusted in order to take into account any time needed to comply with specific procedures (..) and may be exceeded in exceptional, duly justified cases, in particular for complex actions, where there is a large number of proposals (...)".

This is typically the case of the Calls for Proposals managed in HQ and in particular under thematic operations. These calls are often complex, or sensitive, or with a large number of applicants, proposals and countries, or complex pilot initiatives that made the contracting phase more time consuming.

Based on the results of the efficiency indicators described above and taking into account the contextual elements impacting the indicators on time to pay and time to grant, we consider that the controls put in place by DG DEVCO are efficient.

2.1.1.3 Fraud prevention and detection

DG DEVCO has developed and implemented its own anti-fraud strategy (AFS) since 01/01/2014, elaborated on the basis of the methodology provided by OLAF. A review of the AFS was undertaken in 2015 and also involved consultations with the other external aid Directorates-General (NEAR, ECHO, FPI) as well as the EEAS. The review concluded that no substantial amendment needed to be made to the AFS.

In 2016, DG DEVCO transmitted 23 cases of suspected fraud or irregularity to OLAF. OLAF opened three new investigations in 2016. At the end of 2016, a total of 19 investigations were still on-going.

Evaluations and investigations opened	2015	31 (22 evaluations, 9 investigations)
	2016	15 (12 evaluations, 3 investigations)
Evaluations and investigations closed	2015	44 (15 with follow-up, 6 without follow-up, 23 dismissed)
	2016	36 (15 with follow-up, 5 without follow-up, 16 dismissed)

In the period 2006 – 2016, 184 cases were closed with follow-up. This represents 26 % of all DEVCO OLAF cases closed in this period (707 cases).

Management and the Cabinet are regularly informed about developments with regard to OLAF investigations concerning DEVCO (quarterly reports on external and internal OLAF cases).

The actions foreseen in the AFS Action Plan continue to be implemented. Concerning the objective of awareness raising, DEVCO's AFS is presented at the training "Award procedures, sanctions and fraud prevention in practice" attended by Delegation staff. Also, anti-fraud focal points in Delegations were sent the power point presentation "Staying vigilant" (elaborated by DG BUDG and based on OLAF material) and DEVCO's online training on its AFS was finalised.

The effectiveness of the current AFS was judged satisfactory, based on the number of staff who have been trained/informed about the AFS at headquarters and in Delegations, the feedback received and the number of initial information submitted to OLAF on suspected cases of fraud/irregularities.

A performance review of the AFS is scheduled for mid-2017. The next full review will take place in mid-2019.

2.1.1.4 Other control objectives: safeguarding of assets and information, reliability of reporting

Safeguarding of assets and information

Pre-financings are considered as the main asset of DEVCO. On 31/12/2016, the total open pre-financing amounted to EUR 9 253 million. The nature of the actions under Heading 4 of the budget (EU as a global player) defines in itself the duration of contracts and pre-financings. Duration of 4 years between a commitment and the closure of a project cannot be considered as a very long period for low disbursement projects based on the completion of activities on the ground.

However, DEVCO is taking seriously the risk linked to a high level of pre-financings and has carried out monitoring actions over the last years towards the clearing or recovery with a particular focus on old pre-financings. A pre-financing is considered 'old' if it was paid at least 24 months before the beginning of the reporting period. As a result of this action, the total amount of old-pre-financing has decreased from EUR 3 848 million to EUR 3 124 million (reduction of 19%) between 01/01/2014 and 01/01/2017.

It resulted also in the reduction in the percentage of expired contracts in DEVCO's portfolio from 18.62% on 31/12/2013 to 15.15% on 31/12/2016. In real term, the number of expired contracts has decreased from 2702 contracts on 31/12/2013 to 1896 contracts on 31/12/2016 (reduction of 30%).

As far as IT security is concerned, the standard Information Systems Security Policy of the Commission is applied (Decision C(2006) 3602).

Reliability of reporting

Several actions were taken in 2016 in order to further improve the reliability and effectiveness of DEVCO's reporting system:

- Regular quality checks were performed including an automated campaign on contractual data registered in DEVCO's information system versus contractual documents. It allowed for the correction of encoding mistakes, reinforced portfolio management as well as the improvement of business rule and data definition.
- An intranet page dedicated to Data Quality was launched. It is updated on a continuous basis in line with the data quality strategy and the priorities identified. A Vade-Mecum provides details on business and IT actions necessary in order to correct inconsistencies for each campaign.
- A Data Quality Dashboard was developed to monitor the consistency and integrity of data across the systems in terms of business rule validation.

2.1.2 Audit observations and recommendations

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

The section also reports on the limited conclusion of the Internal Auditor on the state of control of the DG or Service being an element of assurance for the management. This limited conclusion replaces the annual opinion of the Internal Audit Capability (IACs) on the state of control. It is based on the audit work carried out by the IAS in the previous three years⁵⁰ and highlights in particular the long outstanding recommendations. It also draws particular attention to all open recommendations rated "critical" or the combined effect of a number of recommendations rated "very important" and which may require the issuance of a reservation. As was the case with the former IAC opinion, it provides limited assurance, i.e. it covers the management and control systems subject to an audit.

This reporting in the AAR on the limited conclusion is to be done even in the absence of critical or very important recommendations, as the relative level of audit activity during the 3-year-period and any positive opinions are equally relevant to support the declarations of assurance.

The DG was audited by both internal and external auditors: the Commission's IAS and the ECA.

Overview of the 'Very Important' (VI) audit recommendations

Body	Audit	VI open in January 2016	New VI issued in 2016	VI Implemented during 2016	In progress
(Former) IAC	Communication flows	1		1	0
	Management system of audit recommendations	1		0	1
	Total IAC	2		1	1
IAS ⁵¹	Compliance with payment deadlines	1		1	0
	Budget Support	1		0	1
	DEVCO's anti-fraud strategy	1		1	0
	Management of the APF	4		1*	3
	Design and implementation of EU Trust Funds	2		0	2
	Payment deadlines (2016)		2	0	2
	DEVCO's performance management system (2016)		1	0	1
Total IAS	9	3	3	9	
ECA Annual and Special Reports	AR 2015 (EDF)		2	1	1
	Total ECA		2	1	1

* The level of risk of this recommendation was downgraded to "important" by the IAS.

50 And by the former IACs during 2014

51 In accordance with its updated audit plan for 2016.

Internal audits

Internal audits in 2016 (finalised by 31/1/2017)

Three audits were carried out in 2016, in accordance with the IAS strategic audit plan. The one on **"Payment deadlines"** focused on the payment process put in place in direct and indirect management for the EU budget and the EDF. A dedicated action plan addressing all recommendations made by the IAS was proposed by DEVCO and validated by the IAS on 28/02/2017.

The audit of the **"Direct management of grants in DG DEVCO"** aimed at assessing the control systems and processes put in place for the achievement of programme objectives and to ensure the legality and regularity of the expenditure.

The objective of the recent audit on the **"Performance management system in DG DEVCO"** was an assessment of the adequacy of the DG's performance management framework and related tools designed to plan, monitor and report on the achievement of its objectives.

The IAS also performed further follow-up audits on **"Programmes Estimates financed by the EU and EDF Budget"**, **"EDF Grants"**, the **"Assurance building process in EU Delegations"** and **"Budget support"**, and one of the **"Management of the APF"** (this latter finalised after 31/01/2017), which led to the closure of four "very important" recommendations.

Actions completed in relation to previous years' audit recommendations

Regarding past recommendations issued by the former IAC, several follow-up audits conducted by the IAS in 2016 led to the closure of 23 recommendations, of which 6 rated as 'very important', stemming from the audit reports on **"Management of DEVCO's resources in EU Delegations"**, **"Communication flows between DEVCO's HQ and EU Delegations"** and **"Identification and management of recoveries"**.

The longstanding "very important" recommendation linked to the **monitoring and reporting on the payment process** has been closed by the IAS, even though the risk inherent to non-compliance with payment deadlines was deemed as not yet sufficiently mitigated. The issue was therefore taken into account in the scope of a new audit on the management of payment deadlines carried out by the IAS in 2016 and led to a recommendation issued in this context.

Another "very important" recommendation relating to forensic audits and investigations, highlighted in the audit report on "The adequacy and effective implementation of DG anti-fraud strategies", was fully implemented.

A recommendation which resulted from the 2015 audit on the 'Management of the APF' is considered implemented by DEVCO according to a strengthened management and monitoring of the APF-funded activities, notably through an improved coordination between all services involved.

Following a recent assessment of its implementation status by the IAS, its level of risk was downgraded from "very important" to "important". With regard to the other very important issues, the IAS concluded that the control system put in place by DEVCO for the management and operational monitoring of the APF has improved in terms of design but significant steps are still required in order to ensure that the EDF is adequately protected against illegal and irregular expenditure under the APF.

State of Play of 'very important' recommendations yet to be implemented⁵³

Audit on payment deadlines	
Encoding of payment requests	The implementation of both recommendations, relating to a procedure for a timely encoding of payment requests and for a further enhancement of the monitoring of the payment processing, is ongoing in accordance with the relevant target dates for the completion of the actions.
Monitoring of the payment process	
Audit on performance management	
Monitoring and reporting on performance	The recommendation was partially rejected by the DEVCO services (as regards an annual monitoring of the progress towards achieving objectives, indicators and targets in Action Documents). An appropriate action plan is currently under formulation.
Audit on the APF (and follow-up)	
Institutional assessment & monitoring	A new pillar assessment of the AUC is expected to take place in the second half of 2017. Its results will be duly analysed and further measures will be taken as appropriate.
Design & effectiveness of remedial measures	Targeted mitigating measures, further to the non-compliant pillars resulting from the latest pillar assessment of the AUC, have been included in all contracts with the African Union Commission. The recommendation has been assessed as "partially implemented" following a follow-up audit because auditors consider it is premature to conclude on their effectiveness.
Reporting on the APF	As regards the reporting on the implementation of APF-funded projects, both Annual Reports - for the Commissioner/College and for the stakeholders/public - are being finalised.
Audit on EU Trust Funds	
Governance process	The measures set up to address both recommendations are being taken. Nevertheless, the adoption of the updated guidelines on EU TF is only expected by mid-2017 in order to take into account recommendations which could arise from an ongoing audit of the ECA on the management of the "Bêkou" Trust Fund.
Performance management	
Audit on Budget Support	
Policy Dialogue Framework	The recommendation is still in progress as it is linked to the completion of the revised Budget Support guidelines. A new chapter 'policy dialogue' in the framework of Budget Support operations has been drafted and is due to be incorporated into the updated guidelines planned to be finalised in the second half of 2017, in order to be in line with the commitments related to the new consensus for development.
IAC audit on the management systems of audit recommendations	
Guidelines for action plans	A draft version of comprehensive internal guidelines completing the existing ones on how to assess recommendations received from audit and legislative bodies has been produced and is being reviewed. The finalisation is scheduled for the first half of 2017.

IAS limited conclusion

The IAS concluded that the internal control systems audited are overall working satisfactorily, although a number of very important findings remain to be addressed in line with the agreed actions plans.

⁵³ According to the IAS contribution to the 2016 AAR process.

ECA audits

The ECA published its General Budget and EDF Annual Reports for the year 2015 in October 2016. Chapter 8 of the 2015 Annual Report on the EC Budget found an estimated error rate for expenditure transactions in the policy group 'Global Europe' of 2.8%, which is marginally higher (0.1 percentage points) than the estimation for the financial year 2014. The ECA estimated the level of error concerning EDFs payments at 3.8% (same level than the one estimated for 2014).

DEVCO's supervisory and control systems were assessed as partially effective in both annual reports on the General Budget and on the EDF. The ECA also pointed out the risk-differentiated Declaration of Assurance made by DEVCO's Director-General in the 2015 Annual Activity Report and the reservation raised as regards the two high-risk spending areas identified - i.e. direct management through grants and indirect management with IOs - stating that it is in line with its observations in this and previous Annual Reports.

In its 2015 Annual Reports, the ECA issued the following recommendations:

Recommendation 1: expand the use of the quality grid to audits and expenditure verifications contracted directly by beneficiaries;

Recommendation 2: adapt the terms of reference of audits and expenditure verifications with a view to obtaining all relevant information on the actual work done that is necessary to assess their quality using the new quality grid;

Recommendation 3: assess the costs and benefits of improving the monitoring of audits and expenditure verifications contracted directly by beneficiaries by including them in the new audit application;

Recommendation 4: apply appropriate sanctions to entities that do not comply with their obligation to provide essential supporting documentation for the Court's audit;—
Recommendation 5: for payments under indirect management with beneficiary countries, (i) support the declaration of assurance with the statistically most reliable evidence available, and (ii) distinguish between forms of aid with different risk profiles, as is done for payments under direct management; and

Recommendation 6: revise the estimate of its future corrective capacity by excluding from the calculation (i) recoveries of unspent prefinancing and earned interest, and (ii) cancellations of recovery orders previously issued.

All these recommendations were accepted.

Regarding the Terms of Reference (ToR), DEVCO is currently working on a revision of the package of ToR used for audits, verifications and compliance assessments that, once completed, will set the quality criteria for assessment. Concerning the recommendation relating to potential sanctions, such provisions are already in place in all contract templates both for procurement and for indirect management, and will be duly enforced when appropriate. The further differentiation of the risk analysis is being addressed in the present AAR exercise. Lastly, relevant specific measures have been implemented by DEVCO in order to revise the estimate of the future corrective capacity (see below).

The ECA also issued two special reports (also called 'performance audits') related to DEVCO in 2016:

- ***9/2016 EU external migration spending in Southern Mediterranean and Eastern Neighbourhood countries until 2014***

The ECA concluded that the effectiveness of the EU's external migration spending in

Southern Mediterranean and Eastern Partnership countries during the 2007-2013 period could have been improved, notably by developing more measurable and less General Objectives along with accurate results-oriented indicators.

DEVCO is mainly concerned by the issue of consolidating the migration–development nexus through informed policies and strategies as well as the necessity to set up an appropriate coding for migration spending in the public development aid area.

• **30/2016 The effectiveness of EU support to priority sectors in Honduras**

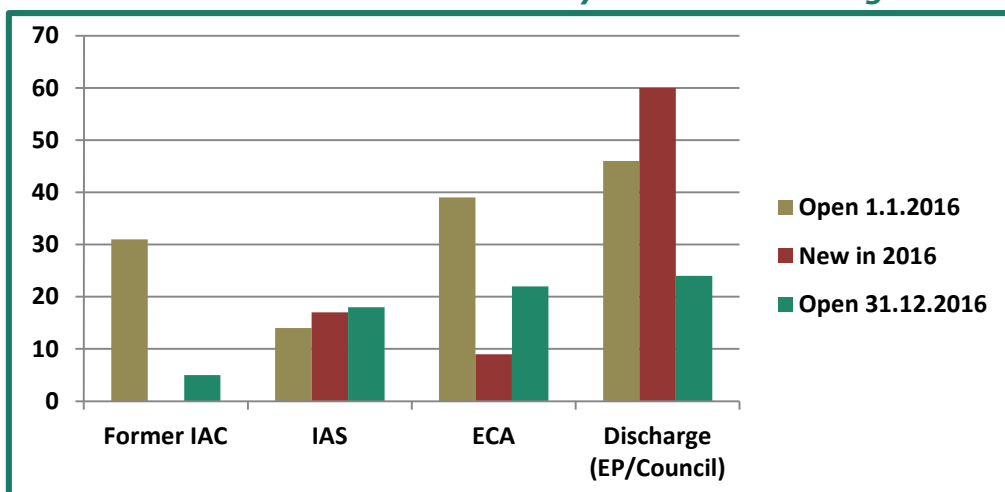
Despite the fact that the expected outputs have been delivered and the objectives of the EU-funded actions mostly achieved, the development support to priority sectors in Honduras was assessed as partially effective. Recommendations were made concerning a more consistent EU strategy, the strengthening of the management of budget support operations and an enhanced monitoring of the programmes and projects performance.

CONCLUSIONS ON AUDIT RESULTS AND FOLLOW-UP OF RECOMMENDATIONS

Sustained efforts have been made in implementing external and internal audit recommendations throughout the year 2016, which led to the closure of a substantial number of longstanding overdue IAS and former IAC ones. As a result, the number of recommendations for which the implementation is still in progress is at the lowest over the past four years. However, an outstanding 'very important' recommendation from the IAS audit on Budget Support and two others relating to the management of EU Trust Funds still have to be fulfilled by DEVCO, but their current state of play does not lead to any significant assurance-related concern.

The implementation of the remedial actions related to the management of the APF is closely monitored. A recent follow-up audit, assessing the mitigation level of the significant risk inherent to the control weaknesses identified, pointed out that further action is needed in order to implement effectively the remaining very important issues. This assessment thus confirms the decision to renew the reservation related to the management of the APF issued in the 2015 Annual Activity Report.

Number of recommendations issued by audit and discharge bodies



2.1.3 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.

DG DEVCO 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.

o General environment

The operational environment of external aid financed by the EU Budget and the EDFs is characterised by:

- a high level of risk in the 'developing country' context due to the geo-political, social, institutional and administrative environment frequently associated with instability.
- geographically dispersed activities (covering 86 Delegations managing funds for External Aid around the world);
- a high number of operations and associated financial transactions;
- the diversity of implementing organisations and partner countries with their diverse management and control capacities (ranging from small local NGOs to IOs);
- eight different cooperation instruments for the 2014-2020 period;
- a diversity of aid delivery methods (traditional projects, budgetary support, sectorial policy support programmes, contributions to global instruments, blending etc.).

Management assesses on a continuous basis the effectiveness of the internal control systems, in order to determine whether they work as intended and ensuring that any control weaknesses in the system are detected, analysed and considered for improvement.

In addition, management performs specific assessments to ascertain whether the internal control systems and their components are present and functioning.

The purpose of these management assessments is to provide reasonable assurance that the internal control standards adopted by the Commission are implemented and functioning in the DG, that the assessment findings are evaluated and that any deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

o ICS in Headquarters

In order to monitor the compliance with ICS, DEVCO carried out a desk review to assess the conformity with the baseline requirements as defined by the central Commission services. The result was that the standards are implemented and functioning. The result was that all requirements were implemented.

In relation to the effectiveness of ICS implementation, DEVCO carried out a survey with Deputy Heads of Units, Heads of Units, Directors, Deputy Directors-General and the Director-General asking 55 questions grouped around the 15 ICS.

The overall results of the ICS 'effectiveness' management survey in Headquarters show that 63.6% of the respondents assessed control measures in DEVCO as effective and confirmed the generally satisfactory perception ("positive assessment") of management of the functioning of the internal control system. If replies expressing a "positive assessment with changes needed" are added, the percentage is 82.9%.

The Internal Control Standards which achieved the highest positive assessments across the organisation were ICS 13 'Accounting and Financial Reporting' and ICS 9 'Management Supervision'.

At the other end of the scale, ICS 3 'Staff Allocation and Mobility' achieved - as in previous years - the lowest effectiveness rating, followed by ICS 4 'Staff Appraisal and Development'.

o ICS in Delegations

The information from Delegations relating to ICS stems from an EEAS survey, complemented by information in the External Assistance Management Reports (EAMR).

Delegations expressed their views on the effectiveness of ICS implementation and these were translated into six Key Performance Indicators (KPI).

While for 2016 all KPIs are again in the green area, i.e. well above the benchmark, the KPI with the lowest score was KPI 13 (regrouping ICS 3 and 4).

CONCLUSION ON INTERNAL CONTROL STANDARDS

DG DEVCO has assessed the internal control systems during the reporting year with a desk review and surveys on the internal control standards and has concluded that the internal control standards are implemented and functioning as intended. This is in line with the RER result for 2016, the progress made for the KPIs and the IAS conclusion on the state of internal control. The implementation of the action plans following present and past reservations will further improve the control system.

2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2 and 2.1.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG DEVCO.

Therefore, under the prevailing risk environment and from a managerial point of view, DG DEVCO's AOD can sign the Declaration - even with reservations concerning the error rate and the APF.

o Positive elements building assurance

A functioning accountability chain (EAMR/SDAO/AAR) and satisfactory KPI results for 2016

The accountability and reporting chain in DEVCO is organised as a pyramid through which the statements of assurance signed by each Head of Delegation set the basis of the assurance provided by the other (sub)-delegated authorising officer at the upper levels of

the pyramid. All Authorising Officers by (sub)-delegation substantiate their statements of assurance in their annual reports taking into account the results achieved for 24 Key Performance Indicators (KPI) regrouped in three categories: sound financial management, efficiency of the internal control systems and efficiency of the audit system. The KPI results are automatically assessed versus the benchmarks through a "traffic lights" system.

At global level, performance further improved in 2016 with 21 KPIs in line with the benchmarks compared with 20 in 2015:

- 8 in the category 'sound financial management and effective use of EC Resources': accuracy of financial forecasts for payments, accuracy of financial forecasts for contracts, RAL absorption period, % of projects with red traffic light for implementation progress, % of projects with red traffic light for achieving results, reduction of old pre-financing, % of expired contracts in the portfolio and reduction of old RAL.
- 9 in the category 'efficiency of internal control systems': % of green traffic lights for ICS related to mission and values, human resources, planning and risk management, operations and control activities, information and financial reporting, evaluation and audit, implementation of project evaluations, % of projects visited by DEVCO staff and/or the HoD and ineligible amount identified by ex-ante controls.
- All 4 in the category 'efficiency of audit system (implementation of audit plans and ineligible amounts identified by audits).

Results for the three remaining KPIs are still below benchmark: accuracy of financial forecast for decisions, % of payment paid within the EC internal target of 30 days and respect of flexibility arrangements for the use of staff in Delegations. Improvement for these KPIs will be part of DEVCO's priorities for 2017.

Very good results have been achieved at Delegation level with an increase number of Delegations meeting targets for most of the KPIs in 2016:

% of green KPIs	2015		2016	
	Nbr of Delegations	%	Nbr of Delegations	%
Total Delegations	86		86	
80% and more	24	29%	36	42% [▲]
60% and more	75	88%	80	93% [▲]
Less than 50%	3	3%	1	1% [▼]

At the end of 2016 and thanks to the action plans implemented during the year, only 6 Delegations have achieved the benchmarks for less than 60% of their KPIs compared to 9 Delegations at the end of 2015 and 22 at the end of 2014.

Overall Green KPI Result for	2015	2016
Barbados	78%	58%
Burkina Faso	58%	83%
Cameroon	58%	83%
Central African Republic	48%	52%
Congo (DRC)	65%	52%
Gabon	46%	71%
Guinea Bissau	57%	67%
Kazakhstan	57%	87%
Mauritania	52%	71%
Sudan	57%	59%
Timor Leste	78%	59%
Yemen	42%	45%

Full coverage of expenditure by the control mechanisms

The control instruments in place cover the entire budget expenditure managed by DEVCO. No part of the budget is left out of the control strategy.

As regards detective and corrective elements in the control strategy, external audits by the Commission and the recipients of funds cover a significant amount of the funding managed by DEVCO. They contribute therefore substantially to assurance as regards both the legality and regularity of external aid and the sound and efficient management of the funds.

Ex-ante transactional checks for 100% of payments add up as well to the assurance provided.

Moreover, preventive actions are in place, in the form of guidance and core training. This has been instigated with the aim of raising awareness and providing practical knowledge, both at the level of financial managers and beneficiaries, on the terms and conditions of sound and efficient use of financial resources, as well as legality and regularity of financial transactions.

Institutional compliance assessments provide reliable, overall positive elements of assurance concerning the capacity and reliability of the actors involved in the implementation of DEVCO funding at centralised, decentralised and shared management levels.

The eligibility assessments for Budget Support also provide relevant input for assurance.

A positive IAS conclusion

Because of the dismantling of the IAC at the beginning of 2015, the IAC opinion was replaced with a contribution by the IAS. The latter concluded that the internal control systems audited are overall working satisfactorily although a number of very important findings, as explained above, remain to be addressed, in line with the agreed action plans.

Confirmation of the soundness of the control system on the basis of the RER results and the analysis of errors found

Given the high-risk environment, it is clear that the control system needs to anticipate a significant occurrence of potential error in transactions and build in a high level of prevention, detection and correction controls as early as possible in the payment process. This means in practice that DEVCO's control architecture places most reliance on ex-ante checks by both external auditors and Commission staff in the field before final project payments are made. DEVCO therefore performs a high level of ex-ante controls both in terms of the coverage and in the nature of these controls, going well beyond the financial safeguards required by legislation.

In light of the results of the RER study (1.67%, i.e. below materiality), the conclusion is that the main elements in the control strategy are operating in a satisfactory manner (no major flaws in the design of the control system), even if improvements are possible and already being implemented in many cases. These elements do not compromise the overall soundness of the control system, even if they have an impact in its effectiveness in the field, as assessed by the ECA. A large part of the overall error rate as estimated by the 2016 RER study related to inadequate or missing documentation rather than to confirmed errors.

A satisfactory follow-up of audit results

Continuous efforts have been made throughout 2016 to address past internal (IAC/IAS) and external (ECA) audit recommendations. Efforts to implement the remaining open recommendations, in particular the ones classified as 'very important' and bearing a potential risk for the assurance process, will be continued in 2017.

An overall effective implementation of the Internal Control Standards

It was concluded that the internal control standards are implemented and functioning as intended. This is in line with the RER result for 2016, the progress made for the KPIs and the IAS conclusion on the state of internal control. The implementation of the action plans following present and past reservations will further improve the control system.

An anti-fraud strategy in place

The current DEVCO anti-fraud strategy (AFS) was examined in 2015 and it was concluded that no substantial amendments were needed.

A favourable assessment of control efficiency and cost effectiveness

Total cost of controls for year 2016 is estimated by DEVCO at EUR 247.65 million. It represents 4,26% of total payments made by DEVCO in 2016. Taking into account the risky environment in which DEVCO operates and the complex set up for the implementation of External Aid, we consider the total cost of control is reasonable.

Costs effectiveness of DG DEVCO's controls is also demonstrated by the benefits of the controls. The RER of DG DEVCO for 2016 is estimated at 1.67%, below materiality and continuing the decreasing trend. A total amount of EUR 136 million of undue payment was prevented by DEVCO's ex-ante controls in 2016 (KPI 20). A total amount of EUR 58 million was identified as ineligible in the final audit reports received by DEVCO in 2016 (KPI 24).

Recovery Orders for a total amount of EUR 14.16 million were issued by DEVCO in 2016 for the reimbursement of undue payments (errors & irregularities)

In addition, there are significant non-quantifiable benefits of DEVCO's controls such as better value for money, deterrent effects, efficiency gains, system improvements, and compliance with regulatory provisions.

o Elements deserving attention and corrective measures taken

Persistently high error

DG DEVCO's assessment on legality and regularity returns a level of detected error which appeared to be "persistently high" over the years 2012-2015 in terms of potential financial impact (exposure). Given the inherent risk also the residual error is remained above 2% during this period, and even the estimated overall amount at risk at closure by the end of the programme's lifecycle as well.

DG DEVCO has implemented all possible suitable ex-ante and ex-post controls, to the extent that they remain cost-effective. This also includes the action plan drawn up to address specifically the higher risk areas of expenses aiming at fighting the root causes of error:

➤ Simplification

The root causes of errors are the overly-detailed grant conditions that go behind what is legally required and with no added value regarding performance and results. The deletion of such unnecessary elements in the Practical Guide (PRAG) concerning elements that go beyond what is legally required and does not add value for the assurance process was already undertaken. DG DEVCO is engaged in discussions with its stakeholders, with a view of proposing amendments to the Financial Regulation. There are regular meetings amongst Finance-Contract-Audit Units in order to discuss the most common sources of errors and ways to avoid them. The financial management toolkit for grant beneficiaries is further promoted and training activities on grants are undertaken and adapted.

➤ Strengthening of management and control systems

In the following, the actions planned are presented per management mode:

For grants under direct management, DG DEVCO identified an insufficient quality of expenditure verifications by beneficiaries as a root cause of errors. Envisaged measures include:

- Revision of the Terms of Reference for expenditure verifications implemented by beneficiaries and contract services, including the application of quality assessment criteria to the reports;
- Use of the audit framework contract to complete insufficient expenditure verifications carried out by beneficiaries;
- Requesting supporting documents of randomly selected transactions related to requests for payment, and verifying them before approving the disbursement and/or clearing of expenditure; and
- Simplification of procedures and contractual conditions for grants.

In the spending area under indirect management with IOs and Development Agencies root causes for recurring errors are insufficient or missing documentation, the insufficient quality of verification missions and late clearings. Envisaged measures include:

- In extreme cases, suspension of indirect management in case of repeated errors or the breach of compliance with the rules for provision of documentation;
- Adaptation of the Terms of Reference for Verification Missions to IOs other than the WB and the UN;
- Raising awareness and monitoring action for the clearing of pre-financing paid to IOs more than two years ago (2013 and before);
- Regular meetings with IOs to ensure continued cooperation in the provision of information in the framework of Audits by the Court and the RER studies; and
- Creating of a focal point unit to coordinate relations with IOs at all levels.

Follow-up of past reservations

Reservations were made by DEVCO in its Annual Activity Reports for 2012, 2013, 2014 and 2015 due to the significant occurrence of errors in the underlying transactions (legality and regularity) as shown by the RER (i.e. the level of errors which remain undetected and uncorrected by the end of the management cycle) of 3.63% in 2012, 3.35% in 2013, 2.81% in 2014 and 2.2% in 2015.

Following the findings in the AARs, several action plans were drawn up, the latest on in the summer of 2016 (relating to the 2015 AAR). Apart from actions carried over from previous action plans that became part of the control system to reinforce its effectiveness, this latest action plan specifically targets indirect management through IOs and grants given through direct management.

Error rates

In the error risk analysis, the ICT concerning indirect management with Beneficiary Countries was analysed in more detail. Although the 2016 RER study results in a RER below the materiality threshold of 2%, a reservation based on the occurrence of errors in the underlying transactions (legality and regularity) should be made concerning grants in direct and in indirect management, indirect management with IOs and Development Agencies and Programme Estimates, based on the said risk assessment. The ECA results for 2015 exceed the materiality threshold.

Renewed APF reservation

Most of the IAS audit recommendations have been addressed through the APF audit Action Plan, which has been broadly implemented. In particular, renewed remedial measures have been included in all ongoing contracts. A close monitoring of the implementation of the AUC-Commission Aide Mémoire on measures to strengthen AUC financial management is now in place through regular meetings of the Steering Committee.

However, the last follow-up review of the implementation of the roadmap of measures stemming from the pillar assessment shows that, despite progress achieved so far, the African Union still does not appear to be ready to successfully pass a new pillar assessment. Notably, while AUC systems and procedures have been updated and upgraded to the standards, effectiveness in their implementation still requires time. The outcomes of the strict monitoring on the ongoing contracts with a significant procurement component still indicates/confirms a lack of capacity on the AUC side.

Thus, while the European Commission has put in place measures to mitigate the risks identified, there is still a need for the AUC to further progress in terms of capacity and effectiveness in the implementation of the measures to reach full compliance with the international standards. Under these circumstances the reservation introduced last year is kept.

The assessment of legality and regularity returns a level of error which is below the materiality threshold. The weaknesses in the implementation of the control systems were identified and are being addressed through the action plan.

OVERALL CONCLUSION

The RER for 2016 is 1.67%. Four areas have been identified as bearing a high risk, the amount of risk of the reservations (best, conservative estimation of the value found to be eventually - i.e. after implementation of all corrective measures - in breach of applicable regulatory and contractual provisions) is estimated at EUR 70.7 million (relating to the four high risk areas in reservation 1 and the APF in reservation 2).

Under these circumstances, DEVCO has decided to continue work on the action plan which is being implemented since September 2016, complemented by possible actions related to indirect grants and programme estimates.

In conclusion, despite the two reservations, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by reservations concerning the RER in four high risk areas and the APF.

2.1.5 Declaration of Assurance and reservations

I, the undersigned,

Director-General of DG DEVCO

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁵⁴.

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the limited conclusion of the Internal Auditor on the state of control, the observations of the Internal Audit Service and the lessons learnt from the reports of the European Court of Auditors for years prior to the year of this declaration.

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

However the following reservations should be noted: reservation concerning the error rate relating to direct and indirect grants, indirect management with international Organisations and Development Agencies and Programme Estimates in general, and the African Peace Facility in particular.

Brussels, 31 March 2017

Stefano MANSERVISI

(signed)

⁵⁴ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

Reservation 1

DG	DEVCO
Title of the reservation, including its scope	Reservation concerning the error rate being above 2%.
Domain	Grants in direct and indirect management, indirect management with IOs and Development Agencies and Programme Estimates.
Programme and amount affected ("scope")	All ABB activities in which the domain is used. The corresponding amount of payments is EUR 3373 million.
Reason for the reservation	Significant occurrence or errors in the underlying transactions (legality and regularity).
Materiality criterion/criteria	The materiality criterion is the RER, 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 RER is below 2% at the end of the management cycle. As long as the RER is not (yet) below 2% at the end of the reporting year a reservation should be made.
Quantification of the impact (= actual exposure")	The estimated amount at risk for the EU and EDF budgets is calculated by multiplying the most likely estimate of the overall RER (1.67%) by the risk index of the spending areas concerned and by the value of relevant expenditure made by DEVCO in these areas in 2016. The actual exposure (EU and EDF budgets combined) for 2016 is estimated at EUR 60.1 million.
Impact on the assurance	Legality and regularity of the affected transactions. The assurance is affected within the scope of the quantified budgetary impact.
Responsibility for the weakness	Units/Delegations in charge of the respective contracts for which a residual error was found.
Responsibility for the corrective action	<p>The action plan following last year's reservation includes the following elements:</p> <p>A. Actions regarding Indirect Management with IOs:</p> <ul style="list-style-type: none"> • Suspension of indirect management in case of repeated errors or breach of compliance with the rules for provision of documentation; • Adaptation of the Terms of Reference for Verification Missions to IOs other than the WB and the UN; • Raising awareness and monitoring action for the clearing of pre-financing paid to IO more than two years ago (2013 and before); • Regular meetings with IOs to ensure continued cooperation in the provision of information for DAS and RER purposes; • Creating of a focal point unit to coordinate relations with IOs at all levels. <p>B. Actions regarding Direct Management through Grants</p> <ul style="list-style-type: none"> • Revision of the Terms of Reference for expenditure verifications implemented by beneficiaries and contract services, including the application of quality assessment criteria to the reports; • Use of the audit FWC to complete insufficient expenditure verifications carried out by beneficiaries; • Requesting supporting documents of randomly selected transactions related to requests for payment, and verifying them before approving the disbursement and/or clearing of expenditure; • Simplification of procedures and contractual conditions for grants. <p>C. Actions from the previous action plans that become part of the control system:</p> <ul style="list-style-type: none"> • Annual follow-up (and, if necessary, recovery) of amounts affected by accepted errors in the RER study and the ECA Annual Report (action partially continued from the previous Action Plan); • Systematic application of contractual clauses penalising the lack of cooperation with the Commission's auditors, notably the non-provision of documents; • Active promotion of the Financial Toolkit and good practices by the UFCAs and Delegations;

<ul style="list-style-type: none"> • Full analysis of the results of the control system, in the light of the instructions of the central services, in order to provide a more risk differentiated assurance; • Systematic monitoring and reporting on corrections and compensations made on invoices and payments. <p>This action plan will be further refined, taking into account the results of the renewed risk analysis.</p> <p>Depending on the actions the responsibility for their implementation lies either with DEVCO management, the DEVCO Resources Directorate, EU Delegations or the DEVCO Finance, Contracts and Audit Units.</p>	
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Reservation 2

DG	DEVCO
Title of the reservation, including its scope	Management of the APF funds during year 2016
Domain	Indirect management with an international Organisation AUC
ABB activity and amount affected ("scope")	<p>EDF: Payments made by DEVCO in 2016 in the context of the APF in indirect management with a particular International Organisation. The corresponding amount of payments is EUR 206.2 million.</p> <p>The APF is the key EU financial instrument to support cooperation with Africa in the area of Peace and Security by financing African-led Peace Support Operations (PSOs), capacity building to implement the African Peace and Security Architecture (APSA) and initiatives under the Early Response Mechanism.</p> <p>The APF has been fundamental in helping the African organisations having a peace and security mandate to begin taking ownership of conflict resolution on the continent – both in terms of their ability to respond to crises through the deployment of PSOs (often where the UN cannot), and improving their capacity to do so.</p> <p>Based on the fact that the APF allocations under the EDF have doubled over a period of 10 years (with indications for further increases) and that the majority of these funds transit via one organisation and in line with the provisions of the 2012 Financial Regulation, DG DEVCO re-launched in 2015 an Institutional Assessment (pillar assessment) of the Implementing organisation.</p>
Reason for the reservation	<p>It concluded that three pillars (accounting, procurement and sub-delegation) out of the six assessed were not compliant.</p> <p>Subsequently the Director-General instructed his services to carry out an internal consulting report in order to provide an overview of the management and control systems put in place for the APF. The results of this report confirmed the institutional weaknesses of the implementing partner and the difficulties to adapt our procedures to complex peace and security operations.</p> <p>As part of the actions taken in order to improve the management of the APF the Director-General requested the IAS of the European Commission to conduct an audit on the financial and operational management of the implementation of the APF. The IAS carried out an audit of the APF in the last quarter of 2015 and submitted its findings and recommendations to DG DEVCO in its final report in January 2016.</p> <p>The IAS acknowledged the number of controls that have been set up to address the known weaknesses in the management and control system of the Organisation concerned, identified in the various pillar assessments, but concluded that the control system put in place by DG DEVCO for the management and operational monitoring of</p>

	<p>the APF was not sufficiently effective in protecting the legality and regularity of the EDF expenditure under the APF.</p> <p>In particular, mitigating measures at the institutional and contract levels were not sufficiently adequate and were not effectively implemented to address the weaknesses identified in the pillar assessment of the main organisation concerned, finalised in May 2015.</p> <p>Most of the IAS audit recommendations have been addressed through the APF audit Action Plan, which has been broadly implemented. In particular, renewed remedial measures have been included in all ongoing contracts. A close monitoring of the implementation of the AUC-European Commission Aide Mémoire on measures to strengthen AUC financial management is now in place through regular meetings of the Steering Committee.</p> <p>However, the last follow-up review of the implementation of the roadmap of actions stemming from the pillar assessment shows that, despite progress achieved so far, the AUC still does not appear to be ready to successfully pass a new pillar assessment. While AUC systems and procedures have been updated and upgraded, effectiveness in their implementation still requires time. This is confirmed by the outcomes of the strict monitoring of the ongoing contracts with a significant procurement component.</p> <p>Thus, while the European Commission has put in place measures to mitigate the risks identified, there is still a need for the AUC to further progress in terms of capacity and effectiveness in the implementation of the actions to reach full compliance with the international standards. Under these circumstances the reservation introduced last year is kept.</p> <p>The present reservation is based on these findings.</p>
Materiality criterion/criteria	The control system does not address adequately the identified weaknesses, having a material impact on sound financial management and legality and regularity aspects.
Quantification of the impact (= actual exposure")	<p>For the actual exposure under the APF in 2016, the amount at risk is estimated by multiplying the relevant expenditure with the upper error limit of the 2016 RER study and the specific risk index for indirect management with IOs. The respective amount at risk is estimated at EUR 10.5 million.</p> <p>The measures foreseen in the action plan will substantially limit the risks.</p>
Impact on the assurance	<p>The impact of the identified weaknesses is limited to the management of the APF and a number of programs managed by the same Organisation. These weaknesses do not call into question the functioning of the overall control system of DEVCO; internal control objective affected: 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): significant control system weaknesses confirmed by the IAS.</p>
Responsibility for the weakness	<p>The weaknesses identified in the control system put in place by DG DEVCO include:</p> <ul style="list-style-type: none"> → Although the AUC has progressed in the implementation of the roadmap put in place to comply with the required pillar assessments, the latest follow-up shows that the AUC needs to progress further in terms of capacity and effectiveness in the implementation of the measures to reach full compliance with the international standards. → The APF is financed by the EDF, which was initially created as a temporary solution, but kept on lasting longer than temporary; → Projects are implemented in highly risky environments; its partner/implementing organisations have structural institutional weaknesses; → It is an instrument subject to continuous demands from the Council of the EU and EU MS, with political requirements for action considered as imperative, which often lead to finance interventions retroactively.

Responsibility for the corrective action

DG DEVCO has set up in February 2016 a dedicated Task Force to ensure rapid and effective implementation of the IAS recommendations. The Task Force includes all relevant Commission services (DEVCO, BUDG, Legal Service, SG) and the EEAS. Its main mandate was to prepare and follow-up on the IAS recommendations via an Action Plan; to negotiate with the AUC an 'Aide-Mémoire' and related monitoring tool and to follow-up on its implementation; and to engage in a dialogue with the AUC to guarantee a more efficient cooperation. Both the 'Aide-Mémoire' and the Action Plan were approved in April 2016. In parallel, the Task Force undertook an in-depth review of new projects and programmes in order to integrate appropriate remedial/mitigation measures in the decisions and contractual documents.

DG DEVCO reported to the IAS in January 2017 on the progress made in the implementation of the Action Plan. The main actions implemented include:

1. Institutional assessment and monitoring by DEVCO of the partnership with the concerned Organisation. This entailed in particular an assessment of progress made by the AUC with regards to the implementation of the pillar assessment roadmap, as well as the regular monitoring by the task force of the AUC's compliance with the commitments undertaken in the 'Aide-Mémoire'.
2. Design and effectiveness of the remedial/mitigating measures at contract level. All contracts with the AUC include a set of remedial measures, which were submitted to the task force for prior approval.
3. Governance and coordination between DEVCO, EU Delegations and the EEAS. A new inter-services arrangement was signed between DG DEVCO and the EEAS clarifying the respective responsibilities related to the APF.
4. Reporting on the APF and management representations. A list of appropriate reporting arrangements has been defined, including types of reports to be issued, content, frequency and responsible unit. A report for 2016 has been submitted to the Commissioner and the College on the APF's main operational highlights and financial management issues.
5. Payments to Troop Contributing Countries (TCCs): the 2014-2016 APF Action Programme was amended in order to align payments to TTCs based on a lump sum approach.
6. Retroactivity of financing. The implementation of retroactivity principles in projects managed by the AUC was clarified through the adoption of standard provisions annexed to the 'Aide Mémoire'.

A new pillar assessment of the AUC is expected to take place in the second half of 2017. Its results will be duly analysed and further measures will be taken as appropriate. The overall effort to improve the management and governance of the APF has significantly increased, most importantly as follows:

- Recruitment of seven new contractual agents in headquarters in the Operations and the Finances and Contracts Units;
- Recruitment of two new contractual agents in the Delegation to the African Union in the Operations and the Finances and Contracts sections;
- Hiring external consultancy services for the follow-up of the implementation of the Aide Mémoire by the AUC.

2.2 Other organisational management dimensions

This section contains the reporting on the key achievements achieved by the DG DEVCO under the "Organisational Management" objectives, indicators and expected outputs presented in the SP 2016-2020 and MP 2016. These achievements are grouped around the fields of Human Resources, Better regulation principles, information management aspects and external communication activities.

A complete reporting on all outputs identified in the 2016 MP and on all objectives and indicators set up in the SP is presented in tables in Annex 2.

This section also contains the examples of economy and efficiency mentioned in the 2016 MP of the DG.

2.2.1 Human resource management

The **Rotation exercise for officials** as well as the **Mobility for contractual agents in Delegations were successfully managed**. During 2016 the Commission Decision on the Mobility of contractual agents was revised and streamlined.

Other main achievements of the year:

- DEVCO has implemented the simplification of the organisation for Delegations by merging the previous operations sections into one single Cooperation section.
- In this context, DG DEVCO has continued to improve processes linked to the Rotation exercise to make it more efficient and transparent with the help of the new IT-tool that automatically launches this exercise and manages the applications and selection processes.
- Concerning the annual mobility of Contractual Agents serving in Delegation, a new Commission Decision was adopted in August 2016 (C(2016)5378 final). After the completion of two successful compulsory mobility exercises in 2015 and 2016, a third one was launched in October 2016 on the basis of the revised decision. The 2016 mobility exercise resulted in the transfer of 108 contract agents.
- In the context of the new mobility exercise for Middle Management organised by DG HR, six Heads of Units were concerned in DEVCO, five have left the DG and one has decided to do an opt-out. Five new Heads of Unit have joined the DG in this context.
- DG DEVCO has been working on the implementation of the new HR modernisation project. On 16 February 2017, DG DEVCO will participate to the 2nd pilot phase.

Following the 2014 Staff Survey, a **Staff Engagement Task Force (SETF)** has been set up to work on an action plan. As a result, a long-term DEVCO Action Plan was adopted by Management and communicated to staff in September 2016, expected to have an impact in medium to long-term. It includes almost 60 actions presented in 3 chapters:

- Well-being, workload & work-life balance;
- Career – performance & career progression, mobility & own career management;
- Management – Senior & Middle Management. DEVCO Task Force met for the last time in December 2016 in order to identify priority areas of work with a view to adapting DEVCO's Action Plan with regards to the results of 2016 Staff Survey.

2.2.2 Information management aspects

The progress in the use of electronic signature in ARES and the gradual elimination of parallel paper signatories has contributed to speeding-up processes, enhance security (as supported by EU login) and improve the efficiency of workflow circuits. Since the generalisation of the use of the ARES e-signatory on 2015 in DEVCO, a significant progress has been achieved (elimination of parallel paper circulation by 50% in 2015 and by 58% in 2016).

The consolidation and further advancement of electronic circuits and the reduction of paper circulation to the strictly legally necessary requires a firm commitment of all actors and notably the support of top and middle management.

A higher filing rate in Ares and the progressive opening of files between HQ and Delegations and between DEVCO and other Commission departments enhances the sharing and reuse of the information inside DEVCO and with other DG and contributes to the alignment of DEVCO with the new Commission strategy on Data, Information and Knowledge Management. The target for the indicator measuring the percentage of files shared with other DGs was set at the level of "between 5 and 10%", which in 2016 DEVCO achieved and exceeded: 20%.

The integration of DEVCO IT systems into the Commission common repository and the elimination of local storage of documents ensure compliance of DEVCO with this aspect of the IT Rationalisation strategy of the Commission. So far, PROSPECT and PADOR have already been integrated and the AUDIT module is currently in the same process. The integration of OPSYS, along the development of its modules, is an important piece of the priorities for 2017 -and beyond- in this particular domain.

2.2.3 External communication activities

Following the intensity of the campaign for the European Year of Development (EYD) in 2015, a year in which the Union underlined its credentials as a global development player with its decisive contribution to the conferences on development financing (Addis Ababa), the 2030 Agenda for Sustainable Development (New York) and climate change (COP 21, Paris), 2016 was a year of transition and consolidation, in which the recognized professionalism of our press service, the global impact of the European Development Days (EDDs) event ("the Davos of Development"), and the burgeoning success of our increasingly lively web and social media coverage were melded into a strategic approach inspired by the innovations of the EYD campaign, with the objective of building a professional communication culture in DEVCO.

Legacy of the European Year for Development 2015

Under the EYD motto "Our world, our dignity, our future", the campaign of the previous year was taken forward in 2016 with a number of further actions to inform, involve and raise the awareness of EU citizens, especially young people, about the development policies, programmes and achievements of the EU and its MS as the world's largest donor.

The co-ownership theme successfully used throughout the EYD campaign saw key development partners continue to run their own activities in 2016 using shared resources to reach ordinary citizens on an unprecedented scale. In particular, some 20 MS participated in the first ever "World's Best News Day", running their own campaigns in their own languages but using identical content and visuals across Europe.

On the basis of an independent external evaluation completed in the first half of the year, the Commission adopted its final report and a related SWD on EYD2015 on 1st December 2016.

The draft Council conclusions in circulation at the turn of the year echoed the Joint Declaration issued by the Parliament, the Council and the Commission at the formal closing ceremony of the campaign in acknowledging EYD's achievement in bringing development cooperation closer to European citizens, and calling on all concerned to build on the networks and partnerships and techniques developed during the campaign to continue to reach out to young Europeans in particular on the SDGs and other development issues.

At the end of 2016, anticipating the Council conclusions on EYD, the network of MS and other development partners established during EYD2015 was in the process of recalibrating itself as a European SDG network.

EDD and other events

EDD

The EDDs continue to go from strength to strength.

The 10th anniversary edition was held on 15-16 June at Tour & Taxis in Brussels, under the headline theme: "The SDGs in Action: Our World, our Dignity, our Future." Dubbed "the Davos of Development" by President Juncker, this year's flagship event attracted a total of 6,370 participants, with VVIPs including the UN Secretary General, the President of the WB, seven Heads of State/Government, the Queen of the Belgians and eleven Commissioners.

The programme was ambitious and intense, with a great variety of top quality speakers, stakeholders and moderators ensuring consistently lively and constructive debates, brainstorming sessions and presentations.

These were complemented by special events such as the Resilience Forum, the EU-Africa Business Forum follow-up workshop, and high-level consultative fora organised by DG DEVCO around the themes of the new ACP-EU partnership (Post-Cotonou) and the new European Consensus on Development. For the first time the EDDs also included a full cultural programme, with paintings, photography, music and dance from around the world representing and inspired by the pressing global issues of the day.

In its second year, the 64 stands of the EDD2016 Global Village provided a platform for some 191 NGOs, research centres and governmental institutions (a 45% increase on 2015) to showcase joint initiatives and studies, while the event's growing appeal to young people was highlighted by the Young Leaders Programme, a Youth Agenda (debates, youth projects and activities led by young people), and a platform promoting creative ways to put messages across and address issues affecting young people through performances, games and exhibitions.

The event was attended by over 230 journalists from a wide range of media, an increase of 19% on the previous year, resulting in excellent worldwide coverage through 74 interviews, 25 TV shows, 18 radio shows and 20 media partnerships. Social media figures were equally encouraging, with Twitter analytics showing increased potential reach (up 47%), potential impact (343%), number of tweets (65%) number of followers (250%) and engagement (204%). Facebook and Instagram followers increased by 87% and 560% respectively.

The results of the general satisfaction survey conducted amongst EDD 2016 participants were very positive: 94.5% of respondents rated the EDD as excellent or good (up 9.5% on 2015), 93.4 % said they would use information learned at the event, and 81.1% that they would return.

Other events

Together with UNDP and in cooperation with leading universities, ten Kapuscinski Development Lectures (KDL) were organised in EU MS, New York (during the UNGA) and in Pretoria (as part of a major education conference). The lectures attracted around 1,000 participants, plus 6,000 following online via webstreaming.

Publications

The Annual Report on the implementation of the EU's external actions in 2015 was for the first time prepared in collaboration with DG NEAR, DG ECHO, FPI and the EEAS on the basis of the EU International Cooperation and Development Results Framework. Owing to the added complexities of coordinating the report with four other services, the exercise took longer than usual; remedial measures have been taken with the other services concerned to expedite the process for the next exercise more efficiently. The Annual Report was adopted by the Commission in December 2016.

The hard cover publication "Development is about people – 2015 was a year to tell their stories" was published in 23 EU languages and was widely distributed through Commission representations in the MS and EU Delegations.

Web and social media

In 2016 web and social media tools built on the successes of the European year for Development and its legacy, in particular storytelling, co-curation of accounts, and a greater focus on young people and partnerships. This allowed us to meet and even exceed targets in terms of both reach and engagement throughout the year.

The EuropeAid website continued to attract users, primarily from the global development community. As we moved to the corporate analytics tool Piwik in June 2016, we do not have complete statistics for the whole year and can therefore not compare with 2015, as the two systems differ in their way of collating data. Notable advances on the site include the creation of the EU Colombia Trust Fund and EU Africa Trust Fund section, the latter including Northern Africa managed by DG NEAR, and featuring a much appreciated interactive map of projects.

In 2016 DEVCO management approved a new social media strategy for 2016-2017 which led to the launch of several successful digital campaigns, including #WomenInDev and #GirlsVoices, both highlighting the positive contribution of women and girls to development. The #EUDevConsensus and #ACPNewPartnership campaign launched in November attracted the most attention, with over 1 million people reached, over 70,000 mentions of the hashtags and a news release which was viewed over 2,000 times at the time of the launch.

Interest in our social media channels grew significantly in terms of both followers and engagement. Instagram was by far the fastest growing channel (221%), followed by Facebook (99%) and Twitter (90%). Engagement was by far highest on Facebook, with Instagram second and Twitter last, confirming the rise of Instagram as the social media channel to watch for us.

Structured analytics reports on social media, published for the first time in 2016, were widely disseminated, both on a regular basis (weekly and quarterly) and ad hoc for digital campaigns.

2.2.4 Examples of economy and efficiency mentioned in the 2016 MP of the DG

A. Setting up of the EU TF AFRICA

DEVCO made an important and concrete contribution to deliver under the EU's commitment to address irregular migration. This Trust Fund was set-up at a record speed, showing once more the EU's commitment to swiftly reply to the large challenges we are facing in the region. With the establishment of the EUTF for Africa at the Valletta Summit, the EU made available a total of EUR 1.8 billion. By the signature of the Constitutive Agreement, 25 EU Member States, as well as Norway and Switzerland joined

the EUTF for Africa committing a total of approximately EUR 81 million. The fund supports some of the most vulnerable and fragile countries across Africa (in 3 regions: Sahel and Lake Chad, Horn of Africa and North Africa, as well as in neighbouring countries), reinforcing the EU's ongoing, significant development cooperation in the continent.

In just a year, a total of 106 projects worth EUR 1,589 million have been approved by the EU Trust Fund for Africa established in November 2015 under the Sahel/Lake Chad, Horn of Africa and North of Africa regions.

Out of this amount, EUR 485 million have been allocated to programmes targeting greater economic and employment opportunities, in particular through inclusive economic programmes creating employment, especially for young people and women in local communities, with a focus on vocational training and creation of micro- and small enterprises. Some interventions will support sustainable reintegration efforts to migrants after their return to their countries of origin.

Due to its flexibility, the EU TF has succeeded in substantively reducing (from 12-18 months to 3-4 months) the length of the process leading to the approval of an action (from identification to adoption). Through its flexibility and speed, this instrument proved to be extremely valuable in complementarity to the pre-existing instruments, in particular in the context of the Valetta Process and the new migration partnership framework.

B. Rationalisation CRIS-ABAC

Following the Commission's communication, "Getting the best from IT in the Commission" end of 2011, DG DEVCO is currently pursuing actions to phase out the local system CRIS to the benefit of using a corporate solution.

In this context the DGs in the external action family adopted the strategy that will pursue the gradual phasing out of CRIS and the development of a new operational system for the recording of operational data.

As a result, and in the long run, DEVCO's core business processes should be supported with two main systems: the corporate system ABAC for the recording of financial data and the future DEVCO's operational system for the recording of operational data (OPSYS).

In the framework of the rationalisation of the IT systems, the migration of financial modules (payments, forecasts of revenues and recovery orders) from CRIS to ABAC was successfully implemented on 18/04/2016. This allowed substantial savings⁵⁵ for DEVCO in term of maintenance, training and support and should improve the quality of financial reporting by preventing inconsistencies between CRIS and ABAC.

This section covers also the Better regulation component which is reported upon in Annex 2.

⁵⁵ Return on investment is estimated at six years after go live (2016). Savings were evaluated at EUR 891,000 year.