



2018

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 2018. DG DEVCO is working on different continents and regions, including Africa, Asia, Latin America and the Caribbean, and areas of business ranging from biodiversity to climate change, development finance to human development. This report looks at the main steps taken by DG DEVCO to fulfil its commitments, to achieve the objectives set in its Strategic Plan 2016-2020 and its Management Plan 2018 and to provide assurance on the use of resources provided for the completion of its mission.

2018 was a key year to deliver what we promised and of outmost importance for European citizens and partner countries alike. The following files can notably be highlighted:

- The political negotiations for a **renewed Partnership Agreement with Africa, the Caribbean and the Pacific** were launched in September by the EU chief negotiator, Commissioner Mimica. Many challenges have arisen since the signature of the Cotonou Partnership Agreement in 2000. The new Agreement provides the chance to reshape our political, development and economic relations and improve our cooperation to tackle global challenges together.
- In June, the Commission adopted the proposal for the **new Neighbourhood, Development and International Cooperation Instrument**. This instrument would increase the effectiveness and visibility of the EU's external policies, strengthen coordination with internal policies and give the EU the flexibility for a faster response to new crises and challenges. It would also represent a significant increase in the level of transparency and accountability deriving from the inclusion of the European Development Fund in the EU budget.
- "What happens in Africa matters for Europe, and what happens in Europe matters for Africa". Those were President Juncker's words announcing the **flagship initiative Africa-Europe Alliance for Sustainable Investment and Jobs**, during the State of the Union in September. The Alliance reiterates the intention of the EU to look at Africa as one of its privileged global partners and aims at continuing the considerable progress achieved through innovative financial instruments, investments in youth and education, and enhanced stability and governance. Concrete progress was also achieved in rolling out the EU External Investment Plan, with the first guarantee (the NASIRA Risk-sharing Facility) signed in December.
- **Gender equality and women empowerment** is a key driver of international cooperation and development, as acknowledged in the new European Consensus for Development and put into practice through a number of initiatives. Concrete progress was achieved through the new Gender Action Plan and in the context of the Spotlight Initiative to eliminate violence against women and girls.
- Finally, we are also keen to ensure that our collaboration with other international organisations and Member States development agencies continues smoothly. Signing specific **Financial and Administrative Framework Agreements** provide a stable contractual environment for the implementation of EU-funded actions. Following the entry into force of the 2018 Financial Regulations, these framework agreements needed to be revised to comply with the new rules. The revised framework agreement with the United Nations was for example successfully concluded at the end of 2018.

While setting our ambitions high we recognise that an efficient and effective implementation needs continued attention. This Report provides further evidence of the results achieved on key EU policies and EU role in achieving Sustainable Development Goals.

Brussels, 1 April 2019

Stefano Manservigi

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GLOSSARY

AAAA = Addis Ababa Action Agenda
AAR = Annual Activity Report
ACP = Africa, Caribbean and Pacific group of states
AECID = Spanish Agency for International Development Cooperation
AER = Average Error Rate
AFD = Agence Française de Développement
AFS = Anti-fraud strategy
AFT = Aid for Trade
AMC = Account Management Centre
AMISOM = African Mission in Somalia
AOSD = Authorising Officer by Sub-Delegation
APF = African Peace Facility
APSA = African Peace and Security Architecture
AREI = Africa Renewable Energy Initiative
ARISE = ASEAN Regional Integration Support from the EU
ASEAN = Association of South East Asian Nations
AU = African Union
AUC = African Union Commission
BC = Beneficiary Country
BL = Budget line
BMM = Better Migration Management
BS = Budget Support
BSSC = Budget Support Steering Committee
CAR = Central African Republic
CARIFORUM = Caribbean Forum of the ACP States
CBRN = Chemical, Biological, Radiological and Nuclear
CBSD = Capacity Building on Security and Development
CDP = Cassa depositi e prestiti
CELAC = Community of Latin American and Caribbean States
CEPA = Comprehensive Economic Partnership Agreement
CFSP = Common Foreign and Security Policy
CIR = Common Implementing Regulation
COFIDES = Spanish Development Finance Institution
CSO = Civil Society Organisations
DAS = Declaration of Assurance
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
DPC = Data Protection Coordinator
DPO = Data Protection Officer
DRR = Disaster Risk Reduction
EAMR = External Aid Management Reports
ECA = European Court of Auditors
ECOWAS = Economic Community of West African States
EDF = European Development Fund
EDFI = European Development Financing Institution
EEAS = European External Action Service
EFSD = European Fund for Sustainable Development
EIB = European Investment Bank
EIDHR = European Instruments for Democracy and Human Rights
EIF = European Investment Fund
EIP = External Investment Plan
ElectriFI = Electrification Financing Initiative

ENI = European Neighbourhood Instrument
EPA(s) = Economic Partnership Agreement(s)
ERM = Early Response Mechanism
EU = European Union
EUTF = European Union Trust Fund
FA = Financing Agreement
FACA = Central African Armed Forces
FARC = Revolutionary Armed Forces of Colombia
FLEGT = Forest Law Enforcement Governance and Trade
FMO = Dutch Development Bank
FR = Financial Regulation
FTA = Free Trade Agreement
GAP = Gender Action Plan
GCCA+ = Global Climate Change Alliance
GNI = Gross National Income
GO = General Objective
GPGC = Global Public Goods and Challenges
GSP = General System of Preference
GWh = Gigawatt hour
HR = Human Resources
IAC(s) = Internal Audit Capability
IAS = Internal Audit Service
ICS = Internal Control Standard
IcSP = Instrument contributing to Stability and Peace
IDP = Internally displaced person
IFI(s) = International Financial Institution(s)
IM = Indirect Management
IMBC = Indirect Management with Beneficiary Countries
INSC = Instrument for Nuclear Safety Cooperation
IO(s) = International Organisation
IOM = International Organisation for Migration
IPA = Instrument for Pre-accession Assistance
IT = Information Technology
JVAP = Joint Valletta Action Plan
KfW = Kreditanstalt für Wiederaufbau
KPI(s) = Key Performance Indicator
LDCs = Least Developed Countries
ME = Managing Entity (ies)
MFF = Multiannual Financial Framework
MP = Management Plan
MS = Member States
MSME = Micro, small and medium enterprises
MTR = Mid-Term Review
MW = Megawatt
NDCs = Nationally Determined Contributions
NDICI = Neighbourhood, Development and International Cooperation Instrument
NEIP = National EPA Implementation Plans
NGOs = Non-Governmental Organisations
OCTs = Overseas Countries and Territories
ODA = Official Development Assistance
OECD = Organisation for Economic Co-operation and Development
PA = Pillar Assessment
PE = Programme Estimates
PFM = Public Finance Management
PI = Partnership Instrument
PRAG = Practical guide to contractual procedures for EU external actions
PSOs = Peace Support Operations
P/CVE = Prevent/Counter Violent Extremism
RCS = Relevant Control System
RER = Residual Error Rate

ROM = Result-oriented Monitoring
SADC = Southern Africa Development Community
SCP = Sustainable consumption and production
SDAO = Sub-Delegated Authorising Officer
SDG(s) = Sustainable Development Goals
SIDS = Small Island Developing States
SME(s) = Small and Medium Enterprise(s)
SNA = Somali National Army
SO = Specific Objective
SP = Strategic Plan
SPS = Sanitary and Phyto-Sanitary measures
SWD = Staff Working Document
TBT = technical barriers to trade
TCCs = Troop Contributing Countries
TF = Trust Fund
TFA = Trade Facilitation
TFEU = Treaty on the Functioning of the European Union
ToR = Terms of Reference
UN = United Nations
UNHCR = United Nations High Commissioner for Refugees
USAID = United States Agency for International Development
VCA4D = Value Chain Analysis for Development
VET = Vocational Education and Training
VI = Very Important
VPA = Voluntary Partnership Agreements
WB = World Bank
WTO = World Trade Organization

THE DIRECTORATE GENERAL IN BRIEF

The mission statement

Within the European Commission, the Directorate-General for International Cooperation and Development (DG DEVCO) is in charge of development policy in a wider framework of international cooperation, adapting to the evolving needs of partner countries. DG DEVCO plays a leading role in implementing the 2030 Agenda of the United Nations and its Sustainable Development Goals (SDGs) in EU international cooperation and development policy, and coordinates actions to implement the 2017 European Consensus on Development. This encompasses two main strands of work, first in terms of policy setting, second in terms of implementation and financial management.

DG DEVCO ensures cooperation with partner countries at different stages of development to cover the specific needs of these countries, including during the transition periods between low-income countries and upper middle-income countries.

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

DG DEVCO is responsible for formulating the EU development cooperation policy and sectoral policies in order to reduce poverty in the world, to ensure sustainable economic, social and environmental development and to promote and support peace and security, democracy, the rule of law, good governance and the respect of human rights, notably through external cooperation. 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 leads the Multiannual Financial Framework (MFF) exercise in the field of external action, coordinating other External Relations services. It is responsible, together with the EEAS for the multiannual programming of the external financing instruments. This is increasingly done jointly with Member States' programming of their bilateral assistance.

DG DEVCO is in charge of implementing the EU's external financing instruments¹ financed by the general budget of the EU and the European Development Fund (EDF). In this context, DG DEVCO ensures the high quality and impact of aid, the swift implementation of projects and programmes and the visibility.

The role of DG DEVCO

DG DEVCO is responsible for designing and implementing European international cooperation and development. Within the European Commission, DG DEVCO promotes coherence between the EU's development cooperation policy and its other internal and external policies.

DG DEVCO conducts dialogues on development with non-European Union 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.

¹ The Development Cooperation Instrument (DCI), the European Instrument for Democracy and Human Rights Worldwide (EIDHR), the Instrument contributing to Stability and Peace (IcSP) long term objectives and the Instrument for Nuclear Safety Cooperation (INSC), but excluding humanitarian aid, the European Neighbourhood Instrument (ENI), the Instrument for Pre-accession Assistance (IPA), the Partnership Instrument (PI), macro-financial assistance, Common Foreign and Security Policy (CFSP) and the IcSP short term objectives.

DG DEVCO seeks to target funds to countries most in need. This is in support of the EU and its Member States' commitment to provide 0.15%-0.20% of Gross National Income (GNI) as Official Development Assistance (ODA) to Least Developed Countries (LDCs) in the timeframe of the 2030 Agenda. 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 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 strategy in order to raise awareness among EU citizens and partner countries regarding EU actions to support sustainable development and progress toward the SDGs.

DG DEVCO finds itself working 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 chiefly in Articles 208 to 210 of the Treaty on the Functioning of the European Union (TFEU). Its primary objective is to reduce and, in the long term, eradicate poverty in developing countries. It is hoped that the long-standing objective of eradicating extreme poverty may to a large extent be fulfilled in the coming decade - the extent to which this happens will depend partly on the implementation of the UN 2030 Agenda and its SDGs. In today's world, developing countries are at very different stages of development. Many of them are still dependent on development assistance while others have become emerging countries with which the EU needs to develop innovative forms of engagement.

DG DEVCO can represent the Commission/EU in certain circumstances on the international stage, in bilateral settings and multilateral fora like the UN. It has been in charge of the management of over EUR 9 billion in commitments for the year 2018, providing assistance to around 130 countries on five continents. The EU and its Member States 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:

- Development Cooperation Instrument (DCI)³,
- European Development Fund (EDF),
- European Instrument for Democracy and Human Rights (EIDHR)⁴,
- Instrument contributing to Security and Peace (long term objectives) (IcSP)⁵,
- Instrument for Nuclear Safety Cooperation (INSC)⁶,
- EU-Greenland cooperation instrument.⁷

² 20/7/2016 (ref. SWD(2016) 255)

³ COM(2016)300- June 2016: http://ec.europa.eu/budget/library/biblio/documents/2017/DB2017_WD01_en.pdf -page 367

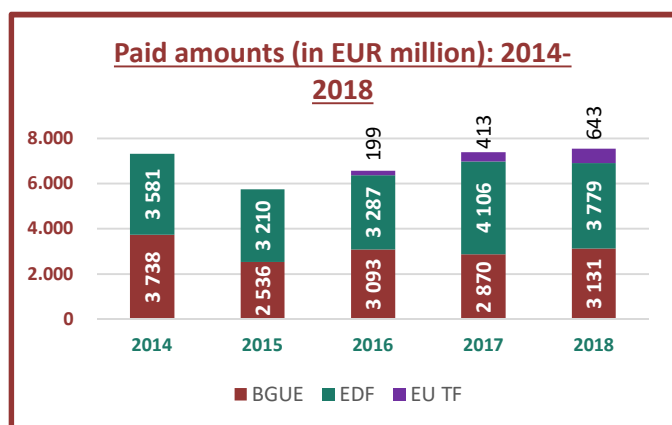
⁴ COM(2016)300-June 2016: http://ec.europa.eu/budget/library/biblio/documents/2017/DB2017_WD01_en.pdf -page 394

⁵ COM(2016)300-June2016: http://ec.europa.eu/budget/library/biblio/documents/2017/DB2017_WD01_en.pdf -page 404

⁶ COM(2016)300-June 2016: http://ec.europa.eu/budget/library/biblio/documents/2017/DB2017_WD01_en.pdf -page 428

⁷ COM(2016)300- June 2016: http://ec.europa.eu/budget/library/biblio/documents/2017/DB2017_WD01_en.pdf

The evolution of the volume of payments funded by the General Budget of the Union, the European Development Fund (EDF) and the Trust Funds of the European Union (EUTF) is presented below.



In 2018, a total amount of EUR 7 552.64 million was paid by DG DEVCO on behalf of the EU: Budget: EUR 3 130.77 million⁸, EDF: EUR 3 779.11 million⁹ and EUTFs Békou, Africa and Colombia: EUR 642.76 million¹⁰.

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 are 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 security¹¹.

The legal bases for the current funding instruments¹² for aid delivery were negotiated between 2011 and 2013 and are applicable until 2020. The 11th EDF finances cooperation with African, Caribbean and Pacific (ACP) countries under the Cotonou Agreement, and also with Member States' Overseas Countries and Territories (OCTs). It is an intergovernmental fund managed outside the budget and it accounts for about 65% 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 Development Cooperation Instrument (DCI) encompasses geographic assistance for Asia and Latin America and a Pan-African programme. 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.

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⁸ Reconciliation of the amount of EUR 3 130.77 million paid by the General Budget in 2018 with the amount of EUR 3 305.38 million presented in annex 3A: EUR 3 130.77 million + EUR 92.17 million (contribution to EU TF) + EUR 82.44 million (contribution for support expenditure from EDF or EUTF paid under budget lines 21.010407, 21.010408 and 22 01 04 03) = EUR 3 305.38 million.

⁹ Reconciliation of the amount of EUR 3 779.11 million paid by EDF with the amount of EUR 4 069.21 million presented on table 2.1 of the annex 3B: EUR 3 779.11 million + EUR 345 million (contribution to EU TF) – EUR 54.90 million (Recovery Orders) = EUR 4 069.21 million

¹⁰ EUTF Békou: EUR 57.72 million, EUTF Africa: EUR 565.12 million, EUTF Colombia: EUR 19.92 million.

¹¹ Treaty on the European Union (Art. 21 on external action) and Treaty on the Functioning of the European Union (Arts. 208-211 on development)

¹² DCI, EUR 19 661.64 million; the EDF EUR 30 506 million; EIDHR EUR 1 332 million; IcSP EUR 622 million (long term objectives only); INSC EUR 225.32 million; the Greenland Decision EUR 217.8 million and Common Implementing Regulation (CIR).

o Ways of delivering EU assistance

DG DEVCO has continued to encourage innovative modalities in order to leverage investment and ensure high level impact such as blending grants with loans or equity from public and private financiers or using EUTFs on top of traditional aid deliveries like project implementation, budget support, delegation agreements with international institutions and cooperation with Member States and Civil Society Organisations (CSOs). 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 collective 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. The Trust Fund managers also provide assurance via their AOSD reports to the respective Directors.

All AOSDs substantiate their statements of assurance in their annual reports taking into account the results achieved for 25 DG DEVCO Key Performance Indicators (KPIs) grouped in three categories: sound financial management, effectiveness of the internal control systems and effectiveness of the audit system.

EXECUTIVE SUMMARY

The Annual Activity Report (AAR) for 2018 is a management report from the Director-General of DG DEVCO to the College of Commissioners. AARs are the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties¹³.

a) Key results and progress on achieving the DG's general and specific objectives

Poverty, inequality, climate change, fragility, migration, and security remain burning issues, at a time when the international landscape is shifting away from multilateralism and back towards the politics of power. The EU is a staunch defender of multilateralism and promotes a rules-based global order as the only viable response to such complex and interrelated challenges, and to the downsides of globalisation. In 2018, it continued to play a **leadership role** in implementing the international policy response set by the **2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda on financing for development** and the **Paris Agreement on Climate Change**.

DG DEVCO plays a **key role** in pursuing the **EU's objective of eradicating poverty and promoting sustainable development** in developing countries (in particularly least developed countries). In 2018, it continued to support the **European implementation of the 2030 Agenda** globally and with partner countries, the **Global Strategy for the EU's Foreign and Security Policy** and the new **European Consensus on Development**¹⁴.

The Consensus addresses the United Nations' sustainable development goals (SDGs) in a comprehensive way, based on the focus areas ("five Ps") of the 2030 Agenda.

"Five Ps" of the 2030 Agenda



PEOPLE



PROSPERITY



PLANET



PEACE



PARTNERSHIP

In 2018, DG DEVCO continued to:

- promote an European approach on the ground with Member States, through joint programming and implementation, in line with the commitment in the Consensus of **working better together** on the 2030 Agenda; and
- help to strengthen the EU's and Member States' **collective voice and global influence**, in particular through:
 - unified positions on development matters in international fora; and
 - the renewed Partnership in Development between the EU and the UN (announced in September 2018).

DG DEVCO made progress on **integrating the SDGs** into its approaches, instruments and tools in particular as regards:

- proposals for new instruments e.g. the Neighbourhood, Development and International Cooperation Instrument (NDICI);

¹³ Article 17(1) of the Treaty on European Union.

¹⁴ The Consensus is a policy framework for the EU's and Member States' common approach to development (see *Official Journal* OJ C 210, 30.6.2017, p. 1).

- reporting, e.g. under the new EU International Cooperation and Development Results Framework;
- key documents, e.g. its management plan and work programme;
- quality assurance systems;
- its general communication activity.

DG DEVCO contributes to the following general objectives of the Commission:

GENERAL OBJECTIVE 1	GENERAL OBJECTIVE 2	GENERAL OBJECTIVE 3	GENERAL OBJECTIVE 4
The EU as a stronger global actor	Towards a new policy on migration	A new boost for jobs, growth and investment	A resilient energy union with forward looking climate change policy

2018 Performance stories



Performance story 1. Focus on PEOPLE

Addressing the root causes of irregular migration and forced displacement

Contributing to:

GENERAL OBJECTIVE 1	GENERAL OBJECTIVE 2
The EU as a stronger global actor	Towards a new policy on migration

DG DEVCO ensured that EU development policy contributes fully to the implementation of the **Partnership Framework under the European Agenda on Migration¹⁵** and the **Joint Valletta Action Plan¹⁶**, through relevant programmes and policy dialogues at various levels. Concrete progress was made through closer partnership with developing countries and other stakeholders, including Member States, other donors, international organisations, civil society and the private sector.

¹⁵ COM(2015)240 final

¹⁶ https://www.consilium.europa.eu/media/21839/action_plan_en.pdf

EU Trust Fund Africa

In 2018, DG DEVCO was able to **mobilise substantial funding**, in particular through the **EU Trust Fund for Africa (EUTF)**, to address migration and forced displacement management, and to boost socio-economic development, contributing inter alia to the creation of new, decent jobs in many African partner countries.

“ As of 31 December 2018, 187 projects worth EUR 3 589.9 million had been approved under the EUTF, in the **Sahel & Lake Chad, Horn of Africa and the North of Africa** regions. ”

Vocational education and training (VET) toolbox

Notable achievements in 2018, particularly with a focus on youth employability, include the launch of the **vocational education and training (VET) toolbox**, which provides advisory services to strengthen the links between VET system and industry in partner countries, thus contributing to SDGs 4 and 8.

This is an example of the **more comprehensive approach to employment** advocated in the Communication on a new Africa-Europe Alliance for Sustainable Investment and Jobs¹⁷, as announced by President Juncker in September 2018.

EU-IOM Joint Initiative

The Joint Initiative between the EU and the International Organisation for Migration (IOM) provided a **response framework for refugees** in the Horn of Africa.

From May 2017 to November 2018, the Joint Initiative supported the voluntary return of over

42 600 migrants.

In the countries of origin, assistance was provided to over **58 100 migrants** upon arrival.

12 000 migrants

were helped by search and rescue operations in the desert in Niger, and brought back to safety in protection centres.

Better Migration Management (BMM) programme

This programme has helped improve the capacities and organisational structures of over 85 government and civil society institutions to:

- manage migration;
- address human trafficking and smuggling;
- protect vulnerable migrants across the Horn of Africa.

So far, the program has also assisted 10 184 vulnerable migrants, including 2 124 children.

¹⁷ Communication from the Commission to the European Parliament, the European Council and the Council: Communication on *A new Africa-Europe alliance for sustainable investment and jobs: taking our partnership for investment and jobs to the next level* (COM/2018/643 final).

Support for Afghan refugees

Afghanistan and the surrounding region currently have the **second largest forcibly displaced population** in the world (an estimated 2.7 million registered refugees and 2 million internally displaced Afghans, representing up to 15% of the global refugee population).

EU support addressing the key challenges relating to migration and forced displacement in Afghanistan (around EUR 230 million) is part of a comprehensive regional response. The estimated number of final beneficiaries, including members of host communities, is almost 500 000 people.

In 2018, over
66 000 people
benefited from the EU
support:



- 33 000** returnees, IDPs and community members;
- 23 000** children received psychosocial support services;
- 1 334** unaccompanied minors benefited from family tracing and re-unification services;
- 5 897** returnees received post-arrival reception assistance
- 2 509** people received vocational trainings;
- Over **400** farmers, artisans and producers were linked to SMEs and social enterprises; and
- 70** staff at the Ministry of Labour and Social Affairs underwent training and capacity building.

Venezuela Compact

The Venezuela Compact was launched in 2018 to respond to the urgent needs of people in Venezuela, Venezuelan migrants and refugees, and their host communities in neighbouring countries.

A **regional migration project** to support local governance in host countries was prepared and about 80% of the total funding (EUR 6 million) had been contracted by the end of the year, of which 78 % in ongoing projects. This innovative project will support four cities particularly affected by an influx of migrants, by facilitating their socio-economic integration in Colombia, Ecuador and Peru.

External Investment Plan (EIP)

The Commission signed the first guarantee agreement under the External Investment Plan (EIP) in December 2018, for the NASIRA Risk-Sharing Facility.

NASIRA Risk-Sharing Facility

An EU guarantee of up to EUR 75 million is expected to generate a total investment of up to:

EUR 1 billion

to create up to

800 000 jobs

and benefit IDPs, refugees, returnees, women and young people in sub-Saharan Africa and the EU neighbourhood

SME Access to Finance Initiative

Another EIP guarantee of up to:

EUR 20 million

has been allocated to the EIB for its SME Access to Finance Initiative, under which 10 000 businesses should receive long-term funding on improved terms and conditions. It is estimated that the beneficiary companies employ approximately

150 000 full time staff

who will benefit directly from more sustainable operations.

EU International Cooperation and Development Results Framework - key facts¹⁸

EU- funded interventions¹⁹ contributed inter alia to the following selected results:



Approximately 1.3 million migrants, forcibly displaced people, or individuals protected or assisted from host communities with EU support

31 migration management or forced displacement strategies or policies a) developed/ revised, or b) under implementation with EU support.

24 migration management or forced displacement strategies or policies under implementation with EU support

Challenges in 2018

- EU actions in relation to forced displacement and irregular migration are often implemented in instable and fragile country and regional contexts. Any negative impact on project implementation was mitigated through the selection of experienced implementing partners, careful design of the action and constant dialogue and coordination with local stakeholders.
- Due to the political sensitivity and complexity of migration related issues, continued commitment and engagement of partner governments needs to be ensured. This has been done through political dialogue, information sharing and outreach activities from the preparation stage throughout the implementation stage.
- Misperceptions about migration and refugee movements at all levels is a continuous challenge, which can have impacts on project implementation. This is counteracted through increased efforts on awareness raising and sharing of facts and evidence related to migration and forced displacement.

¹⁸ Provisional values at 29.03.2019

¹⁹ Interventions that either ended between July 2017 and June 2018 or were ongoing at time of project selection (June 2018)



Performance story 2. Focus on PROSPERITY

Promoting sustainable development, investment and job creation

Contributing to:

GENERAL OBJECTIVE 1

The EU as a stronger global actor

GENERAL OBJECTIVE 3

A new boost for jobs, growth and investment

Poverty eradication remains the primary objective of development policy under the new Consensus. DG DEVCO continued to support measures aimed at creating conditions that generate growth and jobs, such as the EIP, which will help generate investment in Africa. Support was given to the private sector so that it can invest and, in particular help, young people in partner countries.

External Investment Plan

The EU is the major trading and investment partner for most African countries. The EIP is a key pillar of the new Africa- Europe Alliance for Sustainable Investment and Jobs.

The EU is on track to achieve its EIP target of allocating

EUR 4.54 billion

to leverage

EUR 44 billion in investment.

Indeed, in 2018 alone, the EU allocated:

EUR 1.54 billion for guarantees.

This is expected to unlock

EUR 17.5 billion in investment.

in MSMEs, energy and connectivity, cities, agriculture and the digital sector.

The Plan is also expected to contribute to SDG 8 by helping to create 10 million jobs in Africa over the next five years, as part of the Africa-Europe Alliance.

The first guarantee agreement was signed in December with the Dutch Development Bank (FMO) for the NASIRA Risk-Sharing Facility: it is expected to create up to 800 000 jobs and benefit SMEs, IDPs, refugees, returnees, women and young people.

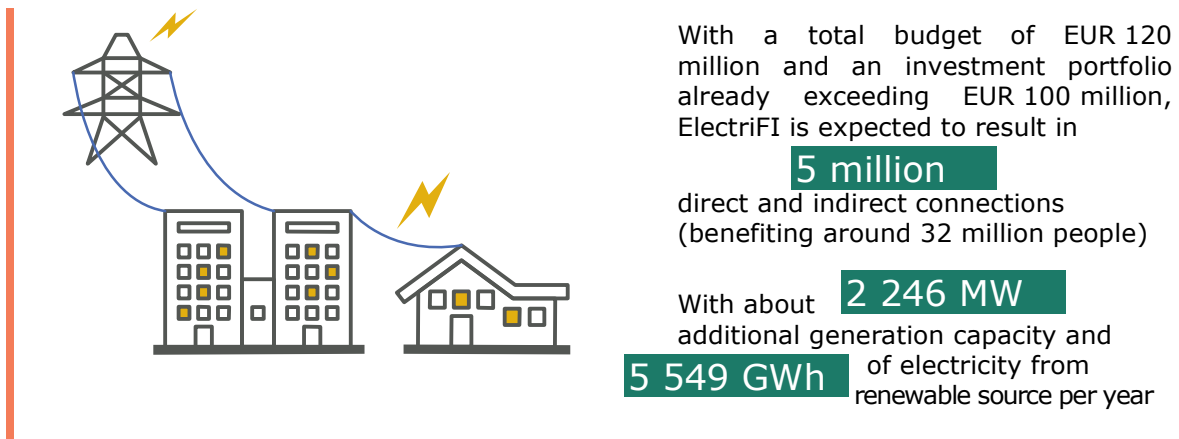
“ In 2018, the EU also allocated EUR 547 million for 21 blending projects in sub-Saharan Africa, expected to leverage a total of around EUR 4 billion for transport, energy, private sector development and agriculture. ”

Significant progress was also made under EIP pillar 2 (technical assistance) and pillar 3 (support for business and investment climate reforms).

“ The EIP is fully operational in West Africa: grants for more than EUR 900 million leveraged more than EUR 5.5 billion for structural investments in West Africa. ”

Electrification Financing Initiative (ElectriFI)

ElectriFI is the EU's flagship initiative to boost **sustainable energy investment** in developing countries, thereby contributing to SDG 7.



By the end of 2018, 16 investment projects had been contracted and started operations, for a total of EUR 15 million.

Agriculture blending

Agriculture blending activities advanced well in 2018, with the start of operations and the approval of the first investments for two initiatives, aiming to promote **investment and livelihoods** in smallholder agriculture (thus contributing to SDG 2):

- EUR 30 million first-loss contribution to *Kreditanstalt für Wiederaufbau* (KfW)'s African Agriculture Trade and Investment Fund; and
- EUR 39 million for the AgriFI Facility through FMO.

Two further agri-blending activities were agreed in the course of 2018.

Aid for Trade (AFT)

Through Aid for Trade (AFT), the EU helps partner countries to generate **inclusive growth** through their participation in world trade (SDG 8) and, to boost the contribution of its trade policy instruments, in particular economic partnership agreements, to sustainable development. According to the 2018 AFT progress report, AFT commitments increased by **2.7% in 2016**, reaching a new record level of **EUR 13.5 billion**. Of this, **39 %** went to ACP countries, which was also a record.

EU International Cooperation and Development Results Framework - key facts²⁰

EU- funded interventions²¹ contributed inter alia to the following selected results:



67 000 jobs were supported or sustained by the EU

4 900 firms had access to financial services with EU support

1 165 000 individuals had access to financial services with EU support

64 quality schemes were adopted by economic operators with EU support

141 000 people benefitted from who from institution or workplace based VET/skills development interventions supported by the EU

22 000 km of road were constructed, rehabilitated or maintained with EU support

6 500 Micro, Small and Medium Enterprises applied Sustainable Consumption and Production practices with EU support

Challenges in 2018

- In 2018 the Commission concluded the first EFSD guarantee agreement with an international financial institution, FMO. It faced a series of challenges including the need to:
 - create a legal framework, including a sound contract, from scratch
 - concluding the negotiations with the financial institution within a tight timeframe and without the full range of expertise available in-house.
 - coordinate closely with EU Member States and financial stakeholders
- A need to raise awareness of the EIP and other financial instruments to enable HQ / Delegations to understand and embrace EU trade instruments as levers for development was also identified.
 - Within the framework of the updated EU Aid for Trade Strategy, this entailed an evolution in staff mind-set and in processes underpinning EU Aid for Trade delivery. In 2018, a dedicated Questionnaire stimulated Delegation colleagues' reflections in that direction, which were then reflected for the first time in a fully-fledged Qualitative chapter in the EU Aid for Trade Report 2018.

²⁰ Provisional values at 29.03.2019

²¹ Interventions that either ended between July 2017 and June 2018 or were ongoing at time of project selection (June 2018)



Performance story 3. Focus on the PLANET

Environment, climate change and renewable energy

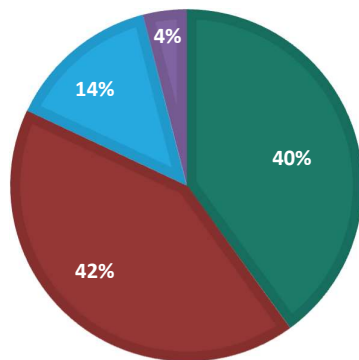
Contributing to:

GENERAL OBJECTIVE 4

A resilient energy union
with forward looking
climate change policy

The Global Climate Change Alliance Plus (GCCA+)

GCCA+ is an EU flagship initiative contributing to SDG 13 by helping partner countries most vulnerable to climate change (mainly Small Island Developing States (SIDSs) and Least Developed Countries (LDCs) to improve state and community resilience and stability.



Since the inception of the programme:

40 % of GCCA+ projects have been implemented in SIDS;

42 % in LDCs;

14 % in countries that are both LDCs and SIDS; and

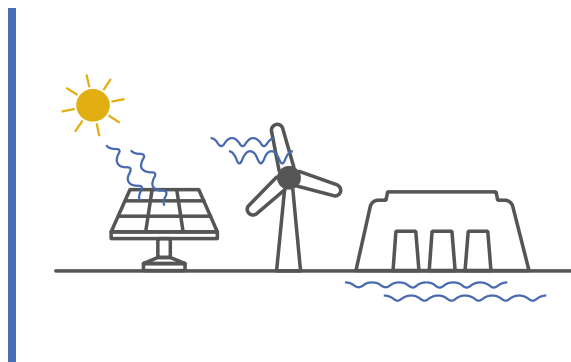
4 % in middle-income countries.

GCCA+ projects have contributed to the development or implementation of more than **50** national level climate change policies, strategies and programmes, with a priority to National Determined Contributions

The new projects approved in 2018 are 10 country actions and a multi-country programme (the Local Climate Adaptive Living Facility), to improve local authorities' access to climate finance.

Africa Renewable Energy Initiative (AREI)

The AREI promotes renewable energy deployment to meet the continent's increasing energy demand and to fight climate change, thus contributing to SDGs 7 and 13. The EU has undertaken to contribute 50% of the ambitious AREI target of boosting the renewable energy generation capacity by 10 GW by 2020.



By the end of 2018, 24 EU funded projects had been approved, which will contribute with

EUR 488 million to leverage

EUR 4.5 billion investment

and to add

2.3 GW

of new renewable energy generation capacity, about half of the EU commitment to AREI

Switch to Green

DG DEVCO continued to support Switch to Green, the EU's flagship action on **green economy**, to which the EU has allocated approximately EUR 300 million over the last 10 years. The recent evaluation of EU cooperation on green economy reached positive conclusions on Switch to Green, noting in particular its "high impact in terms of uptake of sustainable consumption and production practices and increased levels of investments by MSMEs, contributing notably to the creation of green jobs".

For African countries, there is a real economic interest in investing in **solar energy**. More solar energy in their energy mix will relieve public finances from the structural deficits of the public electricity supply companies. Successful first steps have been taken in renewable energy, especially in West Africa. Grid connected solar energy installations and wind turbines, currently under preparation, built or in operational activity will generate over 600 MW.

“ In 2018, the 33 MWp solar power plant at Zagtoui (Burkina Faso), co-financed by the EU, became fully operational. ”

The EU is currently co-financing five other solar power plants in West Africa: Gorou Banda and Agadez (Niger), Defissol (Benin), Odienné (Côte d'Ivoire) and Bauchi (Nigeria). In total, EU funds are contributing to additional solar power production of 206 MWp in West Africa.

EU International Cooperation and Development Results Framework – key facts²²

EU- funded interventions²³ contributed inter alia to the following selected results:



60 countries and cities developed climate change and/or disaster risk reduction strategies with EU support and **35 countries and cities** implemented climate change and/or disaster risk reduction strategies

6 936 000 hectares of terrestrial and freshwater ecosystems were under protection with EU support

155 000 hectares of terrestrial and freshwater ecosystems were under sustainable management with EU support

476 000 hectares of agricultural and pastoral ecosystems were managed by sustainable land management practices with EU support.

Challenges in 2018

- Many of the regions DEVCO is working in are particularly vulnerable to natural disasters and the adverse effects of climate change. For instance desertification in the Sahel region and Central Asia, water shortages in East and Southern Asia, sea level increase and tropical cyclones in the Caribbean, the Indian Ocean, South East Asia and the Pacific region are important challenges. They require continuous exploration of innovative implementation modalities as well more effective cooperation modalities in the various regions in order to help developing countries adapt to the increasing impacts of climate change.
- A global challenge is how to meet the Paris Agreement's long-term mitigation goals and avoid the increase of global temperature beyond 2°C, and here the role of the EU as a global actor is instrumental and has to be strengthened. Integrating the support to the Nationally Determined Contributions (NDCs) established under the Paris Agreement into future programming is essential in this regard. For example, this has been the case since January 2018 through the GCCA+ new component favouring mitigation elements included in the NDCs. DEVCO now needs to progressively expand its support to NDC implementation to all sectors.
- One challenge encountered in the course of the year has been reinforcing the capacity to translate regulation into implementation of policy, which has been addressed through dialogue with partners and capacity building.
- The scaling-up of successful projects which have delivered results has been another challenge, which was addressed by the sharing and promotion of best practices. Analysis is also ongoing to envisage ways in which scaling-up can be achieved within the context of the EIP and other financing instruments.

²² Provisional values at 29.03.2019

²³ Interventions that either ended between July 2017 and June 2018 or were ongoing at time of project selection (June 2018)



Performance story 4. Focus on PEACE

Resilience and Security

Contributing to:

GENERAL OBJECTIVE 1

EU as a stronger
global actor

The EU is a stronger global actor thanks partly to DG DEVCO's development activities. In 2018, DG DEVCO continued to concentrate on poverty eradication as this is a cause of global instability and unsustainability. Again, it targeted the root causes of poverty, conflict and instability, and promoted sustainable growth, while keeping people at the heart of all its activities. It continued to address the states' fragility and the vulnerability of their societies.

In 2018, DG DEVCO concluded an evaluation of the EU's external response to Counterterrorism, which underlines that (in addition to its global actions) the EU's **counter-terrorism and prevention and countering of violent extremism** interventions (contributing to SDG 16) financed via external instruments cover around 40 countries in all high-threat regions and many areas where the threat may be lower, incipient or in abeyance, but significant nonetheless. The EU's ability to mobilise resources on such a scale demonstrates responsiveness, while the geographical scope of its activity illustrates broad reach.

Capacity-building for Security for Development

DG DEVCO also continued to contribute to external aspects of the **Security Union**, through CBSD, by:

- working with partners to prevent and counter violent extremism;
- designing programmes to promote a criminal justice approach to counterterrorism;
- strengthening the protection of critical infrastructure, and
- tackling issues relating to cybersecurity, and building capacity in other countries' armed forces.

The first CBSD contract (for Central African Republic) was signed in December 2018 and the second (for Somalia) is well advanced.

African Peace Facility (APF)

Established in 2004 the APF is a unique instrument to support Africa's Peace and Security Architecture, Conflict Prevention and Peacekeeping Operations.



In 2018, the APF has disbursed

EUR 1.5 million

to promote peaceful and inclusive societies for sustainable development **by supporting African-led efforts "to silence the guns by 2020"**

The Bêkou Trust Fund

Operating at the heart of the humanitarian-development nexus, the Bêkou Trust Fund for the Central African Republic plays a unique role in promoting stabilisation and peace by:

- creating jobs;
- providing basic services;
- promotion of social dialogue; and
- building resilience at a community and country level

With more than **694 000 IDPs** and **543 000 refugees**

in neighbouring countries, the safe return of civilians and reintegration in the communities constitutes a cornerstone for peace-building processes in the Central African Republic .

EU Trust Fund for Colombia

Support for peacebuilding efforts has been a central feature in EU-Colombia relations for the past 20 years and all parties recognize the EU as a key supporting actor in the Colombian Peace Agreement.

This support is channelled mainly through the EU Trust Fund for Colombia, which reached cruising speed in 2018, with a total of **18 projects** contracted for a total of **EUR 59.5 million**

All the projects have focus on rural development in the poorest and most conflict-affected regions, by:

- reintegrating the ex-combatants;
- stimulating economic activity and productivity; and
- restoring the social fabric.

EU International Cooperation and Development Results Framework – key facts²⁴

EU- funded interventions²⁵ contributed inter alia to the following selected results:



22 countries were supported to conduct elections and/or improve their electoral process

90 government policies were developed with civil society organisation (CSO) participation through EU support

168 000 people benefited directly from legal aid interventions supported by the EU

Challenges in 2018

- The EU will continue facing a range of security threats that can potentially affect our own security as well as that of our partner countries. The challenges linked to the security/development nexus remain and there is an increased need to address externally as well as potential internal threats. These threats are multiple.
- In addition, climate change will incrementally exacerbate the threat landscape. Regional instability, conflicts and civil wars incentivise irregular migration, inspire travel of foreign terrorist fighters, increase illicit flows of goods and propagate violent extremism.
- There is a need for increased action in the security/development nexus to expand capacity-building and cooperation efforts in the domain of counterterrorism; to pursue efforts in preventing and combatting violent extremism in targeted areas, taking into account new features of radicalisation (home grown); expand activities related to cybercrime and protection of critical infrastructure; support law enforcement capacities which fight environmental, wildlife crime and drug trafficking; support partner countries to build maritime management and surveillance capacities; and finally to fight money laundering and terrorism financing.

²⁴ Provisional values at 29.03.2019

²⁵ Interventions that either ended between July 2017 and June 2018 or were ongoing at time of project selection (June 2018)

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 ²⁶	<ul style="list-style-type: none"> (2014-2018) 19.2% (2014-2020) 20% 	<ul style="list-style-type: none"> Cumulative (2014-2018): 18.4%²⁷ (2018): 17.1% 																
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 (2014-2018): 20.3%²⁸ (2018) 24 % 																
Most relevant KPI 3: Proportion of EU-funded cooperation and development initiatives promoting gender equality	(2020) 85% ²⁹	(2018) 68.4%																
Most relevant KPI 4 =Residual Error Rate (RER)	(2020) 2%	<ul style="list-style-type: none"> (2018) 0.85% <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>3,60%</td> </tr> <tr> <td>2013</td> <td>3,30%</td> </tr> <tr> <td>2014</td> <td>2,80%</td> </tr> <tr> <td>2015</td> <td>2,20%</td> </tr> <tr> <td>2016</td> <td>1,60%</td> </tr> <tr> <td>2017</td> <td>1,20%</td> </tr> <tr> <td>2018</td> <td>0,85%</td> </tr> </tbody> </table>	Year	RER (%)	2012	3,60%	2013	3,30%	2014	2,80%	2015	2,20%	2016	1,60%	2017	1,20%	2018	0,85%
Year	RER (%)																	
2012	3,60%																	
2013	3,30%																	
2014	2,80%																	
2015	2,20%																	
2016	1,60%																	
2017	1,20%																	
2018	0,85%																	

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 2018, 18.4% of EU-funded international cooperation and development assistance has been committed towards supporting human development. This represents an increase by 1.5 percentage points compared to 2017 thus getting closer to the 2014-2020 target – though falling slightly short of the 2014-2018 milestone. Commitments will have to be stepped up to reach the target of 20% by 2020.

Furthermore, by 2018, 20.3% of EU-funded international cooperation and development assistance addresses climate change, reflecting EU commitment to sustainable development. This shows considerable improvement, exceeding 2014-2018 milestone and nearly meeting the 2020 target in advance.

²⁶ Data calculated in the frame of the EU Results Framework (level 3). Following the 2018 revision of the EU Results Framework the definition of the indicator was slightly amended, now also considering gender.

²⁷ DCI objective of 25% of committed amount on "Global Public Goods and Challenges" covering human development already reached (25% for period 2014-2016).

²⁸ DCI objective of 25% of committed amount on "Global Public Goods and Challenges" covering climate change and environment already reached (51% for period 2014-2016).

²⁹ The EU Gender Action Plan 2016-2020 sets a target of 85% of new projects promoting gender equality in year 2020. This KPI presents an annual target in 2020 with linear progress expected each year. Based on this, the cumulative intermediate milestone was deleted. The latest know results shows the annual result for 2018 and this is in line with the reporting in the previous years and shows clear progress.

In addition, the European Commission is contributing to gender equality and women's empowerment development initiatives with 68.4% of its new projects and programmes approved in the year 2018. 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). As things stand, the final target (85%) presented in the Gender Action Plan³⁰ (GAP) 2016-2020 is in reach. For example, in 2018 EUR 320 million have been committed under the Spotlight Initiative to end femicide in Latin America and harmful practices in Africa.

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 arrangements 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 17 internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG DEVCO has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended. The IAS concluded that control systems for the audited processes are effective and in its 2017 Annual EDF Report, the European Court of Auditors issued an adverse opinion on the legality and regularity of payments underlying the accounts. The implementation of the action plans following present and past reservations and the specific action plans relating to the individual audit findings intend to improve the control system.

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.

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 African Union Commission (AUC).

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.

³⁰ SWD(2015)182 final

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

DG DEVCO's contribution to the political priorities of the European Commission

DG DEVCO is a DG entrusted with policy making responsibilities in the field of development and international cooperation. It is also a DG implementing this policy via the different instruments it is managing.

The general policy framework is set by:

- **the United Nations 2030 Agenda for Sustainable Development – and its Sustainable Development Goals (SDGs) –,**
- **the Addis Ababa Action Agenda on Financing for Development**
- **the Paris Agreement on Climate**

and more widely by :

- **the Treaty on the European Union (Art. 21 on external action)**
- **the Treaty on the Functioning of the European Union (Arts. 208-211 on development),**
- **the Global Strategy for the European Union's Common Foreign and Security Policy**
- **the European Consensus on Development³¹**

Development is a global and common challenge, the policies are interconnected and the goals are universal. In a joint effort with the other actors, DEVCO needs to address all aspects of sustainable development: economic, social and environmental, in the relations with partner countries.

The European Consensus on Development was adopted by the Council, Member States, the European Parliament and the European Commission on 7 June 2017³². It provides a shared framework for a common approach to development policy and guides the action of EU institutions and Member States in their cooperation with partner countries and actors. It ensures collective credibility, effectiveness and impact. It is structured around the "five Ps" agreed in the Preamble of the 2030 Agenda (People, Planet, Prosperity, Peace and Partnership) to address in a balanced yet synthetic manner all 17 SDGs. It contributes to the objectives of EU external action, while affirming development policy's essential role in harnessing globalisation and promoting multilateralism. It is a key contribution to delivering on the European Commission's four General Objectives (GO) included in the Strategic Plan 2016-2020 of DEVCO:

- **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**

³¹ New European Consensus on Development – "Our world, our dignity, our future", 8 June 2017: https://ec.europa.eu/europeaid/new-european-consensus-development-our-world-our-dignity-our-future_en

³² Official Journal of the EU: 2017/C 210/01

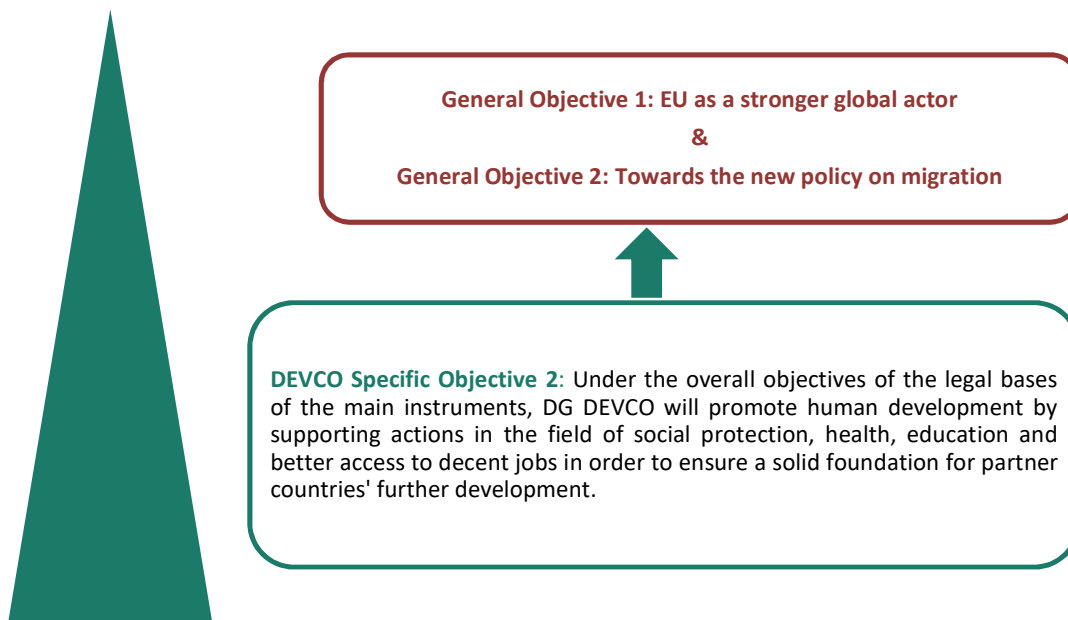
The seven Specific Objectives (SO) of DG DEVCO and their links to the four GOs and European Consensus on Development Themes (5 "Ps") are the following:

DG DEVCO Specific Objective	General Objective (GO)	European Consensus on Development Theme
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	PEOPLE PLANET PROSPERITY PEACE PARTNERSHIP
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	PEOPLE PROSPERITY
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	PEOPLE PLANET PROSPERITY
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	PLANET PROSPERITY
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	PEOPLE PEACE PARTNERSHIP
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	PROSPERITY
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	PLANET PROSPERITY PEACE

DG DEVCO selected to present in its AAR 2018- 4 performance stories linked to 4 key GOs and 4 SOs:

1. GO1 & GO2 – Addressing the root causes of irregular migration and forced displacement, with focus on “PEOPLE”
2. GO1 & GO3 - Sustainable Development, investment and job creation, with focus on “PROSPERITY”
3. GO 4 - Environment, climate change and sustainable energy, with focus on “PLANET”
4. GO 1 – Resilience & Security, with focus on “PEACE”

1. General Objectives 1 and 2: Addressing the root causes of irregular migration and forced displacement – Focus “People”



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 migration management at national level, including the distinction between regular and irregular migration.

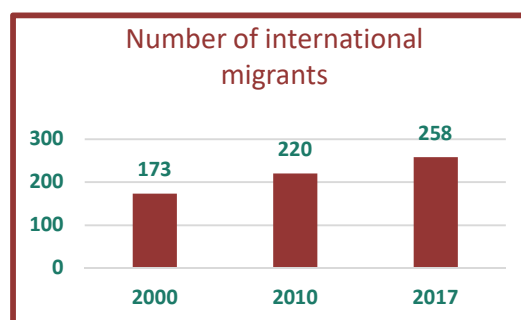
Human development links to the **European Agenda on Migration** in a number of ways:

- 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 on 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 is not a new phenomenon, the number of international migrants has increased in recent years, to reach 258 million in 2017³³ with global forced displacement figures remaining at an all-time high.



During 2018, the EU as a whole received over 0.5 million first-time asylum claims³⁴. At the same time, the vast majority of worldwide refugees continue to be hosted by developing countries. The two **Global Compacts for Migrants and Refugees**, adopted in December 2018, provide important foundations for international cooperation among countries of origin, transit and destination over the next decades, and will constitute international reference points for migration and refugee matters.

Both the **European Consensus on Development** and the **European Agenda on Migration**, including its **Partnership Framework on Migration**, reaffirm the EU commitment to addressing migration and forced displacement in a comprehensive and global manner. The experience of the past three years has shown that the best results are achieved through an integrated approach along a migratory route as a whole and through coordination with all relevant partners. For instance, the **AU-EU-UN Task Force**, established at the AU-EU Summit in Abidjan in 2017, has helped to reinforce the partnership with the African Union and African countries with a view to improving the situation of migrants in Libya.

At the Senior Officials Meeting in Addis-Ababa in November 2018, devoted to a review of the implementation of the **Joint Valetta Action Plan**³⁵ (JVAP), Valletta partners reiterated the importance of promoting a constructive and long-term approach to migration and mobility, which can benefit countries of origin, transit and destination. They recognised the added value of the **EU Trust Fund for Africa**, as well as other bilateral and multilateral financial instruments mobilised during the last three years to address migration challenges in line with the JVAP.

In Asia, Afghanistan, Bangladesh and Pakistan are important partner countries for addressing migration and forced displacement under the **Partnership Framework on Migration**. The EU is also committed to continuing support to Iran's efforts to assist and protect Afghan refugees hosted in Iran and to launch a joint EU-Iran comprehensive dialogue on migration and refugees issues. In 2018, talks have continued between Iraq and the EU to identify areas of possible cooperation on migration management and to define the terms of reference of a possible migration dialogue.

In Latin America, the humanitarian situation in **Venezuela** created by the political and subsequent economic crisis became a serious concern and priority for the EU in 2018. Since 2014 the displacement of Venezuelan populations started reaching alarming levels. The number of Venezuelans abroad had risen from 700 000 in 2015 to currently 3 million, with migrants moving mainly to neighbouring countries such as Colombia, Ecuador and Brazil, but also Peru, Chile, Argentina, North and Central America, and Caribbean islands.

³³ United Nations - International migration report 2017

³⁴ Eurostat, [Asylum and first time asylum applicants by citizenship, age and sex Monthly data \(rounded\)](#)

³⁵ https://www.consilium.europa.eu/media/21839/action_plan_en.pdf

Commission/DG DEVCO role and added value

The European Commission and in particular DG DEVCO is playing a **leading role** in driving forward the international dialogue and policy on migration and development. 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**³⁶ under the **European Agenda on Migration** and the **Joint Valletta Action Plan**, whilst fully respecting core development policy objectives and principles. 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. For instance, DG DEVCO has substantially contributed to the work towards the adoption of the **Global Compacts on Refugees and Migration**, both in terms of policy contribution as well as funding for the process.

In 2018, DG DEVCO was able to mobilise substantial funding, in particular through 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. By end 2018, 187 projects worth EUR 3 589.9 million were approved under the Sahel & Lake Chad, the Horn of Africa and the North of Africa regions. Under the EUTF over 2.6 million vulnerable people benefitted from food security and nutrition assistance, 2.9 million people benefitted from improved access to basic services, 2.1 million basic services provided, over 19 000 new jobs were created.

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

EU-IOM Joint Initiative for Migration Protection and Reintegration Development

Launched on 15 December 2016 through the **EU Emergency Trust Fund for Africa**, the **EU-IOM Joint Initiative for Migration Protection and Reintegration** aims to strengthen mechanisms to protect and assist migrants along Central Mediterranean migration routes, ensuring that migrants' rights are respected, and that the migration process is safer and better governed. Initially launched with 14 countries of the Sahel and Lake Chad region and Libya, it has covered 26 African countries across three regions by the end of 2018. Core programme components include protection and assistance, reintegration, information and awareness raising, and migration data and flow monitoring.

Between May 2017 and November 2018, the EU-IOM Joint Initiative supported the voluntary return of over 42 600 migrants mostly from Libya and Niger as well as from Mali, Mauritania and Djibouti. In the countries of origin, the Joint Initiative provided assistance to over 58 100 migrants upon arrival, whose returns were supported by the EUTF or other donors. A total of 12 000 migrants have also been assisted with Search and Rescue operations in the desert in Niger, and brought back to safety to protection centres.

Better Migration Management (BMM) programme

Since the beginning of its implementation, the BMM programme has improved the capacities and organisational structures of over 85 government and civil society institutions to manage migration, address human trafficking and smuggling, and protect

³⁶ COM/2016/0385 final of 07/06/2016

vulnerable migrants across the Horn of Africa. The programme is starting to make a difference on the ground for thousands of migrants and victims of human trafficking. Tangible progress has been made in supporting national coordination mechanisms and equivalent structures to coordinate on migration related issues while applying a whole-of-government approach. So far, the program has also assisted 10 184 vulnerable migrants, including 2 124 children. In Djibouti, Ethiopia, Somalia, and Sudan protection services including accommodation, medical services and psycho-social support have been strengthened at Migration Response Centres, transit centres, shelters for victims of trafficking and child protection facilities and through mobile units. Additionally, 16 public events for over 10 500 victims of trafficking, vulnerable migrants and potential migrants have been held in the region to raise awareness on their different experiences.

Venezuela Compact

The **Venezuela Compact** was launched in 2018 to respond to urgent needs inside Venezuela and of Venezuelan migrants, refugees and their host communities in neighbouring countries. A regional migration project of EUR 6 million to support local governance in host countries was prepared in 2018, due to start at the beginning of 2019. By end of 2018, about 80% of the amount was contracted of which 78% in ongoing projects. The actions at regional level implemented by the UN agencies are part of the Regional Refugees and Migrant Plan launched in December 2018 by UNCHR, thus indicating a strong coordination with the other donors' initiatives. The Venezuela Compact is supporting the Regional Refugees and Migrant Plan launched in December 2018 by United Nations High Commissioner for Refugees (UNCHR).

Support to Afghan refugees, migrants and host communities in Afghanistan and in the region

EU support to address the key challenges related to migration and forced displacement in Afghanistan (around EUR 230 million) is part of a comprehensive regional response to cater for one of the largest displaced populations in the world (Afghans make up 15% of the global refugee population with an estimated 2.7 million registered refugees and 2 million internally displaced persons). Designed in 2016/2017 in close consultation with national authorities and key development partners, most of the actions started in 2018. They target all categories of "people on the move", including refugees, IDPs, migrants, returnees and specific vulnerable groups among them, as well as local and host communities.

This support aims at contributing to sustainable solutions for Afghanistan, including sustainable reintegration of returnees and IDPs, strengthening resilience of communities, as well as assisting Afghan national authorities in developing and implementing comprehensive policies on migration management issues. In the regional context, the programme aims at countering smuggling of migrants and trafficking in human beings, improving integrated border management and enhancing data collection and analysis of population movements.

The estimated number of final beneficiaries is almost 500 000 people, including members of host communities. In 2018, more than 66 000 individuals benefitted from the programme, including:

- **33 000** returnees, IDPs and community members benefited from 4 community development and reintegration projects (infrastructure);
- **23 000** children received psychosocial support services;
- **1 334** unaccompanied minors received family tracing and family re-unification services;
- **5 897** returnees received post-arrival reception assistance;
- **2 509** beneficiaries (40% of which women) received Vocational Training in 55 different skills types;
- **more than 400** farmers, artisans and producers were linked to SMEs and social enterprises;
- **70** staff at the Ministry of Labour and Social Affairs received training and capacity building.

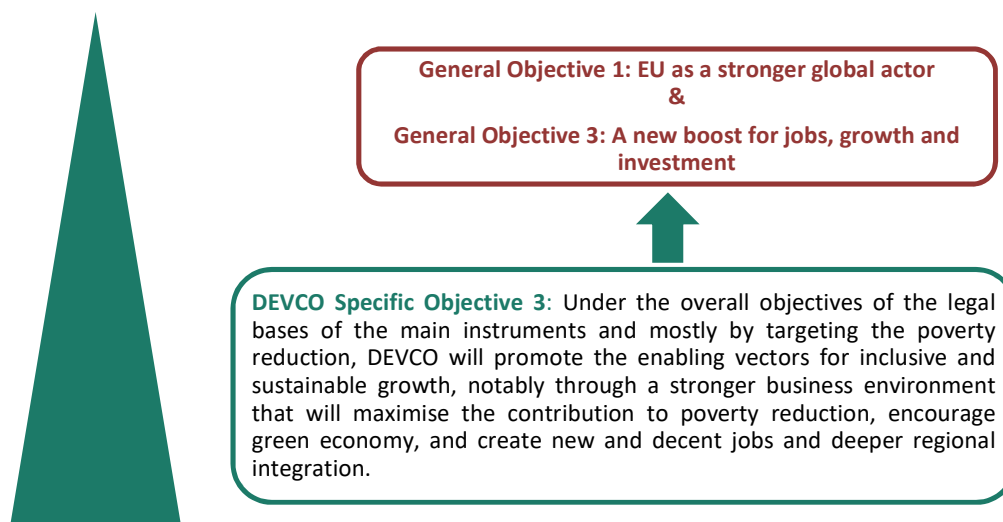
External Investment Plan (EIP)

The European Commission signed the first guarantee agreement under the **External Investment Plan (EIP)** in December 2018 for the **NASIRA Risk-Sharing Facility**. An EU guarantee of up to EUR 75 million is expected to generate a total investment of up to EUR 1 billion to create up to 800 000 jobs and benefit internally displaced people, refugees, returnees, women and young people in Sub Saharan Africa and the EU Neighbourhood. It will boost financing for MSMEs – one of the EIP’s five priority areas – by addressing the high risks involved in lending to under-served entrepreneurs in partner countries. It will give them access to investment loans by offering local financial institutions, such as banks and microfinance institutions, portfolio guarantees containing loans to entrepreneurs.

Another EIP guarantee of up to EUR 20 million has been allocated to the European Investment Bank (EIB) for its **SME Access to Finance Initiative** that should enable 10 000 businesses to receive long-term funding on improved terms and conditions. The benefiting companies are estimated to employ approximately 150 000 full time staff who will directly benefit from more sustainable operations. It will contribute to economic growth and employment, improved living standards and social inclusion, ensuring good social and environmental standards, and reducing incentives for people to emigrate.

The **InclusiFI programme** led by Spanish Agency for International Development Cooperation (AECID), Spanish Development Finance Institution (COFIDES) and *Cassa depositi e prestiti* (CDP) will use an EIP guarantee of up to EUR 20 million to leverage a total investment of at least EUR 120 million to create (directly and indirectly) over 26 000 sustained jobs in MSMEs and enable people in African and EU Neighbourhood states with family and friends overseas (diaspora communities) to receive money from them more easily and affordably. It will help to attract investment from diaspora in small businesses in their countries of origin, thanks to a risk-sharing mechanism which the EFSD Guarantee provides, and encourage investment in businesses set up by migrants' families and migrants who have recently returned to their country of origin (returnees).

2. General Objective 1 & 3: Sustainable Development, investment and job creation- Focus “Prosperity”



The 2017 **European Consensus for Development** recognises the importance of the private sector as an engine of economic growth, job creation and prosperity in developing countries. The job creation challenge is particularly evident in Africa, where 18 million jobs need to be created every year by 2035 just to keep up with rapid population growth.

It is therefore essential to support the development of the private sector by promoting a business-friendly environment, through better policies and regulatory environment, innovative business models and a greater government capacity.

Political context

The private sector has been placed at the forefront of international development in line with global agreements, notably the 2015 **Addis Ababa Action Agenda on Financing for Development** and the **2030 Agenda for Sustainable Development**. **EU Communication on A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries**³⁷ set a new paradigm for sustainable development in which the private sector plays a critical role.

In September 2018, the European Commission put forward **a new Africa-Europe Alliance for Sustainable Investment and Jobs**³⁸ to substantially boost investment in Africa, strengthen trade, create jobs, and invest in education and skills. The Alliance is about unlocking private investment and exploring the huge opportunities that can yield benefits for African and European economies, with a specific focus on jobs for youth. The Plan is expected to create 10 million jobs in Africa alone over the next five years

At the core of the **External Investment Plan**, the **European Fund for Sustainable Development** draws on the experience of the Juncker Plan and the European Fund for Strategic Investments, as well as a decade-long experience of blending operations in third countries, in terms of crowding in private funding for more innovative and riskier investments. It focuses on a number of priority areas, such as clean and renewable energy and connectivity; the financing of micro, SMEs; sustainable agriculture, rural entrepreneurs and agroindustry; sustainable cities; and digitalisation for inclusive development.

The European Commission is actively supporting the involvement of the private sector in global efforts to combat climate change. For instance, the **EU Electrification Financing Initiative** (ElectriFI) is operating, since the 2015 **United Nations Climate Change Conference in Paris**, to unlock, accelerate, and leverage investments in order to contribute to the global sustainable energy policy objectives including access to renewable energy in developing countries.

The Commission's **Communication of November 2017 on Achieving Prosperity through Trade and Investment**³⁹ reaffirms EU's commitment to **Aid for Trade** (Aft) as a key element of development cooperation. It focuses on reducing fragmentation of initiatives, linking Aft actions to the EIP and prioritising efforts on the Least Developed Countries (LDCs). The EU has continued to pursue **Economic Partnership Agreements** (EPAs) – trade and regional integration agreements concluded and implemented regions – and supports the development and roll-out of National EPA Implementation Plans (NEIPs) including through close cooperation with regional organisations such as: Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Community (SADC).

Commission/DEVCO role and added value

As laid out in the **Communication "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 Member States and other development partners.

³⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2014:0263:FIN>

³⁸ Communication from the Commission to the European Parliament, the European Council and the Council: Communication on a new Africa – Europe Alliance for Sustainable Investment and Jobs: Taking our partnership for investment and jobs to the next level (COM/2018/643 final).

³⁹ https://ec.europa.eu/europeaid/aid-trade-communication-achieving-prosperity-through-trade-and-investment_en

These include improvement in regulatory environments in partner countries, promotion of business development and access to finance, especially for job-creating micro, small and medium sized enterprises (MSME) in the formal as well as in the informal sectors. The Commission's value added lies in the integrated approach to private sector development and the ability to bring together various sources of financing including from the private sector.

The network of EU Delegations covers all developing countries and the EU has in each country a leading role in political and sector policy dialogue with the respective authorities and structured dialogue with the private sector, while being one of the main donors. This provides a huge added-value for the implementation of the **EIP integrated approach**, where EU Delegations identify and support investment opportunities for partner financial institutions (pillar 1), as well as priority reform measures to improve the investment climate and business environment (pillar 3).

Under Pillar 1 of the External Investment Plan (EIP) - the **European Fund for Sustainable Development** (EFSD) - the EU allocated EUR 2.2 billion to 94 blending projects, as well as EUR 1.54 billion EFSD Guarantee to 28 investment programmes involving 17 partner financial institutions. This shall leverage EUR 37 billion investment in partner countries, including from private sources, demonstrating that the EU is on track to achieve its EIP target of EUR 44 billion investment by 2020.

In December 2018, the first guarantee agreement was signed with the Dutch Development Bank (FMO) for the **NASIRA Risk-Sharing Facility**. With an EU guarantee of up to EUR 75 million, it is expected to mobilise up to EUR 1 billion in sustainable investment in Sub-Saharan Africa and EU Neighbourhood, addressing the high risks involved in lending to under-served entrepreneurs in partner countries. It focuses on people who have been forced to flee to other parts of their countries (IDPs) or leave their countries altogether (asylum seekers or refugees), those who had fled but have recently returned (returnees), as well as women and young people.

Eight approved guarantees focus on lending for MSMEs and agriculture. These will provide affordable funding to small businesses, many of which are engaged in agriculture. It is estimated that, together, the guarantees will directly and indirectly create or support over 1.8 million jobs, provide funding and assistance to more than 450 000 companies, and scale up local green energy, agribusiness projects and start-ups.

With the same approach, DG DEVCO has supported the development of inclusive and sustainable value chains under the **AgriFI** initiative, which relies on three pillars:

- investment (through the thematic blending framework on agriculture);
- business development and advisory services to farmers and agri-entrepreneurs (call for proposals); and
- value chain analysis (Value Chain Analysis for Development tool - VCA4D) for better accountability and decision-making.

Regarding access to energy, the **ElectriFI** initiative has attracted unprecedented interest from private sector, development financiers and development partners as a global flagship platform gathering efforts and resources in support of the sustainable energy agenda. In addition, based on its international recognition and its global success, four partner governments (Nigeria, Côte d'Ivoire, Bénin, Zambia), one region in Pacific have decided to allocate some of their bilateral credits to the initiative and many more partner countries have stated their interest to follow.

Given the role of **culture** as part of the 2030 Agenda for Sustainable Development and of the European Consensus on Development, and building on the **European Year of Cultural Heritage**, in 2018 DG DEVCO has had a pivotal role on strengthening the cultural dimension of international cooperation and development through a substantial

investment in the action **“Investing in Culture and Creativity”** worth EUR 15 million under the Global Public Goods and Challenges Thematic Programme (GPGC). The action paves the way to socio-cultural and economic development, heritage preservation for identity building and social cohesion, peace and stability in Central Asia, Iran, Afghanistan, West and East Africa. Particularly, DG DEVCO launched with UNESCO the **Silk Roads Heritage Corridors** project, that represents the **International Dimension of the European Year of Cultural Heritage** and which aims to strengthen the contribution of cultural heritage to prosperity, peace and citizenship building, social cohesion, inter-cultural dialogue and reconciliation along the Silk Roads corridors in Central Asia, Iran and Afghanistan.

The EU has played a pivotal role in the WTO-led **Aid for Trade** (Aft) initiative from the outset and has become the leading global provider of Aft. Out of more than 120 partner countries eligible for EU development cooperation:

- 59 are now covered by a free trade agreement (in force or about to be ratified, including EPAs);
- over 70 benefit from EU unilateral preferential trade schemes under the Generalised System of Preferences (GSP, Everything But Arms, GSP+).
- 29 ACP countries are implementing EPAs with the EU.
- other 21 countries have concluded negotiations and some others have expressed their interest in joining.

DEVCO is supporting the private sector, which plays a key role in creating jobs and wealth in those countries, and trade and productive capacities in general so they can benefit from EPA implementation. These are stepping-stones to help Africa advance towards the concretisation of an African Free Trade Area. The full implementation of the WTO Trade Facilitation Agreement (TFA) will reduce global trade costs by an average of 14.3%. In developing countries, TFA implementation impact equals a 21% reduction in tariffs with African countries and LDCs expected to see the biggest average reduction in trade costs. Export gains from the TFA of between USD 750 billion and well over USD 1 trillion dollars per annum, depending on the implementation time-frame and coverage. Therefore, the EU has made a contribution of EUR 9.6 million to the World Bank-managed Trade Facilitation programme to assist developing countries with the implementation of the WTO Agreement on Trade Facilitation (TFA). As of end 2018, 62 countries have requested assistance, 53 validation missions have been completed, and implementation has begun in 36 countries.

In 2018, linkages between Aft and Free Trade Agreements (FTAs) and the Generalised System of Preferences were strengthened and several examples show that the design of Aft programmes and projects takes this dimension more systematically into account. In Southeast Asia, for example, the new trade-related assistance programmes for Indonesia and Vietnam include rapid response facilities to support issues emerging from the negotiations of EU-Indonesia FTA/CEPA, or the implementation of EU-Vietnam FTA. The new programme for Lao PDR is based on a strong interest from the government to maximise the benefits and opportunities of “Everything But Arms”.

Implementation, tangible results, link to outputs, risks and mitigation actions, illustrative examples

EIP & EFSD

Among the **EFSD** guarantees, one will enable *Agence française de développement* (AFD) to provide affordable and sustainable credit to financially underserved producers and rural MSMEs, leading to a greater financial inclusion of rural populations while promoting environmentally responsible practices (for instance climate smart agriculture). The AFD estimates to create or maintain at least 750 000 jobs and improve access to finance for around 400 000 people and agribusinesses, especially in least developed and highly indebted countries.

Another eight guarantees will support the sustainable energy and connectivity in Africa and the EU Neighbourhood. According to the estimates, these guarantees shall provide over 3.7 GW of additional generation capacity and provide access to energy to over 8 million people. Other guarantees will address important investment needs to support sustainable cities, digital sector and the local currency financing.

In 2018, the EU also allocated EUR 547 million for 21 blending projects in Sub-Saharan Africa, expected to leverage a total of around EUR 4 billion (EUR 9.9 billion in 51 projects since 2017) for transport, energy, private sector development and agriculture.

The **EIP** is fully operational in West Africa: more than EUR 900 million grants were mobilised and they leveraged more than EUR 5.5 billion for structural investments in the West Africa. EU funding is contributing to the construction and rehabilitation of more than 2 200 of roads along the main transport corridors: Nouakchott-Abidjan-Lagos, Bamako-San Pedro, Dakar-Bamako-Ouagadougou-Niamey, etc. It is also boosting the renewable energy generation by more than 100GWh/year and reinforcing the West Africa Power Pool with 2 400 km of transmission lines. In addition, in the Sahel region, EU funds are supporting the development of digital infrastructure through the construction of the fibre optic trans-Saharan backbone. In the Niger Basin, EU is helping sectors with intensive demand of water resources, like agriculture, to better adapt to climate change. In 2018, the EU approved 6 new projects⁴⁰ directly contributing to the outputs described above.

ElectriFI & AgriFI

Different programmes in support of private sector investments have been established since 2016 under the umbrella of the so-called **ElectriFI** family. From an initial amount of EUR 75 million, the total accumulated funding volume to date amounts to EUR 325 million. It is expected to result in 5 million direct and indirect connections or the equivalent of 32 million persons, with about 2 246 MW additional generation capacity and 5 549 GWh of electricity from renewable sources per years. By the end of 2018, 16 investments have been contracted and started their operations for a total of EUR 15 million.

As an example, in December 2018, ElectriFI has invested EUR 2.5 million, in a developer of run-of-the-river small hydro projects, active in Kenya, Tanzania and Rwanda and also exploring options in Zambia and Burundi. The company pursues the development of 50 MW of projects that would indirectly give access to 30 000 connections. By realising such, the company would generate more than 80 000 MWh of electricity and avoid 95 000 tonnes of CO₂ (or equivalent) emissions. Its business model incorporates local communities into the development, ownership, and operations of its projects.

The Value Chain Analysis tool (VCA4D) under **AgriFI** is analysing sustainability of value chains in its key dimensions: economic, social and environmental. The analysis allows governments and the private sector to assess the impact of a value chain in the four dimensions cited above, establish a baseline of indicators, introduce remedial measures in a support programme, or feed a sector dialogue. In 2018, 15 analysis were launched on different value chains in different countries.

Under the AGRIFI's investment pillar, public money is used to de-risk and thereby increase investment in smallholder agriculture and agri-businesses in developing countries with the aim of achieving inclusive and sustainable agricultural growth. The activities of two major programmes started in 2018. One of EUR 30.6 million with the KfW with the aim of contributing to the "African Agriculture Trade and Investment Fund";

⁴⁰ The Manor River Union Road between Sanniquellie and Loguato in Liberia, the Trans-Gambia Corridor Project, the EU Support to The Gambia Sustainable Energy Sector Programme, the Integrated Programme for Development and Adaptation to Climate Change in the Niger Basin, the Trans-Saharan Fiber Optic Backbone project and the Electrical Extension and Densification of Networks Project in Benin.

a second one with FMO (EUR 39 million) for the "EDFI-AgriFi" facility to provide access to finance to private companies working with small holders in low and middle-income countries. For the latter, a first investment was approved at the end of 2018. The two programmes have been financed through the GPGC. A top up of EUR 20 million to the Financing Decision was approved at the end of 2018 to include another blending project: the "HURUMA Fund", managed by the Spanish Development Finance Institution (COFIDES). This programme has a worldwide geographic scope, including Latin America, Africa and Asia. Finally another blending project, financed through the Intra-ACP envelope was approved at the end of 2018: the "Agri-Business Capital Fund" or "ABC Fund", a project of EUR 40 million managed by IFAD. It aims to provide finance to organizations and SMEs with whom IFAD is already working in low and middle income countries, also in the framework of the "Farmer's Organisation programme.

Green economy

Through the **SWITCH to Green** initiative, the EU is one of the main supporters on global cooperation on sustainable consumption and production. The EU has allocated approximately EUR 300 million over the last 10 years to the SWITCH to Green. By changing the way goods and resources are produced and consumed, economic growth can be achieved within the ecological limits of the planet. There is growing evidence that Sustainable Consumption and Production (SCP) practices contribute to job creation, further confirming the importance of the uptake of green business practices, which the EU promotes through the SWITCH to Green initiative.

Aid for Trade

As part of the **Aid for trade** component, in 2018 the EU made available an additional integrated and comprehensive package to support competitiveness and economic integration in West Africa countries. The programme West Africa Competitiveness II, with a national and regional component, supported the development of selected value chains with highest job and export potential and contributed to the overall business climate in Benin, Burkina Faso, Gambia, Guinea Bissau, Guinea Conakry, Liberia, Mali, and Mauritania. This project has a valuable contribution to the Jobs and Growth Compacts, including by increasing employment via regional trade opportunities in ECOWAS (Economic Community of West African States). A complementary programme on Trade Facilitation has been implemented with the additional support of USAID and the Netherlands. The support goes beyond the traditional "hard" trade facilitation interventions on trade corridors and increased connectivity, by focusing on creating a conducive and safe trading environment for small-scale traders. Activities are specially targeting women traders who tend to be affected disproportionately by trade constraints such as high tariffs, complex procedures, and cumbersome requirements, while being exposed to challenges such as corruption, violence and forms of abuse.

Economic Partnership Agreements

Full **Economic Partnership Agreements** have been signed with regions like the Southern African Development Community and CARIFORUM (Caribbean) and several interim EPA agreements have been signed with individual countries like Ghana, Côte d'Ivoire and Cameroun. Regional integration is key to boost job creation through trade and investment. It requires a number of reforms and adjustment (trade facilitation, sanitary and phyto-sanitary measures (SPS) systems and mutual recognition, lifting of technical barriers to trade (TBT), free movement of services).

In the Caribbean, this process is underpinned by the ongoing EUR 46.5 million programme "Support to the Caribbean Forum of the ACP States in the implementation of the commitments undertaken under the Economic Partnership Agreement -EPA".

In South Africa, current EU actions address the trade opportunities created by the EPA.

They support small, micro and medium enterprises, the wine value chain, skills development and job creation in the agribusiness sector, among others. In particular the "EU-South Africa strategic economic partnership" technical assistance has a pillar dedicated to the EPA. In that context, formal discussions within the EPA institutions will inform further the AFT programming and delivery.

In the Pacific, Samoa and the Solomon Islands informed the European Commission that they wish to join the EPA. An accession procedure is now underway.

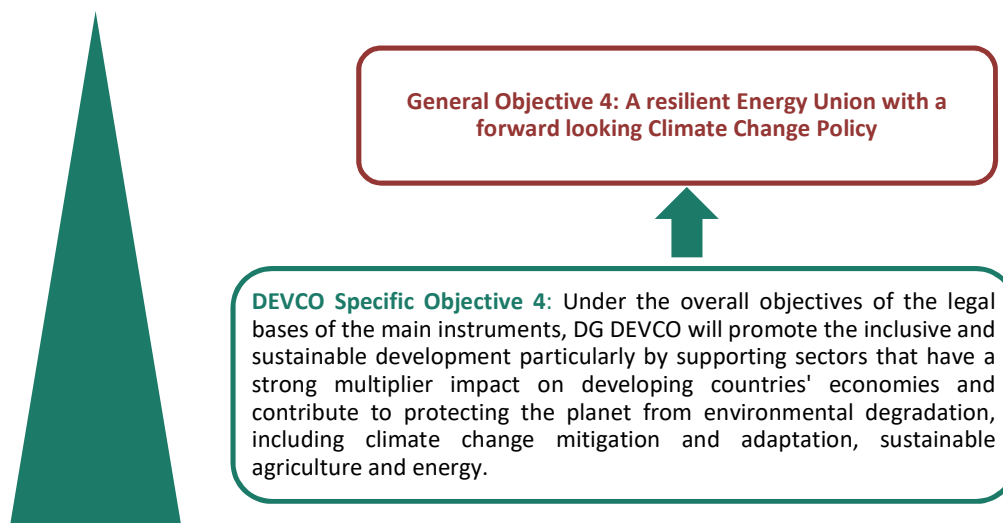
In Asia, the EU-ASEAN regional cooperation promoted sustainable connectivity and strengthened connectivity between the EU and ASEAN. In 2018, two EU flagship initiatives for supporting these shared objectives became fully operational:

- the EU-ASEAN economic and trade connectivity programme ("ARISE Plus")
- the EU-ASEAN policy dialogue facility ("E-READI").

"ARISE Plus" (total EUR 85 million) directly links to the EU Connectivity Strategy for Asia and supports major aspects of the ASEAN integration agenda (ASEAN Economic Community Blueprint 2025 and the Master Plan on ASEAN Connectivity 2025). It supports trade facilitation, land transport, customs and transit systems, civil aviation and building the regional single aviation market.

In 2018 a new policy dialogue facility started for ASEAN (the EUR 20 million "E-READI"). E-READI is a flexible tool for policy engagement with ASEAN in areas of common interest. Within this framework, a number of new dialogue initiatives were launched in partnership with ASEAN during the year, such as on circular economy, digital economy, road transport, trade and business, fisheries policy, clean energy, research and innovation, construction standards, labour mobility and gender equality. E-READI is an excellent tool for increasing our broader EU policy coherence and synergies in the work in the region.

3 General Objective 4: Environment, Climate Change and renewable energy – Focus "Planet"



DEVCO's Strategic Plan 2016-2020 establishes the link between the European Commission's objective of energy resilience and forward-looking climate change policy and the support to developing countries' economies and environmental and climate policies and actions.

EU development cooperation promotes the environmental dimension of the sustainable development agenda, across the 17 SDGs and notably through cooperation on biodiversity, ecosystems and wildlife, forests, land, chemicals and waste, and water, as

well as sustainable consumption and production patterns.

Political context

EU is **a leader on climate action** in the context of the **Paris Agreement**. An ambitious and global climate policy is integral to the Energy Union. Being the world leader in renewable energy and making quick progress on delivering on its commitments for reducing emissions by at least 40% by 2030, the EU is leading by example. Under its external dimension the EU cooperates 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 and making full use of trade and development instruments. By helping partner countries to mitigate and adapt to climate change, EU climate cooperation helps protecting the planet from environmental degradation, reducing climate-related migration flows, and preventing economic and human losses due to climate-caused natural disasters.

In line with the new European Consensus, the **Global Climate Change Alliance plus (GCCA+)** is an EU flagship initiative contributing directly to strengthening the role of the EU as a global actor in addressing climate change. After the Paris Agreement, the GCCA+ has fully steered its support towards implementing partner countries' Nationally Determined Contributions (NDCs). The GCCA+ has worked a lot on adaptation and disaster risk reduction, reflecting the priorities of its vulnerable and poor partner countries and as of January 2018, the GCCA+ integrated a new component to better address the mitigation elements included in the NDCs, favouring those actions that can also bring adaptation and DRR co-benefits. In coherence with this orientation, the "Paris Rule Book" adopted during COP 24 in Katowice on December 2018 will become a key tool to the GCCA+ in developing climate actions with its partner countries in support of their NDC implementation.

Promoting political ownership is among the key priorities of EU energy cooperation. The **Africa Renewable Energy Initiative (AREI)** is an initiative led by African countries aiming to increase Africa's renewable energy generation in support to the implementation of countries' Nationally Determined Contributions and of the objectives of SDG 7⁴¹ and SDG 13⁴². EU has committed to contribute to 50% of the AREI ambitious target of adding 10 GW of renewable energy generation capacity by 2020. AREI will play an important role in the context of the new Alliance for Sustainable Investment and Jobs⁴³ between Africa and Europe launched in 2018.

EU's flagship action on green economy – **SWITCH to Green** – is increasingly relevant to EU and partner countries policy priorities: the 2030 Agenda on Sustainable Development and the new European Consensus on Development give high attention to SCP practices.

Commission/DEVCO role and added value

GCCA+ supports partner countries most vulnerable to climate change (mainly SIDS and LDCs) in enhancing state and community resilience and stability in the face of climate change and focusses on two pillars: policy dialogue and technical and financial support to the implementation of national climate change adaptation and mitigation policies. Through this initiative, EU has developed a ten years old successful approach of strategic planning, institutional strengthening, and implementation of policy measures. In 2018, the Global Climate Change Alliance celebrated 10 years of cooperation and dialogue on climate change with a total of more than 70 projects of national, regional and worldwide scope funded in Africa, Asia, the Caribbean and the Pacific (GCCA+ commitments amount to EUR 750 million for the period 2007-2020).

⁴¹ SDG 7-Affordable and Clean Energy

⁴² SDG13- Climate Action

⁴³ [Alliance for Sustainable Investment and Jobs](#)

The EU considers energy as a critically important development enabler and support **AREI** objectives through a wide range of financing instruments. Developing countries need energy to promote inclusive growth and improve living standards. Investments in sustainable energy can ensure and increase access to clean water, clean cooking, education and healthcare, and can help create jobs and support local businesses in an environmental-friendly manner. The EU supports the AREI Independent Delivery Unit, which is in charge of the implementation of the initiative.

Through the **SWITCH to Green** initiative, including regional programmes promoting SCP policies and green business development as well as contributions to the 10 years Framework of Programmes on SCP, the EU is one of the main supporters on global cooperation on SDG 12. The EU has allocated approximately EUR 300 million over the last 10 years to the SWITCH to Green initiative. By changing the way goods and resources are produced and consumed, economic growth can be achieved within the ecological limits of the planet – contributing to job creation and sustainable practices.

Sustainable agriculture is priority area in EU' development cooperation. Agriculture is highly exposed to climate change: farming directly depends on climatic conditions, while agriculture and land use changes also account for at least one-fifth of global greenhouse gas emissions. However, agriculture can also help to provide solutions by reducing emissions and by sequestering carbon. By promoting rural and agricultural transformation to mitigate and adapt to climate change, the EU helps partner countries to implement agricultural actions committed to in the framework of the Paris Agreement.

In terms of energy, the EU strategy is to increase the deployment of renewables and improve investment climates in partner countries. EU energy cooperation is hence essential to support the clean energy and low-carbon transition globally and to strengthen the EU's energy security and competitiveness.

Implementation, tangible results, link to outputs, risks and mitigation actions, illustrative examples

GCCA+

Since the inception of the programme, 40% of **GCCA+** projects have been implemented in SIDS, 42% in LDCs, 14% in countries both LDCs and SIDS, 4% in middle income countries. 85% of these projects have adaptation or enhancing resilience as their main objective. In their support to the fight against climate change, GCCA+ projects contributed to the development or implementation of more than 50 national level climate change policies, strategies and programmes with a priority to NDC implementation since COP21 in 2015. The new projects approved in 2018 encompass 10 country actions (with two actions focusing on mitigation) and a multi-country programme, the Local Climate Adaptive Living Facility, established to address increase local authorities' access to climate finance.

AREI

At the end of 2018, 24 EU funded projects in renewable energy sector had been approved by the **AREI** Board of Directors. These projects contribute with EUR 488 millions of EU funds which are expected to leverage EUR 4.5 billion investment and to add 2.3 GW of new renewable energy generation capacity, about half of the EU commitment to AREI (5 GW by 2020). In addition to this effort, AREI Independent Delivery Unit was supported with Technical assistance while five regional consultations were organized by countries representing the five regions on the AREI Board of Directors (Chad, Egypt, Guinea, Kenya and Namibia) and by the Independent Delivery Unit to bring AREI vision and objectives to the continental level through close engagement with governments and stakeholders from all African countries as well as regional organisations.

Switch to green

The 2017 evaluation⁴⁴ of EU cooperation on green economy (1) reached positive conclusions on the **SWITCH to Green** initiative, noting in particular that actions promoting green business development have achieved "*high impact in terms of uptake of SCP practices and increased levels of investments by MSMEs, contributing notably to the creation of green jobs*". The initiative finances diverse green business projects contributing to both sustainable growth and environmental objectives. An example of such projects is the market penetration of closed loop technologies in the Indian metal finishing industry, implemented by the Energy and Resources Institute, and which received an EU contribution of EUR 1.9 million.

Solar energy in West Africa

West Africa's solar potential is very high. In the region, it will be possible to achieve very competitive price per kWh in the short term. For African countries, and those of West Africa in particular, there is a real economic interest in investing in solar energy. An improvement in the solar energy contribution to the countries' energy mix will relieve public finances from the structural deficits of the public electricity supply companies. The evolution of the cost of solar energy could also lead to a major geopolitical challenge for Africa. For economic reasons, industries that consume a lot of energy could in the future seek to relocate to regions of the world where electricity is cheaper. African countries could be amongst them.

To date the West African countries have made successful first steps in renewable energy. In total, there are more than 600 MW of solar energy and wind turbines connected to the grid, currently under preparation, built or in operational activity. In 2018, the 33 MWp solar power plant of Zagtouli (Burkina Faso), co-financed the EU, became fully operational. The Zagtouli Solar Power Plant provides clean energy to 660 000 people and saves 26 000 tonnes of CO₂ per year. EU is currently co-financing 5 other solar power plants in West Africa: Gorou Banda and Agadez in Niger, Defissol in Benin, Odienné in Côte d'Ivoire and Bauchi in Nigeria. In total, EU funds are contributing to an additional solar power production in West Africa of 206 MWp. In addition, the EU supports a number of energy projects targeting isolated rural areas through solar individual and home systems and hybridization of off-grid electrification systems, in countries like The Gambia, Mali, Ghana, Côte d'Ivoire and Senegal.

Solar-powered water pumping in Timor Leste

At country level, integrated actions for resilience and adaptation to climate change have been implemented in the Raumoco Watershed, in the Democratic Republic of Timor-Leste. As collecting water to irrigate vegetable gardens represents a significant burden on women, a solar-powered water pump has been installed and a drip irrigation farm, created for 15 households. The beneficiaries' income has increased twofold as a result. The irrigation farm has made a massive transformation from dry, unproductive land to a bio-diverse landscape. Horticulture has been given a boost with the installation of rainwater harvesting tanks in 12 villages, designed to benefit at least 176 households. The distribution of 500 Improved Cooking Stove is also an important milestone. The use of these clean and efficient stoves decreases indoor air pollution; decreases the need to harvest firewood from the remaining forest and to purchase wood as fuel.

⁴⁴<https://europa.eu/capacity4dev/public-environment-climate/documents/scp-evaluation-full-package-publications>

Renewable energy Cook Islands

In the Cook Islands, four outer islands have gained access to clean solar energy through newly-installed solar photovoltaic systems with battery storage on each of the islands. The total capacity of the photovoltaic systems installed vary between 159 kilowatt peaks to 477 kilowatt peaks. All four islands are fully generating renewable energy, thus reducing diesel consumption and in turn contributing towards the government's target of increased share of electricity generation from renewables. The programme is aligned with the government's vision of converting all of the inhabited islands to renewable energy. Solar energy, in particular, provides greater energy security and reliability for these islands. The project further supported the upgrade of the electricity distribution network on the islands to improve electricity supply.

Sustainable agriculture

Sustainable agriculture is clearly linked with climate change mitigation and adaption and therefore a key priority for the EU. On 12 December 2017, during the first One Planet Summit in Paris, the EU pledged EUR 270 million as part of the Development Smart Innovation through Research in Agriculture initiative in parallel to the Bill and Melinda Gates Foundation which pledged USD 300 million. In 2018 several activities were approved, covering more than 20 countries mainly in Africa (the Sahel in particular) and Latin America, with the aim to facilitate rural and agriculture transformation in a context of climate change.

Wildlife conservation

Illegal wildlife trade is the fourth largest global criminal market after illicit drugs, counterfeit goods and human trafficking. In this view, the EUR 30 million **Cross-regional Wildlife Conservation** programme in Eastern and Southern Africa and the Indian Ocean is working to support anti-trafficking efforts, enforcing wildlife law and cross-border collaboration in selected transboundary ecosystems and promoting the establishment and sustainable management of trans-border conservation areas. Within its anti-trafficking component, and led by the United Nations Office on Drugs and Crime, the programme has already launched a Wildlife and Forest Crime Analytic Toolkit enabling countries to make a national assessment of the main issues relating to wildlife and forest offences and to analyse preventive and criminal justice responses at the national level. Several joint operations have already taken place at airports, resulting in the seizure of several consignments of drugs, shark fins, ivory and sea horses.

Forest Law Enforcement Governance and Trade

The EU strengthened its role as a global actor in forest matters, and contributed to enhancing trade in legal timber, as well as fighting climate change, by implementing the **Forest Law Enforcement Governance and Trade (FLEGT)** Action Plan. In order to tackle the problem of the significant increase in water demand the EU strengthened its action to promote an integrated approach to address the interlinkages between water, land, food, and energy.

Honduras was the first Latin American country to establish a negotiation with the EU on **FLEGT Voluntary Partnership Agreement (VPA)** in January 2013. With forests covering 48% of the land, the forest sector is a key driver for rural development and poverty alleviation. By improving forest governance, halting illegal logging and deforestation, the VPA will help to enhance the business environment, promote investment, improve competitiveness and boost trade exports in particular to the EU. A wide variety of stakeholders, including indigenous people and afro-Hondurans have been part of the inclusive negotiation process. Over 2 000 people were involved in the process. Such high participation numbers were unprecedented in the history of FLEGT. The VPA

was started on 14 June 2018. Even prior to ratification, the negotiations of the VPA produced positive effects: institutions and the legal framework were strengthened, a wide concertation took place and land tenure rights were clarified. The EU also supports the establishment of a multiannual framework plan for the implementation of the FLEGT VPA together with Honduran stakeholders. The latter is expected to be approved in March 2019.

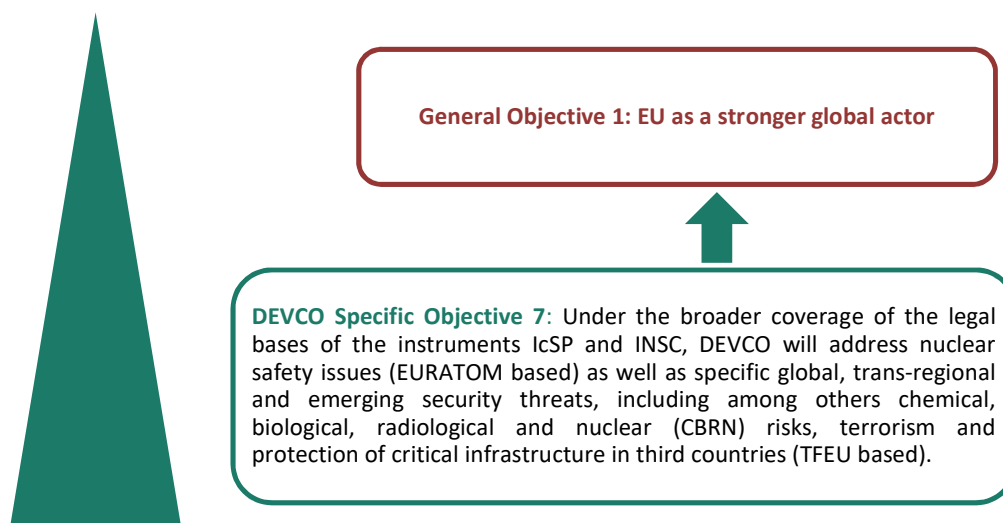
Euroclima+

EUROCLIMA+ offers a wide range of specialised services that support the implementation of the Paris Agreement commitments in the area of climate governance, and was key in consolidating EU-LAC positions in the lead-up to COP 24 in Katowice. EUROCLIMA+ covers 18 partner countries in Latin America and is implemented by five EU Member State agencies and two UN agencies. EUROCLIMA+ provides funding and technical assistance for actions in the following areas:

- forests, biodiversity and ecosystems⁴⁵;
- energy efficiency;
- water management with an urban resilience perspective;
- disaster risk reduction;
- urban mobility;
- resilient food production; and
- climate governance.

35 projects have been selected for support from EUROCLIMA+ and more will be launched in 2019. For example, in 2018, EUROCLIMA+ supported Chile's Environment Ministry in elaborating a new Climate Change Law, and Ecuador in reviewing its nationally determined contribution under the Paris Climate Agreement.

4 General Objective 1: Resilience and Security- Focus "Peace"



The **European Agenda on Security** emphasises fighting terrorism, organised crime and cybercrime as interlinked priority action areas, with a strong cross-border dimension, where the EU action can make a real difference. One of the key principles is bringing together the internal and external dimensions of security, as reflected in the 2016 **Global Strategy for the EU's Foreign and Security Policy**, and the 2017 **European**

⁴⁵ <http://euroclimaplus.org/index.php/en/forests>

Consensus on Development, by funding activities to deliver these strategic objectives. DEVCO has played a key role in operationalising the security/development nexus, enabling the EU to be a stronger actor in the global arena.

Using the Instrument contributing to Stability and Peace (IcSP), DG DEVCO addresses global, trans-regional and emerging security threats, by supporting the development of regional networks of Chemical, Biological, Radiological and Nuclear (CBRN) Centres of Excellence, working with partners to Prevent/Counter Violent Extremism (P/CVE), designing programmes to promote a criminal justice approach to counterterrorism, strengthening the protection of critical infrastructure, tackling issues related to cyber and prioritising Capacity-building for Security and Development (CBSD).

Political context

Actions and events in the field of **counter-terrorism** highlight the direct links between internal and external security as well as the intertwined relationship between security and development. The threat of terrorism is increasingly diverse and defined by geographical diffusion, as the ISIL has lost its territorial hold in Syria and Iraq and other groups such as Al-Qaeda and Al Shahab are increasingly challenged in their traditional strongholds. Foreign terrorist fighters, radicalisation and increasing polarisation are considerable threats. Since 2005, the EU has stressed that actions to combat terrorism effectively must be organised around four objectives: prevention, protection, pursuit and response, in line with the **European Union Counter-Terrorism Strategy** and the **European Union Strategy for Combating Radicalisation and Recruitment to Terrorism**. The EU actively supports the UN Global Counter Terrorism Strategy and the implementation of relevant United Nations Security Council Resolutions, in particular 1267, 1373, 2170 and 2178.

Considering multiple security challenges in the Sahel region, the Presidents of Mauritania, Burkina Faso, Mali, Chad and Niger, set up in 2014 the "G5 Sahel". On 7 February 2017, at the third Summit of the G5 Sahel, Heads of States decided to set up the G5 Sahel Joint Force to fight terrorism, transnational organized crime and human trafficking in the region. The AU Peace and Security Council endorsed the Concept of Operations on 13 April 2017, and consequently the J5 Joint Force obtained the status of "authorized force" by the AU. On the 1st June 2017, the Political and Security Committee of the European Union gave its political appropriateness to support the G5 Sahel Joint Force through the **African Peace Facility** (APF) with a first financial envelope of EUR 50 million followed by a second financial envelope of EUR 50 million on 20 February 2018. The European Union is today one of the main contributors of the G5 Sahel Joint Force.

In its role as a global actor, the EU subscribes to SDG 16 on "peace and justice". The UN recognises the link between security and development, and underlines the importance of just, peaceful and inclusive societies. The new element of the Instrument contributing to Stability and Peace - "**Capacity-Building in Support of Security for Development**" (CBSD) adopted in 2017 constitutes an additional EUR 100 million to support military actors in fragile contexts where there is no civilian actor that can perform the tasks and where there is a major threat to the functioning of state institutions. In the Annual Action Programme 2018, the CBSD tool was planned to be used in the Central African Republic and Somalia, starting in 2019.

Following the adoption of the Global Strategy for the European Union's Foreign and Security Policy in 2016, work has been ongoing to develop an **Integrated Approach to external conflicts and crises**. The purpose was to build on the Comprehensive Approach, while aiming to strengthen the way the EU brings together institutions, expertise and instruments, as well as how it works with Member States in prevention, peacebuilding, crisis response and stabilisation in order to contribute to sustainable peace. Council Conclusions on the Integrated Approach to external conflicts and crises were adopted in January 2018. The **EU Colombia Trust Fund** is a concrete example of this approach, with 19 EU Member States sitting on its Strategic Board. The Board is anchoring a structured dialogue with the Colombian Government on the implementation

of the Peace Agreement.

Commission/DEVCO role and added value

The EU is providing significant assistance on **Counter-Terrorism** (CT) and Preventing and Countering Extremist violence (P/CVE). In 2018, DEVCO had 22 programmes under the IcSP instrument specifically focusing on P/CVE and CT, making it the biggest actor within the EU in this area. The EU approach focuses on capacity-building to promote criminal justice/rule of law and law enforcement while respecting human rights. Strong emphasis is equally put on supporting prevention measures such as counter-radicalisation and countering terrorist financing. An external evaluation on EU CT efforts conducted in 2018 concluded that: "The EU undoubtedly adds value to and complements the bilateral assistance of EU Member States and other national and multilateral donors in CT and P/CVE. An almost unique advantage of the EU (shared arguably only by the UN) is its multilateral nature. We concluded that the EU exploits this advantage effectively, but not excessively, in its external assistance. And this advantage is especially helpful in P/CVE, which also plays to the EU's strength in soft power." (Global evaluation of the European Union's external engagement on Counter Terrorism, June 2018, p26).

As one of the main contributors of the G5 Sahel Joint Force through the **African Peace Facility**, the EU can make a difference especially in the provision of equipment, services and infrastructures; logistical and operational support on Malian territory through United Nations Multidimensional Integrated Stabilization Mission in Mali; the establishment and implementation of a human rights and international humanitarian law compliance framework through the Office of the United Nations High Commissioner for Human Rights and support to peace and security mechanisms.

Capacity-Building in Support of Security for Development (CBSD) offers the European Commission with the opportunity to fill a gap in the support framework for third countries in the sense that this is the first time that the Commission is able to support third country armies when they conduct activities with a development objective and in exceptional circumstances. In the Central African Republic, CBSD allows the Commission to support a sustainable deployment of armed forces outside the capital to provide a safe and secure environment, which is an essential prerequisite for the return of the civilian administration and economic life. This will be done in full complementarity with other EU funded projects and Common Security and Defence Policy activities.

In Somalia, under the CBSD, the EU will contribute to the establishment of an effective National Security Architecture and will support the implementation of the Transition Plan, for security responsibilities to be transferred from African Mission to Somalia (AMISOM) to the Somali security forces, increasing therefore local ownership. This is foreseen to be done through the provision of a functional regional headquarters in Hir Shabelle region, features a key road corridor from Mogadishu to Ethiopia.

In the area of **Chemical, Biological, Radiological and Nuclear** (CBRN) risk mitigation, the Centres of Excellence Initiative (CoE) has been strengthened and improved during the last years. The EU Court of Auditors published a follow up report in June 2018 on the CoEs. The main conclusions are supportive of this initiative. A report has also been presented to the European Parliament and it was very well received.

The former Colombian President Santos and Commissioner Mimica agreed in May 2018 to allocate EUR 15 million of the **EU Trust Fund for Colombia** in support of the reincorporation of former FARC combatants. Activities started in the Temporary Reincorporation Centre of Agua Bonita (Caquetá) as soon as August 2018. The Trust Fund allowed for a quick start of the activities.

Implementation, tangible results, link to outputs, risks and mitigation actions, illustrative examples

Countering the financing of terrorism

Countering the financing of terrorism is a core component of the EU's strategy in the fight against terrorism. As terrorists and their supporters constantly modify their ways to collect, move and gain access to funds, the EU needs to adapt its instruments and measures to deprive them from the possibility to engage in criminal activity. Fully in line with the EU Action Plan against Terrorism Financing, the EU has launched a Global Facility⁴⁶ on Countering the Financing of Terrorism and Anti-Money Laundering (CFT-AML) (EUR 16 million) in order to support partner countries to comply with international standards and the Methodology for identifying high-risk third countries under the Anti-Money Laundering Directive (EU) 2015/849. The facility mobilises public expertise coming from five EU Member States and provides specialised technical assistance and limited supplies notably for the handling of suspicious transactions.

This global initiative is built upon the success of an ongoing EUR 6 million programme under the IcSP launched in 2015, supporting main stakeholders such as the Financial Intelligence Units (FIUs) and specialised law enforcement and judiciary authorities of partner countries in the fight against terrorism financing. Key achieved results in this area include:

- Improved AML/CFT understanding and capacity among financial sector stakeholders nationally and regionally;
- Increased AML/CFT strategic direction, capacity and cooperation among criminal justice actors nationally and regionally;
- The project has increased dialogue between public and private sectors;
- Supporting ab initio the creation of a Somalian FIU and facilitating its accession to the observer status to the Financial Action Task Force's Middle East and Northern Africa regional body.
- Supporting Sudan in becoming a member of the Egmont group in 2017, after being originally blacklisted by Financial Action Task Force in 2015.
- The project has also produced a key study on how to counter the financing of terrorism in cash-based economies and in economies oriented towards mobile money.

Iraq - Assisting Stabilization, Humanitarian Efforts and Civilian Returns in Retaken Areas with Explosive Threat Mitigation

The scale, scope and complexity of the explosive contamination in areas liberated from Da'esh in Iraq is unprecedented and continues to hamper humanitarian, stabilization and reconstruction efforts and is posing a serious threat to the returning population. This is why the EU remains one of the main donors supporting United Nations Mine Action Service's (UNMAS) decontamination efforts, allowing the safe and dignified return of displaced people.

The EU's additional support of EUR 10 million in 2018 (EUR 20 million in total) helped the Government of Iraq and the international community to undertake critical post-conflict stabilization and reconstruction interventions in conflict-affected areas such as Mosul and Fallujah.

The decontamination has already showed significant results. As soon as areas in Mosul became accessible, with the EU's support, UNMAS teams conducted explosive hazard assessments to provide safe access. In western Mosul, assessment teams and implementing partners found hospitals, bridges, schools and water treatment plants contaminated with IEDs left behind by Da'esh. The IEDs, until removed, prevented the rehabilitation of the facilities to provide clean water, electricity and health services to the

⁴⁶ PE/2016/5099

community.

One of the first sites cleared by UNMAS was the Al-Shifa Hospital Complex in West Mosul. UNMAS found and cleared over 2 500 explosive items ranging from improvised hand grenades to missiles. This will allow the Ministry of Health and the United Nations Development Programme (UNDP) to begin the rehabilitation of the hospital's complex, which includes surgery, maternity, obstetrics, fertility, training and oncology clinics and staff quarters, a blood bank, a burn and plastic surgery unit, and an X-ray unit. Similarly, Al-Khansa hospital, one of the largest hospitals in Mosul was inaccessible to the population for several months. Following UNMAS intervention, UNDP started renovating and rehabilitating the hospital. Today, Al-Khansa serves as the main provider for maternity and paediatric care in the region. It is estimated that 500 000 women, girls, boys and men will benefit from improved healthcare services as a result of the rehabilitation of this facility.

Support to the G5 Joint Force

Support to the **G5 Joint Force** through the **African Peace Facility** gave concrete results such as the delivery of personal protection equipment, providing for liaison and non-armoured vehicles, emergency communication equipment, and countering improvised explosive devices. Concerning the implementation of a human rights compliance framework, a technical advisory team was deployed at the G5 Sahel Joint Force headquarters. It will work closely with the Force Commander on the development of key documents enabling the implementation of mechanisms and measures designed to prevent and mitigate violations of human rights and international humanitarian law during the operations of the Force.

CBSD

In the area of **Capacity-Building in Support of Security for Development** (CBSD), the EU is supporting the restoration of the security conditions necessary for the redeployment of civil institutions for decades in the Central African Republic (CAR) outside Bangui, through the redeployment of the Central African Armed Forces (FACA). This country has been impacted by conflict, humanitarian emergencies and political instability, with a strong upsurge in violence during 2017. The presence of armed forces in the provinces is an essential prerequisite for the return of the civilian administration and economic life. Non-lethal equipment, infrastructure improvements, training and mentoring are provided so that the FACA deployed outside Bangui can benefit from a strong administrative and logistical support to ensure a sustainable deployment.

Somalia has faced internal political instability and huge security issues for decades, which led to the rise of the terrorist group Al-Shabaab and to the deployment of the AMISOM in order to stabilise the country. It is now planned for AMISOM to hand over the responsibility to protect to Somali defence and security forces. The EU supports the empowerment of the Somali National Army (SNA) through the establishment of command and control structures. The EUR 3 million EU funding will provide equipment and infrastructure improvements that will allow the SNA to protect civilians locally, alongside the police. Support to the SNA on a regional basis for development objectives aligns with the transition plan for the transfer of security responsibility from AMISOM to the SNA, which is conditions-based, to maximise the sustainability of current security gains.

Bêkou Trust Fund

The **Bêkou Trust Fund** plays a unique role, at the very heart of the humanitarian-development nexus, in a true LRRD approach – Linking Relief, Rehabilitation and Development: it promotes stabilisation and peace through job creation, the provision of basic services and the promotion of social dialogue, as well as building resilience at a

community and State level, which creates deeper roots for peace. With more than 694 000 Internally Displaced Persons (IDPs) and 543 000 refugees in neighbouring countries, safe return of civilians and re-integration to the communities constitutes a cornerstone for the peace-building processes in the Central African Republic (CAR). After the CAR authorities took control on important areas, like Bambari, and were able to close several IDPs sites in Bangui, new dynamics in the return process emerged. In 2018, additional support was allocated to promote peaceful cohabitation in the communities, support the returnees, and the socio-economic integration of IDPs. These projects are already showing results: despite the volatile security context and the fragility of the situation, over 4 332 individuals took part in awareness actions for the respect of human rights, including specific content on social cohesion, peace and conflict resolution. Another component of the project focuses on Revenue Generating Activities and the vocational training. These projects further enhance synergies with other actions notably in favour of the protection and support of conflict-affected women and the reinforcement of young people.

EL PACCTO

Latin America is the most violent region in the world. This makes citizen security a priority for the EU-CELAC political dialogue and action plan. The regional Programme **EL PACCTO** is a good example of putting into practice the **security-development nexus**. It is the first regional programme in Latin America to deal with the fight against organised crime, covering the entire criminal chain: police cooperation, judicial cooperation and penitentiary systems. It also covers money laundering, corruption, cybercrime, gender issues and human rights. EL PACCTO is a demand-driven programme covering over 70 public institutions in Latin-American countries, mostly Ministries, General Prosecutors' Offices and Supreme Courts. Technical activities started in February 2018 and will last until 2022. EL PACCTO supports its beneficiary institutions in concrete cases in their fight against organized crime. One of the cases in 2018 was an operation against child pornography on the internet (Operation ELIPSIA). The programme has also enabled the creation of a Latin American Police Cooperation Centre at the border between Panama and Costa Rica, using the EU model of Police Customs Cooperation Centres as a blueprint.

The signature of the Buenos Aires Agreement for the creation of AMERIPOL (Argentina, Bolivia, Brazil, Ecuador and Panamá) also constitutes a major achievement in 2018. AMERIPOL will foster the exchange of information and intelligence amongst prosecutors and law enforcement agencies enabling complex investigations in the region. Linked to the EU support, EUROPOL has shown great interest in strengthening its partnership with AMERIPOL in Latin America. Concrete areas of collaborations, exchange of expertise and possible joint investigations between AMERIPOL and EUROPOL will be starting in 2019 thanks to the EU support.

EU Trust Fund for Colombia

The **EU Trust Fund for Colombia** has demonstrated its ability to quickly translate political priorities into concrete actions on the ground. In May 2018, President Santos and Commissioner Mimica agreed to allocate EUR 15 million of the funds to the reincorporation of former FARC combatants. The activities started in the Temporary Reincorporation Centre of Agua Bonita (Caquetá) as soon as August 2018. 260 ex-combatants live with their families in the centre after they handed over their arms to the UN. The EU Trust Fund is helping them to integrate into civilian life. The project has built a processing facility for pineapples planted by former combatants, increasing the added value obtained from the production. Technical advice, training and support to establish commercial alliances were provided and now the first harvest of 3 tons has been entirely sold. But reincorporation is not just about the money. It is above all about rebuilding the social fabric that the 50 year conflict destroyed. The EU targets former combatants but also, or specially, the more than 2.500 peasants in the area who were affected by the protracted violence. In addition, the reintegration of refugees from the conflict is

supported through economic development, cultural and social work. The graffiti contest sponsored by the EU in Agua Bonita was a good example of this work. Under the project's umbrella, military and the ex-combatants work alongside the local communities, European companies and municipal institutions to secure a peaceful and brighter future. As the Colombian press⁴⁷ has put it, in Agua Bonita, arms were traded in for pineapples.

Challenges in 2018

Insecurity and crises hampering the implementation of DEVCO programmes

Throughout 2018's complex tenure, 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 partner countries remain characterised by fragility, including political, conflict, corruption and weak governments. Crisis situations, political volatility and economic instability jeopardise implementation especially in "sensitive" sectors like human rights and democracy, migration and security- making resilience actions even more necessary. Continuous shrinking space for civic society, rule of law, democracy and human rights compromise results, while weakening our partners. Transnational issues, including terrorism and irregular migration, continued to evolve and grow. **Political and security crisis and/or incidents have impacted the work of EU Delegations in several countries in 2018.** All these underlying threats and demanding conditions represented major challenges for our partner countries, the programmes managed by DG DEVCO and for the work of the EU Delegations.

Climate change challenges

Many of the regions 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 in 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.

Partnerships with middle-income 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 significant. They also have an important role and influence within their regions and beyond. The EU seeks to develop new partnerships with these countries in order to promote the implementation of the 2030 Agenda and to pursue shared interests, taking into account available instruments, reduced presence on the ground and the need for tailored approaches.

Human resources and security challenges

EU 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 that are difficult to find (e.g. Budget support, Public Finance Management, financial engineering, or for specific priority sectors like: nutrition/agricultural research, water, forest/FLEGT,

⁴⁷ <https://www.eltiempo.com/politica/proceso-de-paz/agua-bonita-el-espacio-de-reincorporacion-visitado-por-la-union-europea-296632>

private sector, cities & climate change, etc.).

Difficulties in recruiting are especially amplified in countries under hardship or insecurity conditions. Difficulties in recruiting staff with special expertise corresponding to the wide array of sectors covered by DG DEVCO's operations, complex political environments 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.

In some of the countries under hardship conditions DG DEVCO continues having no access to the ground and no institutional partners to coordinate the work on the ground, most of the partners work under difficult conditions or have evacuated the country, and the conflicts continue to escalate dangerously.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the DG delivered the achievements described in the previous section. It 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 objectives⁴⁸. 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.

o General environment

The operational environment of external aid financed by the EU Budget, the EDFs, and the EU Trust Funds 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, sectoral policy support programmes, contributions to global instruments, blending etc.).

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 system put in place in the Delegations, as well as information on the management of the operations sub-delegated to them providing

⁴⁸ Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

thus their assurance to the relevant Director in accordance with the sub-delegation received. In particular EAMR present the results of each Delegation for 25 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.

- **11 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;
- **17 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 "Bêkou", for each window of the EU trust Fund Africa and the EU Trust Fund Colombia;
- **Report on recorded exceptions and non-compliance events**
- **Report on Annual Management declarations** from IOs and Development Agencies;
- **Reports on Supervision missions to EU Delegations;**
- **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 2018 **Assessment of the Internal Control System** by the Risk Management and Internal Control Director;
- 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 2018 **RER Study**;
- a **desk review of the results of the RER studies** and the ECA reports for the last 3 years (2015-2017)

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 the **EU Budget, the EDF** and 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"**. The management of the window "North Africa" of the TF Africa is cross sub-delegated by the Director General of DG DEVCO to the Director General of DG NEAR.

Related activities and expenditure are therefore reported in the Annual Activity Report of DG DEVCO (including also the activity report of the TF Manager of "North Africa" window from DG NEAR) and covered by the Declaration of Assurance signed by the Director General.

- The **EU TF "Bêkou"** was established in July 2014 to support the Central African Republic's transition from emergency response towards longer-term development following the "Linking Relief, Rehabilitation and Development" approach. With nearly EUR 240 million in pledges (of which 28% from external donors), and 16 programmes adopted, the EU TF Bêkou plays a key role in building resilience of the Central African population and its State, in a volatile context that needs constant adaptation and flexibility, two key features of the Fund.
- The **"EU Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa"** was created at the EU-Africa Valletta Summit on Migration held in November 2015. At 31 December 2018, with more than EUR 3 589.9 million payments this Trust Fund has helped addressing the root causes of destabilization, forced displacement and irregular migration by promoting economic and equal opportunities, security and development in some of the most fragile and vulnerable countries across Africa in Sahel and Lake Chad, Horn of Africa, North of Africa regions.
- The **"EU Trust Fund for Colombia"** supporting the implementation of the peace agreement with FARC was adopted by the DCI committee and launched on 12 December 2016. The Trust Fund having at its disposal at the end of 2018 approximately EUR 119 million (out of which 21% coming from Member States) focusses on:
 - integrated rural development that will bring major economic, political and social benefits, and
 - the social and economic reincorporation of former FARC combatants.During its first two year of operations, the Colombia Trust Fund approved 18 projects amounting to EUR 69.3 million, out of which EUR 56.6 million were contracted and ongoing at the end of 2018.

EU TFs have been introduced by the Financial Regulation entered into force in 2013 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 under an agreement concluded with other donors" (Art. 234 of the 2018 financial Regulation - 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:

- Following consultation (for emergency and post-emergency trust funds) or approval (for thematic trust funds) of the European Parliament and the Council, 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 rules and procedures developed by the DG DEVCO for the management and implementation of its operations are equally applicable to the EUTF. The EU Trust Fund operates in the general system of internal control defined by the Commission.

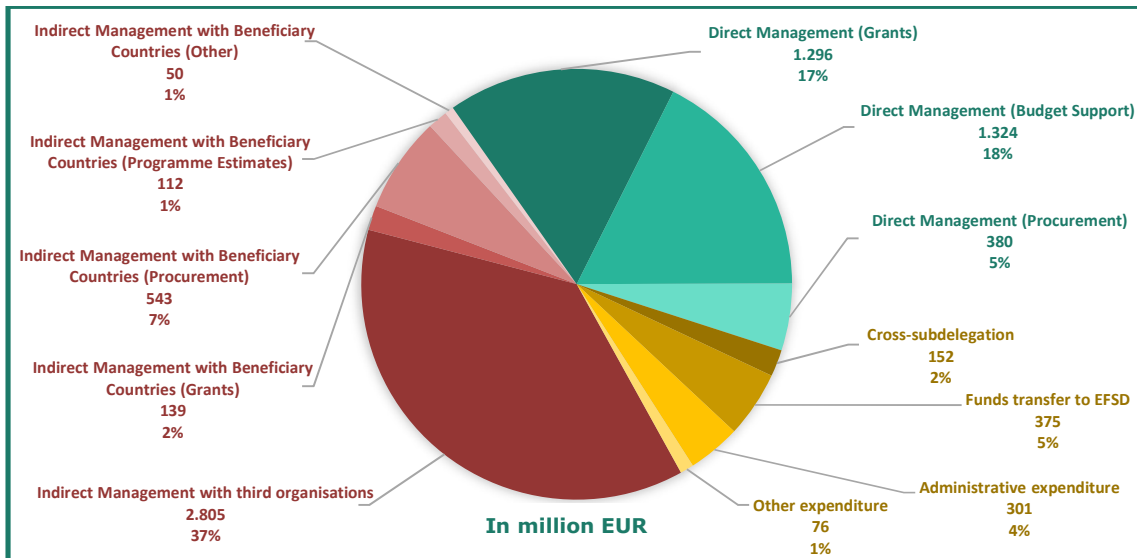
Once approved by the Operational Committee (i.e. one of the governing bodies of each EU trust fund), actions are implemented in accordance with the implementing procedures provided for in the applicable Commission rules and regulations, including those applicable to EDF. The Trust Fund accounts are subject 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 objectives⁴⁹. 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 relevant control systems.

The breakdown by management modes of total payments made by DG DEVCO in 2018 is presented in the below chart⁵⁰. Total 2018 DG DEVCO payments: EUR 7 552.64 million⁵¹.



* as foreseen in Financial Regulation (July 2018), article 62.1(c) (II) to (VII)

The new 2018 Financial Regulation introduces a few additional reporting requirements

- **confirmation of instructions (art 92.3)** – no such cases for DG DEVCO
- **financing not linked to costs (art 125.3)** – no such cases DG DEVCO

⁴⁹Effectiveness, 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 36.2).

⁵⁰ Payments made by the EU Trust Funds follow the same Relevant Control System that all other operations implemented by DG DEVCO. Those payments are therefore included in the graph and split between the relevant RCSs.

⁵¹ Excluding General Budget and EDF contributions to EU Trust Funds (EUR 437.17 million) and including payments made by EU Trust Funds (EUR 642.76 million).

- **financial framework partnerships for more than 4 years (art 130.4)** – no such cases DG DEVCO
- **flat rates above 7% (art 181.6)** – ne such cases DG DEVCO
- **derogation to the principle of non-retroactivity for grants (art 193.2)** – cfr. p.59

2.1.1.1 Effectiveness = the control results and benefits

2.1.1.1.1 Legality and regularity of the transactions

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.

I. 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 ECA⁵². 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 seventh RER study was carried-out in 2018. 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 2018 applied the methodology on the basis of a sample (drawn by monetary unit sampling) of 219 transactions. These transactions relate to contracts closed in the CRIS and ABAC data bases in the period September 2017 to August 2018. 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.

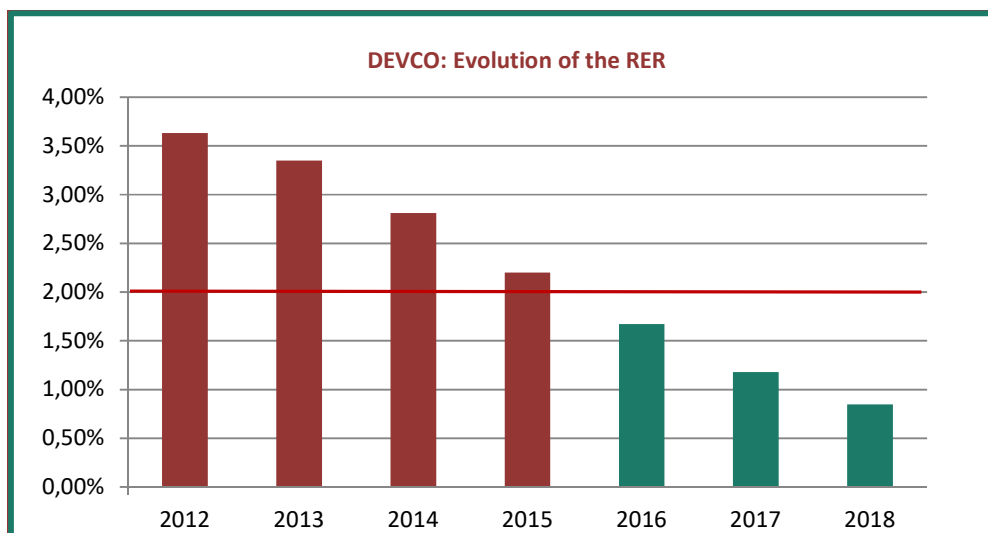
The most likely estimate of the representative RER was 0.85%⁵³ compared with 1.18% in 2017. The overall error rate should be seen in the light of the fact that a large part of the error is due to missing or inadequate documentation rather than confirmed errors.

⁵² 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.

⁵³ Upper error limit at 1.64% and lower error limit at 0.49%.

For 2018, the RER stands as follows:

Confirmed errors:	0.1111 %
Errors due to missing or inadequate documentation:	0.4528 %
Estimated errors:	0.2830 %



II. Risk-differentiated assurance

The overall RER for 2018 is 0.85%, i.e. below the materiality threshold of 2%. However, a risk-differentiated approach should take into account information that hints at areas for which the suspected error rate would be above materiality.

For this purpose, a risk analysis was carried out on the basis of past RER and ECA results for a three-year period (covering reporting years 2015, 2016 and 2017). Indicative error rates have then been estimated by multiplying the overall error rate with the risk indices as follows:

Expenditure categories	Error rates
<i>Global average error rate</i>	0.85%
I Direct Management - Grants	1.29%⁵⁴
II Direct Management - Budget Support	0.00%
III Direct Management - Procurement	0.38%
IV Indirect Management with Beneficiary Countries (IMBC)	0.91%
IVa IMBC: Grants	1.91%
IVb IMBC: Programme Estimates	1.49%
IVc IMBC: procurement	0.50%
V Indirect Management with third Organisations	1.20%

⁵⁴ Indicative error rate based on the multiplication of the respective risk index with the global average error rate

Conclusion for assurance

All spending areas have an indicative error rate below 2%. Therefore, no error-based reservation for DEVCO-managed funds is made.

The sections below describe the main implementation modalities used by DG DEVCO in 2018 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 Relevant Control System (RCS)						
Moment of Control	Control type	RCS 1 – Grants in DM	RCS 2 – Budget Support (DM)	RCS 3 – Procurement in DM	RCS 4 – IM with Beneficiary countries	RCS 5 – IM with third Organisations
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		RCS 1 – Grants in DM	RCS 2 – Budget Support (DM)	RCS 3 – Procurement in DM	RCS 4 – IM with Beneficiary countries	RCS 5 – IM with third Organisations
Payments made in 2018 for each RCS (EUR million)		1 296	1 324	380	844 ⁵⁵	2 805
% of total of DG DEVCO payments in 2018 (EUR 7 552.64 million) ⁵⁶		17%	18%	5%	11%	37%
Risk-index		152	0	45	107	142
Indicative RER		1.29	0	0.38	0.91	1.20
Reservation Y/N		N	N	N	N	N

⁵⁵ Of which: grants (EUR 139 million), Programme Estimates (EUR 112 million), Procurement (EUR 543 million) and other (EUR 50 million)

⁵⁶ Excluding General Budget and EDF contributions to EU Trust Funds (EUR 437 million) and including payments made by EU Trust Funds (EUR 643 million).

II. 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 (RCS1)

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 2018 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 (i.e. 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.

According to the FR article 193.2 DG DEVCO recorded in 2018 65 “events to be reported” that cover the cases of derogations from the principle of non-retroactivity of grants -the acceptance of costs before the project grant application was submitted.

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 and verification 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 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 2015 to 2017 shows that grant contracts in Direct Management have an index value of 152 compared with the average index value of 100.
- Index value is confirmed by the result of the RER study 2018 in which grants in direct management represent 47.3 % of the overall RER.
- Risk index values are also confirmed by the results of the audits contracted by the Commission. Indeed, 4.64% of the total amount audited in 2018 for grants in direct management was identified as non-eligible by the external auditors⁵⁷. Grants in Direct Management represent 17% of the total ineligible amount identified in 2018 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.

⁵⁷ Based on final audit reports received and registered in 2018.

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

Several actions were decided by DG DEVCO in 2018 in order to mitigate these risks:

- Simplify and clarify procedures and contractual conditions for grants.
- Maintain awareness on frequently occurring errors in financial and document management for the implementation of grant contracts.

Budget Support in Direct Management (RCS 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 2018 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 finance management (PFM);
- a well-defined national development policy (or sectorial policy);
- 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 and the EEAS 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	2014	2015 ⁵⁸	2016 ⁵⁹	2017 ⁶⁰	2018
New BS operations	41	36	40	41	43
Good Governance and Development Contracts (GGDC), Fundamental Values assessment	3	6	4	0	6
State Building Contracts	12	9	10	8	12
Sector Reform Contracts	26	21	26	33	25
Payments	100	70	59	105	110
for guidance	76	70	53	103	110
for info	24 ⁶¹		6	2	
Others	3	4	5	8	12
TOTAL decisions	144	110	104	154	165
Risk Management Frameworks validation	61	71	90	85	86
TOTAL including RMFs validation	205	181	194	239	251

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 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 2015 to 2017 shows that Budget Support operations have a risk index value of 0 compared with the average index value of 100.

⁵⁸ 2015: BSSC for DCI and EDF (FAST for ENI excluded)- 22 payments and 1 new BS operation have not been submitted to the BSSC in 2015

⁵⁹ 2016: 53 payments and 8 new BS operation have not been submitted to the BSSC in 2016

⁶⁰ 2017: 2 payments have not been submitted to the BSSC

⁶¹ In addition to the 24 payments, 32 other payments have been submitted for comments since September 2014

- Risk index value is confirmed by the result of the 2018 RER study in which no errors were identified for Budget Support operations.
- 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 64% of the amount of payment requests blocked by ex-ante controls in 2018.

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 2017 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 (RCS 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 5% of the total amount paid in 2018 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 expenditure⁶²:

- 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 and verification 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 2015 to 2017 shows that procurement contracts in Direct Management have a risk index value of 45 compared with the average index of 100.
- Risk index value is also confirmed by the external audits carried out in 2018. Indeed, only 1.13% of the total amount audited in 2018 for procurement contracts in direct management was identified as non-eligible by the external auditors⁶³.

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

⁶² 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.

⁶³ Based on final audit reports received and registered in 2018.

II. 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 contracts⁶⁴ (so-called budget-implementation tasks) have been entrusted by the Commission.

Indirect management with Beneficiary Countries (RCS 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.⁶⁵

Payments for indirect management with beneficiary countries represented 11% of the total amount paid in 2018 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 above apply to Indirect Management with Beneficiary Countries⁶⁶. 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 contract⁶⁷, 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.

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 and verification plans.

The EU financial interests are therefore safeguarded, in addition to all the other possible

⁶⁴ Entrusted entities can withhold up to 7% for the administration of funds.

⁶⁵ 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 and of Partner Country managed Pool funds. For Programme Estimates, such payments relate to the ordinary operating costs of the PE, direct labour and small size contracts (i.e. below EUR 300 000). In 2018, total payments made for programme estimated amounted to EUR 112 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 third Organisations).

⁶⁶ Except for Budget Support Eligibility Assessment which by definition applies only to Direct Management

⁶⁷ Contracts within a programme-estimate are only submitted by the partner country to the European Commission for endorsement if they entail derogations to standard provisions

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 2015 to 2017 revealed that contracts in indirect management with Beneficiary Countries have a risk index of 107. Indeed, Procurement, which represents the largest part (64%) of the payments in this RCS, has an index value of 59. Risk areas are therefore limited to Grants and Programme Estimates for which the risk index values are at 226 and 176, respectively.
- The analysis of the results of the external audits carried out in 2018 on operations implemented in Indirect Management with Beneficiary Countries shows that 3.77% of the total amount audited was identified as non-eligible by the external auditors⁶⁸. In regard to amounts identified as non-eligible by external audits, grants and programme-estimates together account for 52%. The rate of non-eligible is 10.25% of the amount audited on grant contracts and 4.51% of the amount audited on programme-estimates. This RCS represented only 4.8% of the overall 2018 RER.

The root causes of errors related to Grants in indirect management with Beneficiary Countries are the same as the ones for Grants in direct management.

The root causes of errors linked to Programme Estimates lie in their nature; they 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 **LOW** overall. However, it is assessed as **MEDIUM** for the limited number Programme Estimates and Grants implemented in this RCS.

The following measures have been included in the action plan regarding this spending area:

- Simplify and clarify procedures and contractual conditions for grants.
- Maintain awareness on frequently occurring errors in financial and document management for the implementation of grant contracts.
- Develop a strategy for the reduction of the use of Programme Estimates and promotion of alternatives, in view of simplification and cost-effectiveness.
- Implement the "Roadmap for Reinforcements of Controls under Programme Estimates" adopted in April 2018.

Indirect management with third Organisations⁶⁹ (RCS 5)

General description

Under this Relevant Control System (RCS), the Commission entrusts budget implementation tasks to third Organisations.

⁶⁸ Based on final audit reports received and registered in 2018.

⁶⁹ Including national financial institutions in EU countries that finance and manage development projects in countries outside the EU.

Payments for indirect management with third Organisations represented 37% of the total amount paid in 2018 on DG DEVCO Budget lines (General Budget, EDF and EU TF).

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 interest 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:

- internal control;
- accounting; and
- 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:

- procedures and rules for grants;
- for procurement;
- for financial instruments, as well as
- a specific pillar for sub-delegation for which the entities concerned have been assessed positively.

For the investment programmes under the EFSD guarantee Fund, the assessment takes into account the expert advice of the Guarantee Technical Assessment Group on the risk and banking-related aspects of the proposals. Following this technical screening by the Commission, the proposals are discussed with all eligible counterparts during one or more Technical Assessment Meetings. Once a proposal is considered sufficiently mature, it is submitted to the EDF and ENP Operational Boards for opinion.

Pillar Assessment (PA) highlights

In total, 124 entities have been pillar assessed up to 2018, of which 87 International Organizations (IOs) and 37 National Agencies (NAs).

Among the 87 IOs that underwent a PA up to 2018, 73 were positively assessed, 6 were considered not to meet the criteria for IOs under the EU rules and 8 received a negative assessment of one of the pillars.

All 37 NAs received a positive assessment.

Over 20 PA applications were received in 2018, of which 2/3 from national entities. Overall, there was an increase in applications to undergo a PA from Development Finance Institutions from EU Member States, interested in being considered as eligible counterparts for the purposes of the European Fund for Sustainable Development (EFSD) Guarantee.

New PA reports were issued for 9 entities, of which 4 NAs and 5 IOs. The outcome was positive in the majority of cases and roadmaps for improvements are being implemented where received. In addition, 7 applicants (5 NAs and 2 IOs) were notified to launch a PA after completion of the opportunity and legal checks. At present, there are about 10 applications in the pipeline.

The revision of the PA methodology following the entry into force of the 2018 Financial Regulation is ongoing. The new methodology is planned to be adopted in the first half of 2019.

Stage 2 – Contracting

DEVCO establishes and signs agreements with the organisations assessed and identified under stage 1. A standard agreement model (PAGoDA) is used for most EU-financed operations under indirect management with third Organisations. Following the entry into force of the 2018 FR, a new Contribution Agreement template will replace in future the previous standard model. Separate arrangements are in place with the EIB/EIB and the World Bank.

For the implementation of the **European Fund for Sustainable Development (EFSD)** in particular, following the positive opinion of the Operational Boards, the Commission carries out internal consultations and, on this base, approves and subsequently signs contracts with selected eligible counterparts for the specific amount. The contracts under the blending facilities are based on standard contribution agreements for indirect management. The guarantee agreements financed from the EFSD guarantee fund, given their particularities, are specifically designed for each investment programme based on the requirements set out in Art 13 of the EFSD Regulation. The guarantee agreements are submitted to the Inter-service consultation with all relevant DGs, including DG BUDGET and Legal Service.

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) entities⁷⁰ unless for simplified payments (i.e. 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.

As regards the **EFSD guarantee fund**, the responsibility for the financial management of the assets is assumed by DG ECFIN, whilst DG DEVCO is responsible for managing the liquidity, including payments and follow-up of calls under the EFSD Guarantee.

Annual Management Declarations

Delegation Agreements contain the obligation to provide with every report, a Management Declaration following the template annexed to the contract.

However, it is possible to agree with the Commission to send annually the Management Declaration covering all the agreements signed with the Commission.

In this case, the organisation sends within the year n (this could be either the calendar year or the financial year of the organisation) the Annual Management Declaration for year n-1 covering all contracts implemented in year n-1. This Management Declaration is valid until the end of year n+1, i.e. it serves as Management Declaration for payment requests/reports submitted until this point in time. In case the Management Declaration is missing, the reports will be considered as incomplete and the respective payment can be suspended.

The organisation shall indicate in every report submitted (either progress or final) whether the Management Declaration are attached to the report, or sent annually to Headquarters. In the latter case, services can check on DEVCO intranet whether the relevant documents have been sent and validated.

⁷⁰ 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.

7 national agencies⁷¹ and 15 international organisations⁷² agreed with DEVCO to send their Management Declarations annually. All annual Management Declarations covering payments made until the end of 2018 have been received and no weaknesses were reported. The African Development Bank started working with DEVCO in indirect management at the end of 2017 and will have to submit its first Management Declaration in 2019 covering the period up to end of 2018. As agreed the first Annual Management Declaration for COMESA will be received in 2019. In the meantime, COMESA continue to produce Management Declaration with each report.

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 third Organisations 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 2015 to 2017 shows that Operations in Indirect Management with third Organisations have a risk index value of 142 compared with an average index value of 100. 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 third organisations. Only 0.72% of the expenditure made in 2018 for these operations was identified as ineligible by ex-ante controls. It represents only 8.1% of the total amount of payment requests blocked by ex-ante controls. This RCS represented 47.6% of the overall RER in 2018.
- An important factor when assessing DEVCO's relationship with third Organisations are certain peculiarities in the field of financial and operational reporting. Reports submitted by certain organisations 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 organisations 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 third Organisations** is assessed by DEVCO as **MEDIUM**

The following actions decided by DEVCO in 2018 should help mitigate these risks:

- Reinforce the mandate of the focal point unit for coordination of relations with international organisations at all levels (including control relations).
- Work towards use of Terms of Reference for Expenditure Verifications adopted in 2017 for verification of expenditure incurred by International Organisations under indirect management.
- Continue and reinforce cooperation with International Organisations in view of sustainable reduction of errors.

⁷¹ National agencies: Spanish Cooperation Agency for International Development, French Development Agency, British Council, Expertise France, Kreditanstalt für Wiederaufbau, Luxembourg Development Cooperation Agency, Private sector financing agency of the AFD

⁷² International Organisations: African Development Bank (AfDB), African Union (AU), Common Market for Eastern and Southern Africa (COMESA), Comprehensive Nuclear-Test-Ban Treaty Organisation (CTBTO), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), International Federation of Red Cross and Red Crescent Societies (IFRC), International Trade Centre (ITC), United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), United Nations Industrial Development Organisation (UNIDO), United Nations International Strategy for Disaster Reduction (UNISDR), United Nations Office on Drugs and Crime (UNODC), United Nations Office for Project Services (UNOPS), World Bank (WB), World Health Organisation (WHO)

- Adaptation of Terms of Reference for Pillar Assessments to the requirements of the revised Financial Regulation.
- Introduce effective and cost-effective framework for assessment and acceptance of cost accounting practices.
- Phase in cross-reliance on audits for operations under indirect management with at least two major International Organisations.

II. 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 except DG NEAR who raises a reservation for the management of grants. The estimated amount at risk for the funds managed by DG NEAR was estimated at EUR 0.66 million.

The total payments made in 2018 in the context of cross-sub-delegation given by DEVCO to other DGs amount to EUR 152 million⁷³.

III. Report on exceptions and non-compliance events

A. Exceptions

Exceptions are deviations from established processes and procedures that are not specifically allowed for by the applicable rules. A detailed justification is required from the competent authority responsible for the procedure or contract. Exceptions are not a breach of rules or procedures. They are approved by the competent authority before action is taken (ex-ante) and registered. A total of 99 exceptions were registered and analysed in 2018. When relevant, necessary adjustments of procedures were undertaken.

1. More specifically, as concerns indirect management:

- 14 exceptions were registered on Financing Agreements. These exceptions aimed to modify standard provisions of the template to target specific needs of partner countries and partner regional organisations in Asia and Latin America. A revision of the Financing Agreement template is foreseen, which will give an opportunity to further analyse the needs and adapt the template, where appropriate.
- 42 exceptions were registered on delegation agreements with third partners. These exceptions aimed to modify the standard provisions of the template to target specific needs of partner organisations. The revision of the financial framework partnership agreements in 2019 will ensure that the needs of the organisations are targeted and that fewer exceptions are hence required at the contractual level.
- 3 exceptions were registered on pillar assessed grants. These exceptions aimed to modify the standard provisions of the template to target specific needs of partner organisations by adding remedial measures recommended by the auditors.

⁷³ Including EUR 59 million EDF funds delegated to other DGs (EAC, ECHO, EACEA)

- 3 exceptions were registered on transfer agreements. These exceptions aimed to modify the standard provisions of the template to target specific needs of the donor.
2. As concerns contracts in direct management, 12 exceptions were registered on grant contracts, 15 exceptions were registered on programme-estimates contracts, and 6 exceptions were registered on service contracts.

The high number of exceptions (15) pertaining to extensions of the implementation periods of Program-Estimates is due to the fact that until 2016, Program-Estimates had a fixed duration of 12 months, and only one possible extension of 6 months maximum. Since 2016 however, Programme-Estimates under Financing Agreements concluded after 1/1/2016 are multiannual and therefore this type of exception should decrease and eventually disappear.

B Non-compliance events (NCE)

A non-compliance event is a departure from established processes and procedures or is a gap in existing controls, detected only after action was taken (ex-post). It could consist of a breach of existing regulatory and/or contractual provisions.

A limited number of NCE -32- were reported and registered. The most frequent errors are related to signature of a legal commitment by the Authorising Officer without the preceding budgetary commitment.

The analysis of the exceptions and non-compliance events does not conclude that critical weakness linked to these events are to be reported in the AAR 2018.

IV Reports on supervision missions to EU Delegations

Supervision missions are a management tool aimed at enhancing the mutual understanding between DG DEVCO in Brussels and the EU Delegations, improve the flows of communication and increase the efficiency of the management of the EU external assistance.

DEVCO's management approved in November 2017 new guidelines for supervision missions to Delegations. According to the 2018 Annual Plan, 10 Delegations in the different geographical areas of the world were visited by DEVCO's teams. Four of these missions were carried out in coordination with other Commission departments and the European External Action Service.

The main recommendations put forward by the supervision mission reports are related to the following areas:

- Improvement of the situation of the archives and the management of documents;
- Reinforcement of the cooperation and the synergies among the different sections of the Delegation (Political, Operational and Finance and Contracts);
- Increased training and supervision in order to guarantee that financial and contractual procedures are correctly applied.

Recommendations included in the supervision reports are addressed to Delegations, which are in charge of their implementation. The relevant Finance and Contract Units in DG DEVCO in Brussels are responsible for the follow-up of the recommendations.

V. 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.

For DG DEVCO, the **estimated overall amount at risk** at payment⁷⁴ for the 2018 payments made is EUR 64.7 million. This is the AOD's best, conservative estimation of the amount of relevant expenditure⁷⁵ during the year (total: EUR 6 661.61 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively **estimated future corrections**⁷⁶ for those 2018 payments made are EUR 14.9 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 49.8 million.

⁷⁴ 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.

⁷⁵ "relevant expenditure" during the year = payments made, minus new pre-financing paid out, plus previous pre-financing cleared

⁷⁶ This estimation is based on the historic average of the recovery orders issued by DEVCO in 2016, 2017 and 2018 for the reimbursement of undue payments identified by ex-post controls (i.e.: recovery orders encoded with recovery context "errors" or "irregularity"). Some adjustments were made in order to exclude the amounts of ex-post recoveries erroneously encoded with recovery context "Errors" or "Irregularity".

Estimated overall amount at risk at payment and at closure⁷⁷

	Payments made (2018; EUR million)	Minus new prefinancing (2018; EUR million)	Plus cleared prefinancing (2018; EUR million)	= "relevant expenditure" (2018; EUR million)	Average Error Rate (weighted AER; %)	Estimated overall amount at risk at payment (2018; EUR million)	Average Recoveries and Corrections (adjusted ARC; %)	Estimated future corrections (for 2018; EUR million)	Estimated overall amount at risk at closure (EUR million)
EU Budget	3 305.38 ⁷⁸	1 1752.57	1 470.95	3 023.76					
• Of which DG's contribution to EUTF Africa	60.00	0.00	0.00	60.00					
• Of which DG's contribution to EUTF Bêkou	20.70	0.00	0.00	20.70					
• Of which DG's contribution to EUTF Colombia	11.47	0.00	0.00	11.47					
EU Budget excl. contributions to EU TF	3 213.21	1 752.57	1 470.95	2 931.59					
EDF	4 069.21 ⁷⁹	2 251.00	2 067.50	3 885.71					
• Of which DG's contribution to EUTF Africa	345.00	0.00	0.00	345.00					
• Of which DG's contribution to EUTF Bêkou	0.00	0.00	0.00	0.00					
EDF excl. contributions to EU TF	3 724.21	2 251.00	2 067.50	3 540.71					
EU TF:									
• Bêkou	• 57.72	• 54.17	• 9.34	• 12.89					
• Africa	• 565.12	• 457.81	• 67.55	• 174.86					
• Columbia	• 19.92	• 18.36	• 0.00	• 1.56					
Sub-total	642.76	530.34	76.89	189.31					
Total excl. contr. to EU TF	7 580.18⁸⁰	4 533.91	3 615.34	6 661.61	0.97⁸¹	64.7⁸²	0.21%⁸³	14.9⁸⁴	49.8

⁷⁷ The amount at risk at closure is based on the 2018 RER study. It is therefore the starting point for the estimation of the average error rate at payment.

⁷⁸ Reconciliation of the amount of EUR 3 305.38 also presented in annex 3A with the amount of EUR 3 130.77 million presented in graph p.9: EUR 3 130.77 million + EUR 92.17 million (contribution to EU TF) + EUR 82.44 million (EDF and EU TF contribution to support expenditure paid by the general budget under BL 21.010407, 21.010408 and 22.010403) = EUR 3 305.38 million.

⁷⁹ Reconciliation of the amount of EUR 4 069.21 million also presented in table 2.1 of the annex 3B with the amount of EUR 3 779.11 million presented in graph p.9: EUR 3 779.11 million + EUR 345 million (contribution to EU TF) – EUR 54.90 million (Recovery Orders) = EUR 4 069.21 million.

⁸⁰ Reconciliation of the total amount of EUR 7 580.18 million with the amount of EUR 7 552.64 million presented in graph p.9: EUR 7 552.64 million + EUR 82.44 million (EDF and EU TF contribution to support expenditure paid by the general budget under BL 21.010407, 21.010408 and 22.010403) – EUR 54.90 million (Recovery Orders) = EUR 7 580.18 million

⁸¹ 2018 Amount at risk at payment divided by the 2018 relevant expenditure.

⁸² 2018 amount at risk at closure plus 2018 estimated future corrections.

⁸³ Average Recoveries and Corrections (%): Estimated future corrections (average 2016/2017/2018) divided by total payments (average 2016/2017/2018), i.e. 14.90/7174. In order to ensure the complete reliability of the estimation of future corrections and prevent the impact of data quality problems which might have occurred in the encoding of recovery contexts prior to 2016, DG DEVCO has decided to modify its methodology for the estimation of future corrections in the AAR 2017. Previously the period of reference taken into account for the estimation of future corrections was the past seven year. As from the AAR 2017, the estimation of future corrections is based on the historic recovery orders issued by DEVCO in 2016, 2017 and 2018 for the reimbursement of undue payments identified by ex-post controls (i.e.: recovery orders encoded with recovery context "errors", "irregularity" or "OLAF notified"). Furthermore, necessary adjustments were made in order to exclude amounts of ex-post recoveries erroneously encoded with recovery context "Errors", "Irregularity", "OLAF notified".

⁸⁴ Average Recoveries and Corrections (ARC) multiplied by the 2018 relevant expenditure

2.1.1.1.2 Fraud prevention and detection

DG DEVCO has developed and implemented its own anti-fraud strategy (AFS) since 2014, elaborated on the basis of the methodology provided by OLAF. It has been updated in October 2015. The overall objective of the AFS is to reinforce DG DEVCO's capacity to prevent, detect and correct fraud. The AFS distinguishes specific fraud types and risks at DG level as well as mitigating measures with an action plan, and sets key objectives to reflect the DG's priorities. The results from the regular monitoring and awareness raising efforts were the following: an online anti-fraud training course was designed; anti-fraud issues are regularly discussed at regional seminars; in the note relating to Internal Control Principle 1 "The Commission demonstrates a commitment to integrity and ethical values" attention of all staff was drawn to the AFS; anti-fraud focal points in delegations were appointed with the remit to inform all colleagues about anti-fraud issues. The action plan was regularly monitored and the majority of actions have been implemented.

DG DEVCO systematically transmits cases of suspected fraud or irregularity to OLAF. At the end of 2018, DG DEVCO was aware of a total of 19 on-going investigations (compared with 18 at end of 2017). During 2018, OLAF closed 3 investigations with financial, administrative and/or judicial recommendations and 9 investigations without recommendations.

Management and the Cabinet are regularly informed about developments with regard to OLAF investigations concerning DEVCO.

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, DEVCO's online training on its AFS is available for all DEVCO staff since 2016.

The current AFS is considered to be effective, based on the number of staff who have been trained/informed about the AFS at headquarters and in Delegations and the feedback received.

DG DEVCO had initially planned to update its AFS on the basis of the Commission's Anti-Fraud Strategy's (CAFS) revision in 2018. However, the update of the CAFS had to be postponed in order to be able to adjust to the recommendations of the European Court of Auditors' audit "Fighting fraud in EU spending: Action needed". In 2019, on the basis of the CAFS' revision, DG DEVCO will take the opportunity to reassess the DG's priority risks, objectives and actions, and to review DG DEVCO's AFS accordingly.

2.1.1.1.3 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 December 2018, the total open pre-financing amounted to EUR 10 169 million. The nature of the actions under Heading 4 of the budget (EU as a global player), EDF and EU TF 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 3 056 million (reduction of 21%) between 01/01/2014 and 01/01/2019.

It resulted also in the reduction in the percentage of expired contracts in DEVCO's portfolio from 18.62% on 31 December 2013 to 13.88% on 31 December 2018. In real terms, the number of expired contracts has decreased from 2702 contracts on 31 December 2013 to 1508 contracts on 31 December 2018 (reduction of 44%).

As far as IT security is concerned, the standard Information Systems Security Policy of the Commission is applied (Decision 2017/46). This new policy is gradually put in place with the availability of the "implementing rules" adapted from the previous 2006/3602 Decision.

Reliability of reporting

Regular monitoring is ensured by DG DEVCO in order to further improve the reliability and effectiveness of DEVCO's reporting system:

- Regular quality checks are performed including campaigns on contractual dates registered in DEVCO's information system. It allowed for the correction of encoding mistakes, reinforced portfolio management as well as the improvement of business rule and data definition.
- The Data Quality Dashboard is now available to all project managers on the Intranet of DG DEVCO helping them to detect potential data quality issues and make necessary corrections.
- The intranet page dedicated to Data Quality is updated on a regular 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 detected in the framework of the data quality campaigns or through the Data Quality Dashboard.

2.1.1.2 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.

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.

Control efficiency (2018)	Relevant Control System (RCS)						Total
	RCS 1 - Grants in DM	RCS 2 – BS	RCS 3 - Procurement in DM	RCS4 - IM with Beneficiary countries	RCS 5 - IM with third Organisations	Other	
Ineligible expenditure identified by ex-ante controls/Invoiced amount	2.33%	9.57%⁸⁵	2.48%	2.65%	0.71%	0.69%	3.14%
Ineligible expenditure identified by ex-ante controls (EUR million)	24.1	140.05	9.6	22.50	15.20	7.59	219.04

⁸⁵ "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 64% of the amount of payment requests blocked by ex-ante controls in 2018. In the case of Budget Support the high rate of errors detected ex-ante is an indicator of reduced risk."

Invoiced amount (EUR million)	1 034.31	1 463.74	387.08	849.59	2 143.41	1 092.21	6 970.34
Relevant Control System (RCS)							
Control efficiency (2017)	RCS 1 - Grants in DM	RCS 2 - BS	RCS 3 - Procurement in DM	RCS 4 - IM with Beneficiary countries	RCS 5 - IM with third Organisations	Other	Total
RCS part in ineligible expenditure identified by ex-ante controls	11.00%	63.94%	4.38%	10.27%	6.94%	3.47%	100,00%
Ineligible expenditure identified by external audits / Audited amount	4.64%	0%	1.13%	3.76%	1.00%	10.2%	5.05%
Ineligible expenditure identified by external audits contracted by the Commission (EUR million)	16.87	0	0.36	16.42	5.41	59.76	98.82
Audited amount (EUR million)	363.54	0	31.91	436.13	539.01	586.03	1 956.62
RCS part in ineligible expenditure identified by external audits	17.07%	0%	0.36%	16.62%	5.47%	60.47%	100,00%
Time to pay (Art. 116.1 new FR): % of payments made within contractual deadlines.	N/A	N/A	N/A	N/A	N/A	N/A	92.34%
Average time to inform applicants (Art. 194.1(e)&2 new FR)	95.91	N/A	N/A	N/A	N/A	N/A	N/A
% of applicants informed within 6 months of final submission deadline	96.66%	N/A	N/A	N/A	N/A	N/A	N/A
Average time to grant as from information notice (Art. 194.1(e)&2 new FR)	60.80	N/A	N/A	N/A	N/A	N/A	N/A
% of grants signed within 3 months of informing applicants	80%	N/A	N/A	N/A	N/A	N/A	N/A

Conclusion on the efficiency indicators

Ineligible expenditure identified by ex-ante controls on payments (KPI 21):

In 2018, the ex-ante controls have prevented the payment of a total amount of EUR 219.04 million of ineligible expenditure. This represents 3.35% 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 25):

In 2018, the external audits contracted by the Commission have identified a total amount of EUR 98.8 million of ineligible expenditure. This represents 5.05% of the total audited amount and is above the benchmark of 2% set by DEVCO for this indicator.

Time to pay:

In 2018, 92.34% of the payments were made within the contractual deadlines provided by the Financial Regulation. Those results are above the objective of 85% set by DG DEVCO for year 2018. They are in line with the Commission average of 92.9% of payments made within the contractual deadlines in 2018.

Grants management⁸⁶:

In 2018, 96.66% of the notifications for informing the applicants of the outcome of the evaluation of their application were transmitted by DG DEVCO within the time limit of six months set by the Financial Regulation. Furthermore, the average time taken by DEVCO in 2018 is 95.91 calendar days - below the time limit of 6 months.

In 2018, 80% of the grant contracts were signed by DEVCO within 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 for signing grant contracts in 2018 is 60.8 calendar days - below the time limit of 3 months.

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. However, in 2018 and order to ensure a better monitoring of the respect of the time limit set for the signature of grant agreements, DEVCO has transformed this indicator into a KPI.

⁸⁶ Results based on grant contracts implemented in direct management and whose calls for proposals are managed in PROSPECT.

2.1.1.3 Economy = the cost of controls

DG DEVCO's control costs were estimated by using the same methodology as used for AAR 2017 (see also table in Annex 10 -Overview of the estimated cost of controls).

No changes were made to the methodology for the distribution of costs of control to internal control templates and control stages⁸⁷.

The total cost of controls for year 2018 is estimated by DEVCO at EUR 287.15 million. This represents 3.8% of total payments made by DEVCO in 2018.

Control cost 2018 in EUR million per management mode and per control stage							
Control Stages ⁸⁸	RCS 1 - Grants in DM	RCS2 -BS (DM)	RCS3 - Procurement in DM	RCS4 - IM with Beneficiary Countries	RCS4 - IM third Organisations	Other	Total
Stage 1	17.91	10.85	12.76	11.23	25.00	20.46	98.20
Stage 2	8.95	0.48	6.38	5.61	12.50	10.23	44.16
Stage 3	17.74	11.58	36.84	8.11	20.82	12.79	107.87
Stage 4	7.33	1.36	4.96	4.56	11.04	7.67	36.93
Total	51.92	24.27	60.93	29.51	69.37	51.15	287.15

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

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

Relevant Control System (RCS)							
<u>Cost of controls (2018)</u>	RCS 1 - Grants in DM	RCS 2 - BS	RCS 3 - Procurement in DM	RCS 4 - IM with Beneficiary countries	RCS 5 - IM with third Organisations	Other	Total
Control costs / Paid amounts	4.01%	1.83%	16.05%*	3.46%	2.48%	5.64%	3.80%
Control cost (EUR million)	51.92	24.27	60.93	29.51	69.37	51.15	287.15
Paid amounts (EUR million)	1294.69	1323.70	379.71	851.9	2796.07	906.94	7553.01
Undue payments prevented by ex-ante controls / Cost of ex-ante controls on payments	135.85%	1210.46%	26.06%	277.44%	73.01%	59.34%	203.06%

⁸⁷ Entrusted entities can withhold up to 7% for the administration of funds.

⁸⁸ Stage 1: prior to contracting; Stage 2: contracting; Stage 3: Implementation; Stage 4: Ex Post controls and follow-up.

<u>Cost of controls (2018)</u>	Relevant Control System (RCS)						Total
	RCS 1 - Grants in DM	RCS 2 - BS	RCS 3 - Procurement in DM	RCS 4 - IM with Beneficiary countries	RCS 5 - IM with third organisations	Other	
Ineligible expenditure identified by ex-ante controls (EUR million)	24.1	140.05	9.6	22.50	15.2	7.59	219.04
Cost of ex-ante controls on payments (EUR million)	17.74	11.57	36.84	8.11	20.82	12.79	107.87
Ineligible expenditure identified by external audits contracted by the Commission / Cost of external audits contracted by the Commission	702.92%	N/A	51.43%	1 198.54%	83.36%	N/A	901.64%
Ineligible expenditure identified by external audits contracted by the Commission (EUR million)	16.87	0	0.36	16.42	5.41	59.76	98.82
Cost of external audits contracted by the Commission (EUR million)	2.40	N/A	0.70	1.37	6.49	0,00	10.96
Recovery orders issued by DEVCO in 2018 for the reimbursement of undue payments / cost of stage 4 of controls (ex-post controls and follow-up)	N/A	N/A	N/A	N/A	N/A	N/A	49%
Recovery orders issued by DEVCO in 2018 for the reimbursement of undue payments	N/A	N/A	N/A	N/A	N/A	N/A	18.22 ⁸⁹
Cost of stage 4 of controls (ex-post controls & follow-up)	7.33	1.36	4.96	4.56	11.04	7.67	36.92

*As in previous years, this relatively high percentage is explained by higher estimated ex-ante controls (supervision costs) and the allocation key for staff costs.

There are also 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.

2.1.1.4 Conclusion on the cost-effectiveness of DG DEVCO's controls (effectiveness, efficiency and economy)

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

For this conclusion the following elements were taken into account:

○ **Effectiveness:** the **RER of DG DEVCO** for 2018 is estimated at 0.85%.

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.

⁸⁹ Necessary adjustments were made in order to deduct the amount of recoveries of pre-financing that were wrongly encoded with recovery context "Irregularity". Adjustments were also made in order to exclude the amount of recoveries on expense erroneously encoded with recovery context, "Irregularity" or "OLAF notified".

In 2018, 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.

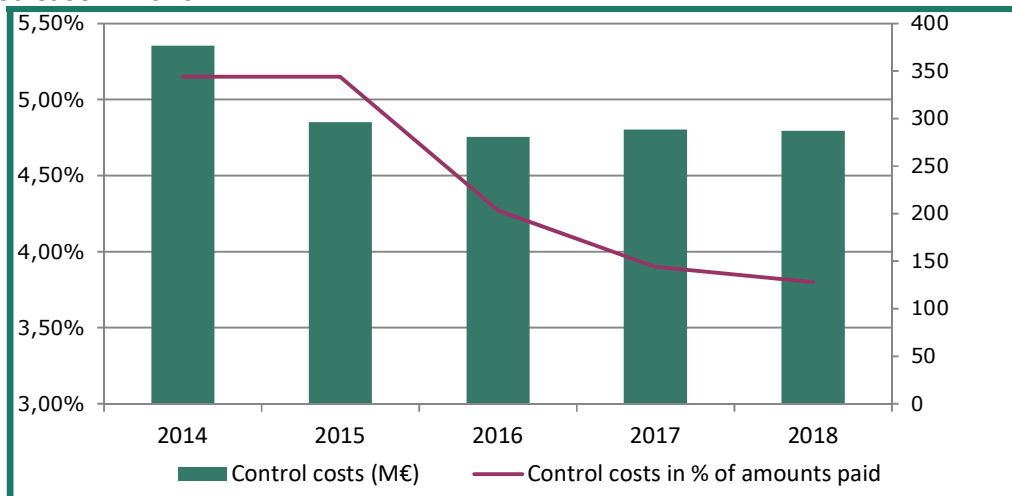
○ **Efficiency:** some **measurable benefits** of DEVCO's controls are captured in its information systems:

→ **KPI 21:** Total amount of EUR 219.04 million of undue payment was prevented by DEVCO's ex-ante controls in 2018. It represents 203% of the cost of the ex-ante controls. Ex-ante controls are particularly cost effective for Budget Support (ratio benefit/cost of 1210%) and for Indirect Management with Beneficiary countries (ratio benefit/cost of 277%).

→ **KPI 25:** Total amount of EUR 98.82 million was identified as ineligible in the final audit reports received by DEVCO in 2018. It represents 902% of the estimated cost of external audits contracted by the Commission. External audits are particularly cost effective for Indirect Management with Beneficiary countries (ratio benefit/cost of 1198% and for Grants in Direct Management (ratio benefit/cost of 703%),

→ **Recovery Orders:** Recovery Orders for a total amount of EUR 18.22 million were issued by DEVCO in 2018 for the reimbursement of undue payments (errors & irregularities). It represents 49% of the cost of ex-post controls and follow-up.

○ **Economy:** The total cost of controls estimated by DEVCO has remained fairly stable over the last years. The cost as a percentage of the total amount paid continued to decrease in 2018.



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.

Positive results for the efficiency indicators have been achieved, as described in the corresponding conclusion.

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 RCSs 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 RCSs).

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. It draws particular attention to all open recommendations rated "very important", or on their combined effect and which may require the issuance of a reservation.

The section is divided into two subsections: the **Internal Audit Service (IAS)** and the **European Court of Auditors (ECA)**, which covers both the Court's Annual Reports for the year 2017 and the Special Reports issued in 2018.

Internal Audit Service (IAS)

Internal audits in 2018 (finalised by 31 January 2019)

Four audits were carried out in 2018 and finalised by January 2019, in accordance with the updated IAS strategic audit plan. The overall objective of the audit on **"IT governance at DG DEVCO"** was to evaluate the current IT governance arrangements in DG DEVCO. The internal auditor has concluded that although the specific governance arrangements for the management of the OPSYS programme are currently overall efficient and effective, the current information system governance model as a whole is not sufficiently adapted to the future IT landscape of the DG, once OPSYS is deployed in production. Consequently, the IAS issued "very important" recommendations concerning the IT governance framework and data governance.

The audit on **"Assurance building process in DG DEVCO's headquarters"** aimed at assessing the adequacy of the design and the efficiency and effectiveness of the governance, risk management and internal control processes put in place for the assurance building process in DG DEVCO HQ. The Internal Auditor has concluded that while the overall the governance, risk management and internal control processes put in place for the assurance building process at headquarters are adequately designed and efficiently implemented, nevertheless, there remains a very important weakness concerning the monitoring of annual management declarations.

The Multi-DG audit on **"The effectiveness and efficiency of the new Early Detection and Exclusion System (EDES) in protecting the EU financial interests"** aimed at assessing whether the Commission has designed and implemented an effective and efficient control system for the management of EDES aimed at protecting the EU budget.

DG DEVCO was one of the DGs included in the scope of the audit. The IAS has concluded that overall the design of the EDES control system is effective and efficient in facilitating the early detection, exclusion and/or imposition of financial penalties on economic operators that pose a risk to the Union's financial interests. However, the IAS found that significant weaknesses exist concerning guidelines and awareness raising and applying EDES in practice, and issued two "very important" recommendations, addressed, at the local level, to DG DEVCO.

The objective of the audit on "**EC-EEAS coordination**" was to assess the effectiveness and efficiency of coordination activities between the Commission services (specifically, DG DEVCO, DG NEAR and FPI) and the EEAS with regard to the management of the EUDs and programming and implementing external instruments. The Internal Auditor has concluded that coordination between the Commission and the EEAS concerning the management of the EUDs, and programming and implementing external instruments, is overall effective and efficient. The Internal Auditor identified significant weakness concerning country-level coordination, and issued a "very important" recommendation to this effect.

In addition to the above audit reports, the Internal Auditor also published the "**Limited Review on the reporting on the corrective capacity**". The limited review focused on the validity of the concept of the estimated amounts at risk at closure, how operational DGs and Services apply it and report on it in their respective AARs, and how the concept is incorporated and presented in the Annual Management and Performance Report. The IAS concluded that there remains a significant weakness in the actual application of the concept, and issued a "very important" recommendation concerning the implementation of the reporting, part of which was addressed to DG DEVCO.

Overview of the "Very Important" (VI) internal audit recommendations

Internal audit service (IAS) ⁹⁰					
Year	Audit	VI open in January 2018	New VI issued in 2018	VI Implemented during 2018	In progress
Prior to 2018	Management of the APF (2015)	1			1
	Design and implementation of EU Trust Funds (2015)	2		2	
	Payment deadlines (2016)	2		2	
	DEVCO's performance management system (2016)	1		1 ⁹¹	
	Management of investment facilities (2017)	2		1 ⁹²	1
2018 ⁹³	Reporting on the corrective capacity (2018, Multi-DG)		1	1	
	IT Governance (2018)		2		2
	Assurance building process in DG DEVCO's headquarters (2018)		1		1
	Effectiveness and efficiency of the new Early Detection and Exclusion System (EDES) (Multi-DG, 2018) ⁹⁴		2		2
	EC-EEAS coordination (Multi-DG, 2018)		1		1
Total IAS		8	7	6	8

⁹⁰ In accordance with its updated audit plan for 2018.

⁹¹ The recommendation is not yet fully implemented, but in January 2019 the IAS revised the level of risk of the recommendation to "important".

⁹² The recommendation on pre-financing is not yet fully implemented, but in March 2019 the IAS revised the level of risk of the recommendation to "important".

⁹³ The list of 2018 internal audits include reports published by 31 January 2019.

⁹⁴ The "very important" recommendations from the audit are addressed to DG BUDG at the corporate level, and to DG DEVCO, among other DGs, at the local level.

Limited conclusion

The IAS concluded that the internal control systems audited are effective, except for the nine observations that resulted in "very important" recommendations. Since the IAS issued its limited conclusion, one of the "very important" recommendations has been downgraded, therefore, at the time of the publication of the AAR there are only eight open "very important" recommendations addressed to DG DEVCO. The "very important" recommendations not yet implemented will be addressed in accordance with the agreed actions plans, or by submission and implementation of an agreed action plan. DG DEVCO is paying particular attention to the implementation of the remaining "very important" recommendation stemming from the **audit on the "Management of the African Peace Facility (APF)"**, for which the new pillar assessment needs to be launched and finalised. DEVCO expects the results to be available in September 2019.

State of Play of "very important" recommendations yet to be implemented

Audit on the APF (2015) and follow-up by the IAS	
Institutional assessment & monitoring	Following the external review of the implementation of the pillar assessment roadmap in March 2018, the 4 th AUC-COM Steering Committee decided to launch the new pillar assessment of the African Union Commission (AUC) after the AUC finalised its asset valuation exercise. After the asset valuation was finalised late December 2018, the AUC has officially requested the EUD to contract the pillar assessment, which is planned to be launched during the first quarter of 2019. The results of the pillar assessment are expected by September 2019. Given that a new pillar assessment was not launched in 2018, DEVCO has decided to maintain the reservation made in the 2017 Annual Activity Report.
Audit on investment facilities (2017)	
Monitoring project implementation	Following the audit on the management of investment facilities (audit report published in January 2018), the IAS concluded that deficiencies existed as regards the monitoring of project implementation and in the management and clearing of pre-financing and issued two "very important" recommendations in this respect. DEVCO has drafted an action plan to address the recommendations. In March 2019 the IAS concluded that DEVCO's actions reduced the risk related to pre-financing identified by the audit, and downgraded the priority of the recommendation to "important." The remaining measures include the revision of the Guidelines on EU blending operations, taking into account the observations of the internal auditor. The revision of the Guidelines on EU blending operations is still ongoing, as a mitigating measure, DEVCO issued an instruction note relating to monitoring at Delegation level and the management and clearing of pre-financing of blending operations. The revised Guidelines are expected to be finalised during the second quarter of 2019.
Audit on IT governance (2018)	
IT governance framework	DEVCO's action plan to address the recommendations was accepted by the IAS on 20 December 2018. The recommendations are expected to be fully implemented by the third quarter of 2019.
Data governance	
Audit on Assurance building process in DG DEVCO's headquarters (2018)	
Guidance, instructions and management declarations	The final audit report was published on 21 January 2019. DEVCO services proposed an action plan to address the recommendation, which has been accepted by the IAS. Action has already been taken: changes were made to the EAMR-HQ tool for the reporting on 2018, which now includes instruction and guidance on the definition of materiality at Directorate level for the purpose of the EAMR-HQ as well as the information and monitoring to be reported via the EAMR-HQ on the status of the annual management declarations. The present report provides information on the definition and content of this control element as well as on the status of management declarations and on their contribution to the assurance building process. The recommendation is to be fully implemented by the end of the first quarter 2019, with the end of the 2018 AAR process.
Audit on Early Detection and Exclusion System (EDES) (2018)	
Guidelines and awareness raising	The final audit report was published on 25 January 2019. DEVCO services proposed an action plan to address the recommendations, which has been accepted by the IAS.
Applying EDES in practice	
Audit on EC-EEAS coordination (2018)	
Country-level coordination	The final audit report was published on 31 January 2019. DEVCO services proposed an action plan to address the recommendations.

European Court of Auditors (ECA)

Overview of the "Very Important" (VI) external audit recommendations

ECA Annual and Special Reports ⁹⁵					
Year	Audit	VI open in January 2018	New VI issued in 2018	VI Implemented during 2018	In progress
Prior to 2018	AR 2016 (EDF)	1		1	
	SR 30/2016 "Honduras"	3		1	2
	SR 9/2017 "Human-trafficking"	3		1	2
	SR 11/2017 "Bêkou TF"	3		3	
2018	AR 2017 (EU budget)		1		1
	AR 2017 (EDF)		5	2	3
	SR 14/2018 "CBRN"		3		3
	SR 20/2018 "APSA"		5		5
Total ECA		10	14	8	16

2017 Annual Reports

The ECA published its General Budget and EDF Annual Reports for the year 2017 in October 2018. For the Budget instruments, the European Court of Auditors did not calculate an error rate for the year 2017. The ECA estimated the level of error concerning EDF payments at 4.5% (compared to 3.3% in 2016) and therefore issued an adverse opinion on payments from EDF for the year 2017. The fact that the ECA error rate exceeds DEVCO's Residual Error Rate has to be seen in the light of the fact that while the ECA audit usually analyses invoices from on-going contracts for which corrections are still possible afterwards, the Residual Error Rate Study exclusively samples invoices from closed contracts for which all checks and audits have already been finalised.

The ECA issued in total seven recommendations addressed to DG DEVCO. The Commission accepted all recommendations, except for recommendation 5 on the EDF, which was rejected for the reasons detailed below. Two of six accepted recommendations have been implemented by the end of 2018.

In its 2017 Annual Report on the Budget (Chapter 9: Global Europe), the ECA issued the following recommendation for DG DEVCO:

→ Recommendation 4: By 2020, revisit existing guidance to beneficiaries of projects implemented under indirect management with the aim of ensuring that planned activities are executed in a timely manner and contribute to the practical use of the project outputs, so as to obtain the best value for money.

The implementation of the recommendation is ongoing. In 2018 DEVCO made significant progress concerning the revision of the guidance on to beneficiaries of projects implemented under indirect management: the revised DEVCO Companion provides a more coherent overview of management modes, delegated cooperation and contractual arrangements, both where Commission provides funding in indirect management and where it receives funding through transfer agreements.

In its 2017 Annual Report on the European Development Funds (EDF), the ECA issued the following recommendations:

⁹⁵ For the purposes of the follow-up, the recommendations from these reports are divided into several sub-recommendations.

- Recommendation 1: *monitor closely the implementation of the Residual Error Rate Study, particularly that the full reliance decisions are fully in line with the methodology and justified.*
The recommendation is currently being addressed, through an increased monitoring of the number of full reliance cases during the implementation of the Residual Error Rate study.
- Recommendation 2: *disclose again in the Annual Activity Report the limitations of the Residual Error Rate Study.*
The 2018 AAR discloses the limitations of the RER study in accordance with the recommendation.
- Recommendation 3: *take decisive steps to de facto enforce the guidance on accepting expenditure to avoid excess clearings.*
DG DEVCO fully implemented the Court's recommendation to take decisive steps to enforce the guidance on accepting expenditure to avoid excess clearings. Detailed instructions were included in the note for the accounting closure 2018. In addition, relevant instructions specific to blending operations were provided through the "Instruction note relating to monitoring at Delegation level and the management and clearing of pre-financing of Blending operations".
- Recommendation 4: *take measures to ensure that only incurred costs are accepted as expenditure for Africa Infrastructure Trust Fund transactions.*
The Commission has made progress in preventing the acceptance as expenditure of estimates reported in the financial statements of the Africa Infrastructure Trust Fund. To ensure that only incurred costs will be accepted as expenditure in future clearings the Commission will request, as supporting documents, disbursement evidence from the AITF management.
- Recommendation 5: *set up a Key Performance Indicator to monitor the ageing of advance contributions made to trust funds.*
The recommendation was rejected, as according to the accounting rules, European Development Fund contributions to the European Union's Trust Funds are presented in the European Development Fund annual accounts. They are monitored and controlled on a yearly basis. Furthermore, the *Reste à Liquider* (RAL) absorption period of the European Union Trust Funds, which directly impacts the ageing of those contributions, is monitored in real time through Key Performance Indicator 4 (*Reste à Liquider* absorptions capacity). Therefore, the Commission considers that the ageing of European Development Fund contributions to European Union Trust Fund is duly monitored and that the creation of an additional Key Performance Indicator is not necessary.
- Recommendation 6: *propose a relevant solution to the European Development Fund's budgetary and accountability inconsistencies as part of the current post-Cotonou studies.*
The last recommendation was addressed by proposing the EDF to be budgetised post-2020 as part of the Neighbourhood, Development and International Cooperation Instrument.

Finally, the Court of Auditors also analysed the progress made in implementing the recommendations from its 2014 Annual Reports addressed to DG DEVCO. The Court assessed both recommendations from its 2014 Annual Report on the Budget as fully implemented. Three out of four recommendations made in its 2014 EDF report were assessed as implemented in full. In case of one recommendation from its 2014 EDF report, in the Court's assessment the recommendation that "DEVCO, together with the contractor in charge of the RER study, should ensure that the issues identified by the Court are addressed" has not been implemented.

ECA's Special Reports

The ECA issued five Special Reports in relation to DEVCO in 2018:

- ***04/2018 EU Assistance to Myanmar/Burma***

In the report, the ECA found that EU development support to Myanmar had been partially effective. The Court recognised that the EU played a leading role in supporting development priorities in a difficult context, responded actively to the country's need and allocated significant funding to the country. However, the Court identified room for improvement in the Commission's assessment of needs and in the implementation of EU assistance, and thus made a number of recommendations on how to improve the management of the development aid to the country. Since the publication of the report, measures have been put in place to address the Court's recommendations.

- ***14/2018 The EU Chemical, Biological, Radiological and Nuclear (CBRN) Centres of Excellence: more progress needed***

In the report, the ECA concluded that the EU CBRN Centres of Excellence Initiative has contributed to mitigating CBRN threats, but many challenges remain. The Court recommended to prioritise activities on the basis of a systemic risk assessment, to strengthen the initiative's regional dimension, to further strengthen the EU delegations' role in the initiative, to identify potential synergies, to increase accountability and visibility of activities and results through improved monitoring and evaluation and to overhaul the web-based portal to allow easy access to all the information concerning the Initiative's activities. Since the publication of the report, DEVCO has made progress in addressing these recommendations, in cooperation with other Commission services and the EEAS.

- ***20/2018 The African Peace and Security Architecture: need to refocus EU support***

In the report, the ECA found that EU support to the African Peace and Security Architecture (APSA) has had a poor effect and needs refocusing. The Court recommends that the EU shift its support from African Union Commission's operational costs towards capacity-building measures and that the Commission make interventions consistently results-based, reduce delays in contracting and retroactive financing, improve monitoring and make coherent use of financing instruments. Measures have already been put in place to foster financial ownership of the APSA by the African Union and improve the implementation of EU support.

- ***32/2018 European Union Emergency Trust Fund for Africa: Flexible but lacking focus***

The Court concluded that the European Union Emergency Trust Fund (EUTF) for Africa is a flexible tool, but its design should have been more focused. The Court found the EUTF was faster in launching projects compared to traditional instruments, and that it has, overall, managed to speed up project implementation. The ECA identified room for improvement with regard to the quality of the objectives of the EUTF for Africa, the selection procedure for projects, the speed of implementation and the monitoring of the Trust Fund.

- ***35/2018 Transparency of EU Funds Implemented by NGOs: More Effort Needed***

In the report, the Court assessed how the Commission identifies entities as NGOs, where the EU funds implemented by NGOs flow and whether the Commission disclosed this information in a transparent manner. The audit focused on external action, but also

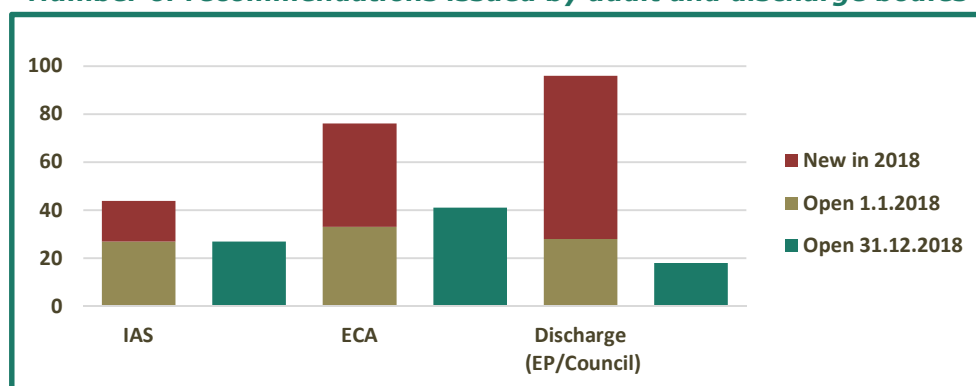
covered other policy areas in which NGOs implement EU funds. In the Court's conclusion, the Commission is not sufficiently transparent regarding the implementation of EU funds by NGOs, but the Commission considers that its funding is sufficiently transparent and that NGOs should not be singled out as a particular category of beneficiaries. The Court made a number of recommendations for improving the transparency of EU funds implemented by NGOs, some of which will be addressed by DG DEVCO in cooperation with other services.

CONCLUSIONS ON AUDIT RESULTS AND FOLLOW-UP OF RECOMMENDATIONS

Sustained efforts have been made in implementing external and internal audit recommendations throughout the year 2018, which led to the closure of a substantial number of recommendations. The major deficiencies identified by the open "very important" internal audit recommendations, including the re-opened recommendation related to the management of the African Peace Facility (APF), are being addressed according to the relevant Action Plans. DEVCO has also taken action to mitigate the effect of the overdue "very important" recommendations stemming from the Court of Auditors' 2017 special report on human trafficking in South-Southeast Asia. Therefore, their current state of implementation does not lead to any significant assurance-related concern.

As regards the remaining issues related to the management of the APF, the pillar assessment is expected to take place in 2019. The conclusion of the third follow-up audit conducted in 2018 was that, although the updated pillar assessment action plan and related assessment report provide assurance on the improvements made by the African Union Commission (AUC) in each of the pillars, the risk to which the European Commission is exposed in implementing EC-funded operations through the AUC will only be fully mitigated once it successfully passes the pillar assessment. This assessment led to the decision to maintain the reservation made in the 2017 Annual Activity Report related to African Union Commission (AUC) managed funds involving a significant level of procurement".

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 17 internal control principles, 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

suites to the achievement of the policy and control objectives, in accordance with the principles and having due regard to the risks associated with the environment in which it operates.

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 and principles are present and functioning.

The purpose of these management assessments is to provide reasonable assurance that the internal control principles 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.

The assessment was mainly based on a set of 57 Internal Control Monitoring Criteria (ICMC) covering all 17 Internal Control Principles. Three main sources fed into the analysis:

o **Desk Review in Headquarters**

In order to assess the compliance with 33 of the ICMC, DEVCO carried out a desk review with units in charge of reporting on the relevant criteria.

o **Key Performance Indicators (KPI's) from the EAMR exercise**

Eleven KPIs were used as monitoring criteria, namely relating to:

- The effectiveness of the five components of the Internal Control Framework;
- The respect of the DG DEVCO/EEAS agreement on the use of staff in Delegations;
- The percentage of planned project evaluations contracted;
- Three indicators related to the implementation of the annual audit plan;
- The percentage of ineligible expenditure identified by audits.

o **Internal control self-assessment survey with senior and middle management**

13 questions were asked in the survey. As this was the first time the survey was carried out in this shape, no benchmarks were identified beforehand.

CONCLUSION ON INTERNAL CONTROL SYSTEMS

The result of the assessment was that overall, DG DEVCO's Internal Control System is present and functioning well, only minor improvements are needed:

1. KPI 13: The objective was a 100% respect of the DG DEVCO/EEAS agreement on the use of staff in Delegations. The outcome for 2018 was 96.51%.
2. KPI 20: The objective for the percentage of planned project evaluations contracted was "at least 75%" and the outcome for 2018 was 63.2%.
3. The objective for the criterion "Every document that fulfils the conditions laid down in the implementing rules needs to be registered, filed in at least one official

file and preserved during the period established by the document management rules." was 100% and the outcome was 94%.

4. For three of the questions asked in the self-assessment survey, the percentage of positive assessments was below 70%:
 - Q5. Does management have sufficient and relevant information about priorities and staff workloads as well as required and available skills? (59.1%)
 - Q6. Does the process of objective-setting ensure a high degree of understanding and ownership? (61.0%)
 - Q8. Are the DG's/Directorate's/Unit's performance indicators meaningful, i.e. do they actually support and facilitate the management and monitoring of the DG's activities? (69.0%)

If the percentage of respondents that answered "My assessment is positive but changes are needed" is added, all the respective percentages are between 80% and 100%.

In addition, the exercise identified a relatively low participation rate for DG DEVCO's anti-fraud trainings (48 participants in the "Awards procedures, Sanctions and Fraud prevention in practice" training and 28 in the on-line fraud prevention course).

DG DEVCO has assessed the internal control systems during the reporting year with a desk review, Key Performance Indicators from the EAMR exercise and a self-assessment survey and has concluded that the internal control framework is implemented and functioning as intended, but minor improvements are needed. This is in line with the RER result for 2018, the progress made for the KPIs and the conclusion by the IAS that audited control systems are effective, except for the observations that resulted in "very important" recommendations. The implementation of the action plans following present and past reservations and the specific action plans relating to the individual audit findings intend to 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 AUC.

o Positive elements building assurance

A functioning accountability chain (EAMR/SDAO/AAR) and satisfactory KPI results for 2018

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 25 Key Performance Indicators (KPI) regrouped in three categories: sound financial management, effectiveness of the internal control systems and effectiveness of the audit

system. The KPI results are automatically assessed versus the benchmarks through a "traffic lights" system.

At global level, Key Performance Indicators (KPI) results in 2018 indicate a good overall performance with 22 out of 25 KPIs having reached the benchmark:

- 11 green out of 13 KPIs in the category "sound financial management and effective use of European Commission Resources": accuracy of financial forecasts for payments, accuracy of financial forecasts for contracts, RAL absorption period, time to grant, % of projects with red traffic light for implementation progress, % of projects with red traffic light for achieving results, Reduction of Old Pre-financing, Expired Contracts as a % of the contract portfolio, Reduction of Old RAL, % of payments paid within the contractual deadline and % of invoices registered within 7 days.
- 7 green KPIs out of 8 in the category "effectiveness of internal control systems": ICF – Control Environment, ICF - Risk Assessment, ICF- Control Activities, ICF –Information and Communication, ICF - Monitoring Activities, % of projects visited by DEVCO staff and/or the Head of Delegation and undue expenditure prevented by ex-ante controls as a % of amount claimed,.
- 4 green KPIs out of 4 in the category "effectiveness of audit system" (implementation of audit plans and ineligible amounts identified by audits).

The 3 KPI not meeting the benchmark in 2018 are:

- the one on the flexibility arrangements for the use of staff in Delegation which were not respected in 3⁹⁶ out of 86 Delegations. Improvement for this KPI will be part of DEVCO's priorities for 2019.
- The one on the accuracy of financial forecasts for decisions for which more efforts will be made to avoid the overestimation of the risk weighting
- The one on the % contracted of projects evaluations in the Annual Evaluations Plan for which the planning of evaluations and monitoring arrangements will be enhanced in 2019.

Very good results have been achieved at Delegation level with an increased number of Delegations meeting targets for most of the KPIs in 2018:

% of green KPIs	2017		2018	
	Nbr of Delegations	%	Nbr of Delegations	%
Total Delegations	86		86	
80% and more	55	64%	63	73% [▲]
60% and more	82	95%	84	98% [▲]
Less than 50%	0	0%	0	0%

At the end of 2018 and thanks to the action plans implemented during the year, only 2 Delegations have achieved the benchmarks for less than 60% of their KPIs compared to 4 Delegations at the end of 2017 and 6 at the end of 2016.

Overall Green KPI Result for	2017	2018
Eritrea	58%	63%
Mauritania	58%	79%
South Sudan	50%	68%
Sudan	67%	54%
Swaziland	83%	50%
Yemen	50%	65%

⁹⁶ Kenya, Lesotho and Malawi

Full coverage of expenditure by the control mechanisms

The control instruments in place cover the entire budget expenditure managed by DEVCO: EU Budget, the EDF and the Trust Funds: Bêkou, Africa and Colombia. 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 entrusted entities involved in the implementation of DEVCO funding.

A review of the Annual Management Declarations has been carried out, and the results of this analysis concludes that no weaknesses are to be reported.

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

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.

The Residual Error Rate as estimated by DEVCO is overall below the 2% threshold in the third consecutive year and the 2018 RER study resulted in the lowest estimated RER ever (0.85%). Therefore, 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 (see point on higher risk areas below). 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 major part of the overall error rate as estimated by the 2018 RER study related to inadequate or missing documentation rather than to confirmed errors.

A satisfactory follow-up of audit results

Sustained efforts have been made by DEVCO services throughout 2018 to address past

internal (IAS) and external (ECA) audit recommendations. Only two recommendations classified as "very important" are overdue with respect to their original target date. A reservation has been issued in relation to re-opened overdue "very important" recommendation on the management of the African Peace Facility. The efforts to implement the outstanding recommendations, in particular those bearing a potential risk for the assurance process, will be continued in 2019.

An overall effective implementation of the Internal Control Principles

Based on a desk review, KPI results and a survey at Headquarters, DEVCO concluded that the internal control framework is implemented and functioning as intended and only minor improvements are needed. This is in line with the RER result for 2018, the progress made for the KPIs and the conclusion by the IAS that audited control systems are effective, except for the nine observations that resulted in "very important" recommendations. In its 2017 Annual EDF Report, the European Court of Auditors issued an adverse opinion on the legality and regularity of payments underlying the accounts. The implementation of the action plans following present and past reservations and the specific action plans relating to the individual audit findings intend to improve the control system.

As it concerns the implementation of principle 12 relating, inter alia, to "exception reporting", the analysis of the exceptions and non-compliance events indicates that no weaknesses related to these events are to be reported upon in the AAR2018.

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. In 2019, on the basis of the Commission's Anti-Fraud Strategy's revision, DG DEVCO intends to reassess the DG's priority risks, objectives and actions and review DG DEVCO's Anti-Fraud Strategy accordingly.

A favourable assessment of control efficiency and cost effectiveness

Total cost of controls for year 2018 is estimated by DEVCO at EUR 287.15 million. It represents 3.8 % of total payments made by DEVCO in 2018. 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 2018 is estimated at 0.85%, again below materiality. A total amount of EUR 219.04 million of undue payment was prevented by DEVCO's ex-ante controls in 2018 (KPI 21). A total amount of EUR 98.82 million was identified as ineligible in the audit reports received by DEVCO in 2018 (KPI 25).

Recovery Orders for a total amount of EUR 18.22 million were issued by DEVCO in 2018 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.

Supervision missions to Delegations

Supervision mission reports recommended improvements of the situation of the archives and the management of documents, a reinforcement of the cooperation and the

synergies among the different sections of Delegations and an increased training and supervision.

o Elements deserving attention and corrective measures taken

Follow-up of past reservations

Reservations were made by DEVCO in its Annual Activity Reports for 2012, 2013, 2014, 2015, 2016 and 2017, due to the significant occurrence of errors in the underlying transactions (legality and regularity).

Following the AARs, several action plans were drawn up in order to address the weaknesses in the internal control system. The latest was set up in the summer of 2018 (relating to the 2017 AAR): it contains actions from the previous action plans that were not fully implemented, as well as other actions that became part of the control system but that will be strengthened, and newly-defined targeted actions.

Error rates in higher risk areas

Special attention should be paid to spending areas previously associated with a higher risk. In the current action plan specific actions have been included for each of them.

A. Actions targeting Grants in both Direct and Indirect Management:

- Simplify and clarify procedures and contractual conditions for grants.
- Maintain awareness on frequently occurring errors in financial and document management for the implementation of grant contracts.

B. Actions targeting Indirect Management with Beneficiary Countries - Programme Estimates:

- Develop a strategy for the reduction of the use of Programme Estimates and promotion of alternatives, in view of simplification and cost-effectiveness.
- Implement the "Roadmap for Reinforcements of Controls under Programme Estimates" adopted in April 2018.

C. Actions regarding Indirect Management with third Organisations:

- Reinforce the mandate of the focal point unit for coordination of relations with international organisations at all levels (including control relations).
- Work towards use of Terms of Reference for Expenditure Verifications adopted in 2017 for verification of expenditure incurred by International Organisations under indirect management.
- Continue and reinforce cooperation with International Organisations in view of sustainable reduction of errors.
- Adaptation of Terms of Reference for Pillar Assessments to the requirements of the revised Financial Regulation.
- Introduce effective and cost-effective framework for assessment and acceptance of cost accounting practices.
- Phase in cross-reliance on audits for operations under indirect management with at least two major International Organisations.

D. Cross-cutting actions

- Increase consistency and coherence of the functioning of audit and verification tasks.

- Clarify and promote use of simplified cost options.
- Clarify and promote use of results-based financing.

The European Court of Auditors estimated the level of error concerning EDF payments at 4.5% for 2017.

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 and the manuals for different contract types are further promoted; training activities are undertaken and adapted.

African Union Commission (AUC) management of European Funds

Based on the fact that the APF allocations under the EDF had doubled over a period of 10 years (with indications for further increases) and that the majority of these funds transited via one organisation, DG DEVCO re-launched in 2015 an Institutional Assessment (pillar assessment) of the Implementing organisation (AUC).

It concluded that three pillars (accounting, procurement and sub-delegation) out of the six assessed were not compliant. 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.

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 submitted its findings and recommendations to DG DEVCO in January 2016. The IAS concluded that the control system put in place by DG DEVCO for the management and operational monitoring of the APF was not sufficiently effective in protecting the legality and regularity of the EDF expenditure under the APF. Based on these findings, DG DEVCO decided to include a reservation regarding the management of the APF in the 2015 AAR. The reservation was renewed in the 2016 AAR due to the lack of substantial progress achieved by the AUC in the weaknesses identified during the failed pillar assessment.

In 2016, DG DEVCO formulated an Action Plan to address the audit recommendations, which started to be implemented in March. DEVCO's progress in implementing the Audit Action Plan was subject to three IAS follow-up audits in February and September 2017, as well as November 2018. The Action Plan has been successfully implemented in most areas (Recommendations 2, 3, 4, 5, 6 and 7 were implemented). However, Recommendation 1 of the audit report (very important) remains open. In order for DEVCO to declare it ready for review, the new pillar assessment needs to be launched and finalised. The AUC and the EU have agreed a pillar assessment roadmap, which contains the actions that the AUC needs to put in place in order to address the institutional weaknesses identified in 2015 by the previous assessment. The November 2017 review of the pillar assessment roadmap highlighted significant progress in two of the non-compliant pillars (i.e. accounting and sub-delegation), while underlining outstanding problems in procurement. In light of this, and knowing that most APF spending in 2017 concern payments to troop contributing countries under AMISOM with less than 1% ineligible expenditure, DEVCO decided to maintain a reservation in the 2017 AAR but to shift its focus to those programmes managed by the AUC with a significant level of procurement. The last review of the implementation of the roadmap (March 2018) concluded that the African Union made sufficient progress in all areas including procurement and is now ready to undergo a new pillar assessment. However, since Recommendation 1 of the IAS audit is still open, and since the pillar assessment is not yet finalised, DEVCO has decided to maintain the reservation on "AUC management of European funds" in the 2018 AAR.

IAS conclusion on the state of internal control

The IAS concluded that the internal control systems audited are effective, except for eight⁹⁷ observations giving rise to a number of "very important" recommendations. These remain to be addressed, in line with the agreed action plans.

OVERALL CONCLUSION

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by a reservations concerning the spending areas with an indicative residual error rate above 2%. This concerns direct grants managed by DG NEAR on behalf of DG DEVCO. In addition, the reservation on the AUC managed programmes that involve a significant level of procurement is maintained.

⁹⁷ After the transmission of the IAS contribution to the AAR, in which nine recommendations were mentioned, the IAS decided to downgrade the priority of one of these recommendations.

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 view⁹⁸.

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:

Reservations concerning the error rate relating to Grants in Direct Management (for funds managed by DG NEAR on behalf of DG DEVCO) and programmes managed by the African Union Commission that involve a significant level of procurement.

Brussels, 1 April 2019

*Stefano MANSERVISI
(signed)*

⁹⁸ 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 Management (concerning funds managed by DG NEAR on behalf of GD DEVCO)
Programme in which the reservation is made and total (annual) amount of this programme	All ABB activities in which the domain is used. The corresponding payments made are EUR 58.3 million sub-delegated to DG NEAR.
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 is calculated by multiplying the DG NEAR error rate for direct management grants (2.26%) by the relevant expenditure of grants. The actual exposure for 2018 is estimated at EUR 0.66 million relating to funds sub-delegated to DG NEAR.
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 DG NEAR The action plan includes the following elements:</p> <ul style="list-style-type: none"> • In the context of the new terms of reference for verifications, challenge the exhaustive list of items tested by the auditors; • Further awareness raising on frequently occurring errors in financial and document management for the implementation of grant contracts. • Promoting a wider use of simplified cost options (lump sums, unit costs and/or flat-rate financing), including for staff costs where relevant, and of the simplified allocation method for office costs. <p>The DG DEVCO action plan following last year's reservation includes the following elements:</p> <p>A. Actions targeting Grants in both Direct and Indirect Management:</p> <ul style="list-style-type: none"> • Simplify and clarify procedures and contractual conditions for grants. • Maintain awareness on frequently occurring errors in financial and document management for the implementation of grant contracts. <p>B. Actions targeting Indirect Management with Beneficiary Countries - Programme Estimates:</p> <ul style="list-style-type: none"> • Develop a strategy for the reduction of the use of Programme Estimates and promotion of alternatives, in view of simplification and cost-effectiveness. • Implement the "Roadmap for Reinforcements of Controls under Programme Estimates" adopted in April 2018. <p>C. Actions regarding Indirect Management with third Organisations:</p> <ul style="list-style-type: none"> • Reinforce the mandate of the focal point unit for coordination of relations with international organisations at all levels (including control relations). • Work towards use of Terms of Reference for Expenditure Verifications adopted

	<p>in 2017 for verification of expenditure incurred by International Organisations under indirect management.</p> <ul style="list-style-type: none"> • Continue and reinforce cooperation with International Organisations in view of sustainable reduction of errors. • Adaptation of Terms of Reference for Pillar Assessments to the requirements of the revised Financial Regulation. • Introduce effective and cost-effective framework for assessment and acceptance of cost accounting practices. • Phase in cross-reliance on audits for operations under indirect management with at least two major International Organisations. <p>D. Cross-cutting actions</p> <ul style="list-style-type: none"> • Increase consistency and coherence of the functioning of audit and verification tasks. • Clarify and promote use of simplified cost options. • Clarify and promote use of results-based financing. <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	African Union Commission (AUC) managed funds involving a significant level of procurement during year 2018.
Domain	Indirect management with an international Organisation (AUC)
Programme in which the reservation is made and total (annual) amount of this programme	EDF and DCI: Payments made by DEVCO in 2018 in the context of the APF (EDF) and the PANAFRICAN Programme (DCI) in indirect management with the AUC for contracts with a significant level of procurement. The corresponding amount of payments made is EUR 20.1 million.
Reason for the reservation	<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 (ERM).</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 in 2019 and 2020) 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> <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>

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.

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 the APF was not sufficiently effective in protecting the legality and regularity of the EDF expenditure under the APF.

Based on these findings, DG DEVCO decided to include a reservation in the AAR 2015. The reservation was renewed in the 2016 AAR due to the lack of substantial progress achieved by the AUC in the weaknesses identified during the failed pillar assessment.

The IAS audit report contained 7 recommendations:

- Recommendation 1 (Very Important) on the "Institutional Assessment and Monitoring by DG DEVCO of the partnership with the AUC";
- Recommendation 2 (Very Important) on the "Design and Effective of the Remedial/Mitigating Measures at Contract level";
- Recommendation 3 (Very Important) on the "Governance and Coordination between DG DEVCO – EU Delegations – EEAS";
- Recommendation 4 (Very Important) on "Reporting on the APF and Management Representation";
- Recommendation 5 (Important) on "External Audits and Follow-Up of External Audit Findings";
- Recommendation 6 (Important) on "Payments to Troop Contributing Countries (TCCs)"; and
- Recommendation 7 (Important) on "Retroactivity: Impact on Sound Financial Management"

In 2016, DG DEVCO formulated an Action Plan to address the audit recommendations, which started to be implemented in March. DEVCO's progress in implementing the Audit Action Plan was subject to three IAS follow-up audits in February and September 2017, as well as November 2018. They resulted in the closing of Recommendations 2, 3, 4, 5, 6 and 7.

Recommendation 1 of the audit report (very important) remains outstanding. In order for DEVCO to declare it ready for review, a new pillar assessment of the AU Commission needs to be launched and finalised. The AUC and the EU have agreed a pillar assessment roadmap, which contains the actions that the AUC needs to put in place in order to address the institutional weaknesses identified in 2015 by the previous assessment.

The November 2017 review of the pillar assessment roadmap highlighted significant progress in two of the non-compliant pillars (i.e. accounting and sub-delegation), while underlining outstanding problems in procurement. In addition, most of the APF spending in 2017 concerned payments to troop contributing countries to AMISOM; external audits of AMISOM found less than 1% ineligible expenditure. In view of the above, DEVCO decided to maintain a reservation in the 2017 AAR but to shift its focus to those programmes managed by the AUC with a significant level of procurement.

In 2018, the last external review of the implementation of the pillar assessment roadmap (March 2018) concluded that the African Union Commission had made significant progress in all areas including procurement and was ready to undergo a new

	<p>pillar assessment after having carried out an asset valuation. The AUC completed the asset valuation in December 2018. The EU Delegation to the AUC has therefore launched the contracting of a new pillar assessment on 4 February 2019. DEVCO expects that the pillar assessment report will be available in the course of 2019.</p> <p>Since Recommendation 1 of the IAS audit is still open, and since the pillar assessment is not yet finalised, DEVCO has decided to maintain the reservation on "AUC management of European funds" in the 2018 AAR.</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")	For the actual exposure under the APF and PANAF programme in 2018, the amount at risk is estimated by multiplying the relevant expenditure with the upper error limit of the 2018 RER study and the specific risk index for indirect management with third Organisations. The respective amount at risk is estimated at EUR 5.0 million. The measures foreseen in the action plan will substantially limit the risks.
Impact on the assurance	The impact of the identified weaknesses is limited to the management of the APF and the PANAFRICAN PROGRAMME projects managed by the African Union Commission. 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.
Responsibility for the weakness	<p>The weaknesses identified in the control system put in place by DG DEVCO include:</p> <p>→ Although the latest external review of the pillar assessment roadmap concluded that the AUC had addressed the main weaknesses identified in the 2015 pillar assessment, this was based on quick checks and needs to be confirmed by a new pillar assessment, which the Delegation to the AU is currently contracting. The results will only be available in September 2019.</p> <p>→ The IAS will only close recommendation 1 of its audit on the management of the APF on the basis of a positive new pillar assessment report.</p>
Responsibility for the corrective action	<p>DG DEVCO 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.</p> <p>Several joint monitoring mechanisms have been set up between the AUC and DEVCO, including Steering Committees, as well as the hiring of external consultants to monitor the implementation of the pillar assessment roadmap. During the Steering Committee of May 2017, a revised Aide-Mémoire was signed to formalize these additional control measures agreed with the AUC.</p> <p>DG DEVCO reported to the IAS in January and August 2017, as well as November 2018 on the progress made in the implementation of the Action Plan. The main actions implemented include:</p> <p>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". The latest review of the pillar</p>

assessment roadmap concluded that the AUC has made significant progress and is now ready to undergo a new pillar assessment.

2. Design and effectiveness of the remedial/mitigating measures at contract level. All contracts with the AUC include a set of remedial measures, which are routinely submitted to the task force for prior approval. Additionally, technical assistance has been deployed in order to address the most important weaknesses in AUC's financial management systems. The AUC also recruited a pillar assessment coordinator.

3. Governance and coordination between DEVCO, EU Delegations and the EEAS. A new inter-services arrangement was signed between DG DEVCO and the EEAS in January 2017 clarifying the respective responsibilities related to the APF. Human resources reinforcements were put in place at both HQ (DEVCO and EEAS) and EUD level.

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. The 2016 and 2017 reports were submitted to the Commissioner on the APF's main operational highlights and financial management issues, and the 2018 report has been finalised and is being validated by DEVCO management.

5. External audits of the APF Audits are followed up on a weekly basis during sector meetings. A formal reminder policy has been adopted in July 2017 to monitor AUC/RECs submission of reports. Audit ToRs have been amended to ensure a more accurate audit methodology.

6. Payments to Troop Contributing Countries (TCCs): the 2017-2018 APF Action Programme aligns payments to TCCs based on a lump sum approach.

7. 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".

The new pillar assessment of the AUC was launched and its results are expected to be available in the course of 2019. They will be duly analysed and further measures will be taken as appropriate.

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 Strategic Plan 2016-2020 and Management Plan 2018. 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 2018 MP and on all objectives and indicators set up in the SP is presented in the tables of Annex 2.

This section also contains the examples of economy and efficiency mentioned in the 2018 MP of the DG.

2.2.1 Human resource management

In the framework of the implementation of the new HR Delivery Model, the HR Business Correspondent team is responsible for defining HR strategy and taking HR decisions in agreement with the management of the DG, whereas HR services are currently undertaken by the AMC.

Following the adoption of the amendment on the mobility of contract staff posted to EU delegations (C(2018)4765), contract staff who have served in the same job in the same delegation for at least four years are now entitled to apply for vacancies published outside the annual mobility exercise, unless their contracts provide otherwise. This amendment enhances the mobility perspectives for the staff.

Paragraph 2 of Article 14 of the new GIPs C(2017)6760 of 16.10.2017 provides for the publication of team leader positions in EU Delegations: 16 posts in delegations that involve leading and managing a team of contract and local staff were published in 2018. They offer additional prospects for advancement to contract staff.

As part of its talent management policy, DEVCO organised a voluntary mobility exercise for staff posted in headquarters. This exercise, which was combined with the management of the return of the officials posted in Delegations, resulted in the mobility of more than 20 officials.

On 19 July 2017, the College adopted a renewed approach to its commitment to reach at least 40% female managers by the end of 2019 by adopting quantitative targets of first female appointments to be made per Directorate-General at middle management level with DG specific target. For DEVCO, the target is 8 first female appointments. With the appointment of four new women as Head of Unit in 2017 and three in 2018, the target for DEVCO (8) will be reached in 2019.

2.2.2 Information management aspects

In 2018, the use of paperless circuits was consolidated as the routine procedure in DEVCO, including for financial and contractual procedures. This initiative, which is in line with Commission's horizontal strategies such as Synergies and efficiencies, has contributed to speed up processes, enhance security (as supported by EU login) and improve the efficiency of workflow circuits. The guidance, support and follow up provided have been instrumental to achieve this result, which will continue to be monitored in 2019.

The 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 information within DEVCO (including sections in EU Delegations) and with other DGs. These actions contribute to the alignment of DEVCO with the

Commission strategy on Data, Information and Knowledge Management.

Another important topic related to information management is the integration of DEVCO IT systems into the Commission common repository (HAN: Hermes/Ares/NomCom) and the elimination of local storage of documents, which is part of the IT Rationalisation strategy. In 2018, the integration of ROM into HAN was completed and the link between the ARES workflow and the Portfolio Management Dashboard for reporting purposes was fine-tuned and made operational.

In the field of data protection, DEVCO undertook a series of actions to align its procedures with the new requirements set out in the recently adopted Regulation (EU) 2018/1725 on the protection of natural persons with regard to processing of personal data by EU Institutions⁹⁹. On 8 November 2018, DEVCO management endorsed a set of recommendations to ensure compliance of its data processing operations with the new rules. The concrete actions required, the allocation of tasks among units and the timeline for each activity are further laid down in DEVCO's Data Protection Compliance Roadmap, which builds upon the objectives indicated in the Commission's Data Protection Action Plan (Commission Communication C(2018)7432 of 7 November 2018).

In June 2018, DEVCO launched a mapping exercise to take stock of all data processing activities under its responsibility, to assess their level of risk, to examine whether restrictions are required, to identify controller units, to verify on which legal basis personal data are being processed and to review the retention periods indicated therein. The outcome of the mapping exercise, indicated that eight notifications are to be archived, ten notifications/records are to be created, the rest of the existing notifications are to be updated and transformed into records, while privacy statements need to be either revised or developed. New template privacy statements for the most common processing operations have been made available on DEVCO's Intranet in December 2018 to ensure the provision of appropriate information provided to the data subjects. A need for restrictions to data subjects' rights was not established. A preliminary assessment of processing activities revealed that risky operations relate to transfers of personal data to international organisations and partner countries, processing for the purpose of websites/interactive platforms and development of new IT systems. As a result, DEVCO addressed the DPO to clarify the legal basis for the international transfers and proposed a comprehensive record keeping package accompanied by a set of reinforced data protection clauses.

Awareness raising and promotion of data protection principles and obligations are at the heart of DEVCO's data protection strategy, encompassing tailor made presentations to units and directorates, an updated Intranet page with instructions on how to carry out compliant data processing operations and continuous information sharing on data protection trainings. To reinforce its administrative capacity, a full time DPC (supported by a DPC assistant) was recruited. Coordination and business continuity are promoted via the designation of data protection focal points per Directorate, while DEVCO liaised with the EEAS for the appointment of data protection correspondents in EU Delegations.

2.2.3 External communication activities

Promoting the EU as a Global Actor, DEVCO's communication activities contributed to a better perception by the EU public and beyond, of the EU's development and international cooperation policy. As a result, Eurobarometer confirmed once more that around 90% of EU citizens approve of the EU's involvement in development policy as newly defined in the European Consensus.

⁹⁹ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

Throughout the year DEVCO extended its Communication and outreach efforts as following.

Key achievements of DEVCO in 2018 included the organisation, on-site management, and mediatisation of a large number of centrally-managed events which greatly contributed to the visibility of the EU and of its leading role in development. The most important of these was the 12th edition of the European Development Days (EDD), which took place in Brussels on 5-6 June. The event, devoted to Gender equality, had 8,883 participants, which is the highest number ever recorded and + 12% compared to 2017. A very strong communication campaign was organised around it. The media programme for the European Development Days generated strong media interest: 190 international journalists contributed to a record media coverage of 265 clippings and reports. This represents an increase of 452% compared to 2017. 176 articles were published by EU media and 89 by non-EU international press.

Eight Kapuscinski Development Lectures (KDL), with an audience significantly increased also gave great visibility to development policies.

The importance of the InfoPoint as a channel for both external and internal communication was underlined by the sustained number of activities and robust attendance both by external participants and Commission colleagues.

In April 2018, DG DEVCO launched an external online learning platform, the "DEVCO Academy". The Academy provides free access to development practitioners and all citizens interested in international cooperation and development to relevant learning resources such as online courses, learning videos, manuals and webinars. It thus contributes to promoting harmonised co-operation approaches and measures among the different development actors. Currently, the Academy hosts around 180 different learning resources and counts learners from around 160 different countries.

2018 was a year of innovation in our online communications. Increasing our video and animation capacity helped us produce many more videos (over 40), which are the most appreciated content on our social media channels. We sent our four Faces2Hearts bloggers on a world tour of DEVCO projects from January to May, and this resulted in our most successful campaign ever, with 35 million people reached and 5 million people actively engaged throughout the campaign. We also increased our live coverage of events, in particular at the European Development Days, and offered more live chats than ever before (10 in 2018, 3 in 2017). The web transformation exercise finally kicked off with excellent collaboration between DG COMM and DEVCO, and an expected launch date planned for the beginning of 2019.

A major highlight in 2018 was the launch of the EU-UN Spotlight Initiative regional programme for Latin America during the UN General Assembly week in September. Thanks to a good media strategy and cooperation with the UN, more than 150 pieces covered the event, reaching an online readership of around 675 million readers.

The Annual Report on the implementation of the European Union's instruments for financing external actions (the Annual Report) was prepared in collaboration with the Directorates-General for Neighbourhood and Enlargement Negotiations (NEAR), Civil Protection and Humanitarian Aid Operations (ECHO), the Service for Foreign Policy Instruments (FPI) and the European External Action Service (EEAS). Following the adoption in February 2019, the report will be available online in 23 EU languages.

The successful revamping of the network of development communicators marks a new departure in the outreach effort of DG DEVCO. The simultaneous involvement of 20 Member States in a Europe-wide event and related campaign on SDG 5 under the hashtag *#HerWorldOurWorld* was a definite highlight, which we intend to replicate in the future. The events staged on 25 May were well attended and successfully promoted by

national figureheads from the worlds of politics, activism and broadcasting, and the campaign video garnered over 1.5 million impressions on Facebook alone.

Following the approval of the new “Communication and visibility Requirements”, a major training effort was deployed throughout the year, using all available tools. The main targets were on the one hand Communication correspondents and Press and Information Officers in Delegations, but also implementing partners. This training campaign will be continued and strengthened in 2019.

2.2.4 Examples of economy and efficiency mentioned in the 2018 MP of the DG

A. OPSYS

OPSYS is a programme that will gradually offer improved operational processes and tools to DEVCO/NEAR/FPI staff, allowing them to efficiently manage their portfolio of projects/programmes throughout the full cycle of operations.

The system is a good practice example contributing towards enhanced economy and efficiency both in terms of programme management (a one stop shop which will enhance coherence, collaboration and results orientation) and also in terms of system’s set-up (DG DIGIT as the single IT supplier).

The implementation of the OPSYS Programme was reorganised in the form of 3 complementary tracks covering:

- Track 1: Results and Monitoring,
- Track 2: Contracts and Procurement,
- Track 3: Programming, Actions and Decisions.

Results & Monitoring

Since July 2018, Operational Managers in cooperation with implementing partners have the possibility to create, update, approve the logframes for all grants in direct management below 750 000 euros. These functionalities were released to all delegations and HQ units from October to December 2018. From March 2019, colleagues will be in a position to monitor and report on their overall portfolio of interventions using OPSYS, per project/programme, EU Delegations/HQ unit, sector, country, region, year, and financing instrument. Through this initiative, the Commission will improve its accountability and will avoid re-encoding with the EAMR.

Contracts & Procurement

The first type contract which will be launched in production in August 2019 is SIEA FWC. The same approach will be in place for all contracts and procedures up to the full decommissioning of CRIS foreseen in 2020. E-tendering, automatic generation of documents, contracts and annexes, e-signature, interface with ABAC and ARES for all commitments level 2 will increase efficiency and effectiveness.

Programming, Actions & Decisions

From March 2019, colleagues will have the capability to access all Basic Instruments, Multiannual Indicative Programmes, Actions and Action-Programmes. They will also have the capability to create interventions. This structure of information and its access through one entry point is a gain of time for colleagues and allows better follow-up of results at all steps of the Project Cycle Management. In August 2019, colleagues will also be able to edit all action documents in OPSYS and perform Commitment Level 1.

B. EIP

Smart and sustainable investment can play an essential role in boosting jobs and growth in developing countries, bringing more stability and improving conditions on the ground in fragile countries affected by conflict. Given the limited nature of ODA financing, leveraging additional public and private sector engagement plays a central role in this strategy. The private sector is key to generating the huge amounts of investment needed to achieve the SDG and transform development policy to allow it to address the multiple challenges faced in Africa.

The ambitious European External Investment Plan (EIP) offers an innovative way of mobilising public and private sources of financing for development. It represents a fundamentally new approach to the way the EU supports development and how it identifies, prepares, and delivers support for investment projects in countries outside the EU – through an integrated and coherent framework enabling full cooperation between the EU, international financial institutions, donors, civil society organisations, public authorities and the private sector. It links up finance mobilisation, technical assistance and the improvement of the investment climate and business environment, via reforms and better governance.

As a concrete example, the EIP is fully operational in West Africa: more than EUR 900 million grants were mobilised and leveraged more than EUR 5.5 billion for structural investments in the West Africa. EU funding is contributing to the construction and rehabilitation of more than 2 200 of roads along the main transport corridors: Nouakchott-Abidjan-Lagos, Bamako-San Pedro, Dakar-Bamako-Ouagadougou-Niamey, etc. It is also boosting the renewable energy generation by more than 100GWh/year and reinforcing the West Africa Power Pool (WAPP) with 2 400 km of transmission lines. In addition, in the Sahel region, EU funds are supporting the development of digital infrastructure through the construction of the fibre optic trans-Saharan backbone. In the Niger Basin, EU is helping sectors with intensive demand of water resources, like agriculture, to better adapt to climate change. In 2018, the EU approved 6 new projects: the Manor River Union Road between Sanniquelilie and Loguato in Liberia, the Trans-Gambia Corridor Project, the EU Support to The Gambia Sustainable Energy Sector Programme, the Integrated Programme for Development and Adaptation to Climate Change in the Niger Basin, the Trans-Saharan Fiber Optic Backbone project and the Electrical Extension and Densification of Networks Project in Benin.

At the core of the EIP (Pillar 1), the European Fund for Sustainable Development (EFSD) is a bold new approach to support sustainable and innovative investment, going beyond the classical development assistance and building on the experience of existing blending facilities to maximise additionality, deliver innovative products and catalyse private sector investment. The new EFSD Guarantee has been conceived as a powerful financial tool to stimulate and support investments in less developed and riskier countries whilst crowding in private sector players in areas and sectors in which they do not traditionally intervene. It focuses on a number of priority areas, such as clean and renewable energy and connectivity; the financing of micro, small and medium enterprises; agriculture, rural entrepreneurs and agroindustry; sustainable cities; and digitalisation for inclusive development.

Under the EFSD, the EU allocated EUR 1.54 billion Guarantee to 28 investment programmes involving 17 partner financial institutions, which is expected to leverage a total of EUR 17.5 billion investment in partner countries. The first guarantee agreement was signed in December 2018 with FMO, the Dutch development bank, for the NASIRA Risk-Sharing Facility, which focuses on internally displaced people, refugees, returnees, as well as women and young people.

Among the other approved guarantees, eight of them focus on lending for micro, small and medium-sized enterprises (MSMEs) and agriculture. These will provide affordable funding to small businesses, many of which are engaged in agriculture. It is estimated

that, together, the guarantees will directly and indirectly create or support over 1.8 million jobs, provide funding and assistance to more than 450 000 companies, and scale up local green energy, agribusiness projects and start-ups.

In addition, activities in 2018 focused on allocating resources for investment climate (Pillar 3), advancing the structured public-private dialogue as part of the Sustainable Business for Africa Platform and mobilising the headquarters' and EU delegations' human capacities with the right set of skills to implement the EIP. As far as resources are concerned, a significant increase of EU support to business and investment climate reforms in Africa has been planned for the period 2018 to 2020. The EU-Africa Alliance communication has set the target figure at EUR 300-350 million on average per year, in addition to dedicated actions geared at improving governance and ensuring peace and stability. It is estimated that the total amount of technical assistance and budget support commitments in 2018 for EIP Pillar 3 in Sub-Saharan Africa stand at approximately EUR 337 million, thus exceeding, for DG DEVCO alone, the targets of the Alliance. The resources were allocated in particular to macro-level, governance and business environment; human-centred investment climate drivers such as skills, TVET, decent work and social environment; as well as to drivers related to regional economic integration and trade.

As part of the third Pillar, the EU organised in 2018 with ECOWAS and West African Economic and Monetary Union a High-level Conference on Jobs and Growth in West Africa. The Conference gathered more than 200 high-level policy makers, financial institutions and private sector from West Africa and Europe to discuss on how to create more and decent jobs and boost inclusive growth in West Africa, as well as operationalise the EU EIP, including the new Guarantee mechanism.

In the area of food security, a programme was set up in order to promote gender equality through women's economic empowerment and financial inclusion, in line with the EU Gender Action Plan II. It aims at improving access to financial products and services, as well as to essential critical skills and capacity building services and decent jobs in Sub-Saharan Africa, by leveraging additional public and private resources through blending.

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