



# Annual Activity Report 2021

Directorate General Neighbourhood and  
Enlargement Negotiations

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## THE DG IN BRIEF

The **mission** of DG Neighbourhood and Enlargement Negotiations (hereinafter DG NEAR) is to take forward the EU's neighbourhood and enlargement policies. The DG primarily serves the Commissioner for Neighbourhood and Enlargement Negotiations, Olivér Várhelyi, and the High Representative/Vice-President, the President of the Commission, the Vice-Presidents and other Commissioners where appropriate. DG NEAR works closely with the European External Action Service (EEAS) and the line DGs in charge of thematic priorities.

The DG is based in Brussels and has 1614 **staff members**<sup>1</sup>, of whom a third are located in Headquarters and two thirds in the EU Delegations/Offices in the partner countries. The DG went through a reorganisation in September 2021 to better align its structure to the delivery of the political priorities of this Commission.

In the **neighbourhood region**, DG NEAR is responsible for co-ordinating across the Commission the implementation of the **European Neighbourhood Policy** (ENP), working closely with the EEAS and DG INTPA. Under the ENP, DG NEAR contributes to the resilience in European Union's direct neighbourhood through support to political and economic reforms with the aim of creating a space of stability, security and prosperity. Through its financial assistance, the EU supports key priorities of the ENP with its neighbouring countries covering democracy and rule of law, sustainable economic development, security and migration and mobility.

In the **enlargement area**, DG NEAR assists those countries with a perspective of joining the EU in meeting the criteria defined by the Treaty on European Union and the European Council. It closely monitors the progress of enlargement countries and supports accession negotiations. It manages the bilateral relations of the Union with candidate countries and potential candidates on their path to the EU, frontloading reforms on rule of law, economic governance and strengthening democratic institutions, including public administration reform. DG NEAR develops and implements the Stabilisation and Association process of the Union as defined by the European Council in the Western Balkans, and the Association process with Turkey.

DG NEAR manages the bulk of the Union's financial and technical assistance to the neighbourhood (**European Neighbourhood Instrument** - ENI<sup>2</sup>) and enlargement (**Instrument for Pre-Accession Assistance** - IPA<sup>3</sup>) countries, amounting to EUR 28 billion in total for 2014-2020. For the 2021-2027, IPA III and the neighbourhood part of the new **Neighbourhood, Development and International Cooperation Instrument** (NDICI)<sup>4</sup> will amount to some EUR 33 billion. For both ENI/NDICI and IPA, assistance is implemented

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<sup>1</sup> As at 31 December 2021

<sup>2</sup> OJ L 77, 15.3.2014, p 1

<sup>3</sup> OJ L77, 15.3.2014, p 11

<sup>4</sup> OJ L 209, 14.6.2021, p 1

through a broad range of management modes, which consider the different levels of preparedness of each beneficiary.

The **management modes** implemented by the DG are as follows:

- Direct management, both centralised (in Brussels) and de-centralised to EU Delegations under the supervision of DG NEAR.
- Indirect Management, including:
  - Indirect Management by Beneficiary/partner Countries (IMBC);
  - Indirect Management by Entrusted Entities (IMEE), notably with International Organisations and with Member State development assistance agencies, including the use of Financial Instruments with International Financial Institutions (e.g. EIB, EBRD).
- Shared Management with Member States: Cross Border Cooperation (CBC) Programmes but only the legacy of programmes under the European Neighbourhood and Partnership Instrument (ENPI). Since 2020, CBC programmes under the European Neighbourhood Instrument (ENI) have been transferred to DG REGIO<sup>5</sup>.
- The DG is also the Trust Fund Manager of the EU Regional Trust Fund (TF) in Response to the Syrian crisis and the North of Africa window of the 'EU Emergency TF for Africa'. It is also a financial contributor to both Funds.

The creation in 2021 of the new guarantee and blending framework within the NDICI, the **European Fund for Sustainable Development Plus** (EFSD+, 2021-27)<sup>6</sup>, significantly reinforces the capacity of DG NEAR to support socio-economic development in the neighbourhood and enlargement countries. The EFSD+ provides DG NEAR with a comprehensive and integrated framework for its blending platforms and significantly increases its capacity to finance investment projects through guarantees.

In 2021, the DG NEAR institution-building instruments – **TAIEX**<sup>7</sup> and **Twinning**<sup>8</sup> – supported the implementation of the Commission priorities in DG NEAR Partner Countries in a Team Europe approach. DG NEAR also operates five TAIEX-Service Level Agreements (SLAs) within the Commission. Three are sectoral and mainly targeted at Member States' exchanges, with DG REGIO, DG ENV and DG REFORM. Two are global, targeted at national administrations: one with FPI and one with DG INTPA, the latter also including Twinning.

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<sup>5</sup> As explained in Annex 6, CBC programmes are assimilated to Indirect Management in terms of Relevant Control System.

<sup>6</sup> OJ L 209, 14.6.2021, p 1

<sup>7</sup> Technical Assistance and Information Exchange-. TAIEX Website - <https://ec.europa.eu/taieux>

<sup>8</sup> Twinning Website - <https://ec.europa.eu/twinning>

## EXECUTIVE SUMMARY

### A. Key results and progress towards achieving the Commission's general objectives and DG's specific objectives (executive summary of section 1)

Since spring 2021, the EU observed with increased concern the Russian military build-up on the border with **Ukraine**. It is clear that after the Russian invasion of Ukraine launched on 24 February 2022, the circumstances of DG NEAR's work have radically changed. The impact of this new reality will be reflected in the 2022 report.

2021 was still marked by the challenges posed by **the COVID-19 pandemic**. Since the onset of the EU response in 2020, DG NEAR programmes have mobilised over **EUR 4.5 billion** to respond to immediate health needs, support the health systems and help partner countries face the social and economic impact of the pandemic.

DG NEAR significantly contributed to the external dimension of the Commission priorities:

General objective 4: A Stronger Europe in the World		
Specific Objective 4.1		The Western Balkans are brought closer to the EU and their economic development is strengthened, based on a credible, merit-based accession perspective and application of the revised enlargement methodology.
Specific Objective 4.2		Regional cooperation and neighbourly relations in the Western Balkans are improved.
Specific Objective 4.3		A sustainable basis for improved relations with Turkey is ensured.
Specific Objective 4.4		Take the Eastern Partnership to the next level.
Specific Objective 4.5		Stability, resilience, economic development and regional integration are reinforced through our cooperation and policy dialogue in the Southern Neighbourhood.
General objective 1: A European Green Deal		
Specific Objective 1.1		The implementation of the external dimension of the European Green Deal is supported in partner countries.
General objective 3: An economy that Works for People		
Specific Objective 3.3		Support inclusive and sustainable economic growth, better employment and increased connectivity in partner countries.
General objective 2: A Europe fit for the digital age		
Specific Objective 2.2		Increased take-up of digital opportunities in partner countries.
General objective 5: Promoting our European Way of Life		
Specific Objective 5.5		Effective migration management with partner countries is in place.

## **A Stronger Europe in the World (General Objective 4)**

DG NEAR contributed to this objective by taking forward the enlargement and neighbourhood policies. The Commission continued to roll out the **revised enlargement methodology**, successfully supported opening negotiations on **Cluster 4 with Serbia** and worked towards the official start of **accession negotiations with Albania and North Macedonia**. The Commission also continued to support the region through the implementation of the EUR 9 billion **Economic and Investment Plan and Green Agenda** for the Western Balkans<sup>9</sup>, which aims at spurring the socio-economic green and digital recovery of the region, as well as enhancing its economic integration and cooperation. Political engagement with the region was demonstrated by the **EU-Western Balkans Summit in Brdo** in October 2021, as well as the Berlin Summit of 5 July 2021. The EU continued its unprecedented support to the region in the **fight against the COVID-19 pandemic**, with more than 4 million doses of vaccines shared by EU Member States.

Efforts continued towards ensuring sustainable relations with **Turkey**. High level dialogues took place on climate, migration and security, and health. The counter-terrorism dialogue at senior officials' level was re-launched. Intensive talks continued on trade issues, although, regretfully, Turkey continued to impose unilateral measures. The implementation of **the March 2016 EU-Turkey Statement**<sup>10</sup> continued. IPA II funds were further re-centralised and re-directed in line with the EU's political priorities with greater focus on a sectoral approach. DG NEAR started preparations for the set-up of the Turkey Investment Platform (TIP). As regards **the Facility for Refugees in Turkey**, the full operational budget of EUR 6 billion was contracted at the end of 2020, with more than EUR 4.5 billion disbursed to date. The Commission has been mobilising an additional EUR 3 billion in EU refugee support allocated for 2021-23, with EUR 885 million already committed.

The EU's relations with its eastern neighbours are guided by the Global Strategy and the revised **Eastern Partnership** (EaP) policy. Following the March 2020 Joint Communication on the Eastern Partnership policy beyond 2020<sup>11</sup>, a Joint Staff Working Document<sup>12</sup> was adopted on 2 July 2021, laying out the **post 2020 Eastern Partnership priorities**. Together, the two documents set out a new vision for the partnership under the overarching objective of strengthening resilience. Leaders of the EU and Eastern Partners endorsed this new agenda at the Sixth Eastern Partnership Summit in December 2021<sup>13</sup>.

The situation in the **Southern Neighbourhood** remained fragile and was further aggravated by the COVID-19 pandemic. DG NEAR continued to address the effect of the

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<sup>9</sup> COM(2020) 641 final

<sup>10</sup> [EU-Turkey statement, 18 March 2016 - Consilium \(europa.eu\)](#)

<sup>11</sup> SWD 2020/56

<sup>12</sup> SWD 2021/186

<sup>13</sup> [20211215-eap-joint-declaration-en.pdf](#)

Syria conflict through **the EU Regional Trust Fund in Response to the Syrian Crisis** and, in March 2021, it co-organised the fifth Brussels Conference on Supporting the Future of Syria and the Region. DG NEAR also supported Libya through **the North Africa window of the EU Emergency Trust Fund for Africa**. In February 2021, the Commission and the High Representative adopted the Joint Communication proposing a **new Agenda for the Mediterranean** to relaunch and strengthen the strategic partnership between the European Union and its Southern Neighbourhood partners<sup>14</sup>. It was accompanied by an Economic and Investment Plan<sup>15</sup>, whose 12 flagships will enable the Commission to focus resources on key transformative sectors and mobilise additional funds.

### **A European Green Deal (General Objective 1)**

DG NEAR continued to implement the **Green Agenda for the Western Balkans**, which is part of the Economic and Investment Plan. In 2021, the region adopted a detailed Action Plan<sup>16</sup> for the implementation of the five pillars of the Green Agenda. Translating the Agenda and its Action Plan into concrete action remains a challenge, in particular because of resource constraints (financial, human). The initiative for **Coal Regions in Transition in Ukraine and the Western Balkans** became operational, focusing on the socio-economic transformation of the areas so far dependent on coal.

In the **Southern Neighbourhood**, Morocco is the first partner to conclude a green partnership to strengthen cooperation in the fight against climate change, and to work together on energy transition, protecting the environment and boosting the green economy. Most other North African countries include a Green Agenda in their cooperation priorities for the coming years. Some delays were nonetheless experienced in advancing the climate and environment actions in the region, due to COVID-19 as well as the political situation.

In 2021, the EU, its Member States and the Eastern partner countries expressed strong political commitment to work together towards the green transition as one of the key goals for the **Eastern Partnership's** post-2020 agenda and its Economic and Investment Plan (EIP). A dedicated focused dialogue on Ukraine's green transition was launched by the Prime Minister of Ukraine Denis Shmyhal and Executive Vice President Timmermans in February 2021.

### **An Economy that Works for People (General Objective 3)**

DG NEAR coordinated the completion of the Economic Reform Programmes and country-specific recommendations for the **enlargement countries**. DG NEAR (in coordination with DG EMPL) supported the development implementation plans for a Youth guarantee scheme in the Western Balkans. DG NEAR also continued to implement comprehensive public

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<sup>14</sup> JOIN(2021) 2 final

<sup>15</sup> SWD(2021) 23 final

<sup>16</sup> <https://www.rcc.int/docs/596/action-plan-for-the-implementation-of-the-sofia-declaration-on-the-green-agenda-for-the-western-balkans-2021-2030>

administration and public financial management reform programmes, and supported socio-economic development, notably through the implementation of the European Fund for Sustainable Development guarantee facility, the Neighbourhood Investment blending Platform, and the Western Balkans Investment Framework.

Following the adoption in 2020 of an Economic Investment Plan for the Western Balkan, the EU adopted in 2021 **Economic and Investment Plans for the Eastern Neighbourhood and for the South Neighbourhood**, thereby signalling its unwavering support to its partners in their efforts to bounce back after two years of a global pandemic with far-reaching socio-economic repercussions.

### **A Europe fit for the digital age (General Objective 2)**

In the **Western Balkans**, the Economic and Investment Plan and the work on the Common Regional Market continued to provide a reinforced framework for the digital transformation of the region. The '**Roam Like At Home**' regime was introduced as planned in July 2021, and work is progressing on a roadmap for lowering roaming charges between the Western Balkans and the EU.

The Commission has continued to support strong cooperation networks among **Eastern Partnership** countries to foster the development of resilient digital economies and societies. The Commission supported the ongoing work for the preparation of a **Regional Roaming Agreement and Regional Spectrum Agreement**, which will help reducing roaming prices in the region and facilitate the deployment of 5G technology. The EU4Digital initiative also launched key pilot projects and produced guidelines in the fields of e-commerce, e-signature, innovation, digital skills, and e-health.

In the **Southern Neighbourhood**, the Commission continued to work on the harmonisation of rules in the telecom sector (EMERG) and provided high quality access to the EU research and innovation network GEANT through the EUMedConnect programmes<sup>17</sup>. Bilateral cooperation with most countries also supported the digital transition.

### **Promoting our European Way of Life (General Objective 5)**

DG NEAR continued to play a pivotal role in supporting effective migration management in cooperation with partner countries. Actions covered all aspects of the EU's external dimension of migration policies, including all priorities of the Pact on Migration and Asylum<sup>18</sup> launched in September 2020.

To cover needs in North Africa previously funded under the EU Emergency Trust Fund for Africa (EUTF Africa), **a new multi-country programme on migration** is under preparation.

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<sup>17</sup> [EUMED CONNECT 3 | EU Neighbours](#)

<sup>18</sup> COM(2020) 609 final

Throughout 2021, the **EU Regional Trust Fund in Response to the Syrian crisis** (EUTF Syria) remained a major EU tool to address the vital needs of Syrian refugees and host communities in neighbouring countries, reaching already more than 8.4 million people. A strategic support package of EUR 5.7 billion was agreed in 2021 for refugees and host communities in Turkey, Jordan, Lebanon, Iraq and Syria.

In the **Western Balkans**, implementation of phase II of the Regional Support to Protection-Sensitive Migration Management ended in December 2021. The programme, implemented jointly by Frontex, European Asylum Support Office (EASO), International Organisation for Migration (IOM) and UNHCR continued to build capacities in all areas of migration management, and will be followed up by a third phase in 2022. The first IPA III funded programmes were adopted in December 2021.

Following extensive EU engagement and support to Bosnia and Herzegovina, the humanitarian situation which unfolded in late 2020 gradually improved, and a new centre in Lipa for 1,500 refugees and migrants became fully operational in November. In May 2021, a status agreement between Serbia and the EU entered into force allowing the European Border and Coast Guard Agency to also carry out joint operations in Serbia.

Cooperation on migration and integrated border management is a specific objective in the Multi-annual Indicative Programme (MIP) for the **Eastern Neighbourhood** 2021–2027 that was adopted in December 2021 alongside the MIPs for Ukraine and Armenia, in which migration is also one of the priorities.

The **instrumentalisation of migrants in Belarus** called for humanitarian responses including through increased assisted voluntary return and reintegration (AVRR) support via an ongoing a migration action with the International Organisation for Migration (IOM).

## B. Key Performance Indicators (KPIs)

The four KPIs presented in the following tables mirror those set in the DG NEAR 2020-2024 Strategic Plan. The first KPI relates to the Enlargement Policy, the second to the European Neighbourhood Policy; the third KPI shows the number of direct jobs supported/sustained by the EU in the enlargement and neighbourhood partner countries, and the fourth KPI provides the estimated risk at closure.

### **KPI 1: Degree of readiness of Western Balkans on EU approximation and acquis**

**Explanation:** This indicator shows where the enlargement countries stand in terms of their alignment with the EU acquis across all chapters and EU related reforms. It is given as the sum of Western Balkan beneficiaries. It is measured on a scale from 1 to 5.

**Source of data:** Annual Enlargement country reports, European Commission

<b>Baseline <sup>19</sup> (2019)</b>	<b>Interim Milestone (2022)</b>	<b>Target (2024)</b>
2.56	Increase	Increase
<b>Latest known results (2021):</b> 2,59.		

**Performance evolution:** The value for this indicator increased thanks to improvements regarding one acquis chapter in Serbia (Competition policy), three acquis chapters in Kosovo (Public procurement, Competition policy, Financial control), four in Montenegro (Fisheries, Enterprise and Industrial Policy, Trans-European Networks, Financial and Budgetary provisions) and five acquis chapters in Albania (Public procurement, Fisheries, Science and Research, Judiciary and Fundamental rights, External Relations). It should be noted that alignment with EU acquis is a demanding exercise that requires substantial reforms from the candidate countries and potential candidates over a long period of time, hence the relatively slow increase of this composite indicator for the whole region.

### **KPI 2: Number of partnership priorities, Association agendas, or equivalent documents, which are revised, adopted or agreed with Eastern and Southern Neighbourhood partners**

**Explanation:** The indicator monitors the number of key bilateral policy documents (Partnership priorities, Association Agendas, or equivalent documents) revised and adopted during the period. Since the indicator measures the evolution during 2020-2024 period, the base is set at 0. It does not imply that no action was taken in the past.

<sup>19</sup> This includes the Western Balkans and Turkey as the baseline value also included both. For the Western Balkans only the baseline would be 2,5 and the 2020 value 2,52.

### Eastern Neighbourhood partners

**Source of data:** EU Results Framework

Baseline (beginning 2020)	Interim Milestone (2022)	Target (2024)
0	4	5

#### Latest known results (2021): 5

**Armenia:** Partnership Priorities (adopted in 2018) remain in force and guide cooperation. The Comprehensive and Enhanced Partnership Agreement (CEPA) ratification process was completed in 2021 and it entered into force in March 2021. **Azerbaijan:** Partnership Priorities were extended in August 2021 until 2024. **Belarus:** The negotiations of a Memorandum of Understanding (equivalent to Partnership Priorities) remain on hold. **Georgia:** The revision of the Association Agenda covering the period 2021-2027 is ongoing and is expected to be adopted in February 2022. The previous Association Agenda covered the period 2017-2020 and was extended to 2021. **Moldova:** The revision of the Association Agenda covering the period 2021-2027 is ongoing. The previous Association Agenda covered the period 2017-2020 and was extended to 2021. **Ukraine:** The Association Agenda (last updated in 2015) remains valid.

### Southern Neighbourhood partners

**Source of data:** European Commission

Baseline (2020)	Interim Milestone (2022)	Target (2024)
8	8	8

#### Latest known results (2021): 8

Association Agreements are in force with 8 of the 10 southern partners (i.e. excluding Libya and Syria). Previous Partnership priorities valid until 2021 were extended for all countries, and new ones are being negotiated.

Negotiations are concluded with Jordan and Egypt. An EU agreed text was concluded on Lebanon, but no agreement yet to transmit text to Lebanese authorities, given the political situation. Work is still ongoing for Algeria. Partnership Priorities for Tunisia and Morocco are on hold due to the political context, although tensions with Morocco are easing. For Palestine<sup>20</sup> and Israel there are valid Action Plans until end of 2021, and their

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<sup>20</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

extension until 2024 is waiting for formal agreement. For Syria and Libya no Joint Documents are under consideration, and programming is done under EU Special Measures.

**Performance evolution:** In both the Eastern and Southern Neighbourhoods, the situation regarding the policy basis (joint priorities for cooperation) of EU work with neighbourhood partners continued to improve in 2021. However, external (e.g. political developments and the COVID-19 pandemic) — as well as internal factors (e.g. streamlining of overall EU priorities based on the rearrangement of financial instruments) influenced the degree of achievement of DG NEAR's policy objectives.

**KPI 3: Number of direct jobs supported/sustained by the EU**

**Explanation:** The number of jobs supported through EU Programmes

**Source of data:** EU results Framework, IPA Performance Framework

Baseline (2018)	Interim Milestone (2022)	Target (2024)
IPA: 2 388 <sup>21</sup>	Increase	Increase

**Latest known results (2021):**

IPA: 7521<sup>22</sup>

**Performance evolution:** The number of jobs supported through EU programmes increased in 2021, in spite of external factors (political instability, COVID socio-economic impact, etc) which had an impact on achieving these policy objectives.

**KPI 4: Estimated risk at closure (residual error rate)**

**Explanation:** The estimated risk at closure is based on the results of the Residual Error Rate (RER) study, which provides a conservative estimation of the residual errors not detected by the internal control system, in order to conclude on its effectiveness.

**Source of data:** DG NEAR annual activity report

<sup>21</sup> The corresponding baseline figure for ENI is 38 808 jobs supported during the whole period 2013-2018.

<sup>22</sup> ENI: East: (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine): 34.016  
South (Egypt, Morocco, Tunisia, Lebanon, Jordan, West Bank): 50.279

<b>Baseline (2019)</b>	<b>Interim Milestone (2022)</b>	<b>Target (2024)</b>
0,53%	< 2% of relevant expenditure	< 2% of relevant expenditure
<b>Latest known results (2021):</b>  Estimated risk at closure: 1.08%. Global RER rate DG NEAR: 1.05%.  In 2021, the target for this KPI has been achieved, as the estimated risk at closure of DG NEAR stayed below the 2% materiality threshold.		

### **Performance evolution**

Overall, the KPI evolution shows a consistent trend since 2016. The DG NEAR estimated risk at closure has remained below the materiality threshold of 2% for the whole period. The reservation is lifted for the segment “Direct Management – Grants” since the residual error rate is below 2%.

### **C. Key conclusions on Financial management and Internal control (executive summary of section 2.1)**

In line with the Commission’s Internal Control Framework DG NEAR has assessed its internal control systems during the reporting year and has concluded that is effective, except regarding internal control principle 12, which needs improvement. Please refer to AAR section 2.1.3 for further details.

In addition, DG NEAR has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management’s assurance about the achievement of the control objectives. In particular, the former reservation on grants in direct management is lifted because the error rate is below the materiality threshold. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. 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 **reservation** concerning difficulties in adequately monitoring all projects in Libya and in Syria (non-quantified reservation).

#### D. Provision of information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, the main elements of this report and assurance declaration including the reservations envisaged have been brought to the attention of Commissioner Várhelyi, responsible for Neighbourhood and Enlargement Negotiations.

# 1. KEY RESULTS and progress towards achieving the Commission's general objectives and DG's specific objectives

## 1.1 General objective 4: A stronger Europe in the World

Specific objective 4.1: The Western Balkans are brought closer to the EU and their economic development is strengthened, based on a credible, merit-based accession perspective and application of the revised enlargement methodology

The EU-Western Balkans relations in 2021 continued to be dominated by the challenges of the COVID-19 pandemic and its health, social and economic impacts on the region. Nonetheless progress was noted on the enlargement agenda, in line with the revised enlargement methodology, and on the implementation of the 2020 Economic and Investment Plan for the Western Balkans and associated Green, Digital and Innovation Agendas.

The EU together with the Western Balkans partners continued to implement the 3.4 billion EUR package of financial assistance adopted in 2020 to **combat the COVID-19 pandemic and its socio-economic impacts**. Three countries of the region also obtained support from the EU Solidarity Fund (Albania, Montenegro, and Serbia), while four of them (Albania, North Macedonia, Montenegro, and Serbia) have obtained adequacy decisions to be included in the EU Digital COVID Certificate system to facilitate mobility. The focus of support throughout 2021 were **vaccination campaigns**. The region has so far received more than 4.2 million doses of COVID-19 vaccines from the EU and its Member States free of charge. This is in addition to 2.2 million delivered through the COVAX initiative, which is also supported by the EU.

The Commission continued taking the EU enlargement agenda forward by assisting those countries with the prospect of joining the EU in their efforts to meet the EU membership criteria, as defined by the Treaty on European Union and the European Council. In particular, the Commission focussed on rolling out the **revised enlargement methodology, opening of Serbia's negotiating Cluster 4** and worked towards the official start of **accession negotiations with Albania and North Macedonia**. In October 2021, the Commission adopted its regular **enlargement package**, taking stock of the situation in the candidate countries and potential candidates on their path to EU accession.

Progress on the enlargement agenda was accompanied by the kick-off of the implementation of the EUR 9 billion **Economic Investment Plan (EIP) and the Green Agenda for the Western Balkans<sup>23</sup>**. The Plan aims at bridging the socio-economic gap between the region and the EU and associating the region with key EU initiatives and priorities of the current Commission, including the green and digital transition, promotion of innovation and connectivity, support for the development of the private sector and of

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<sup>23</sup> COM(2020) 641 final

human capital. The EIP also carries a strong regional cooperation element, by supporting the gradual establishment of a **Common Regional Market** in the Western Balkans. The EIP relies on the successful roll-out of the Instrument of Pre-Accession Assistance (IPA III), which was adopted in 2021. The Commission, together with the beneficiary partners successfully concluded the first IPA III programming exercise, committing more than EUR 4.1 billion, with 75% of this amount contributing directly to the EIP.

The commitment of the EU and its Member States to close cooperation with the region was also epitomised in **two summits in 2021**: the EU-Western Balkans summit in Brdo (October) and the Berlin Process summit in Berlin (July). Both summits focussed on tightening regional cooperation, as well as political support for the initiatives related to the implementation of the Economic and Investment Plan.

**Albania** held general election on 25 April 2021; the new government swore in in September. A dispute over leadership inside the runner-up Democratic Party had been affecting the effectiveness of the opposition. At the same time, a motion of impeachment against President Meta was pending in front of the Constitutional Court during the reporting period. Overall, and despite the challenges posed by the COVID-19 pandemic, Albania delivered tangible and sustainable results notably on the fundamentals. It made progress in electoral reform and registered good results in implementing key rule of law reforms, in supporting reforms on the judiciary and on the structures against corruption and organised crime. All Member States support the Commission's positive assessment that since December 2020 Albania meets all the conditions for holding the first intergovernmental conference on enlargement. However, they have not yet reached a consensus on the draft negotiating framework.

#### EU4Schools programme in Albania

The earthquake that struck Albania two years ago left cities paralyzed, infrastructure badly damaged and communities hopeless. It took a heavy toll on education facilities leaving thousands of children traumatized and uncertain about their future education. The European Union was quick to respond through a EUR 75 million EU4Schools programme, implemented together with UNDP. The programme targets 63 schools and 24,000 students and aims at not only rebuilding the schools, but also at making them capable to resist natural disasters, environmental-friendly and with enhanced accessibility for children with disabilities. Two years after the earthquake, 19 schools are already completed and around 6000 children are studying in new and modern facilities.



**Bosnia and Herzegovina:** 2021 was marked by the continued pandemic and by a deep political crisis, with the blockage of Presidency, Parliament and Council of Ministers by Republika Srpska (RS)-based parties from July 2021 onwards. This severely undermined the functioning of political institutions. RS authorities also launched initiatives to withdraw from

key State-level agencies, including judiciary, taxation, defence and investigative police. If implemented, this policy would roll back decades of reforms. The 2021 enlargement report, issued in October, noted no progress or little progress across most policy chapters and in fulfilling all 14 key priorities from the 2019 Commission Opinion on Bosnia and Herzegovina's EU membership application.

**Kosovo** started 2021 without a government in place, following a Constitutional Court decision that the government formed back in the summer of 2020 was not legal. A new election was organised in February 2021 and a new government took office in March 2021, with a clear parliamentary majority. In the 2021 Kosovo Annual Report, the Commission urged for a full and effective implementation of the reform action plan over the coming period. There was no progress in the dialogue with Belgrade.

**Montenegro:** The change of government in December 2020, which resulted in the ruling coalition losing their majority in Parliament for the first time since independence, had significant effect throughout the country. At the end of 2021, the loose coalition in power was becoming unstable and Montenegro was facing the prospect of early elections. The political developments had an impact on the delivery of assistance, since a number of key officials left their posts. As regards accession negotiations, monitoring has continued across all acquis chapters and all screened chapters have been opened. Intergovernmental Conferences were held in June and December 2021 and the Commission's non-paper on the state of play regarding chapters 23 and 24 was discussed in the Council Working Group in July.

**North Macedonia** continues to fulfil the conditions for the opening of accession negotiations, but 2021 was marked by delays in their official launch, despite continued efforts to find a mutually acceptable solution to the pending bilateral issues between Bulgaria and North Macedonia. The authorities have consistently demonstrated publicly their firm commitment to advance on their EU path and the country has maintained a steady pace in implementing EU reforms, strengthening democracy and rule of law, fight against corruption and organised crime and reform of public administration. Following the outcome of the local elections, Prime Minister Zaev resigned on 23 December 2021.

**Serbia.** The situation in the country continued to be marked by the COVID-19 pandemic and political polarisation, which deepened following the June 2020 elections. Towards the end of 2021 Serbia moved towards the pre-electoral phase, following the announcement of the spring 2022 presidential, early parliamentary and local elections. No progress was achieved in the dialogue with Kosovo and the relations remained difficult overall. As regards accession negotiations, the government prioritised EU-accession related reforms and delivered on rule of law, as well as on opening benchmarks under cluster 3 (competitiveness and inclusive growth) and cluster 4 (green agenda and sustainable connectivity), which was opened in December 2021 after no chapters had been opened for two years. In total 22 of the 35 negotiating chapters with Serbia have been opened so far. Intergovernmental Conferences were held in June and December 2021 and the Commission's non-paper on the state of play regarding chapters 23 and 24 was discussed in the Council Working Group in June.

### ***Economic and Investment Plan flagship implementation through the Western Balkans Investment Framework (WBIF)***

In view of supporting the investment flagships identified in the Economic and Investment Plan (EIP) for the Western Balkans, a grant call for proposals was launched in early 2021 by the Western Balkans Investment Framework (WBIF). The Western Balkans partners responded with an impressive number of project applications. In December 2021, the first meeting of the WBIF Strategic and Operational Boards, with over 120 participants, assessed investments worth € 1.1 billion of EU grant support under IPA III. The co-financing of 21 these flagship proposals was formally endorsed by the WBIF members in early 2022.

In autumn 2021 the **second communication campaign for the Western Balkans**, under the slogan **#TogetherItsPossible** raised awareness about the Economic and Investment Plan for the region. The campaign largely exceeded targets with an overall aggregate reach of 48,5 million people on social, digital and traditional media combined, and 1.7 million video views. Social media results show high engagement rates and an increase in followers of around 20% across channels. The online portal - [WeBalkans.eu](https://webalkans.eu) - hosts over 80 inspirational testimonies from people who have benefitted from EU support and achieved 800,000 page views in 2021. The related WeBalkans social media channels have a combined number of followers of over 28,000, notably reaching younger audiences. The Young European Ambassadors network has also been active throughout the year, with now 120 young people from diverse backgrounds. They are involved in both own-initiative and network-organised events to amplify messages towards their peers.

#### **Specific objective 4.2: Regional cooperation and neighbourly relations in the Western Balkans are improved**

DG NEAR continued to support closer regional cooperation and good neighbourly relations in the Western Balkans focusing primarily on the **connectivity of infrastructures, economies and people**. The initiatives of the Economic and Investment Plan are a key vehicle for the implementation of these ambitions. The Plan foresees development of transport and energy infrastructure, regional digital, innovation and green agendas, as well as initiatives aimed at developing the private sector and building human capital.

Following the adoption of the IPA III legal framework in the second half of 2021, the **Commission put forward a package of 21 new connectivity projects**, in addition to a EUR 500 million **package of multi-country programmes** implementing EIP regional initiatives. 2021 also saw the entry into force of the historic regional **roaming agreement**, the adoption of the **Action Plan for the implementation of the Green Agenda**, and the launch of the **Innovation Agenda**.

There was, however, limited progress in the implementation of the **Common Regional Market** initiatives, as a result of the hardening of positions between Belgrade and Pristina. While several regional agreements related to freedom of movement of people had been prepared at technical level, they could not be concluded at the political level. The

functioning of key regional organisations in the Western Balkans has been negatively impacted for similar reasons.

Continuous efforts were made to ensure that existing agreements, including the Prespa agreement between North Macedonia and Greece and the Treaty on Good Neighbourly Relations with Bulgaria, were implemented in good faith by all parties. Following the resumption of the EU-facilitated dialogue between Serbia and Kosovo in July 2020, no progress was made in negotiations towards a comprehensive, legally binding normalisation agreement.

#### Specific objective 4.3: A sustainable basis for improved relations with Turkey is ensured

Efforts continued in 2021 towards ensuring sustainable relations with Turkey. Slow progress was made on the positive agenda, following the de-escalation in the Eastern Mediterranean through the discontinuation of illegal drilling activities, the resumption of bilateral talks between Greece and Turkey and the talks on Cyprus. Nevertheless, the situation in Varosha, Turkey's backsliding on reforms, its deviations from the obligations under the Customs Union and its assertive foreign policy actions, which increasingly collided with the EU's priorities, continued to complicate EU-Turkey relations as well as Turkey's relations with individual Member States. The Turkish government's repeated commitment to the objective of EU accession was not matched by corresponding actions and reforms, and the EU's serious concerns on the continued deterioration of democracy, the rule of law, fundamental rights and the independence of the judiciary have not been addressed.

In December 2021, the Council repeated its conclusions stating that Turkey's accession negotiations were at a standstill. In autumn 2021, three **high level dialogues** took place, on climate, migration and health. High level discussions continued on trade issues and the counter-terrorism dialogue at senior officials' level was also re-launched. Another priority area identified by the EU leaders is **people-to-people contacts**, where Turkey has expressed its interest to participate in 13 different European Union programmes. In November 2021, Turkey ratified the EU-Turkey Association Agreements signed with the Commission in October for the country's participation in the Horizon Europe, Erasmus+ and European Solidarity Corps programmes.

Following the positive development of Turkey ratifying the Paris Agreement in October 2021, the Commission has been engaging intensively with Turkey at working level on the European Green Deal. Turkey continued its engagement with the EU in the **Economic Reform Programme**: achieving sustainable and inclusive growth in the post-pandemic recovery is a shared objective of the EU and Turkey. Regrettably, Turkey continued to impose unilateral measures, despite its obligations under the Customs Union, to the detriment of economic operators on both sides.

The EUR 6 billion **Facility for Refugees in Turkey** – a key component of the 2016 EU-Turkey Statement – continued to provide support to refugees and host communities in the country. The Facility provides some 1.8 million refugees with basic needs support, 695,000 refugee children with educational support and millions benefit from healthcare and

protection services. The full operational budget of the Facility was contracted at the end of 2020 and EUR 4.5 billion has been disbursed to date.

To avoid the interruption of cash support to refugees, the European Council of June 2021 asked for proposals to allow the EU to continue providing financial assistance to **Syrian refugees and host communities in Turkey** and to cooperate on the responsible management of migration flows towards all Member States and on stepping up efforts in the fight against migrant smuggler networks. By December 2021, EUR 885 million had been committed under an additional EUR 3 billion in EU refugee support to be mobilised in 2021-23. The Strategic Mid-term Evaluation of the Facility for Refugees in Turkey published in July 2021 found that EU support made a significant contribution to the welfare of Syrians and others fleeing conflict in the region.

With regards the **financial cooperation under the Instrument for Pre-accession Assistance**, IPA II funds were further re-centralised and re-directed in line with the EU's political priorities with greater focus on a sectoral approach. In this context, cooperation in the fundamental areas of the accession process, in particular democracy, the rule of law, fundamental rights, the judiciary, was marked by concerns on the lack of progress in aligning to the acquis and the absence of a legal and political environment that would ensure the impact of EU funds. This has led the Commission to cancel activities and refuse to accept some project proposals. Following the budgetary authority's final agreement on the IPA 2021 budget for Turkey, the Commission adopted on 16 December a package for Annual Action Programme (AAP) 2021 for a budget of EUR 134.8 million and additional allocations went on to support the Instrument for Pre-Accession Assistance for Rural Development (IPARD) and the Civil Society Facility.

Turkey is now eligible to participate and fully benefit from EFSD+. This is the first time that Turkey can benefit from such a wide budgetary guarantee mechanism. In the second half of 2021, DG NEAR started preparations to set up the Turkey Investment Platform (TIP).

#### Specific objective 4.4: Take the Eastern Partnership to the next level

Following the March 2020 Joint Communication on the Eastern Partnership policy beyond 2020, a Joint Staff Working Document was adopted on 2 July 2021, laying out the post-2020 Eastern Partnership priorities. Together, the two documents set out a new vision for the partnership under the overarching objectives of resilience, reform and recovery.

Leaders of the EU and Eastern Partners endorsed this new agenda at the Sixth Eastern Partnership Summit in December 2021, which is built on the five policy priorities set out in the Joint Communication and is structured around two equal pillars: Governance and Investment. The latter includes a EUR 2.3 billion Economic and Investment Plan (EIP) for the Eastern Partnership region, which will mobilise up to EUR 17 billion in private and public investments. Flagship projects have been identified under the EIP for each partner country, in order to kick-start implementation.

In **Ukraine**, the COVID-19 pandemic had a major impact both on the needs in Ukraine as well as on the implementation of the ongoing programmes. Regardless of these challenges,

Ukraine and the EU continued to move closer together, and the impressive portfolio of support programmes as well as the many ongoing policy dialogues make an important contribution to this effort. The Multiannual Indicative Programme for 2021-2027 was adopted in December 2021 and prioritizes areas of economy, rule of law, climate resilience, digital transformation, support to civil society and response to conflict. The implementation of EU assistance in 2021 provided a significant contribution to the progress achieved under the general objectives. During the reporting period, a number of important reforms made progress in the judicial area, especially tackling issues of rule of law and anti-corruption. Unfortunately, sustainability and impact of these outcomes have been brutally challenged by the Russian military aggression to Ukraine.

Cooperation with **Armenia** on reforms and Comprehensive and Enhanced Partnership Agreement (CEPA) implementation continued despite the persisting challenges of COVID-19, the aftermath of the hostilities in and around Nagorno-Karabakh and the ensuing political crisis which led to snap parliamentary elections in June. The EU-Armenia CEPA entered fully into force on 1 March 2021 remaining the blueprint for strategic reforms in the country. The EU's multi-annual indicative programme for Armenia for 2021-2027 was adopted in December 2021 with an indicative financial allocation of up to EUR 180 million for 2021-2024. The EU assistance in 2021 focused on support to rule of law and good governance reforms, promoting inclusive growth and building resilience in Armenia.

While negotiations on a new EU-**Azerbaijan** framework agreement have continued in 2021, the Partnership Priorities were extended for the period of 2021-2024 and now also include the health sector. Supporting the country's economic diversification and green transition continued to be a priority and the EU provided assistance in drafting the new energy efficiency law and, consequently, its secondary legislation as well as devising the new long-term energy strategy. In 2021, the implementation of the Partnership Priorities Facility programme has started and covers a part of the EU's COVID-19 response, namely addressing the long-term socio-economic impact. In addition, the new bilateral EU Resilience Facility for Azerbaijan programme was adopted on 16 December 2021.

An additional assistance package of EUR 10 million has been allocated and committed to **support the conflict-affected populations in Armenia and Azerbaijan** following the escalation of hostilities at the end of 2020.

The European Union has shown an unwavering commitment to the people of **Belarus** since the falsification of the 2020 presidential elections, and throughout the unprecedented crackdown on civilians and free society by the authorities. In line with the 2020 Council Conclusions, the EU bilateral financial assistance to Belarus has been recalibrated in order to ensure it benefits the population at large, notably by directing it away from central authorities and towards non-state, local and regional actors. Overall EU assistance to victims of repression, civil society, independent media, youth, private sector, and health capacities amounts to almost EUR 65 million.

Developments in **Georgia** were marked by on-going political polarisation and the impact of COVID-19. The 19 April political agreement mediated by the EU helped end the opposition boycott of parliament. Local elections in October 2021, and the arrest and hunger strike of

former President Saakashvili, further stoked polarisation. In 2021, the EU disbursed budget support of EUR 34.75 million as part of its support to mitigate the socio-economic impact of COVID-19 and ongoing assistance programmes. Continued discussions regarding the justice reform delayed negotiations of the 2021-27 Association Agenda which was only agreed on a technical level in late December and is yet to be formally adopted. This has also delayed the adoption of the Multiannual Indicative Programme, due to which activities originally planned under Annual Action Plan 2021 will now be adopted as individual measures.

At the end of 2021, **Moldova** suffered an acute energy crisis. In response, the EU granted an exceptional EUR 60 million State Building and Resilience Contract to mitigate the immediate impact of the gas price increase on the most vulnerable people and contribute to Moldova's long-term energy security. This exceptional assistance to meet a gas supply shortage and price spike came on top of constant support to Moldova's pro-reform government. The EU has worked to help develop the country's capacity to deliver reforms and increase resilience, including in the energy sector and during the crisis. Programming of strategic priorities for EU support to Moldova for the period 2021-2027 is ongoing. Priorities are based on the EUR 600 million Economic Recovery Plan and the EIP, including its five country flagships.

In total the financing decisions adopted in 2021 for the programmes in the six Neighbourhood East partner countries amounted to EUR 365.8 million, EUR 537.1 million less than forecast; this amount has been included in funds carried over to 2022 in agreement with DG BUDG. Total payments amounted to EUR 630.4 million, EUR 67.5 million more than forecasted due in the main to the disbursement of EUR 60 million for the Moldova State Building and Resilience Contract to support vulnerable customers to cope with increased gas prices.

## Support to the Ukrainian Public Broadcaster

The EU-Ukraine Association Agreement calls for the development of a credible, functioning and financially and politically independent public broadcaster. The EU has been engaging in reforming the Public Broadcasting Company of Ukraine (UA:PBC). In a first intervention, the EU assisted UA:PBC with changes to its management structure, capacity building for its staff and with equipping the channel with a modern newsroom that can produce and disseminate TV, radio, and digital content simultaneously in a high-tech studio. The EU also supported the creation of a Public Media Academy – a training and professional development centre for civil society activists and grassroots media.

Since the EU intervention, the UA:PBC has experienced a dramatic rise of viewers and digital users as witnessed by Nielsen ratings that show a 68% increase in the share of viewers over the period 2017-2021. Despite the Russian military aggression, cooperation continues and the EU supported the relocation of UA/PBC from Kyiv to Lviv where they continue to operate under very challenging circumstances.



In 2021, **EU Neighbours East** has conducted three large-scale regional campaigns focusing on women rebuilding their societies during the pandemic, the adverse impact of COVID-19 disinformation and the significance of the Eastern Partnership summit, including a revamped visual identity. Additionally, 15 smaller scale thematic campaigns were conducted on explaining the EU's cooperation in the areas of business growth, digital development, energy efficiency and the protection of the environment – and also support through vaccines. The programme contributed also to addressing disinformation, conducting focus groups and opinion polls, developed further its media network, revamped the website and extended substantially its network of Young European Ambassadors to 680 active young people.

**Specific objective 4.5: Stability, resilience, economic development and regional integration are reinforced through our cooperation and policy dialogue in the Southern Neighbourhood.**

In the Southern Neighbourhood and despite many crises, the EU continued to support structural reforms; foster inclusive economic development and job creation; and strengthen good governance, democratic institutions, the rule of law and the fight against corruption. In addition, the EU continued its strong support to countries hosting Syrian refugees.

In 2021, the situation in the Neighbourhood South remained very fragile and the already dire socio-economic conditions were aggravated by the pandemic. In addition to that, the protracted crisis in Syria impacted the stability of the whole Middle East, while in Libya the elections that were expected to be held in December 2021 in the context of the Berlin process were postponed, leading to uncertainties as to the future of the transition process.

Governance and human rights conditions remain at stake, and space for free expression and civil society is shrinking throughout the region. Regional integration remains at low levels given the limited efforts for cooperation among the countries themselves. Economic conditions remain preoccupying; generating growth and jobs remains a priority, particularly for youth, which represents a significant part of the population. Unemployment and lack of perspective are potential drivers of migration.

In this challenging context, in February 2021 the Commission and the High Representative adopted the **Joint Communication proposing a new Agenda for the Mediterranean** to relaunch and strengthen the strategic partnership between the European Union and its Southern Neighbourhood partners. It was accompanied by an **Economic and Investment plan**, whose 12 Flagships will enable the Commission to focus resources on key transformative sectors and mobilise additional funds from International Financial Institutions and the private sector.

On this basis, the regional multi-annual regional programming for the period 2021-2024 was adopted in December 2021]. In parallel, the work regarding the political priorities adapted to each country's specific circumstances and needs has started. At the end of 2021, negotiations on partnership priorities were concluded with Jordan. Work was well advanced on the partnership priorities for Algeria, Egypt and Lebanon. Due to the political context, the joint documents in force for Tunisia and Morocco remain the EU-Tunisia strategic priorities<sup>24</sup>, which have been extended, and the EU-Morocco Joint Declaration<sup>25</sup>. For Palestine and Israel, the Action Plans were valid until end of 2021 and were being extended until 2024. For Syria and Libya no Joint Documents are under consideration.

Despite postponements in the adoption of Multiannual Programming Documents, the financing decisions adopted in 2021 for the programmes in the 10 Neighbourhood South countries and at regional level amounted to EUR 890 million, generally in the form of individual or special measures. Total payments amounted to EUR 1.1 billion.

2021 programmes continued to be devised to help attenuate the socio-economic effects of the pandemic and to relaunch their economies (Tunisia, Egypt, Libya, Lebanon, Palestine), including through social protection, creation of jobs or facilitating access to finance (Morocco). The green transition represents an opportunity for economic growth and is supported through new programmes in Jordan and Tunisia. Regional support is also foreseen for economic recovery and job creation, greening transport and energy, and disaster preparedness.

Civil society continued to be supported at regional level through the set-up of a Civil Society Facility and across the board at national levels. In parallel good governance (Libya), administration reform (Morocco), and access to justice (Jordan) are complementary sectors

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<sup>24</sup> Decision No 1/2018 of the EU-Tunisia Association Council of 9 November 2018 adopting the EU-Tunisia strategic priorities for the period 2018-2020 [2018/1792]

<sup>25</sup> Joint declaration by the European Union and Morocco for the fourteenth meeting of the Association Council on 27 June 2019

of support. Access to health (Lebanon) and fostering social protection (Morocco) are as well among the 2021 programmes.

The EU continued to support those affected by the crises in Syria and Libya by assisting migrants, displaced persons, refugees, and host communities, in particular through the two dedicated Trust Funds. Since 2014, EU **support to Libya** through the Emergency Trust Fund for Africa amounts to more than half a billion euros addressing *inter alia* the protection of the most vulnerable, including refugees, asylum-seekers, migrants, and internally displaced persons. **Support to Syrian refugees and their host communities** amounted to more than EUR 2.38 billion, reaching more than 8.4 million beneficiaries through large scale resilience programmes on, amongst others, education, livelihoods and social assistance, health, water, and sanitation, as well as protection, most importantly in Lebanon, Turkey, Jordan, and Iraq.

The March 2021 Brussels V Conference on supporting the future of Syria and the region reiterated the political, humanitarian, and financial commitment of the international community in support of the Syrian people and the neighbouring countries most affected by the conflict.

DG NEAR continued supporting policy coherence and coordination as well as dialogue with **regional organisations**, such as the Union for the Mediterranean as the main institutional interlocutor, the Anna Lindh Foundation, and actors such as the League of Arab States.

2021 was the first year of implementation of the new phase of **EU Neighbours South regional communication programme**, built around 4 components: opinion polls, strategic communication and crisis communication support to the EU Delegations and regional projects, integrated thematic communication campaigns, and focus on multipliers (youth, media/non-media networks). The campaigns covered areas such as zero tolerance for violence against women and girls, environment, youth skills, highlighting EU funded projects and a new media award, and were also supported by a network of good will ambassadors and influencers.

### TAIEX and Twinning

In 2021, DG NEAR's institution-building tools – TAIEX and Twinning – supported the implementation of the Commission priorities in partner countries in a Team Europe approach. High-level flagship TAIEX events were organised in the European Neighbourhood to advance particularly the European Green Deal, digital transformation and the regional economic and investment plans to support recovery from the COVID-19 pandemic. In parallel, tailored TAIEX and Twinning activities continued to support partner administrations to tackle the repercussions of the COVID-19 outbreak in key sectors such as health, economy and employment. 2021 was also the **25<sup>th</sup> anniversary of the TAIEX instrument** and this was marked by a global communication campaign to celebrate its achievements and further promote the EU expertise. As a demonstration of the successful consolidation of the digital leap of the two instruments, TAIEX assistance is now increasingly available in a webinar format. Crucially, 2021 saw an overall expansion of the institution building activities despite the continuing pandemic circumstances. Their growing

potential was also recognised in the first ever Council conclusions on European Public Sector Expertise<sup>26</sup> in the EU's External Action. Finally, TAIEX and Twinning expanded activities in support of wider Commission policies in cooperation with DG REFORM, REGIO, ENV, INTPA and FPI.

## 1.2. General objective 1: A European Green Deal

### Specific objective 1.1: The implementation of the external dimension of the European Green Deal is supported in partner countries

The strong ownership of the region of the **Green Agenda for the Western Balkans** was reinforced, with the agreement of the region's leaders on an Action Plan for the implementation of the Sofia Declaration on the Green Agenda for the Western Balkans<sup>27</sup>. The Green Agenda, embedded in the Economic and Investment Plan Communication, provides a framework to guide dialogue and support enabling the Western Balkans to accelerate their sustainable economic development, their convergence with European standards and being part of the EU twin green and digital transition. Furthermore, the initiative for **Coal Regions in Transition in Ukraine and the Western Balkans** became operational, focusing on the socio-economic transformation of the areas so far dependent on coal, and initiating exchanges of good practices between stakeholders, including coal regions in transition in Ukraine and the Western Balkans and the EU.

In 2021, the EU, its Member States and the Eastern Partner countries expressed strong political commitment to work together towards the green transition as one of the key goals for the **Eastern Partnership's** post-2020 agenda and its Economic and Investment Plan. The Third EaP Ministerial Meeting on Environment and Climate in June 2021 discussed policy measures necessary for implementing this priority. The Joint Staff Working Document "Recovery, resilience and reform: post 2020 Eastern Partnership priorities" identified environmental and climate resilience as a priority. Technical cooperation within regional programmes continued to provide support for policy reform, staff training, modernisation of laboratory facilities and other needs. Focus was put on climate policies, energy efficiency, circular economy, water management, and environmental governance. The EU Water Initiative Plus was successfully completed in 2021. Measures for future alignment with the EU Zero Pollution Action Plan were identified. Further support was provided for cooperation under the Covenant of Mayors initiative, which has continued to enjoy success in the Eastern Partner countries.

A dedicated focused dialogue on **Ukraine's green transition** was launched by the Prime Minister of Ukraine Denis Shmyhal and Executive Vice President Timmermans in February 2021, and two high level meetings took place in May and September. It was also agreed to

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<sup>26</sup> <https://www.consilium.europa.eu/en/press/press-releases/2021/11/19/eu-public-sector-expertise-a-key-asset-at-the-service-of-eu-s-partner-countries/>

<sup>27</sup> Available at: <https://www.rcc.int/docs/596/action-plan-for-the-implementation-of-the-sofia-declaration-on-the-green-agenda-for-the-western-balkans-2021-2030>

launch a Green transition financing platform involving interested donors and International Financing Institutions.

In the **Neighbourhood South**, the Union for the Mediterranean (UfM) Ministerials on Energy (June 2021) and Environment and Climate Action (October 2021) were successfully held. The drafting of the UfM Energy Roadmap 2022-2023 also progressed. Furthermore, DG NEAR was closely associated with the work of the Union for the Mediterranean on setting up a dedicated Fund to support Climate Change mitigation and adaptation measures in the region. The green partnership on energy, climate and environment between the EU and Morocco was launched ahead of COP26 in Autumn 2021, and work is continuing further defining the modalities of the partnership. A similar partnership is being considered with Egypt.

#### EU Neighbours South – Eyes on Green

The #EyesOnGreen regional competition was organised in collaboration with the EU-funded SwitchMed project to celebrate the World Environmental Day on 5 June 2021 under the #EUGreenDeal motto. The objective of the campaign was to highlight the inspiring stories of green start-ups or young entrepreneurs and their positive impact on the environment. The competition covered 7 countries in the Southern Mediterranean region: Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, and Tunisia. The three winners were.

Aya Sarsour from Palestine who launched Mnjm, an ecological start-up which recycles household waste and transforms it into raw materials for factories.

Besma Belbedjaoui from Algeria who founded her plastic recycling start-up, Plasticycle Algérie.

Youness Ouazri from Morocco who launched Eco-dôme, a start-up which constructs ecological dome-shaped houses.



Other important outputs in 2021 were the progress on **specific bilateral green partnerships and dialogues** with countries expressing such interest. The **Turkey-EU Consultations on the European Green Deal** was also initiated. Several rounds of consultations took place in the course of 2021, enabling the EU and Turkish stakeholders to exchange on specific topics of interest for accelerating the green transition.

**TAIEX** contributed to the European Green Deal through dedicated flagship events on the Green Deal and Green Recovery targeting all partner countries. The events informed the enlargement and neighbourhood partners about the EU policies and outlined what the Commission was doing to make Europe the first climate neutral continent by 2050. Other topics included the redesigning of economic and environmental policies in line with sustainable production and consumption principles as well as food safety, reduction of food losses and re-use of water for agricultural purposes. Through **Twinning**, the Czech Republic and Finland supported the Ministry of Environment of Armenia to strengthen its capacity to

comply with the commitments taken under the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) and its Roadmap on environmental conservation and biodiversity.

### 1.3. General objective 3: An economy that Works for People

Specific objective 3.3: Support inclusive and sustainable economic growth, better employment and increased connectivity in partner countries

In 2021, DG NEAR coordinated the completion of **Economic Reform Programmes** and country-specific recommendations for enlargement countries. It continued to implement comprehensive public administration and public financial management reform programmes, and it supported socio-economic development through notably the Neighbourhood Investment Platform, the European Fund for Sustainable Development, and the Western Balkans Investment Framework.

In 2021, the European Commission started the deployment of the EUR 1.549 billion **European Fund for Sustainable Development (EFSD) Guarantee** with 10 contracts for a total amount of EUR 415 million to finance initiatives targeting partner countries in the EU's Eastern and Southern Neighbourhood. The EFSD Guarantee is financing a large number of innovative solutions and approaches in different sectors such as renewable energy and energy efficiency, access to finance for Micro, Small, and Medium-Sized Enterprises, local currency financing, municipal infrastructure and agriculture.

In 2021, 19 new blending projects and top-ups to existing projects were approved under the **Neighbourhood Investment Platform (NIP)**, for a total amount of EUR 253 million of EU contributions. This will support financing operations of European development banks, mobilising investments in renewable energy, energy efficiency, irrigation, water and wastewater management, transport, financial inclusion, support to Micro, Small and Medium Enterprises, and social and education infrastructure.

DG NEAR also spearheaded the Commission's preparations for the implementation of the **European Fund for Sustainable Development Plus** (2021-27), assessing the country-specific investment needs in the context of IPA III and the new Neighbourhood, Development and International Cooperation Instrument (NDICI) programming processes.

2021 saw an increased focus on **connectivity actions, in support of the twin green and digital transitions**, as demonstrated by the **Global Gateway Communication**<sup>28</sup>. Besides focusing on mobilising the investments needed for sustainable infrastructure, the EU stepped up its efforts to speed up **fundamental reforms, enhance standards**, and improve the **regulatory framework** and **business environment** overall.

Better connecting the economies of the **Western Balkans** - within the region and with the EU - is a priority identified in the Economic and Investment Plan. Through the Western

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<sup>28</sup> Available at: [https://ec.europa.eu/info/sites/default/files/joint\\_communication\\_global\\_gateway.pdf](https://ec.europa.eu/info/sites/default/files/joint_communication_global_gateway.pdf).

Balkans Investment Framework, the EU will channel key investments in sustainable transport, clean energy, environment, and climate, digital, support to the private sector competitiveness and human capital development. In 2021, 21 infrastructure investment projects in sustainable transport, energy efficiency and digital were submitted for financing. These are mature flagship projects that will pave the way for the EU to provide EUR 1.1 billion in grant co-financing for their implementation.

In the **Eastern Neighbourhood** in the **energy sector**, work progressed to achieve integration between the Ukrainian and Moldovan electricity grids and the EU, which will have an important impact on improving energy security in the region. Assistance was provided both in terms of technical assistance and investment grants for infrastructure such as sub-stations and transmission lines. Technical assistance on acquis alignment was provided across the region, contributing to the implementation of Association Agreements, Deep and Comprehensive Free Trade Agreements (DCFTAs), and the CEPA with Armenia. These measures will contribute to the stability and efficiency of regional energy systems, creating the necessary conditions for diversification of supply and increased energy security. On **transport**, the implementation of the Eastern Partner countries' priority investments included in the Indicative **TEN-T Investment Action Plan** are progressing with approx. 2700 km underway or completed.

In the **Southern Neighbourhood**, priorities remain **access** to secure, sustainable, affordable and reliable energy supply, enhanced energy **governance** by accompanying ambitious structural reforms, harmonisation of stable legislative and **regulatory frameworks**, paving the way for **systems'** (and longer-term market) **integration**. In the course of 2021, several studies and training activities were completed, exploring specific aspects of the energy sector in the region (e.g. LNG (Liquefied Natural Gas) and renewable gases). The development of the Mediterranean Network development Plan has been pursued under the leadership of the Association of Mediterranean Transmission System Operators (MED TSO). On **transport**, the evaluation of the Regional Transport Action Plan (RTAP) 2014-2020 was finalised, and work started on the preparation of the 2021-2027 RTAP, which is expected to be adopted at the next UfM Ministerial on Transport in 2022.

**TAIEX** contributed to the economy that works for people through a dedicated workshop on ensuring vulnerable groups' access to social services during the pandemic in cooperation with Azerbaijan. In addition, a Twinning project led by Slovakia together with Estonia and Spain supported the drafting of a new legal framework to improve employment conditions as well as health and safety at work in Georgia.

## 1.4. General objective 2: A Europe fit for the digital age

### Specific objective 2.1: Increased take-up of digital opportunities in partner countries

DG NEAR worked to increase the take-up of digital opportunities in the Enlargement and Neighbourhood countries by strengthening the institutional capacities in e-governance and data protection and supporting the development of digital skills and high-tech entrepreneurship.

The Economic and Investment Plan and work on the Common Regional Market continue to provide a reinforced framework for the digital transformation of the **Western Balkans**. The Roam Like At Home regime was introduced as planned in July 2021, and work is progressing on a roadmap for lowering roaming charges between the Western Balkans and the EU.

In the **Eastern Neighbourhood**, the Commission has continued to support strong cooperation networks among Eastern Partnership countries to foster the development of resilient digital economies and societies. At the Eastern Partnership Summit of 15 December 2021, the EU, its Member States, and the Eastern Partner countries confirmed their ambition to further invest in the resilient digital transformation of the region. In addition, the Commission supported the ongoing work for the preparation of a Regional Roaming Agreement and Regional Spectrum Agreement, which will contribute to reduce roaming prices in the region by almost 90% in the next 5 years and facilitate the deployment of 5G technology upon their signature. The EU4Digital initiative also piloted key projects in the fields of e-commerce, e-customs and e-signature and produced policy recommendations in the fields of innovation, digital skills, and e-health, which will help extend the benefits of the EU Digital Single market and bring tangible results for citizens.

In the **Southern Neighbourhood**, the Commission continued to work on the harmonisation of rules in the telecom sector (EMERG) and provided high quality access to the EU research and innovation network GEANT through the EUMedConnect programmes.

**TAIEX** contributed to the general objective of a Europe fit for the digital age through dedicated flagship events on the Digital Policy targeting all partner countries. The events informed our partner countries about the EU Digital Policy. In addition, a regional Workshop was organised in February 2021 with the Eastern Partnership countries focused on critical cyber infrastructure and the 5G toolbox. Finally, a Twinning project implemented by Lithuania and Latvia was concluded to improve the market access and interconnections of electronic communications networks and associated facilities in Ukraine.

## 1.5 General objective 5: Promoting our European Way of Life

### Specific objective 5.1: Effective migration management with partner countries in place

DG NEAR continued to play a pivotal role in supporting effective migration management in cooperation with partner countries in the Neighbourhood and Enlargement regions. Programmes have been adapted to support migrants, refugees, the forcibly displaced and host communities in the context of the continuous impact of the COVID-19 pandemic. Actions covered all aspects of the EU's external dimension of migration policies, including all priorities of the Pact on Migration and Asylum launched in September 2020.

A **new multi-country programme on migration** will cover needs in North Africa, that were previously funded under the EU Emergency Trust Fund for Africa. This Programme will provide a flexible source of funding to support comprehensive, balanced and tailor-made partnerships on migration with relevant countries of origin or transit and host countries and respond to changing needs and routes as foreseen in the Pact. An individual measure under the multi-country migration programme was adopted in 2021 for an amount of EUR 165 million, and included four actions focusing on resilience and protection of migrants, forcibly displaced persons and host communities in Libya, on EU support to Border management institutions in Libya and Tunisia, on supporting sustainable protection, return and reintegration in North Africa, and on a holistic approach to labour migration governance and labour mobility in North Africa.

In 2021, under the EU Emergency Trust Fund for Africa, six contract amendments were approved, adding EUR 8.55 million to ongoing actions (EUR 1.1 million from re-allocated funds). In addition, amendments worth EUR 3.1 million were approved in 2021 to add some fresh funding to the ongoing COVID-19 response programme, to support humanitarian and medical actions in Libya, while also providing support on the institutional coordination of the vaccination campaign, testing and the delivery of key trainings to surveillance officers all over the country.

Throughout 2021, the **EU Regional Trust Fund in Response to the Syrian crisis** (EUTF Syria) remained a major EU tool to address the vital needs of Syrian refugees and host communities in neighbouring countries, reaching already more than 8.4 million people. As the last year of the EUTF Syria mandate and the first year of the new Multiannual Financial Instrument, 2021 was crucial to ensure that the actions, lessons learnt and programmatic response to the Syrian crisis would continue beyond this date through NDICI, in line with the commitments made by the EU at the Brussels V Conference of March 2021.

In 2021, EUR 130 million was committed by the EUTF Syria, and EUR 12 million reallocated, for actions targeting the ever-evolving needs of refugees and host communities in Jordan and Lebanon, and primarily focusing on social protection, health (including COVID-19 vaccines), WASH, as well as education, livelihoods, and resilience. EUR 2.36 billion of operational budget has been contracted by the EUTF Syria for actions on the ground, ensuring sound financial management. Activities focused primarily on education, livelihoods, health, water and sanitation, social assistance and social protection.

A **strategic support package** of EUR 5.7 billion was decided in 2021 for refugees and host communities in Turkey, Jordan, Lebanon, Iraq and Syria. As part of this package, in December 2021, the Commission announced that EUR 3 billion from the strategic support package will be mobilised in support for refugees and host communities in Turkey for the period of 2021-2023 (post-EU Facility for Refugees in Turkey financial package). In addition, EUR 120 million out of this package concerns IPA III projects in support of refugees and host communities.

In the **Western Balkans**, implementation of phase II of the Regional Support to Protection-Sensitive Migration Management ended in December 2021. The programme, implemented jointly by Frontex, EASO, IOM and UNHCR continued to build capacities in all areas of migration management, and shall be followed up by a third phase in 2022. The first IPA III funded programmes were adopted in December 2021. This included the regional actions: 'EU Regional Support to Protection-Sensitive Migration Management Systems in the Western Balkans – Phase III', 'EU Support to Regional Security in the Western Balkans' and the bilateral programme 'EU4 Home Affairs, Security and Migration' in Bosnia and Herzegovina. These bilateral and regional actions will continue to bring the region closer to the EU by strengthening all aspects of migration management.

#### ***Migration Centre in Bosnia and Herzegovina***

A new permanent reception centre in Lipa (Bihac) was opened in November 2021 with EU technical, political and financial support. The centre now offers reception capacity for up to 1,500 persons in need, and shall contribute to building a sustainable migration management and asylum system, preventing the reiteration of humanitarian crises of the 2020/2021 winter.

In May 2021 a status agreement<sup>29</sup> between Serbia and the EU entered into force. This allows the European Border and Coast Guard Agency to also carry out joint operations in Serbia. Status agreements have earlier been signed with Albania (May 2019) and Montenegro (July 2020).

Cooperation on migration and integrated border management is a specific objective in the Multi-annual Indicative Programme for the **Eastern Neighbourhood** 2021–2027 that was adopted in December 2021 alongside the MIPs for Ukraine and Armenia, in which migration is also one of the priorities.

The instrumentalisation of migrants in Belarus called for humanitarian responses including through increased assisted voluntary return and reintegration support via an ongoing migration action with the International Organisation for Migration.

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<sup>29</sup> L 202/3

## 2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

This part explains how the DG delivered the achievements described in part 1. It is divided into two subsections. The first subsection reports the control results and all other relevant information that supports management's assurance on the achievement of the financial management and internal control objectives. It includes all additional information necessary to establish that the available evidence is reliable, complete and comprehensive, appropriately covering all activities, programmes and methods of implementation relevant to the DG. The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

### 2.1. Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence 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. The results are explicitly documented and reported to the Director-General through several periodical reports, which are listed in section 2 of Annex 7.

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 NEAR.

DG NEAR also produces an annual report to DG INTPA on the cross-sub-delegation of DG INTPA to DG NEAR for the management of the North of Africa window of the EU Emergency Trust Fund for Africa.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

#### 2.1.1. Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICO)<sup>30</sup>. The DG's

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<sup>30</sup> 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions,

assurance building and materiality criteria are outlined in AAR Annex 5. The AAR Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

In line with the 2018 Financial Regulation, DG NEAR's assessment for the new reporting requirement is as follows:

- 35 cases of "Derogations from the principle of non-retroactivity of grants/contribution agreements pursuant to Article 193 FR" (new Financial Regulation Article 193.2), out of which 17 were related to grants and 18 to contribution agreements. In particular:
  - 27 cases of grants or contribution awarded for an action that has already started prior to the signature of the agreement;
  - 8 cases for which DG NEAR paid costs incurred before the submission of the application.

No cases to be reported for:

- "confirmation of instructions" (new FR art 92.3);
- financing not linked to costs (new FR art 125.3);
- Financial Framework Partnerships >4 years (new FR art 130.4);
- flat-rates >7% for indirect costs (new FR art 181.6).

The breakdown of the total amounts paid in 2021 by DG NEAR by method of implementation is presented in the table below.

RCS	Method of implementation	Total payments made in 2021 (EUR)					
		EU Budget	%	EU TF MADAD	%	Total paid	%
1	Grants in Direct Management	736 512 183	22%	89 401 356	31%	<b>825 913 539</b>	<b>22%</b>
2	Procurement in Direct Management	274 369 170	8%	1 668 787	1%	<b>276 037 957</b>	<b>7%</b>
3	Budget Support (BS)	460 936 221	14%	9 000 000	3%	<b>469 936 221</b>	<b>13%</b>
4	Indirect Management with Beneficiary/ partner countries (IMBC)	756 192 857	22%			<b>756 192 857</b>	<b>20%</b>
5	Indirect Management with Entrusted Entities (IMEE)	1 155 029 287	34%	176 458 973	62%	<b>1 331 488 261</b>	<b>36%</b>
Other	PEGASE	16 144 408	0.5%			<b>16 144 408</b>	<b>0.4%</b>
	Other contracts/payments	4 274 818	0.1%	7 853 084	3%	<b>12 127 902</b>	<b>0.3%</b>
	Administrative expenditure	2 754 650	0.1%			<b>2 754 650</b>	<b>0.1%</b>
<b>Total payments (excluding contribution to EU TF)</b>		<b>3 406 213 594</b>	<b>100%</b>	<b>284 382 200</b>	<b>100%</b>	<b>3 690 595 794</b>	<b>100%</b>
	Contribution to EU Trust Funds	396 350 241				<b>396 350 241</b>	
	<b>Total payments</b>	<b>3 802 563 835</b>		<b>284 382 200</b>		<b>4 086 946 035</b>	
	<b>RSC coverage</b>	<b>3 383 039 719</b>	<b>99%</b>	<b>276 529 116</b>	<b>97%</b>	<b>3 659 568 835</b>	<b>99%</b>

taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

DG NEAR has categorised its portfolio and described five major relevant control systems (RCS) corresponding to methods of implementation<sup>31</sup>. The five RCS cover 99% of the 2021 payments<sup>32</sup>. In addition, DG NEAR conducts the residual error rate (RER) study in order to identify residual errors not detected by the internal control system, and to conclude on its effectiveness. The RER study covered all types of payments made by DG NEAR, except Administrative expenditure (representing 0.1% of the overall payments).

The table below shows the value of assets, liabilities and off balance, in case they are above the established thresholds for being reported in the AAR. The other items from and off the Balance Sheet are presented in Annex 3.

<b>Assets, Liabilities and Off Balance items (if above the required thresholds - EUR)</b>		<b>EU Budget</b>	<b>EU TF MADAD</b>	<b>TOTAL</b>
<b>ASSETS</b>	<b><i>Cash and cash equivalent</i></b>	<b>198 646 450</b>	<b>56 583 267</b>	<b>255 229 716</b>
<b>LIABILITIES</b>	<b><i>Non-Current Financial Liabilities</i></b>	<b>-7 694 924</b>	<b>-299 974 767</b>	<b>-307 669 691</b>
<b>OFF BALANCE</b>	<b><i>Contingent Liabilities</i></b>	<b>-33 190 564 995</b>	<b>-</b>	<b>-33 190 564 995</b>
	<b><i>Other Significant Disclosures</i></b>	<b>-46 189 394 714</b>	<b>-522 091 745</b>	<b>-46 711 486 459</b>

In particular, Cash and cash equivalent (above the threshold of EUR 100 million) are mainly represented by fiduciary accounts held on the Commissions's behalf by entrusted entities managing financial instruments and by EUTF MADAD's current central account.

The amount for Non-Current Financial Liabilities is above the threshold of EUR 100 million mainly due to the liabilities from the EUTF MADAD represented by the difference between the net contributions (from the Commission, the member states and non-member states) and the net expenses in 2021. The two off balance items (Contingent Liabilities and Other Significant Disclosure – no threshold) are mostly arising from:

- contingent liabilities related to financial instruments and budgetary guarantees, whereby the financial liability of the Union is only partially covered by EU money set aside in a guarantee fund (around EUR 33.15 billion),
- ceilings on budgetary guarantees (around EUR 33 billion);
- amount remaining to be paid on budgetary commitments (also called RAL, "Reste à liquider", around EUR 13.7 billion);
- contingent liabilities for legal cases (around EUR 40 million).

<sup>31</sup> In general, a RCS is developed when the total amount contracted or paid represents at least 10% of the total DG's amount. The description of the five RCS is provided in Annex 6 and in the following section "Categorisation of the different control environments".

<sup>32</sup> The table in the previous page does not include transactions under the technical code LIGA (Liquidity Fund for Guarantee Agreements) related to the financial guarantees from the External Lending Mandate (ELM). These transactions (paid from the Common Provisioning Fund (CPF) following guarantee calls) are already captured under the CPF provisioning (in the same or previous years). Accordingly, for the purpose of the AAR, the amounts corresponding to budgetary guarantees should be reported only on the side of the provisioning of the CPF rather than on that of the guarantee calls paid out of the CPF.

Cost-effective controls are those, which are effective to fulfil the intended control objectives in an efficient manner and at a reasonable cost. In order to decide whether controls are cost-effective, it is necessary to assess their effectiveness, efficiency and economy. This sub-part is structured around these three concepts.

#### **2.1.1.1. Effectiveness of controls**

##### **2.1.1.1.1. Legality and regularity of the transactions**

DG NEAR uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

#### **Categorisation of DG NEAR's overall control environment**

DG NEAR's operational environment is complex and risk-prone characterised by:

- High level of risk in partner countries (some more than others), due to the political, institutional, administrative and social environment. Moreover, in recent years conflicts in different areas (Ukraine, Syria and Libya) have increased the risks. However, this analysis must be nuanced by country.
- Geographically dispersed activities, covering some 24 countries, with Delegations managing funds for DG NEAR.
- High number of operations and associated financial transactions.
- Two main financial instruments to manage, along with their predecessors, as well as other financial instruments (thematic lines), cross sub-delegated from other DGs.
- Diversity of partners implementing activities, such as beneficiary countries, private firms, entrusted entities, NGOs.
- Diversity of forms and methods of financial implementation (project approach, budget support, sector approach, indirect management with beneficiary/ partner countries or entrusted entity, blending, trust funds, etc..).

#### **Controls supporting the achievement of the objectives**

The controls put in place by DG NEAR management provide reasonable assurance that the internal control objectives are achieved, the risks related to financial management are adequately managed and the legality and regularity of underlying transactions is ensured. They take into account the multiannual character of the DG programmes as well as the nature of the payments concerned.

DG NEAR's assurance is based on a number of controls, which are implemented either ex ante or ex post. These are: the financial circuits, supervision missions, the control plan (including risk-based financial verifications launched by the Commission, and operational controls such as Results-Oriented Monitoring, evaluations and on the spot checks), contractual verifications launched by the beneficiaries, pillar assessments of entrusted entities, management declarations, reports, and control results from management/audit

authorities under IMBC, management declarations from International Organisations and Member States agencies under IMEE, controls in indirect management with beneficiary/partner countries, control body verifications (European Court of Auditors – ECA – and Internal Audit Service – IAS) and the residual error rate study. See annexes 6 and 7 for more details, while for pillar assessments see as well the complementary information provided below.

### **Complementary pillar assessments**

Following the entry into force of Regulation (EU, Euratom) 2018/1046 (the Financial Regulation), the Commission requested all entities to be entrusted with EU budget implementation to complete the complementary pillar assessments (ex ante checks on management and control systems) by 31/12/2021. The pillar assessments of the main partners are expected to be completed within the first half of 2022, as the large majority of the final reports have been received, and are currently under analysis in order to assess whether additional supervisory measures are needed.

Although new contribution agreements cannot be concluded before the pillar assessments are finalised, and a few Financial Framework Partnership Agreements are still being negotiated, mitigating measures were put in place to minimise the impact on the implementation of indirect management interventions. Such measures include the following:

- ✓ Substantial increase in contacts with the entities (mostly UN agencies) to accelerate the process. The main result is as of March 2022 that all pillar assessments with major partners are finalised or at an advanced stage;
- ✓ Specific conditions (supervisory measures) for signing contracts with these entities in duly justified and exceptional cases have been set, to ensure compliance with the Commission rules.

Moreover, the implementation of ongoing contracts continued as normal and amendments were still possible.

### **The Residual Error Rate Study**

The residual error rate (RER) study allows for the evaluation of the effectiveness of the overall control framework. The RER indicator is designed to identify residual errors not detected by the internal control system, and to conclude on its effectiveness. A residual error rate below the materiality threshold of 2% is a strong indicator that the controls put in place at all levels of the DG are effective. Moreover, besides the overall error rate, the RER study identifies the common types of error, thus identifying and contributing to preventing recurrent errors.

The RER study is an agreed upon procedure, which reports on factual findings. The RER study is not an audit providing an audit opinion. However, the DG reaches its own conclusions based on the auditor's report of factual findings.

The detailed procedures describing the work performed in the RER exercise are set out in the “Methodology and Instruction Manual”. DG NEAR regularly updates the RER methodology, taking account of the recommendations by the Court of Auditors and the IAS.

In order to detect weaknesses, DG NEAR has categorised its portfolio and described **five major relevant control systems (RCS)** corresponding to methods of implementation. In addition, DG NEAR has developed risk indices to better support the assessment by RCS. A notional error rate for each RCS is calculated to add information on risks in the various methods of implementation.

Moreover, as of 2019, following a high error rate identified in grants under direct management, the **number of checks was increased<sup>33</sup>** and more precise guidelines on checking second-level procurement were given to the RER contractor.

The main error rate includes all relevant control systems, except IMBC. The grant error rate is calculated on the results of ex post controls on grants from the additional sample. In 2021, the grant error rate is equal to 0.34%, hence below materiality. This allows DG NEAR to lift the reservation in direct management – grants.

The residual error rate for the DG is below materiality (1.05%).

DG NEAR residual error rates in 2021	
Main	1.15%
IMBC IPA	0.02%
Grants	0.34%
Global (DG derived) error rate	1.05%

The RER study is based on a sample (drawn by monetary unit sampling) of a minimum of 516 intervals in a population of closed contracts in the period September 2020 to August 2021. The multiannual nature of DG NEAR’s programmes is taken into account in this methodology, as the contracts closed during the said period and considered for the monetary unit sampling were implemented over a period of several years.

The mobility restrictions due to the COVID-19 pandemic had only a limited impact on the RER study, as auditors managed to do on-the-spot checks and could also carry out their controls remotely. A limited number of beneficiaries faced difficulty to retrieve the required documents and provide them to the auditors on time.

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<sup>33</sup> The number of grant transactions included in the global rate was increased in response to a recommendation issued by the ECA in its annual report for 2017. The purpose of the additional grant sample is to provide the Commission with corroborative information complementing the grant-related information provided by the main sample

## Upper and lower error limits

The weighted upper error limit is 3.04% and the lower error limit is 0.19%. The breakdown of the upper error limit is as follows:

	Upper error limit	Weighted contribution to limit
<b>Main</b> (RCS 1, 2, 3, 5)	3.17%	2.89%
<b>IMBC</b> (RCS 4)	1.75%	0.15%
<b>Total</b>		<b>3.04%</b>

## Categorisation of the different control environments

The assessment based on the 2021 RER takes into account weaknesses in specific parts of the portfolio. To detect them, DG NEAR has categorised its portfolio and described **five major relevant control systems** (RCS). These are defined in terms of *methods of implementation*. As a general rule, a new RCS is developed when the total amount contracted or paid represents at least 10% of the total amount of the year for the DG. DG NEAR has also developed risk indices to better support this assessment by RCS, as recommended by ECA. Annex 5 provides more detail on this.

Under **Direct Management**<sup>34</sup>, funds are channelled to the final recipients through contracts signed directly by the Commission as the contracting authority. Under Direct Management, the control environments are:

- Grants in Direct Management (RCS 1),
- Procurement in Direct Management (RCS 2) and
- Budget Support (RCS 3).

Under **Indirect Management**, the final recipient receives EU funds through a contract signed with an intermediary to whom the Commission has entrusted the tasks of selecting the final recipients and managing the resulting contracts (budget-implementation tasks). The recipient is either an Indirect Management Entrusted Entity (IMEE), such as an International Organisation or Member State Agency, or an Indirect Management with Beneficiary/partner Countries (IMBC). The significant control environments identified are:

- IMBC (RCS 4) and
- IMEE (RCS 5).

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<sup>34</sup> The Pegase mechanism to channel Direct Financial Support to the Palestinian institutions is implemented under a specific set of controls.

## Overview table RCS and RER Study results 2021

	RCS 1 (Direct Grants)	RCS 2 (Procurement)	RCS 3 (Budget Support)	RCS 4 (IMBC)	RCS 5 (IMEE)
% amount paid	22%	7%	13%	20%	37%
Risk level	Moderate	Low	Low	Low	Moderate
RER Calculated	1.94%	0.55%	0%	1.46%	0.75%
Reservation	No <sup>35</sup>	No	No	No	No

Specific error rates per relevant control system are calculated since 2017. They are based on the main sample of the RER study. Therefore, these specific error rates are indicative and complement the information provided by the residual error rates reported above in the table “DG NEAR Residual Error Rates in 2021”. The specific error rates are used to calculate the estimated risk at payment and at closure (see table below). A residual error rate below the materiality threshold of 2% in all RCSs is a further indicator that the controls in place are effective.

### Error rates in Grants Direct Management related expenditure – RCS 1

Since the introduction of the additional sample for grants, the grant error rate has been calculated by reference to the error rate from the additional sample; the error rate for RCS1 is based only on the grants in the main sample in order to provide a statistical representative error for RCS1. As these error rates reported were 3.17% in 2020, 2.65% in 2019 and 2.26% in 2018, and 2.80% in 2017, in all four years a reservation was made. While the error rate for RCS1 in the above table is 1.94% (based only on the grants in the main sample), the **grant error rate** derived from the grants tested from the additional sample (statistically representative since selected from a population of grants under direct management) is **0.34%**. Hence, in line with the approach followed since the introduction of the additional grant sample, no reservation in respect of grants in direct management is made because the error rate is below the materiality threshold.

### Benefits of controls

Through recoveries and financial corrections, DG NEAR has in place an effective mechanism for correcting errors. During the reporting year the executed corrective capacity amounted in total to EUR 51.7 million<sup>36</sup> representing 1.54% of the relevant expenditure. The benefit at ex ante level control amounts to EUR 46.9 million, whilst recoveries and financial corrections following the results of ex post controls amounted to EUR 4.8 million.

Benefits of controls: non-quantifiable benefits relate to sound financial management as confirmed by the Residual Error Rate (below 2%).

<sup>35</sup> The grant error rate for the RCS 1 is based on the results for direct grants in the main sample only. The grant error rate, including grants from additional grant rate, is equal to 0.34%. This rate, based on a bigger sample, determines whether a reservation is necessary.

<sup>36</sup> This is the sum of ineligible expenditure detected by ex ante controls (EUR 46.9 million) and recovery orders for ineligible expenditure (EUR 4.8 million).

## Estimated risk at payment and at closure

DG NEAR's relevant expenditure, its estimated overall risk at payment, estimated future corrections and risk at closure are set out in the tables below.

**Table: Estimated risk at payment and at closure (amounts in EUR million)**

The detailed version of this table is provided in Annex 9.

DG NEAR	Relevant expenditure m EUR	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
		m EUR	%	m EUR	%	m EUR	%
RCS 1 - Grants in direct management	841.88	17.85	2.12%	1.52	0.18%	16.33	1.94%
RCS 2 - Procurement in direct management	280.92	2.05	0.73%	0.51	0.18%	1.55	0.55%
RCS 3 - Budget support	469.94	0.00	0.00%	0.00	0.00%	0.00	0.00%
RCS 4 - Indirect management with beneficiary/ partner countries	735.37	12.06	1.64%	1.32	0.18%	10.74	1.46%
RCS 5 - Indirect management with entrusted entities	1001.62	9.32	0.93%	1.80	0.18%	7.51	0.75%
Other	21.82	0.27	1.23%	0.04	0.18%	0.23	1.05%
<b>DG total</b>	<b>3351.54</b>	<b>41.54</b>	<b>1.24%</b>	<b>5.19</b>	<b>0.15%</b>	<b>36.36</b>	<b>1.08%</b>

The estimated overall risk at payment for 2021 expenditure amounts to EUR 41.54 million, representing 1.24% of the DG's total relevant expenditure for 2021. The estimated risks at payment for each RCS are based on the indicative error rates per RCS from the main sample in order to reach conclusions statistically representative at DG level<sup>37</sup>. This is the AOD's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

This expenditure will subsequently be subject to ex post controls and a proportion of the underlying errors will be detected and corrected in subsequent years. The conservatively estimated future corrections for 2021 expenditure amount to EUR 5.19 million.

The difference between those two amounts results in the estimated overall risk at closure of EUR 36.36 million, representing 1.08% of the DG's total relevant expenditure for 2021, hence lower than in 2020 (EUR 45.8 million, representing 1.36%). The decrease is due to the lower error rates registered in 2021.

For an overview at Commission level, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

### 2.1.1.1.2. Fraud prevention, detection and correction

DG NEAR has developed and implemented its own **anti-fraud strategy (AFS)** since 2014, on the basis of the methodology provided by OLAF. The anti-fraud strategy was last updated on March 2021. Its implementation is being monitored and reported on to the

<sup>37</sup> As clarified in the previous page, the indicative error rate for RCS 1 (grants in the main sample) is 1.94%, while the grant error rate derived from the grants tested from the additional sample (statistically representative since selected from a population of grants under direct management) is 0.34%.

Commissioner and to management at least twice a year. All actions included in the 2021 action plan have been implemented.

DG NEAR also contributed to the **Commission anti-fraud strategy** and its action plan. In particular, action 33, for which DG NEAR was in the lead with DG INTPA and DG ECFIN, has been implemented. The action concerned the implementation of anti-fraud measures for budget support. There is no outstanding action under the remit of DG NEAR.

Concerning **financial recommendations**, DG NEAR has contributed to the two financial monitoring exercises launched by OLAF during 2021, covering 35 and 28 recommendations in total. In addition, when it comes to the 34 financial recommendations issued in 2017-2021, at the end of 2021:

- 26% have been fully implemented (DG NEAR recovered **100% or more** of the amounts initially recommended by OLAF);
- 18% have been partially implemented and are closed;
- 41% have been partially implemented but the implementation is still ongoing (cases are still open for follow-up);
- 15% are under analysis by the competent AOSDs. Besides a case issued by OLAF in December 2021, the remaining cases required the AOSDs to take additional steps (e.g. to launch audits or consultations) or to wait for the outcome of other procedures (such as the exclusion of the concerned entities). These additional steps are necessary to ensure that the action to be taken are duly substantiated and defensible.

The main reasons why recommendations are not fully implemented are:

- For the closed cases: rectifications of the amount recommended by OLAF, for example in order to reflect the actual EU contribution (instead of the total budget of the project), and insufficient/ inadequate legal justification to impose financial penalties;
- For the ongoing cases: difficulties with enforcement of recoveries undertaken by DG BUDG and/ or the Legal Service (e.g. entities in liquidation or bankruptcy) and recoveries disputed by the concerned entities (e.g. litigation cases).

For the cases which have been closed (partially or fully implemented), DG NEAR was able to recover 111% in respect of the initial amounts recommended by OLAF (EUR 4.3 million). Considering all the financial recommendations issued between 2017 and 2021 (including closed, ongoing and under analysis), 25% of the recommended amounts have been recovered at the end of 2021.

Finally, the additional significant results achieved during the year due to the **anti-fraud measures** in place can be summarised as follows:

- 70% of OLAF recommendations issued in 2021 have been assessed by the competent AOSDs within three months (compared to less than 35% in 2020);

- 9 outstanding OLAF recommendations have been closed in 2021, as a result of the systematic follow-up and monitoring in place;
- 23 administrative recommendations issued between 2016 and 2020 were subject to the first stock-taking monitoring exercise run by OLAF:
  - 20 are considered closed by DG NEAR;
  - Three are ongoing, all related to the inclusion of the concerned economic operators in the Early Detection and Exclusion System (EDES). The EDES panel decisions are pending.
- in terms of fraud prevention, several awareness-raising initiatives (training, staff seminars, conferences, instruction notes, survey) have been organised for staff and implementing partners. Four staff seminars on the DG's anti-fraud strategy were attended by more than 300 staff members while more than 750 staff members participated in the new anti-fraud survey.

**On the basis of the available information, DG NEAR has reasonable assurance that the anti-fraud measures in place are effective overall.**

#### 2.1.1.1.3. Other control objectives: safeguarding of assets and information, reliability of reporting

##### **Safeguarding of assets**

The financial assets of DG NEAR consist of the following elements:

- Pre-financing, long-term and short-term;
- Holdings in financial instruments, plus cash and cash equivalents associated with those financial instruments.

In order to protect the budget of the Union, DG NEAR procedures require the proper management of its pre-financing (pre-financing paid kept to the minimum possible, clearing completed regularly on the basis of the financial reports and audits or contractual benchmarks). DG NEAR also requests and keeps in safe custody appropriate guarantees on pre-financing. Partner International Financial Institutions submit annual reports on the financial instruments (including any associated cash holdings). Cash payments to these financial instruments reflect the minimum required for operational effectiveness.

Another important control objective relates to the credit risk involved in the contingent liabilities created through budgetary guarantees agreements. The credit risk team has been established (common unit NEAR/INTPA) to independently assess, before and during the lifetime of the guarantee agreements, the credit risk for the Commission related to each operation or portfolio of operations, so that the risk is kept to an acceptable level. For more details, please see Annex 6.

##### **Reliability of reporting**

Reporting on activities gives a true and fair view of the main risks and constraints, the performance of the DG assessed against defined benchmarks and the possible mitigating

measures. Benchmarking is implemented through the KPIs in the EAMR and AOSD reports. A single reporting framework has been introduced for IPA and ENI, building on the KPIs and the related EAMRs. The objective of this reporting structure is to have a solid basis for the DG's AAR. The risk assessment, audit plan and control plan have been integrated into the DG's Management Plan. The list of the reports produced by the DG is provided in Annex 7.

### **2.1.1.2. Efficiency of controls**

The Financial Regulation requires reporting on three efficiency indicators:

1. **time-to-inform** (Art. 194.2 FR), which measures the average time taken to inform applicants of the outcome of the evaluation of their application (from the final date for submission of complete proposals); a maximum of six months should elapse
2. **time-to-grant** (Art 194.2 FR), which measures the average time taken to sign grant agreements or notify grant decisions (from the date of informing applicants that they have been successful); a maximum of three months should elapse;
3. **time-to-pay** (Art 116.1 FR), as represented by the Commission standard "timely payments (%)" indicator (the % of the amount paid on time - within the contractual payment deadline – on the overall amount paid), as reported also in the Financial Scorecard (Annex 4).

In addition, DG NEAR monitors 28 key performance indicators (KPIs) on an annual basis grouped around three objectives:

1. Sound Financial Management and Effective Use of EC Resources (KPI 1 to 15)<sup>38</sup>;
2. Effectiveness of Internal Controls (KPI 16 to 22);
3. Effectiveness of Audit systems (KPI 23 to 28).

These indicators represent an additional layer in the internal control structure of the DG, monitoring that the achievement of the general objectives is sound, efficient and effective. The KPIs are periodically reviewed and adapted, in agreement with DG INTPA. In particular, new KPIs have been introduced in 2021 (KPIs 8, 9 and 28). In addition, for each KPI, targets/benchmarks are set at the beginning of the year against which each entity managing funds within the DG (Delegation/Unit/Directorate) needs to deliver. The delivery by all entities contributes to the overall results of the DG and allows the detection of areas where follow up is required. For more details, please see Annex 7.

### **Time-to indicators - Results 2021**

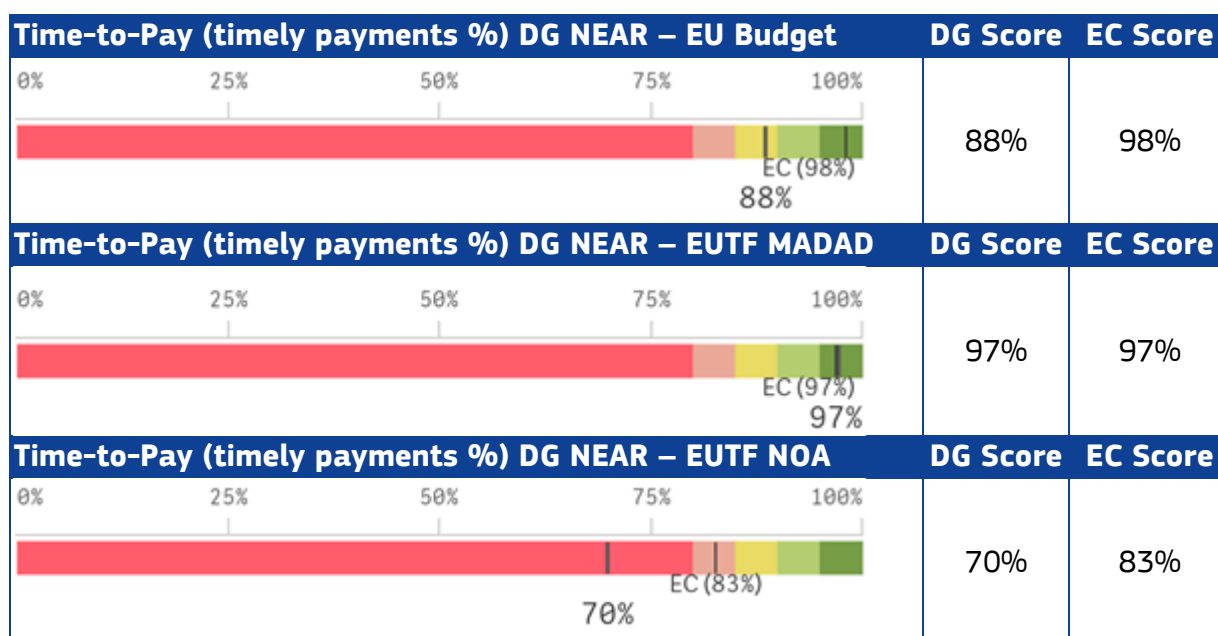
All three indicators are within the respective benchmark, with the exception of the time-to-pay for the North of Africa (NOA) Window of the EU Emergency Trust Fund for Africa.

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<sup>38</sup> Including KPI 5 on time-to-grant and KPI 13 on % of payments paid in the reporting period that respected the contractual payment deadline (this KPI differs from the standard Commission "timely payments" indicator since it is based on the number of payments and not on their value).

The average **time-to-inform** in 2021 was 87.35 days, compared to 92.64 days in 2020, below the benchmark of 6 months, which was respected in all cases.

The average **time-to-grant** in 2021 was 41.24 days, compared to 50.77 days in 2020 and below the benchmark of 3 months/90 days. In 5% of cases, this indicator was above the benchmark because the co-applicants had difficulties with registering with the local authorities, resulting in delayed signature of the grant contracts<sup>39</sup>.



The **time-to-pay** results, as presented in the tables above, show that DG NEAR ensured efficient processing of payments within the legal deadlines, with the partial exception of the EUTF NOA (the overall value of the payments processed as a cross sub-delegation from DG INTPA in 2021 is EUR 145 million). The lower level of performance is due to the difficult political and economic situation in the concerned partner countries, exacerbated by the COVID-19 pandemic, which delayed the completion of complex ex-ante verifications for seven payments<sup>40</sup> (out of the 48 processed for the EUTF NOA).

Overall, the results in term of time-to-pay show a slower pace of processing of payments compared to 2020 (93% for EU Budget, 97% for EUTF MADAD and 98% for EUTF NOA). For EU Budget, this is due to the shortage of funds which delayed a number of IMBC payments<sup>41</sup>, in particular ten high-value payments (no late interest was due). The results for EU Budget would otherwise be 98%, aligned with the Commission wide performance. The related DG NEAR KPI13 (% of payments that respected the contractual payment deadline,

<sup>39</sup> Please note that both the time-to-inform and time-to-grant indicators are calculated in case of published calls for proposals. In 2021, calls for proposals were published by DG NEAR only under the EU Budget.

<sup>40</sup> The seven payments have an overall value of EUR 43.8 million

<sup>41</sup> Partial instalments of the Union contribution were made within the limits of the funds available, in line with the provisions of the applicable IPA II Framework Agreement

based on their number and not on their value) has improved in 2021 reaching 93.75%, where the target is at least 90%.

### Other efficiency indicators - KPI Results 2021

In 2021, despite the continuing COVID-19 pandemic, the **targets for 23 KPIs (out of 28) were met**, corresponding to an overall success rate of 82% compared to 92% in 2020. The global performance of DG NEAR has in some cases improved and exceeded the good results already achieved in 2020. In particular, the target for KPI 12 (Reduction of Old RAL) was met, while progress was made for KPIs 5 (Time to Grant), 10 (Reduction of Old Pre-financing), 12 (Reduction of Old RAL), 24 (% Implementation of the Annual Audit Plan: year N-1) and 27 (% Reduction of Expired Unclosed Audits). 55% of the Delegations have met more than 80% of the targets for the KPIs, while 91% met at least 60% or more of the targets. Overall, these results indicate a high degree of stability in DG NEAR's performance in financial management and control. For more details on KPIs, please see Annex 7.

### A - Sound financial management and Effective Use of EC Resources

2021 was a challenging year for budget management and forecasting and the targets for two KPIs could not be met.

**KPI 2** (Accuracy of initial annual financial forecast for contracts): DG NEAR achieved 111%, thus slightly over performing the benchmark of 90%-110%. This is mainly due to unforeseeable projects triggered by extraordinary circumstances, such as, for example, operations set up at the end of 2021 to address the energy crisis or operations in Lebanon and Jordan in response to the Syrian crisis.

**KPI 3** (Accuracy of initial annual financial forecast for decisions) has decreased compared to 2020 and the value of 73% falls below the 90%-110% target range. The Draft Budget 2021 preparations were done while the legal bases were still under negotiation. In addition, the execution of operational credits started late as the NDICI – Global Europe and IPA III regulations were only adopted, on 9 June and 15 September 2021, respectively, while the IPA III Programming Framework was adopted on 10 December 2021.

The target for the new **KPI 9** (% of primary interventions completed on time<sup>42</sup>) of at least 35% was not met. The actual 2021 result was 23.57%. This was due mainly to the COVID-19 restrictions and to the difficult political or economic context in some countries which delayed project implementation. However, another related indicator (KPI 8: % of completed primary interventions with green flag traffic light for achieving results<sup>43</sup>) that measures as

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<sup>42</sup> The KPI intends to measure the timely completion of primary intervention, calculated as the percentage of those that were closed without any extension of the implementation period.

<sup>43</sup> The KPI intends to measure the successful completion of primary interventions, calculated as the percentage of those that received a green traffic light for achieving objectives at the end of their operational activities.

well the successful completion of projects, reached 86%, well above the benchmark of at least 80%.

Finally, the target for **KPI 12** (Reduction of Old RAL) at least 35% was met. This is a significant improvement compared to 2020, when 23% of the Old RAL was reduced.

KPI Name <sup>44</sup>		KPI result 2021	Annual Target/Benchmark	KPI result 2020
<b>A - Sound financial management and efficient use of EC resources</b>				
K01	Accuracy of initial annual financial forecast for payments	92.79%▲	Between 90% and 110% <sup>45</sup>	113.69%▼
K02	Accuracy of initial annual financial forecast for contracts	111.37%▲	Between 90% and 110% <sup>46</sup>	120.45%▼
K03	Accuracy of initial annual financial forecast for decisions	73.00%▼	Between 90% and 110%	99.74%▲
K04	RAL absorption period	3.56▼	Less than 4 years	3.33▲
K05	Time to Grant	41.24▲	No more than 90 days	50.77▼
K06	% of primary interventions <sup>47</sup> with red traffic light for implementation progress	2.42%▲	Not more than 10%	2.84%▲
K07	% of primary interventions with a red traffic light for achieving Results	2.97%▼	Not more than 10%	2.76%▲
K08	% of completed primary interventions with green flag traffic light for achieving results	85.95%	At least 80%	N/A
K09	% of primary interventions completed on time	23.57%	At least 35%	N/A
K10	Reduction of Old Pre-financing	51.20%▲	At least 35%	38.10%▲
K11	Expired Contracts as a % of the contract portfolio	10.38%▲	No more than 15%	11.80%▲
K12	Reduction of Old RAL	36.79%▲	At least 35%	23.13%▼
K13	% of payments paid within the contractual deadline	93.75%▲	At least 90%	92.94%▲
K14	% of invoices registered within 7 days	94.13%▲	At least 90%	93.60%▲
K15	Use of INTPA/NEAR staff and respect of the flexibility arrangements	100.00% =	At least 95%	100.00% =

## B – Effectiveness of internal control systems

As in 2020, the targets for 6 out of 7 KPIs were met, showing that an appropriate internal control environment and risk management systems are in place.

<sup>44</sup> Explanation of the table: the arrows indicate the trend compared to the previous reporting period in terms of improvement (upwards) or deterioration (downwards).

<sup>45</sup> In 2020, the target was “at least 90”.

<sup>46</sup> In 2020, the target was “at least 90”.

<sup>47</sup> Primary Intervention replaced the notion of “project” in the KPIs. A Primary Intervention is a way to define a coherent set of activities and results structured in a logical framework format. It allows to group actions or contracts for a more effective performance monitoring. It can be one action or several actions or one contract or several contracts, depending on the logical framework scope

Only the target for **KPI 22** (Undue payments prevented by ex-ante controls as a % of the claimed amount), was not met. The result for 2021 (1.44%) fell below the target of at least 2%, with a total amount of undue payments prevented of EUR 56 million. However, a significant part of the DG's payments relates to methods of implementation, such as Indirect Management with Beneficiary/ partner Countries and with Entrusted Entities or Budget Support, where ineligible costs are rarely registered by ex-ante controls. For example, for Budget Support operations, when necessary, the payments are temporarily suspended, until the conditions are met, and no ineligible cost is encoded. Furthermore, contractors and other partners are regularly and carefully guided in the financial management of contracts and preparation of financial reports and are informed about best control practices. This results in better quality reports and implementation, and therefore in a reduction of the potentially ineligible costs to be identified by ex-ante controls.

KPI Name <sup>48</sup>		KPI result 2021	Annual Target/Benchmark	KPI result 2020
<b>B – Effectiveness of internal controls</b>				
K16	ICF – Control Environment	96.36%▲	At least 80%	94.18%▲
K17	ICF – Risk Assessment	96.14%▲	At least 80%	95.00%▲
K18	ICF – Control Activities	95.15%▲	At least 80%	94.55%▲
K19	ICF – Information and Communication	96.67%▲	At least 80%	96.06%▲
K20	ICF – Monitoring Activities	96.82%▲	At least 80%	95.91%▲
K21	% of primary interventions visited by Commission staff and/or the HoD, by primary intervention value	81.43%▼	At least 80%	85.54%▼
K22	Undue payment prevented by ex-ante controls	1.44%▲	At least 2%	1.09%▼

### C – Effectiveness of audit systems

In 2021, the targets for 5 out of 6 KPIs were met. **KPI 26** (ineligible amounts identified by audits as a % of the audited amount) remained just below the 2% benchmark (1.9%). Similarly as for KPI 22, this does not necessarily reflect negatively on the audit systems but rather confirms that effective and efficient measures are already in place to prevent ineligible costs.

A **new KPI** was introduced in 2021: **KPI 28** (% of timely follow up action of audit ineligible amounts). This KPI measures the % of audits with ineligible amounts that were closed no more than 6 months after the reception of the final audit report. DG NEAR achieved a result of 45.66%, well above the target of at least 35%.

<sup>48</sup> Explanation of the table: the arrows indicate the trend compared to the previous reporting period in terms of improvement (upwards) or deterioration (downwards).

KPI Name <sup>49</sup>		KPI result 2021	Annual Target/Benchmark	KPI result 2020
<b>C – Effectiveness of audit systems</b>				
K23	% contracted of the Annual Audit Plan: year N	81.02%▲	At least 70%	79.93%▲
K24	% implementation of the Annual Audit Plan: year N-1 <sup>50</sup>	72.10%▲	At least 70% <sup>51</sup>	65.48%▼
K25	% implementation of the Annual Audit Plan: year N-2 <sup>52</sup>	85.45%▼	At least 80%	87.50%▲
K26	Ineligible amounts identified by audits as a % of the audited amount	1.90%▼	At least 2%	3.38%▲
K27	% reduction of expired unclosed audits	57.24%▲	At least 40%	47.56%
K28	% of timely follow up action of audit ineligible amounts	45.66%	At least 35%	N/A

## Conclusions

The results and progress shown by the above indicators can be attributed to the efforts and commitment shown in 2021 and in previous years, to improve control efficiency of DG NEAR financial management. For example, in 2021 the following initiatives took place:

- The preparation of the Financial Framework and Partnership Agreement (FFPA) for IPA III, as well as the adaptation of the financial circuits;
- The successful launch in all beneficiary countries of IPA APP<sup>53</sup>, the new electronic platform for the registration and follow up of the implementation of IPA programmes. The application will reduce the administrative burden both for the IPA beneficiaries and the Commission.

On the basis of the available information, DG NEAR has reasonable assurance that the controls in place are overall efficient.

<sup>49</sup> Explanation of the table: the arrows indicate the trend compared to the previous reporting period in terms of improvement (upwards) or deterioration (downwards).

<sup>50</sup> KPI 24 is the satisfactory implementation of the previous year's Audit Plan, measured as the percentage of planned audits that have been implemented. In this case, an audit is considered to have been implemented when the draft audit report has been received.

<sup>51</sup> The target of KPI 24 has been changed from "at least 60%" to "at least 70%" in 2021.

<sup>52</sup> KPI 25 is the satisfactory implementation of the Audit Plan of 2019, measured as the percentage of planned audits that have been implemented. In this case, an audit is considered to have been implemented when the final audit report has been received.

<sup>53</sup> IPA-APP is a dedicated NEAR IT application to facilitate good financial management practices on IPA development assistance on the part of beneficiaries. Data for over 4 000 contracts (for a value of EUR 2416 million) have already been recorded.

### 2.1.1.3. *Economy of controls*

In 2021, the **cost of controls**<sup>54</sup> in DG NEAR has been estimated at EUR 84 million (EUR 89.5 million in 2020). The estimation is based on spending on human resources dedicated to control activities, as well as on evaluation, monitoring and audit costs.

- **Human resource** spending on control is calculated at EUR 77.4 million, including direct, indirect and overhead costs. The calculation is based on the number of officials, contract and local agents in headquarters and EU Delegations, on allocation keys for each unit and on the average standard staff costs. The results are substantially aligned with previous years (EUR 75.6 in 2020) with limited fluctuations due mainly to costs related to travels and missions.
- **Evaluation and monitoring** costs have been calculated at EUR 6.4 million (EUR 10.5 million in 2020) and audit costs at EUR 3.4 million (same as in 2020). The decrease in evaluation costs is due to a methodological fine-tuning: in line with the Commission guidelines<sup>55</sup>, the evaluation costs have been considered only if related to a specific project.

The estimation does not include the costs of the IMBC authorities or IMEE partners, such as the management fees allocated to entrusted entities (up to max 7%<sup>56</sup>).

Management mode		Cost of control	
		MEUR	% Payments
<b>RCS1</b>	Grants in Direct Management	21.05	2.5%
<b>RCS2</b>	Procurement in Direct Management	11.75	4.3%
<b>RCS3</b>	Budget Support	8.61	1.8%
<b>RCS4</b>	Indirect Management with Beneficiary/ partner Countries	14.43	1.9%
<b>RCS5</b>	Indirect Management with Entrusted Entities	25.42	1.9%
-	Others not related to a RCS	2.75	8.9%
<b>Total</b>		<b>84.02</b>	<b>2.3%</b>

The cost of controls as a proportion of the value of the total funds managed in 2021 is equal to 2.3%, hence consistent with results of previous years and below the target of 5% set in the management plan. The total cost of controls is assessed also in relation to the benefits of controls (sound financial management as represented by a global residual error rate below 2%) and the financial benefits of controls, amounting to 51.7 million<sup>57</sup>.

<sup>54</sup> Control is defined as per article 2 of the Financial Regulation.

<sup>55</sup> See the "Guidance on the estimation, assessment and reporting on the cost-effectiveness of controls".

<sup>56</sup> The entrusted entities' cost of control has been estimated at maximum EUR 82.2 million, based on the management fees set in the agreements. These management fees include however other costs than control costs in the strict sense.

<sup>57</sup> This is the sum of ineligible expenditure detected by ex ante controls (EUR 46.9 million) and recovery orders for ineligible expenditure (EUR 4.8 million).

The RER study has included the calculation of an error rate by RCS since 2017 in order to detect any spending area that should require additional controls in the future. The table above provides the specific cost of controls related to the five relevant control systems (RCS)<sup>58</sup> in absolute value and in proportion of the total payments.

The cost of controls as a proportion of the value of the total payments is higher than 5% for the residual category of “Others not related to a RCS”. This category represents less than 1% of the payments made in 2021 and includes mainly the expenditure related to the PEGASE programme. The result above 5% is due to the small volume of payments made in 2021 (31 million, 86% less than in 2020), while audits and other controls continued on the ongoing contracts and projects. Therefore, the cost of controls did not decrease proportionally. The second highest cost is in procurement in direct management, mainly due to the significant additional ex ante checks required.

Based on the above, the cost of controls is considered reasonable.

#### **2.1.1.4. Conclusion on the cost-effectiveness of controls**

Based on the most relevant key indicators and control results, DG NEAR has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

DG NEAR builds on the effectiveness of its control system, which allows preventing errors to a large extent.

One reservation is maintained in 2021: a non-quantifiable reservation due to the difficulties in adequately monitoring all projects in Libya and Syria. For the other areas, the Authorising Officer by Delegation has reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that the control put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. In particular, the reservation on Grants in Direct Management is lifted because the error rate is below 2%.

In terms of efficiency, the time-to indicators and the KPIs show continuity and stability compared to last year. In 2021, **23 out of 28 KPIs reached the target**.

In terms of economy, the control strategy has a global percentage of cost of controls (2.3%), which is well below the corporate ceiling (5%) and stable over time. The control strategy is continuously reassessed through KPIs, RER and other elements, to enhance control on the most risky transactions, while keeping a balance between the financial/reputational impact of errors and the cost of controls.

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<sup>58</sup> More information on the calculation of the cost of controls per method of implementation is provided in Annex 7.

## 2.1.2. Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

During 2021, DG NEAR has ensured the coordination, quality control and follow-up of implementation of the recommendations of the ECA (European Court of Auditors), IAS (Internal Audit Service), EP (European Parliament) and Council.

### European Court of Auditors (ECA)

#### Statement of Assurance - DAS 2020 (discharge)

In line with the methodology implemented since 2017, the European Court of Auditors did not present an error rate for the 'Global Europe' chapter, as the number of transactions the ECA audited was not statistically representative.

In its **annual report on the implementation of the EU budget** for the 2020 financial year, the ECA addressed three recommendations to the DGs implementing the EU funds under the Chapter Global Europe<sup>59</sup>, of which two are relevant for DG NEAR:

**Recommendation 8.1** - Take steps so that international organisations provide the ECA with complete, unlimited and timely access to documents necessary to carry out our task in accordance with the TFEU<sup>60</sup>, and not just in read-only format.

The Commission accepted the recommendation. The Commission will continue to draw the partner organisations' attention to the need to provide the ECA with the necessary information. This is done through regular coordination meetings with the international organisations implementing EU funds under indirect management and ad hoc communication when necessary. In 2021, a meeting with the ECA and the United Nations agencies took place, where the ECA explained their needs and expectations concerning their audit work, and the UN agencies had the opportunity to request clarifications and provide insights on their internal organisation and procedures to provide access to documents.

**Recommendation 8.3** - Establish obligations for the RER study contractor to report to the Commission any suspected fraud against the EU budget detected during its work on the RER study.

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<sup>59</sup> DG NEAR, DG INTPA, DG ECHO and FPI.

<sup>60</sup> Treaty on the functioning of the European Union.

The Commission accepted the recommendation. In 2021, the RER methodology was updated to include a formal procedure for the RER contractor to communicate cases of suspicion of fraud to DG NEAR. Prior to this formal update, in cases where there was an indication of possible fraud, in practice the contractor already reported such cases to the Commission, allowing it to take the appropriate actions, including notification to OLAF if warranted.

The ECA audit on the **reliability of accounts** for the financial year 2020 concluded that the Commission accounts were not affected by material misstatements.

### **Follow-up on ECA/EP/Council recommendations**

In 2021, DG NEAR reported on the closure of 23 ECA/EP/Council recommendations as lead Directorate-General, and 25 ECA/EP/Council recommendations as associated Directorate-General. As of January 2022, DG NEAR has two open (but not overdue) EP recommendations from the 2018 discharge and one open recommendation from the 2019 discharge.

### **Performance Audits**

In 2021, **two Special Reports** concerning DG NEAR policies were published:

- SR no. 17/2021: EU readmission cooperation with third countries
- SR no. 23/2021: Reducing grand corruption in Ukraine.

The Commission has (fully or partially) accepted all recommendations and the corresponding action plans have been developed.

An overview of ongoing ECA audits involving DG NEAR, where the publication of the Special Reports is expected in 2022/2023 is provided in Annex 7.

### **Internal Audit Service (IAS)**

The IAS limited conclusion on the state of internal control in DG NEAR for 2021 is that the internal control systems in place for the audited processes are effective.

The open recommendations addressed by the IAS to DG NEAR include three very important recommendations that have been reported as implemented by DG NEAR in January 2022 and are under review by the IAS. They stem from the following audits:

- **Annual audit plans** (recommendations n. 2 and n. 3): the actions include a) the revision of key performance indicators related to the reporting on the implementation of the Annual Audit Plans (see section on efficiency of controls), and b) the adoption of a procedure for the analysis of non-financial findings stemming from verification missions of international organisations.
- **Neighbourhood Investment Facility and Western Balkans Investment Facility** (recommendation n. 7): the actions include the adoption of revised rules of procedure of the Western Balkans Investment Facility (WBIF), to clarify the authority

and responsibility of all the actors involved in the WBIF reporting process and the role of the WBIF secretariat.

### **Audit reports issued by IAS in 2021 and beginning of 2022**

Between February 2021 and January 2022, the IAS issued **two audit reports** relating to DG NEAR activities:

- **Audit on closure process of previous programmes - IPA I and ENPI:** the final report concluded that DG NEAR has adequately designed and effectively implemented controls for managing the closure process of ENPI and IPA I. It included two recommendations, both rated “important”, focusing on the closure of IPA IMBC programmes and on the reporting on closure. DG NEAR has adopted an action plan, which will be implemented by December 2022.
- **Audit on IPA II grants in direct management:** the final report concluded that DG NEAR’s controls of this process are effective. It included four recommendations, all rated “important”, related to the grant selection and award process, the ex ante checks and the lessons learnt from errors in grants. DG NEAR has adopted an action plan, which will be implemented by January 2023.

### **Follow-up on IAS recommendations from previous years’ audits**

In 2021, DG NEAR reported on the implementation of actions addressing six recommendations stemming from previous audits, which were all reviewed and closed by the IAS:

- All four recommendations (one critical, three very important ones) from the audit *“Pillar assessment in the external actions family”*
- One recommendation from the audit *“Neighbourhood Investment Facility & Western Balkans Investment Facility”*
- One recommendation from the audit *“EC-EEAS coordination”*.

### **Conclusion**

In 2021, DG NEAR reported on the implementation of actions to address ECA/EP/Council recommendations and IAS recommendations largely according to schedule. None of the open recommendations is critical or very important.

#### **2.1.3. Assessment of the effectiveness of internal control systems**

**The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.**

**DG NEAR uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with**

**the internal control principles and has due regard to the risks associated with the environment in which it operates.**

Management regularly assesses the **effectiveness of the internal control systems**, in order to determine whether they work as intended and ensuring that any control weaknesses in the system are detected, analysed and considered for improvement. In addition, management performs specific assessments to ascertain whether the internal control systems and their components are present and functioning. The purpose of these management assessments is to provide reasonable assurance that the internal control principles (ICP) 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.

**DG NEAR has assessed its internal control system during the reporting year and has concluded that its internal control system is partially effective as internal control principle (ICP) 12 needs major improvements, which could have a significant impact on the assurance.**

The assessment has been conducted following the methodology established in the "Implementation Guide of the Internal Control Framework of the Commission" and it is based on several sources (self-assessment, analysis of exceptions and non-compliance events, risk assessment, relevant audit results, any AAR reservations and any overdue/open very important/critical IAS recommendations, etc.), as detailed in Annex 8.

In summary, a **major deficiency** affected the following principle:

**ICP 12** The Commission deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action

The major deficiency stems from:

- Difficulties in **monitoring projects in Syria and Libya** (this leads to a reservation in this AAR);
- Other minor issues related to the planning and frequency of the **supervision missions** in EU Delegations, particularly in the Neighbourhood East and South. The backlog accumulated in previous years could not be entirely eliminated and the last supervision missions for seven ENI Delegations took place more than four years ago (minimum frequency recommended by DG NEAR Manual for Supervision Missions).

For all other aspects, 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 are being implemented.

The improvements and/or remedial measures implemented or envisaged are the following:

**Monitoring of projects in Syria and Libya:** The corrective actions planned are outlined in the reservation (see Annex 9).

**Supervision missions:** According to the current plan, the issue will be substantially addressed in 2022, as most of the ENI Delegations which were last subject to a supervision mission more than four years ago, will undergo a supervision exercise in 2022. Other measures are in place to supervise and monitor the activities performed in the Delegations, particularly if they have not been visited according to the planned frequency, and will be continued in 2022, such as:

- on programming: quality review of programming, policy dialogue and adaptation of the programmes and portfolios to the countries' circumstances;
- on performance: regular follow-up of the KPI dashboard, systematic monitoring of the implementation of assistance programmes, enhanced monitoring on large commitments, regular portfolio reviews, follow-up of the implementation of Delegations action plans;
- on general supervision and support: regular videoconferences (VTCs), specific instructions or notes to the Delegations, support through helpdesk.

#### 2.1.4. Conclusions on the assurance

This section reviews the assessment of the elements from previous sub-sections 2.1.1, 2.1.2 and 2.1.3 and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

In general, the information in section 2.1 stems from the results of management and auditors review. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the reported information and results in a comprehensive coverage of the budget delegated to the Director-General of DG NEAR, as the control instruments cover the entire budget expenditure managed by the DG. The EU Trust Funds (TFs) operate in the general system of internal control defined by the Commission, with the same rules and procedures developed by DG NEAR for the management and implementation of its operations.

DG NEAR has described **five major control environments** (Relevant Control Systems - RCS), covering 99% of the total expenditure. Each RCS has been assessed as low or moderate risk.

The residual error rates (RER) calculated for specific segments are below 2%: the DG main rate at 1.15%, the specific rate for Indirect Management with IPA Beneficiary Countries at 0.02% and the Direct Management Grants at 0.34%. The derived DG NEAR global rate is at 1.05%. None of these rates are above the materiality threshold. Therefore, the reservation of previous years on Direct Management Grants can be lifted, since the error rate is below materiality threshold. This is the result of the efforts of previous years in addressing the main sources of errors, as also detailed in Annex 8.

In terms of **fraud** prevention, detection and correction, the **DG Anti-Fraud Strategy** has been adopted in March 2021 and its action plan has been so far successfully implemented.

In terms of **controls' efficiency**, the time-to indicators and the KPIs show continuity and stability compared to last year. In 2021, 23 out of 28 KPIs reached the target. The effects of the COVID-19 crisis remained limited. The mitigating measures put in place, such as audits with desk review, allowed DG NEAR to implement successfully the annual audit plans.

In terms of **controls' economy**, the control strategy has a global percentage of cost of controls (2.3%), which is well below the corporate ceiling (5%) and stable over time.

Continuous efforts have been made throughout 2021 to address past **internal (IAS) and external (ECA)** audit recommendations. None of the open recommendations is critical or very important. Efforts to implement the remaining open IAS and ECA recommendations will continue in 2022.

The **internal control system** is effective, except regarding internal control principle 12, which needs major improvement because of the difficulties in monitoring projects in Syria and Libya. Mitigating actions have been and will be put in place and where necessary a reservation was made.

## Overall Conclusion

In conclusion, based on the elements reported above, 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 reservation concerning the monitoring of projects in Syria and Libya.

## Recapitulative Table

Reservation Title	Financial Impact (in m EUR)		Residual error rate 2021	Evolution
	2020	2021		
Monitoring projects in Syria and Libya	N/A	N/A	N/A	Maintained
RER in direct management grants	20.82	2.86	0.34%	Lifted

### 2.1.5. Declaration of Assurance and reservation

Declaration of Assurance

I, the undersigned,

Acting Director-General of Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR)

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view<sup>61</sup>.

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.

However the following reservation should be noted:

- reservation concerning the difficulties in monitoring adequately all projects in Libya and Syria (non-quantified reservation).

More details are provided in Annex 9.

Brussels, 31 March 2022

(signature)

Maciej Popowski

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<sup>61</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

## 2.2. Modern and efficient administration – other aspects

### 2.2.1. Human resource management

In line with the objectives outlined in the Annual Management Plan 2021, DG NEAR's human resource management focused on the following **priorities**:

#### *Preparation and implementation of a re-organisation aligned to Commission priorities:*

In 2021 a major reorganisation was undertaken and entered into force on 16 September. The reorganisation objective was to better deliver on the political priorities of the Von der Leyen Commission and was articulated around three main axes.

1. **Concentration of thematic expertise** in one Directorate;
2. **Reinforcement of the capacity to manage financial instruments**, including guarantees and blending, which represent a far more significant share of assistance with the start of the new Multiannual Financial Framework.
3. **Concentration of strategy and policy for the Western Balkans** in a specific unit in Directorate D responsible for the preparation of the enlargement package and the Common Regional Market and all regional projects related to the fundamentals of the enlargement process.

The **importance of the migration agenda** for the DG has been reflected through the creation of a Migration Unit and its direct attachment to the Deputy Director General.

#### *Improving work/life balance of staff:*

The DG continued to support its staff during the COVID 19 pandemic by providing specific information and training on topics of relevance during the period. The DG advertised information and training on topics of relevance during the confinement period such as ergonomics at home, maintaining a positive mental health and teleworking with children. Staff were kept informed of the latest developments related to the pandemic. Information sessions were organised in July 2021 with the participation of the acting Director General to consult staff on their well-being and to listen to their suggestions on ways of working better together. The NEAR Digital Etiquette was adopted in 2021. These are guiding principles set by the acting Director General to guide behaviours when working online and to establish good practices to follow to keep a healthy and productive working environment.

#### *Promoting and supporting first female managers*

In line with the Commission's target for female representation in management positions, DG NEARs quantitative target in the period 2020 to 2022 was to achieve 2 first female

appointments, i.e. to ensure a rate of 50% first female appointments out of all new management appointments in that period<sup>62</sup>. After one first female appointment in 2020, the second first female appointment took place in February 2022, through which the DG target of two newly appointed managers between 2020 and 2022 has been achieved. DG NEAR continues to attract applications from female non-management AD officials to ongoing management selection procedures.

In response to the results of the 360' evaluation of middle managers, in which [pilot?] DG NEAR participated in 2020, the DG offered coaching and training to managers with the aim to reinforce the interpersonal and leadership skills.

### 2.2.2. Digital transformation and information management

In its process towards digital transformation, DG NEAR made further progress in 2021 in the following areas: data management, use of collaborative tools, digital way of working, and IT security. DG NEAR also continued the implementation of the Commission's Data Protection Action Plan.

DG NEAR continued to participate in the Data Governance Board of DG INTPA to harmonise **data management**<sup>63</sup> in the RELEX family DG. In addition, DG NEAR participated in the relevant corporate fora to ensure alignment between services.

Once the corporate data catalogue became available, meta-data of available NEAR data assets has been included (in line with the corporate data strategy to make relevant data available to the whole Commission). Further efforts will be undertaken by DG NEAR to improve the access of its information to other services in the Commission.

The use of **collaborative tools** such as **Teams** within DG NEAR has continued to increase. While reports on the number of users are not available<sup>64</sup>, the high uptake of trainings clearly pointed to the collective need to become more proficient on Teams.

**The digital way of working** was further improved during the extended period of teleworking through the promotion of the use of electronic signatures (Qualified Electronic Signature, QES). Consequently, their use has increased significantly. 61% of the authorising officers by sub-delegation in HQ have been provided with QES. This provides for a safe, secure and digital alternative to blue ink signatures.

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<sup>62</sup> This target has been set based on a baseline from 1. Feb 2020, where 9 out of 23 managers were females (corresponding to a rate of 39% of female appointments)

<sup>63</sup> Encoding, Processing and Reporting of Data

<sup>64</sup> Because of personal data protection-restrictions

Further progress was made in **IT security** and in modernising digital solutions, for example, by incorporating new features in the Management Information System to better support the preparation of the yearly control plan.

Initiatives in 2021 promoting the implementation of the **Commission's Data Protection Action Plan** (C(2018) 7432 final and C(2020) 7625) included in particular the following actions:

- Cooperation with the Data Protection Officer (DPO) including participation in the Commission's Data Protection Co-ordinators' network regular meetings, handle reports on personal data breaches, provide input to the guidance drafted by the DPO
- Reporting to the DPO on compliance on the Commission's Data Protection Action Plan - 'Monitoring 2021 - EC Data Protection Action Plan – Request for report on compliance' (November 2021)
- Drafting and revising the records specific to DG NEAR, together with the operational controllers, related to privacy statements and data protection impact assessment (e.g. procurements and grants, Taixex, Twinning, NEAR websites)
- Providing advice to NEAR operational controllers and staff in drafting privacy statements for corporate decentralised processing operations (e.g. meetings/events)
- Managing the records and access rights of the operational controllers into the Data Protection records Management System (DPMS)
- Handling data breaches and providing support to operational controllers in reporting to the Data Protection Officer
- Managing the inventory of agreements with external processors and other data processing, following EDPS' order in the context of EU Court of Justice judgement in Schrems II case
- Regular cooperation with other DGs on data protection issues, in particular with DG INTPA and FPI to ensure a coherent implementation of data protection rules in the Commission's external action activities
- Participation of NEAR staff in the Commission wide exercise organised by the DPO – 'the data protection day quiz, ranked again the second among the DGs on the number of participants.

In 2021, 20% of DG NEAR staff participated in data protection awareness activities, thus, the total percentage of staff that participated in awareness activities since the entry into force of Regulation (EU) 2018/1725 sums up to 35% at the end of 2021, in line with milestone for 2021. This included training organised by the Commission/EDPS and participation in survey exercises. Dedicated data protection pages were established on NEAR intranet. Targeted guidance on applying the data protection rules in NEAR's activities (accountability, documenting of processing, reporting data breaches) was provided.

### 2.2.3. Sound environmental management

The extended period of collective teleworking strongly reduced DG NEAR's waste production in the office and emissions due to restricted business travel. However, considering that 2021 was an atypical year, the measurements made are not representative to assess the performance. This was acknowledged by DG HR, as indeed the 2021 targets on waste production (0.18 ton/person) and mission emissions (less than 2,064 tonnes/person for mission by air) implicitly assumed that DG NEAR would be present in the office and would undertake missions. It was considered not opportune to implement the planned local actions to raise environmental awareness in the office, because of the extended teleworking situation.

DG NEAR's new post-pandemic way of working will be radically different, guided by the planned corporate Human Resource Strategy and the new Mission Guide (with much less physical missions). This will result in revised targets, on which basis further environmental actions within DG NEAR can be developed.

#### **Examples of initiatives to improve economy and efficiency of financial and non-financial activities**

##### **OurNEAR**

OurNEAR is an organisational change project that was launched in 2016. It has converted since then into an organisational development capacity that became an integrated part of the DG.

The objective of the OurNEAR is to support ways of working that allow the organisation to best engage with collective intelligence and respond to organisational challenges. In 2021, OurNEAR was instrumental in organising a wide consultation of the draft HR strategy, which resulted in an online Town Hall gathering more than 200 participants. It resulted in a report and a constructive contribution to the draft HR Strategy consultation. OurNEAR was also supporting the elaboration of the Digital Etiquette guidelines through the involvement of staff in an inclusive manner.

##### **COVID-19 Project Team to effectively coordinate the EU response to the COVID-19 outbreak in NEAR regions**

This project team was set up in spring 2020 and has assumed a key role in co-ordinating EU support in response to the Covid 19 pandemic, including emergency assistance to the health systems, as well as longer term socio-economic impact.

In 2021, the Project Team continued to oversee the implementation of the financial assistance in response to the crisis, as well as focussed on providing the NEAR partner countries access to vaccines through supporting the COVAX initiative and through coordinating vaccine donations from the EU Member States. The team also facilitated the association of a number of NEAR partner countries with the EU Digital COVID Certificate

through piloting adequacy decisions. It continued to ensure the monitoring of implementation, reported regularly to senior management and the Commissioner's Cabinet, and followed up on the regulatory developments in the EU and their effects on the NEAR countries.

By bringing together representatives of all DG NEAR departments with diverse competences, the NEAR Covid-19 Project Team was able to deliver on its responsibilities and tasks in a timely, comprehensive and efficient manner.