



2018

Annual Activity Report

Service for Foreign Policy Instruments

FOREWORD OF THE HEAD OF SERVICE

This report shows the work and achievements of the European Commission's Service for Foreign Policy Instruments (FPI) in 2018 and illustrates how the Service used its resources to obtain tangible results on the ground, efficiently and cost-effectively.

In 2018, the Foreign Policy Instruments Service continued its work to turn foreign policy into action. The Service used its instruments for two main purposes: to help underpin the EU's external political priorities and the EU's role as a global peace actor, and to project the EU's interests abroad, thereby strengthening the EU's position as a credible partner that delivers and contributes to a rules-based global order.

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

In 2018, the Service contributed to the implementation of the comprehensive approach to conflicts and crises through timely interventions under the Instrument contributing to Stability and Peace and through Common Foreign and Security Policy actions across the globe. Through these actions, the Service contributed to conflict prevention, mediation and dialogue, confidence building and post-conflict peace building; to strengthening the rule of law, the fight against terrorism, and security sector reform; and to efforts to combat the proliferation of weaponry and the promotion of effective global governance and multilateralism. During the year, the six first Capacity Building for Security and Development (CBSD) financing decisions were adopted under the IcSP¹. These actions, which complement *inter alia* the Sahel CSDP Missions, demonstrate how FPI makes the integrated approach a reality.

Furthermore, through the Partnership Instrument, which reached full implementation speed and scope in 2018, the Service worked to project EU interests abroad in areas ranging from trade and investment, climate change and the protection of the environment, over migration, to security and defence. Actions through the Instrument helped to accompany trade negotiations, muster support for climate change action, and influence decision making on standard setting world-wide, contributing to rules-based multilateralism.

The Service also financed and prepared 33 electoral missions – including nine fully-fledged Election Observation Missions – in 2018. These missions were deployed worldwide to promote democracy and consolidate stability in sometimes volatile security conditions.

In 2018, FPI assumed the chairmanship of the Kimberley Process (KP), a global tri-partite initiative to stop the trade in conflict diamonds. On behalf of the EU, the Service acted as an honest broker and helped re-establish trust among Participants and Observers, re-unite the KP's tripartite structure² and open an in-depth discussion on the issue of broadening the scope of the Kimberley Process.

¹ 1 in Mali, 2 in CAR, 1 in Somalia, 1 in Benin, Lebanon, Burkina Faso, Kenya and Niger and 1 in Lebanon.

² Structure of governments, industry and civil society.

The Service further continued its work on restrictive measures, which proved particularly challenging during the year. In addition to handling the 43 sanctions regimes currently in place, throughout 2018, FPI tabled complex EU sanctions proposals in record time to ensure that the EU could quickly react to political developments. Through the Blocking Statute Regulation, FPI also played a key role in the Union's efforts to protect the interests of EU operators from the extraterritorial application of U.S. sanctions against Iran following the U.S. withdrawal from the nuclear deal - the Joint Comprehensive Plan of Action (JCPOA).

The Service further contributed to preparations for the launch of a Global Alliance to end trade in goods that could be used for torture or capital punishment.

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

In 2018, the Service for Foreign Policy Instruments once again demonstrated its ability to provide the fast and flexible support for EU foreign policy that has become its trademark.

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

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List of acronyms

AAP: Annual Action Programme
ABB: Activity Based Budgeting
AFS: Anti-Fraud Strategy
AMISOM: African Union Mission in Somalia
AQIM: al-Qaeda in the Islamic Maghreb
AOD: Authorising Officer by Delegation
AOSD: Authorising Officer by Sub-Delegation
ATT: Arms Trade Treaty
BTWC: Biological and Toxic Weapons Convention
CBSD: Capacity Building for Security and Development
CETA: EU – Canada Comprehensive Trade Agreement
CFSP: Common Foreign and Security Policy of the European Union
CIVCOM: Committee for Civilian Aspects of Crisis Management
COP-21: The 21st Conference of Parties to the UN Framework Convention on Climate Change
CPC: Civilian Planning and Conduct Capability
CSDN: Civil Society Dialogue Network
CSDP: Common Security and Defence Policy
CSO: Civil Society Organisation
CTBT: Comprehensive Nuclear-Test-Ban Treaty
DAS: Statement of Assurance
DCI: Development Cooperation Instrument
DDR: Demobilisation, disarmament and re-integration
DEVCO: DG for International cooperation and development
DG: Directorate General
EAC: DG for Education and Culture
EAM: Exceptional Assistance Measure
EAT: Election Assistance Team
EC: European Commission
ECHO: DG for humanitarian and civil protection
EDF: European Development Fund
EEAS: European External Action Service
EEM: Election Expert Mission
EFM: Election Follow-up Mission
EIDHR: European Instrument for Democracy and Human Rights
ENER: DG for Energy
EODS: Election Observation & Democracy Support
EOMs: Election Observation Missions
EP: European Parliament
EPC: ex-post control
ESDC: European Security and Defence College
EU: European Union
EUDEL: Delegation of the European Union
EUPST: European Union Police Services Training
EUSR: European Union Special Representative
EUVP: European Union Visitors Programme
ExM: Election Exploratory Mission
FPI: Service for Foreign Policy Instruments
FWC: Framework Contract
HCoC: Hague Code of Conduct against Ballistic Missile Proliferation
HQ: Headquarters
HR/VP: High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission
IAEA: International Atomic Energy Authority
IAS: Internal Audit Service
ICI: Instrument for Cooperation with Industrialised Countries
ICMP: International Commission on Missing Persons
IcSP: Instrument contributing to Stability and Peace
IfS: Instrument for Stability
ISC: Inter Service Consultation
ISIL: Islamic State of Iraq and the Levant
KP: Kimberley Process
KPCS: Kimberley Process Certification Scheme
KPI: Key Performance Indicator
LRRD: Linking Relief, Reconstruction and Development

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

THE SERVICE IN BRIEF

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

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

These instruments relate to the operational and financial management of Common Foreign and Security Policy (CFSP) operations (44% of FPI 2018 commitment budget); the Instrument contributing to Stability and Peace (IcSP) crisis response (34%); Partnership Instrument (PI) (15%); Election Observation Missions (EOMs) (5%); and press, information outreach and public diplomacy (PPD) (2%).

In 2018, FPI committed EUR 850 million and paid EUR 734 million in relation to the above operations (including assigned revenue).

The Service is also in charge of the EU's foreign policy regulatory instruments notably sanctions, the Kimberley Process on conflict diamonds, and the Regulation prohibiting trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment³. In 2018, FPI assumed the Presidency of the Kimberley Process on behalf of the European Union.

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

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

The environment in which the Service operates is determined by:

- The **evolution of world events**: the Service's activities are shaped by external events and the evolution of the world political situation;
- The global scale and complexity of the **EU's relations with the rest of the world**: FPI's responsibilities require intensive coordination with the EEAS, the Commission's other external relations services and other Commission services as well as external stakeholders;
- **Financial responsibility**: the initial budget voted increased compared to the budget voted in 2017 by 15%, with EUR 816 million in commitments and EUR 680 million in payments. Operations in crisis-situations by definition carry higher risks and pose specific financial challenges.

³ Regulation 1236/2005 of 27 June 2005.

Further to the establishment of regional teams in 2017 with core staff concentrated in five Delegations, FPI internal organisation is now up-to-speed. The regional outreach of these structures aims to facilitate further an integrated approach, provide economies of scale in the management of IcSP and Partnership Instrument actions, and ensure closer management and control for FPI operations. Deploying staff to these regional teams also led to changes in FPI's financial management functions and financial circuits, and its audit functions. A profound change process is demanding for any organisation and takes time. All organisational changes are now implemented and the reorganisation is delivering results.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Head of Service of the Service for Foreign Policy Instruments to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁴.

The executive summary has four subsections:

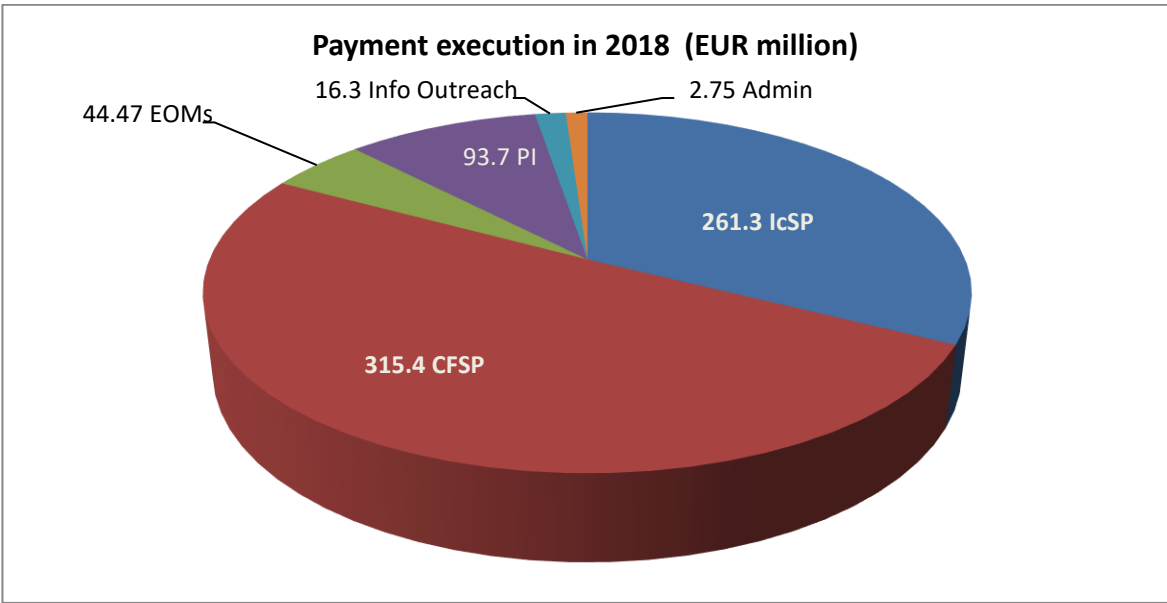
- a) Key results and progress towards the achievement of general and specific objectives of the Service;
- b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the 2016-2020 Strategic Plan;
- c) Key conclusions on Financial Management and Internal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

⁴ Article 17(1) of the Treaty on European Union.

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

The operations of the Service for Foreign Policy Instruments contribute mainly to political **priority** number **9 "A stronger global actor"** under the 10 political priorities of the Juncker Commission. At the same time, FPI contributes to several other of the Commission's political priorities, in particular but not exclusively those related to "A new boost for jobs, growth and investment", "A Resilient Energy Union with a Forward-Looking Climate Change Policy", "Trade: A balanced and progressive trade policy to harness globalisation", and "A New Policy on Migration". The operations of the FPI underpin the **EU Global Strategy**: most of FPI operations and budget are directed to contribute to the worldwide preservation of peace, the prevention of conflicts and the strengthening of the international security.

In 2018, FPI **committed EUR 850 million** and **paid EUR 734 million** in relation to the above operations.



As regards the world-wide preservation of peace, the prevention of conflicts and the strengthening of international security, the year 2018 was marked by reverse trends. While the overall number of wars clearly decreased, the number of limited wars significantly increased, as measured by the Conflict Barometer of the Heidelberg Institute for International Conflict Research. Global instability, as measured by the number of conflicts (encompassing disputes, nonviolent crises, violent crises, limited wars and wars), decreased compared to 2017, from 385 conflicts worldwide to 372 of which 40 (as against 36 in 2017) are classified as highly violent (16 wars and 24 limited wars, respectively 20 and 16 in 2017). In 2018, three conflicts escalated to full-scale wars. All three were located in the Middle East and Maghreb region. In comparison to 2017, the number of full-scale wars in Sub-Saharan Africa declined significantly in 2018. Four of last year's ten wars de-escalated, while no new war commenced. In DR Congo, the conflict between the Kamuina Nsapu militias and the government, which had been on warlevel in 2017, de-escalated to a violent crisis, and last year's war over subnational predominance and resources between more than 100 armed groups and the government, supported by MONUSCO, receded to a limited war. In South Sudan, two wars also de-escalated. As in previous years, the only violent conflict in Europe took place in Ukraine, which de-escalated to a limited war in 2018. In Asia, no wars were observed in 2018 at all. Both conflicts in Asia which had been on war-level in 2017 de-escalated to limited wars, last year's war in Rakhine State (between the Muslim minority Rohingya and the Buddhist government),

and war in the Philippines. While the EU could not deploy resources to address all conflicts in 2018, and no direct correlation can be established between FPI interventions and any decrease in the overall number of conflicts, the results of the Conflict Barometer may be seen as a useful indicator of the EU's global impact, together with the international community, as a stabilising force.

The challenges faced by FPI for actions under IcSP, CFSP and EOMs to achieve targeted results in 2018 included constant adaptation of planning and implementation to highly volatile operational contexts as well as maximising synergies and complementarities with other external action instruments and Member States' actions. In 2018, a key challenge for the Partnership Instrument was to deal with demand for actions exceeding by far the available budget and to make sure that those selected delivered optimal impact in projecting the EU's interest abroad and allowing the EU to leverage its influence.

Instrument contributing to Stability and Peace (IcSP)

Throughout 2018, the Instrument contributing to Stability and Peace (IcSP) remained a key tool for EU diplomacy in crisis contexts and in its quest for conflict prevention, stability, conflict resolution and peace-building. All of the 42 new crisis response actions adopted respond directly to EU political priorities as discussed in the Foreign Affairs Council or through engagements from the EU Commission Vice President and High Representative of the EU for Foreign Affairs and Security Policy. In 2018, commitments under the crisis-response component of the Instrument amounted to EUR 254.4 million. Furthermore, EUR 33.7 million were committed to longer-term interventions under the Annual Action Plan (AAP) for conflict prevention, peace-building and crisis preparedness. This represented a 55% increase in commitments compared to 2017.

The newly adopted actions in Central African Republic, Mali and Somalia, as well as ongoing programmes in Afghanistan, Bosnia and Herzegovina, Georgia, Kosovo*⁵, Niger and Ukraine, directly complement the work of CSDP missions, thereby contributing to the implementation of the EU Integrated Approach in response to conflicts and crises. Furthermore, 2018 was the first year of implementation of Capacity Building for Security and Development (CBSD) actions following the 2017 amendment to the IcSP Regulation⁶. To date, six CBSD actions have been launched in four countries (Central African Republic, Mali, Somalia and Lebanon) under Article 3 and one action adopted under Article 4 to build regional training centres for training in the areas of health, mine clearance or civil protection for military actors.

The IcSP also contributed to immediate conflict prevention via a number of initiatives supporting youth as peace actors in Jordan, in Rohingya camps in Bangladesh or in Sahrawi camps in Algeria, as well as rapid support in response to the crises unfolding in Venezuela and Nicaragua. Preventive actions also accompanied the tense electoral processes in Mali, Madagascar, the Democratic Republic of Congo and in Ukraine.

As regards longer-term conflict prevention, peace building and crisis preparedness, the 2018 AAP consolidated support to civil society in third countries to prevent conflicts and build peace, while also contributing to inclusive peace mediation and dialogue processes at international, regional and local levels. While many actions take place in areas suffering from prolonged conflicts such as Syria, Yemen, Libya, Ukraine, Iraq, Central African Republic and Somalia, others address challenges in other contexts such as Nicaragua, Venezuela, Madagascar and

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

6 Regulation (EU) 2017/2306 of 12 December 2017 amending Regulation (EU) No 230/2014 establishing an instrument contributing to stability and peace: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2306&from=EN>

Lesotho.

Work to coordinate international efforts in conflict and post-conflict settings continued with the UN and other international organisations, notably the World Bank. Initiatives contributing to peace-building and stabilization efforts in mineral-rich fragile areas also continued, by promoting responsible sourcing and trading of gold and diamonds in West and Central Africa. During the year the EU, represented by the Service for Foreign Policy Instruments, used its rotating Presidency of the Kimberley Process to attract additional attention to the issue. New support was earmarked for transitional justice, where a new expert facility will provide fast and reliable access to experts and advisors for deployment in third countries.

By its very nature, the IcSP is called upon to operate in hostile and war-affected environments, thus it remains a major challenge to constantly adapt planning and implementation to this highly volatile operational context. Another challenge is to achieve optimal coordination with other partners and donors on effective conflict prevention. Consequently, greater internal EU coordination is prioritised, in the framework of the Integrated Approach, as well as externally via enhanced cooperation with the UN Peacebuilding Fund. A greater need for adaptability resulted in actions in the Sahel, Libya and South Sudan being cancelled in a timely manner to ensure reallocation of funds to other priorities in 2018. Political pressure to announce rapidly new programmes—before they are fully mature—combined with the instrument’s complex operational environment on a few occasions generated delays in contracting. A process of further simplification and streamlining of procedures was launched to remedy this.

IcSP Success Stories in 2018

In 2018, the IcSP launched its first specific intervention in the north-eastern part of **Syria** in areas liberated from Da’esh by the Global Coalition. A new mine action (EUR 10 million) aims to improve physical safety conditions and to facilitate access to land and infrastructure – including through mine risk education for returnees, displaced people and host communities. It represents the first EU non-humanitarian intervention in the area since the conflict erupted and it forms part of the stabilisation efforts conducted by the EU and its Member States in the framework of the Global Coalition against Da’esh.

The crisis situation in the **Central African Republic** (CAR) remains a significant EU concern. During 2018, the IcSP allocated EUR 40.5 million in additional funding to sustain EU engagement to advance peace negotiations and support stabilisation actions. IcSP funding provided new and sustained impetus to the peace process, which had been on the verge of collapse at the end of 2017. One year on, the perspectives for a negotiated cease-fire and a comprehensive political agreement had significantly improved; in February 2019 the Government and other parties to the conflict signed a peace agreement.

Stabilisation of the security situation in **Ukraine** remains of major importance for the EU. Despite a series of renewed ceasefire commitments, the situation in eastern Ukraine continues to be marked by daily ceasefire violations, use of heavy weapons, destruction of critical civilian infrastructure and major mine contamination. In addition to the significant and continued contribution to the OSCE Special Monitoring Mechanism, during 2018, the IcSP – in close coordination with the Delegation, EEAS and DG NEAR – identified new actions, including in the area of cyber-security, which had been prioritised in connection with the March 2019 presidential elections.

During 2018 – the first year of implementation for the new **Capacity Building in support of Security and Development** (CBSD) component of the IcSP – six CBSD actions were adopted under the crisis response component (Article 3) with a combined budget of EUR 21 million. The

actions are divided between three countries - two actions in Mali (Mopti airport, basic services provision by Malian army), two in the Central African Republic (weapon storage facility and advance deployment to Bouar) and one in Somalia (effectiveness of the General Staff of the Somali defence forces). The sixth CBSD action is underway in Lebanon to support the deployment of the Lebanese army to the United Nations Interim Force In Lebanon (UNIFIL) operation area south of the Litani River. In Mali, the Central African Republic and Somalia, the preparation of CBSD actions was undertaken in close cooperation with the CSDP missions, making the EU integrated approach to external conflicts and crises a reality. In addition to the above, 800 military of the armed forces of countries in crisis will be trained in the areas of health, mine clearance, civil protection and peacekeeping under the IcSP long-term conflict prevention component (Article 4).

During 2018, IcSP continued to deliver on the EU's political commitment to **transitional justice**. This included support to a Brussels-based dialogue between civil society and EU policy-makers to reflect on three years implementation of the related EU policy framework⁷. During the year, the IcSP also prepared the launch of the first Transitional Justice Facility that through 2019-2021 will make short-term expert advice available to support justice processes in beneficiary countries during conflict, post-conflict and transition periods including the restoration of justice for the population, as well as formal and community-based transitional justice processes.

During 2018, the IcSP continued to contribute to the translation of the EU's commitments - under UN Security Council Resolution 1325 and the broader Women, Peace and Security Agenda - into actions by empowering women's participation, including strengthening the agency of survivors of sexual violence, involving civil society actors and international organisations. Contributions included improving women's participation in peace-building and transition processes; enhancing the evidence base on violence against women; and ensuring more gender-sensitive responses to conflict and transitional justice. Examples include: activities to support the involvement of Syrian women in the peace process at international and local level as well as initiatives in Kosovo and Nepal addressing the consequences of sexual violence during armed conflict.

2018 was also a year of sensitive electoral processes. In Mali and Madagascar, IcSP contributed to diffuse tensions and supported the transparency of electoral processes, complementing EU Election Observation Missions deployed in these and other conflict-affected countries. IcSP was also mobilised in the context of the elections in the Democratic Republic of Congo at the end of the year and for a new action planned for 2019 in Libya.

Foreign Policy Regulatory Instruments and sanctions

The Service for Foreign Policy Instruments (FPI) serves as the Commission's lead service for restrictive measures (sanctions) and other foreign policy regulatory instruments, such as the Kimberley Process Certification Scheme on conflict diamonds and the Regulation concerning trade in certain goods which could be used for torture or capital punishment (Regulation (EU)2019/125⁸). These instruments impose certain trade restrictions in order to achieve EU Common Foreign and Security Policy (CFSP) policy objectives.

⁷ "The EU's Policy Framework on support to transitional justice" adopted by the Council on 16 November 2015.

⁸ Regulation (EU) 2019/125 of the European Parliament and of the Council of 16 January 2019 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment; *OJ L 30, 31.1.2019, p. 1-57*

Overall, these EU regulatory policy instruments face multiple challenges in a global context. The swift transposition of UN Security Council sanctions remains crucial for their effective implementation by both EU governments and economic operators. With respect to the Kimberley Process, the extension of the review and reform cycle until the end of 2019 provides the EU with both the challenge and a further opportunity to ensure joint efforts and a common sense of purpose with all relevant stakeholders to successfully advance the KP reform agenda. Finally, the 'Anti-Torture Regulation' and the related Global Alliance require the engagement of the Commission and Member States in particular, as national authorities must ensure that the trade restrictions foreseen in the Regulation are properly applied and enforced in the EU.

With regard to sanctions, throughout 2018, FPI tabled complex EU sanctions proposals in record time to ensure that the EU could quickly react to political developments.

The Service also played a key role in the Union's efforts to protect the interests of EU operators from the **extraterritorial application of U.S. sanctions** against Iran following the U.S. withdrawal from the nuclear deal - the Joint Comprehensive Plan of Action (JCPOA).

In 2018, FPI assumed, on behalf of the EU, the Chairmanship of the Kimberley Process (KP), a global tri-partite initiative between governments, industry and civil society to stop the trade in 'conflict diamonds'.

FPI's efforts as 2018 Kimberley Process Chair notably resulted in launching in-depth discussions on the review and reform of the Kimberley Process, which will continue in 2019.

Regulation (EU)2019/125 of the European Parliament and of the Council consolidates the text of the trade restrictions of Council Regulation (EC) No 1236/2005 that are applied to help prevent listed goods being used for torture or for capital punishment.

Following its successful engagement in preparations for the launch in September 2017 of the Global Alliance to end trade in goods that could be used for torture or capital punishment, FPI supported a technical meeting of experts that was held in Brussels on 29 June 2018 as an initial step in the implementation of the Alliance.

Common Foreign and Security Policy (CFSP)

In 2018, the EU continued to demonstrate its commitment to preserving peace, preventing conflicts and strengthening international security. Following up on Council decisions on the implementation of the Common Foreign and Security Policy (CFSP), FPI committed EUR 370 million for CFSP actions –EUR 42.3 million more than the initially voted CFSP budget for 2018.

FPI continued to ensure that, as soon as the Council decided on an action, funding was provided rapidly for civilian Common Security and Defence Policy (CSDP) Missions, the European Union Special Representatives (EUSRs), for actions in the field of non-proliferation and disarmament (NPD) and Article 28 TEU actions.

As an example, FPI facilitated a budgetary top-up to the new civilian CSDP Mission in Iraq to meet increasing demands resulting from the difficult security conditions. FPI also financed an action in Yemen under Article 28 of the Treaty of the European Union (TEU) in aiming at facilitating the in-flow of commercial goods through support to the UN Verification Mechanism to inspect vessels heading towards the port of Hodeidah. This helps alleviate the suffering of the Yemenite population in the ongoing conflict.

Speedy and direct support by FPI allowed the 8 EUSRs, the 10 civilian CSDP Missions⁹, the European Security and Defence College and the Kosovo Specialist Chambers not only to remain operational, but also to provide funding for enhanced ambitions set by Member States for some civilian Missions, notably in Iraq, Libya and Somalia, promoting regional and international security and stability. For FPI, this meant managing an ever increasing CFSP demand within a very tight budgetary framework.

The civilian CSDP Missions provided tangible support to improve security and the rule of law both in the EU neighbourhood and further afield. They helped countries make indispensable progress in the fight against terrorism, people smuggling and organised crime, to strengthen police and judicial authorities and, in Georgia, to undertake vital monitoring of compliance with the agreement that ended the 2008 conflict.

The EUSRs continued to play an important role in the the EU's peace building efforts in the South Caucasus, the Horn of Africa, the Sahel, the Middle East, Kosovo, Bosnia and Herzegovina and Central Asia. The efforts of the EUSR for Human Rights continued to underpin the achievements of the EUSRs and the civilian Missions within their respective fields of action.

Continuing to demonstrate the EU's support for both multilateral and regional approaches to advancing peace and security, the Council decided in 2018 to finance an additional nine non-proliferation and disarmament (NPD) actions. FPI supported partners in preparing the actions and signed new contracts, bringing the number of ongoing NPD actions to 24. These actions advanced the universalisation and effective implementation of international treaties, conventions and agreements combatting the proliferation of Weapons of Mass Destruction, their delivery mechanisms and the illicit accumulation and trafficking of small arms and light weapons (and their ammunition).

Election Observation Missions (EOMs/EIDHR)

FPI deployed a total of **33 electoral missions** in 2018:

- 9 fully-fledged Election Observation Missions (EOMs) in Sierra Leone, El Salvador, Paraguay, Tunisia, Lebanon, Pakistan, Zimbabwe, Mali and Madagascar;
- 10 Exploratory Missions were carried out, several aimed at preparing missions for 2019;
- 10 Election Expert Missions (EEMs) in Nigeria, Mozambique, Afghanistan, Iraq, Timor-Leste, Colombia (two deployments for legislative and presidential elections respectively), Bangladesh, Guinea and Sao-Tomé and Príncipe; and finally
- 4 Election Follow-up Missions (EFM) in Jordan, Uganda, Burkina Faso and Haiti.

Some of these missions were deployed in a volatile security environment such as the EOM to Pakistan and Mali, the EEM to Nigeria, Afghanistan and Iraq and EFM to Haiti.

Following the **Court of Auditors' Special Report** "Election Observation Missions – efforts made to follow up on recommendations but better monitoring needed"¹⁰, published at the end of 2017, a repository for storing and better follow-up of recommendations was developed in 2018.

⁹ Thirteen different civilian CSDP Missions have operated at different stages between 2014 and 2018. During this time period, three Missions were closed, and three were opened (EUCAP Sahel Mali, EUAM Ukraine, EUAM Iraq). In 2018, 10 missions were operational.

¹⁰ Special report No 22/2017: <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44285>

In 2018, following the mid-term review of the first year of the EOMs' methodology and training action entitled **Election Observation and Democracy Support II** (EODS II) for 2017-2020, more focus was given to methodology development in specific fields (e.g. online campaigning). While training for different EOM positions continued with a view to widening the pool of experts, attention focused on increasing impact and enhancing regional cooperation.

Partnership Instrument (PI)

In 2018, the Partnership Instrument contributed to EU external action by **articulating and implementing the external dimension of internal policies**, interconnecting between different policy areas, and **leveraging the EU's influence abroad**. Supporting political dialogues combined with technical assistance related to EU norms and standards, actions under the Partnership Instrument did have a positive impact on decision making on the side of partners, enabling talks and negotiations with the EU¹¹. These actions help to create a level playing field, identify business opportunities and facilitate market access, and contribute to strengthening rules-based multilateralism. Actions cover challenges of global concern like climate change and environmental protection; the international dimension of the Europe 2020 strategy for smart, sustainable and inclusive jobs and growth; improving access to markets and boosting trade, investment and business opportunities for EU companies (with particular emphasis on SMEs); and public diplomacy.

Priority setting and decision-making for the Partnership Instrument moved towards a clear **concentration on strategic EU priorities**. The new PI Multiannual Indicative Programme (MIP) 2018-2020, adopted in June 2018, helped prioritize strategic policy areas where action is most needed to influence the partner countries/regions' agenda, to make progress on relevant political dialogues, to align positions or to produce tangible changes in terms of EU's needs. This focused priority setting was the result of the Service's active engagement with the different Directorates General (DGs) of the Commission, the European External Action Service, and EU Delegations. FPI continues its active cooperation with all the former in identifying and designing actions. The role of Commission DG's in designing and implementing actions is crucial to ensure that all actions fully reflect the EU's policy objectives and to guarantee the necessary technical expertise.

In terms of fighting climate change, the action "Support to the Implementation of the Paris Agreement (SPIPA) with major economies" supports and encourages partner countries to successfully adopt climate change mitigation and adaptation policies. The aim is to reduce their greenhouse gas emissions, adapting to the effects of climate change, and thus ultimately contributing to the long-term targets laid out in the Paris Agreement through their nationally determined contribution (NDC). The "International Urban Cooperation Programme" boosts city-to-city cooperation between the EU and target countries in Asia and the Americas in the context of the New Urban Agenda and in support of EU regional policy engagement. Through the action, cities from Europe and other global regions are paired together, jointly committing to design and implement pilot projects that enhance sustainable development at the local and regional levels. To date, over 60 pairings have taken place between local governments thanks to the programme which has been instrumental in taking forward EU climate leadership by underpinning national and regional covenants of mayors' initiatives in support of city and local authority climate action. In Latin America, the programme supported region-to-region cooperation on innovation for local and regional development.

¹¹ Mid-term evaluation of the Partnership Instrument for cooperation with third countries, SWD(2017) 608 final of 15.12.2017 https://ec.europa.eu/europeaid/sites/devco/files/swd-mid-term-review-pi_en_0.pdf. The mid-term review, finalised in December 2017, confirmed that the instrument is fit for purpose.

Cooperation on civil aviation matters (in China, South Asia, South-East Asia and Latin America) also promotes EU interests in different yet complementary areas. These actions develop and support EU aviation interests around the world in line with the Europe 2020 Strategy and the European Commission's Aviation Strategy for Europe, by strengthening institutional links, promoting regulatory harmonisation, addressing capacity limitations and supporting environmental protection and climate action. They specifically promote EU policy, standards and technology and thereby contribute also to creating a level playing field and a more compatible and open market for the EU aviation industry across the globe.

In 2018, the Partnership Instrument maintained a high level of operational speed with 27 stand-alone actions adopted for a budget of EUR 126.9 million covering the following areas: Climate change action post COP-21; Trade and market access; Ocean governance; Economic empowerment of women; Global health; and Public diplomacy.

These actions will enable and facilitate numerous strategic policy dialogues and information exchange activities with partner countries, thereby extending the reach and depth of EU foreign policy. Besides stand-alone actions which have a medium- to long-term nature, there are two tools for short-term actions under the Partnership Instrument (Policy Support Facility and Technical Assistance and Information Exchange instrument (TAIEX), where respectively 26 and 18 actions were contracted in 2018, with several more already foreseen for 2019.

Information outreach on the Union's external relations

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

In 2018, an important part of the budget resources was allocated to the financing of the digital broadcasting of the Euronews channel in the Farsi language.

In the line with priority given to Strategic Communication under the EU Global Strategy, particular focus was given to combatting disinformation activities in the European Neighbourhood and Western Balkans and to enhancing EU capability to detect, analyse and expose disinformation.

European Union Visitors Programme (EUVP)

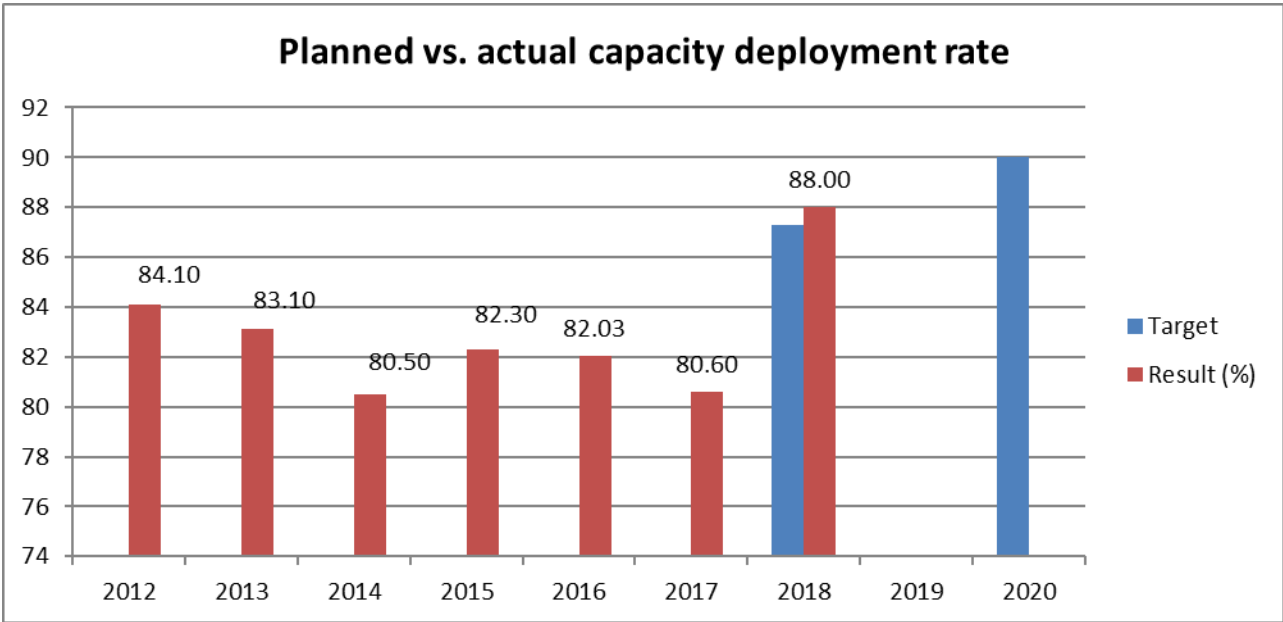
Throughout 2018, FPI continued to work in direct cooperation with the European Parliament to ensure the quality and visibility of the EU Visitors Programme, which has been operational since 1974. In 2018, no less than 137 study visits were organised for actual and potential future leaders from third countries, who were given the opportunity to become acquainted with the EU institutions and meet with Members of the European Parliament, officials from the European Commission and other EU institutions, as well as relevant interlocutors in Brussels and Strasbourg. Emphasis was also put on further developing awareness in EU Delegations about the Programme as a tool of public diplomacy and strengthening their involvement in ensuring its success.

b) Key Performance Indicators (KPIs)

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

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

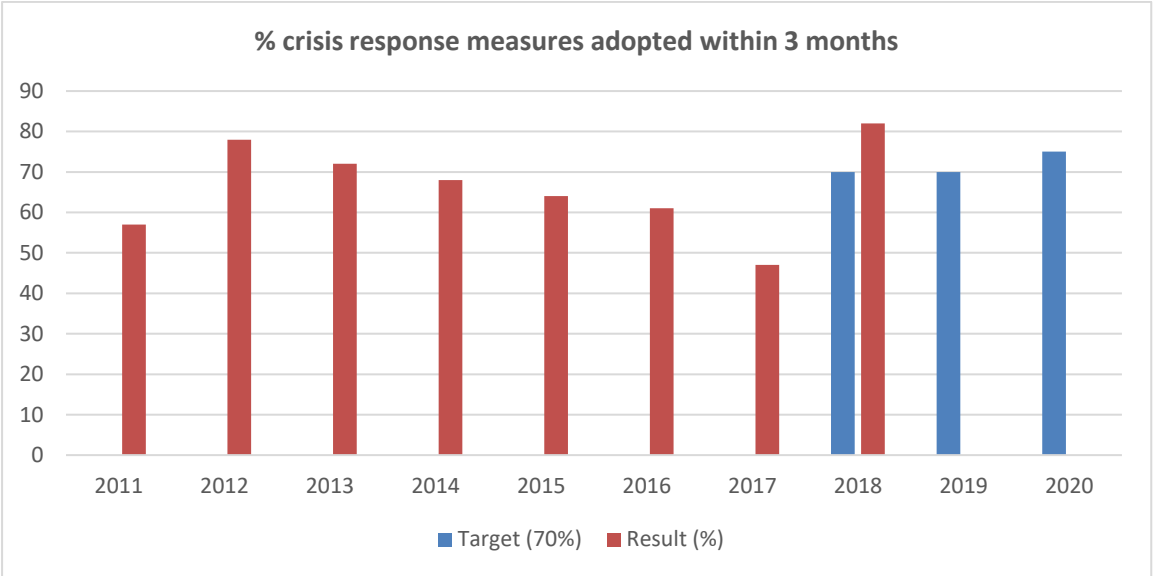
KPI 1: Planned vs. actual capacity deployment rate (international staff) of the main CSDP missions



Reading: In 2018, the deployment rate in the CFSP Missions was 88% compared to 80.6% the year before for international staff authorized by the respective Council Decisions of the European Union. The indicator monitors the effectiveness of the ongoing civilian CSDP missions' deployment: the fulfilment of the objectives of the Mission's mandate depends on the transfer of know-how which is linked to the rapid generation of civilian capabilities. Reaching the full operational capacity of CSDP missions depends on effective mobilisation of human resources and logistics.

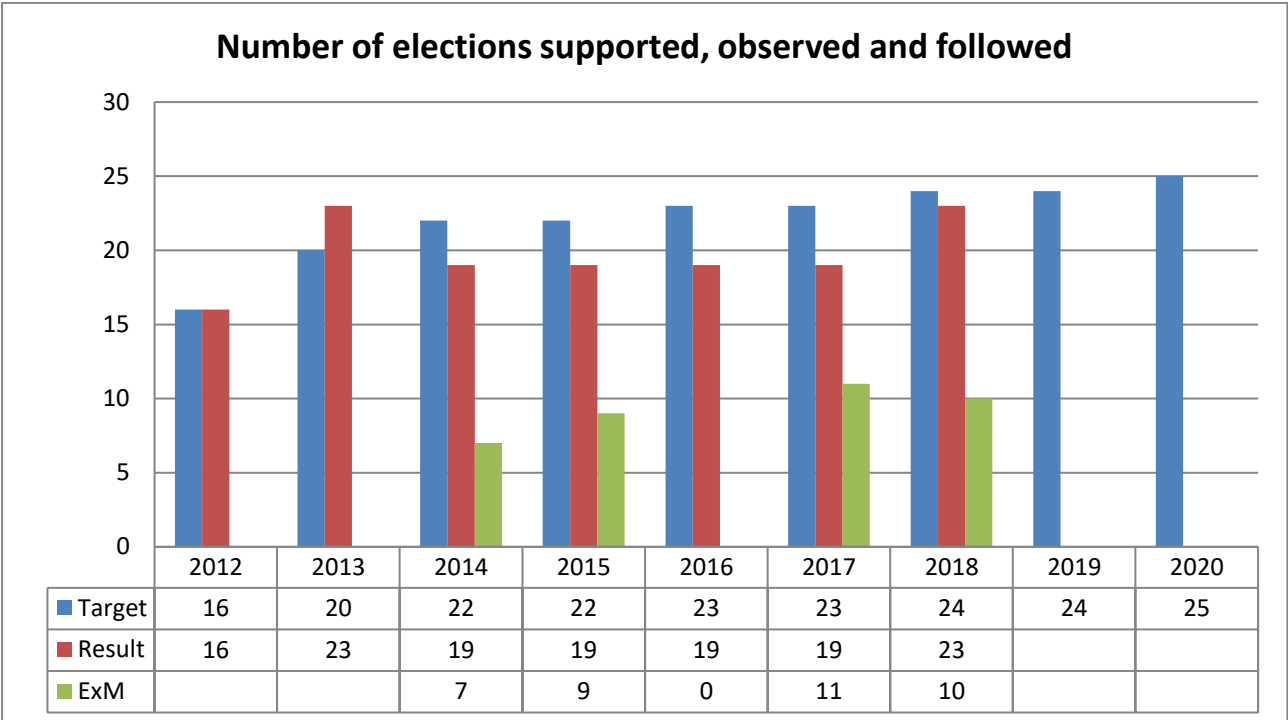
KPI 2: IcSP: Percentage of IcSP crisis response measures adopted within 3 months

Result/Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
Percentage of projects adopted within 3 months of a crisis context	Efficient crisis response: 75% by 2020 of projects adopted within 3 months of a crisis context (period from date of presentation to PSC)	57% in 2011 78% in 2012 72% in 2013 68% in 2014 64% in 2015 61% in 2016 47% in 2017 82% in 2018



Reading: Of the 34 short-term crisis response actions presented in 2018 to the PSC to respond to situations of crisis or emerging crisis (article 3) 28 were adopted (COM Decision) within 3 months of a crisis context, a percentage rate of 82%. The objective was to reach a percentage rate of 70%. The significant improvement compared with the previous year can to a large extent be explained by the creation of the FPI regional hubs (Bangkok, Beirut, Nairobi, Dakar, Brasilia) during 2017. The major organisational changes had consequences for the ability to maintain the desired level of speed. The improvement in performance during 2018 indicates that the reorganisation has been completed and that the new structure works well.

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

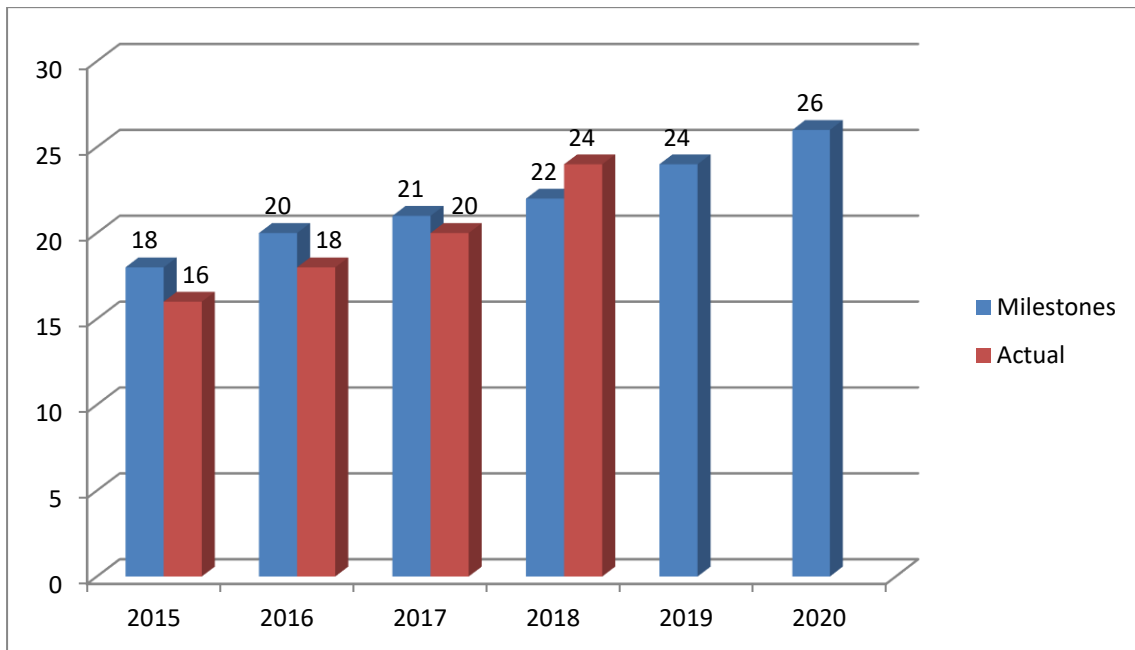


Reading: in 2018, FPI has deployed 23 electoral missions abroad (including 9 Election Observation Missions, 10 Election Experts Missions and 4 Election Follow-up Missions proposing recommendations to the host country) and 10 Election Exploratory Missions (ExM). Evolution of the political context during 2018 required postponement or cancellations of planned actions EOM missions, which can account for a decrease of results against target.

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

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

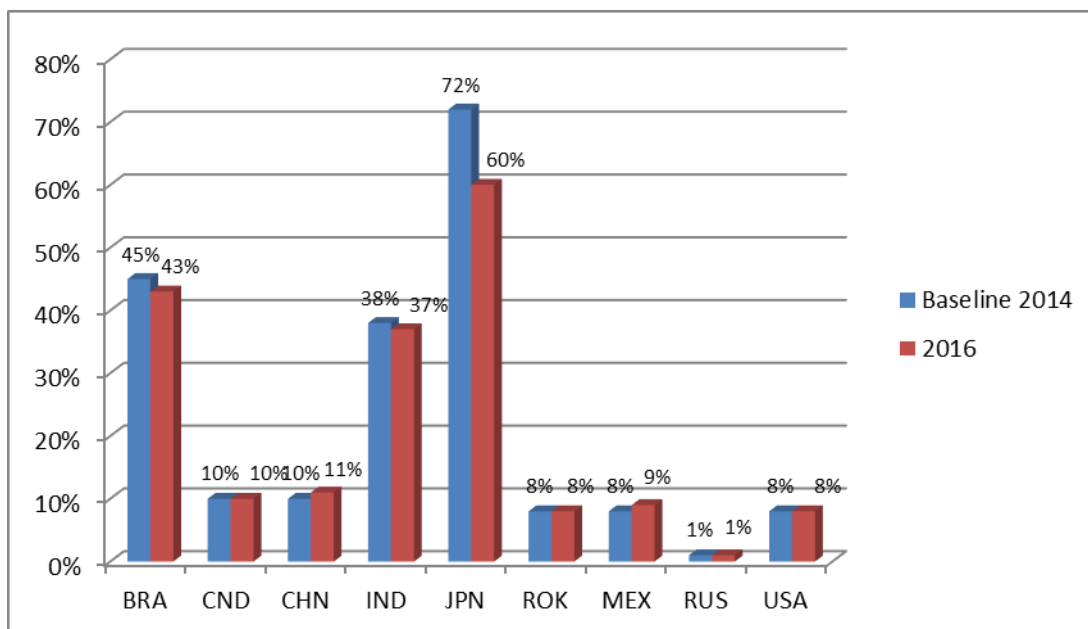
Sub-indicator 4.1: Operating Emissions Trading Schemes for greenhouse gas mitigation (ETS) outside the EU/EEA (at city, regional, country or multi-country level).



Source: <https://icapcarbonaction.com>

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

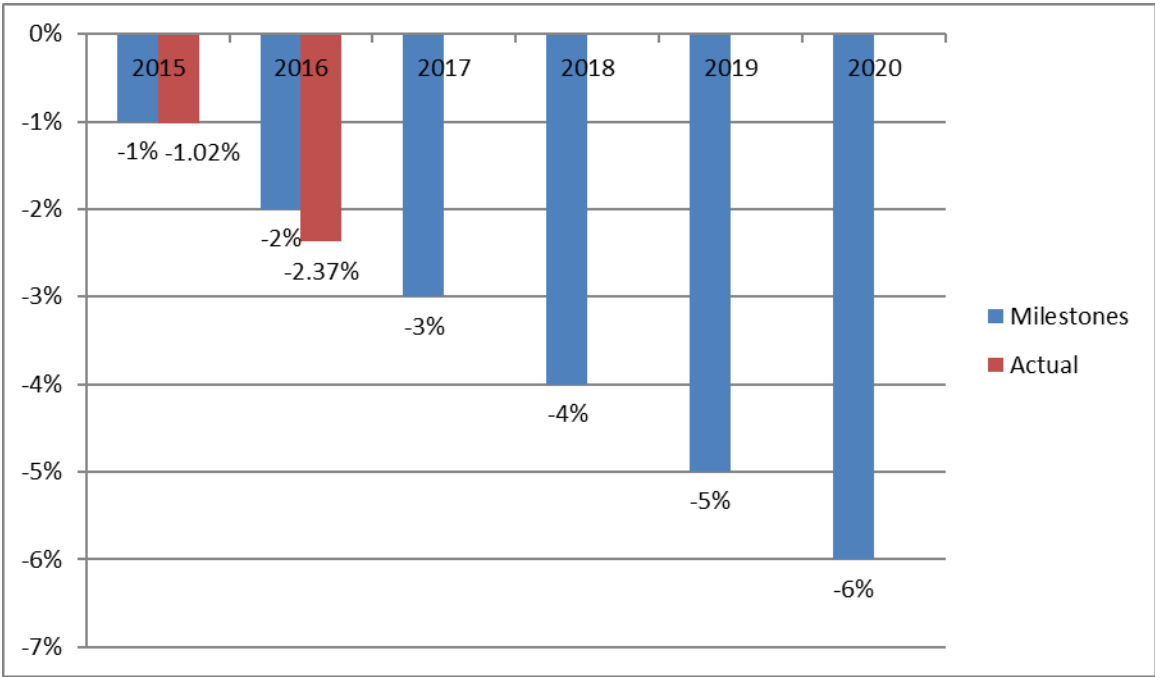
Sub-indicator 4.2: Share of renewables in total energy production in the 9 key partners



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

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

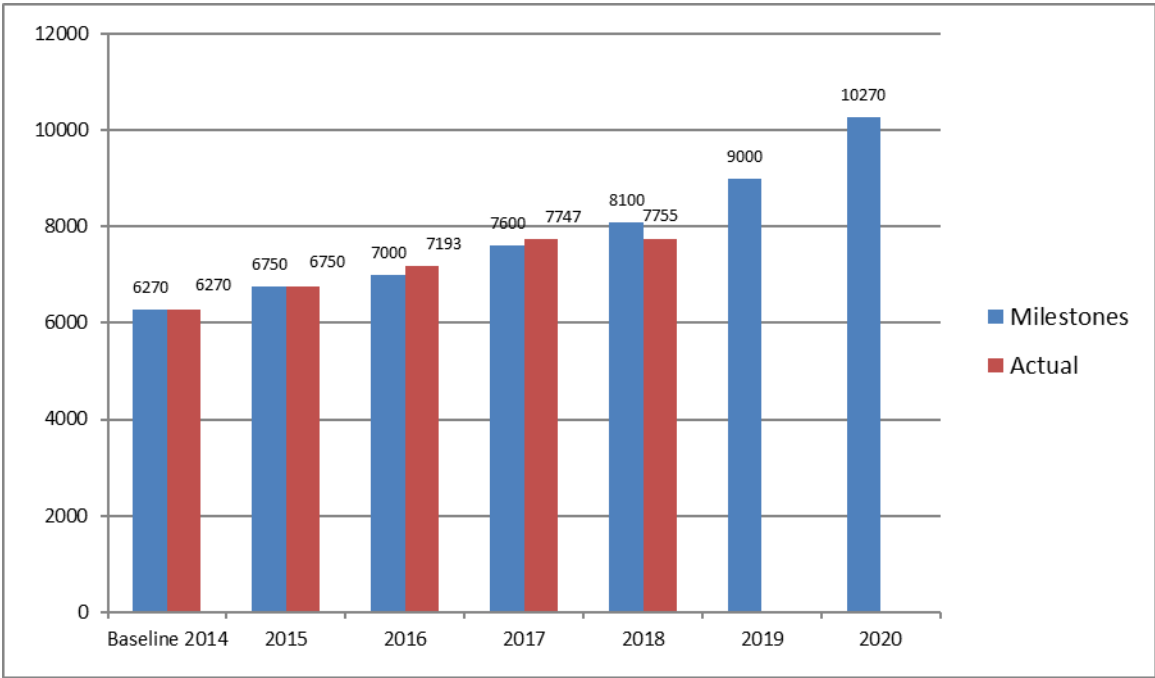
Sub-indicator 4.3: CO₂ emissions from fuel combustion in the 9 key partners (millions of tons of CO₂)



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

FPI expects that, through support under the Partnership Instrument on facilitating new partnerships, policy dialogue and signature of agreements on global challenges, the CO₂ emission will decrease in the 9 strategic partners (Brazil, Canada, China, India, Japan, Korea, Mexico, Russia, USA). The 2020 target corresponds to a decrease of 6% of the 2012 total CO₂ emissions in the 9 strategic partners.

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

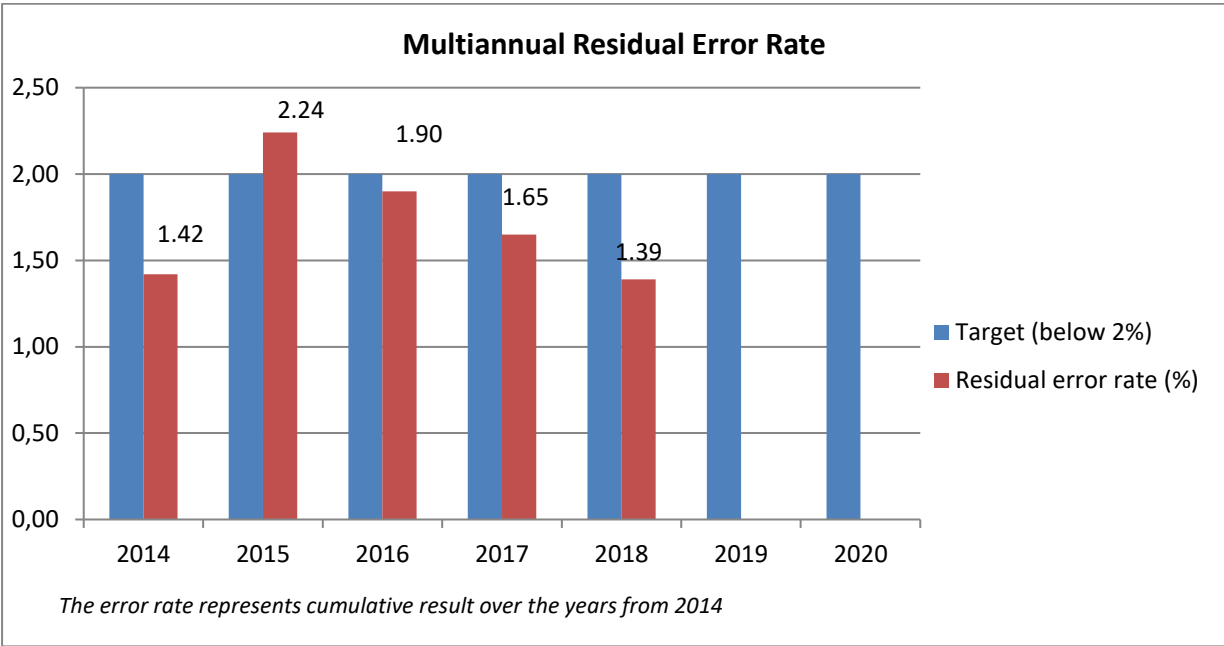


Source: EU Covenant of Mayors

FPI expects that, through support under the Partnership Instrument, 4000 new local and

regional authorities will have signed the Covenant of Mayors between 2014 and 2020. The target of 10 270 authorities signing the Covenant of Mayors remains achievable following recent renewed funding of activities in Asia and the Americas.

KPI 5: Residual Error Rate



Reading: in the period 2014-2018 (five years), the residual error rate of FPI was 1,39%.

The cumulative residual error rate (RER) for 2014-2018 is 1.39% for the total budget of FPI, which is the lowest RER measured in the last five years. Nevertheless, for 2018, the RER for Instrument for Cooperation with Industrialised Countries (ICI) activities is above 2 %. Based on the multi-annual RER, FPI is of the opinion that the control procedures in place give the necessary guarantees for the legality and regularity of the underlying transactions except for the ICI instrument where the rate of above 2% leads to a reservation. Please see section 2.1.5 for the related reservation.

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

In accordance with the governance arrangements of the European Commission, FPI conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

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

In addition, FPI has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 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; and necessary improvements and reinforcements are being implemented. The Head of Service, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the error rate.

d) Provision of information to the Commissioner

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

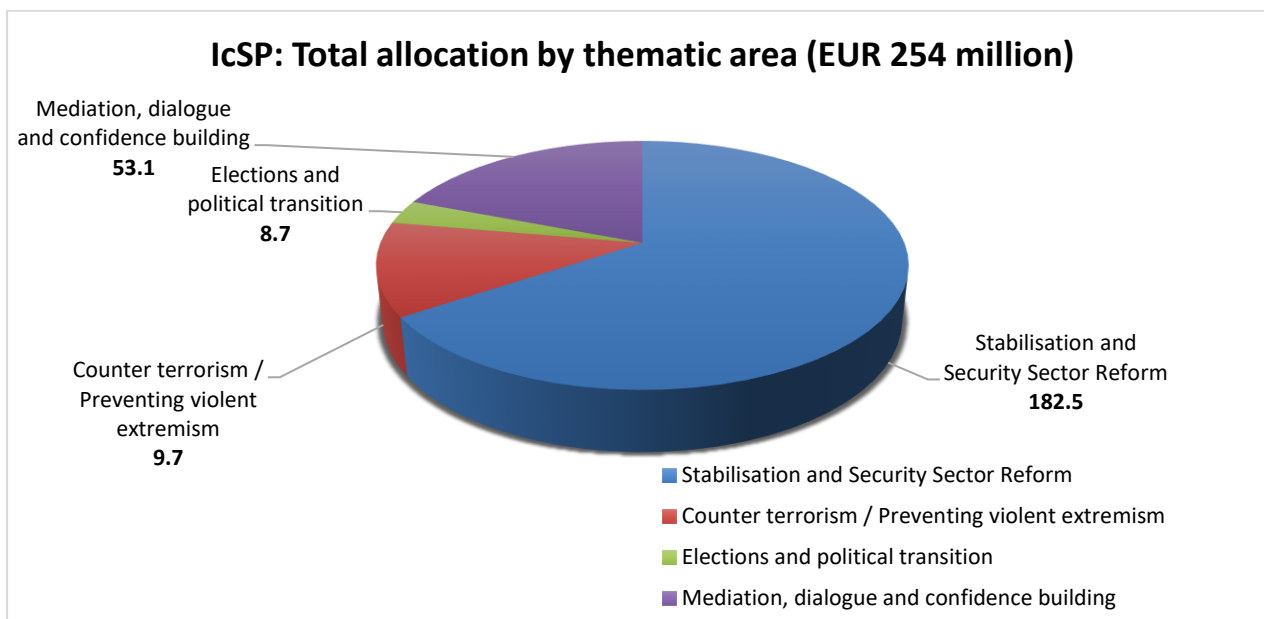
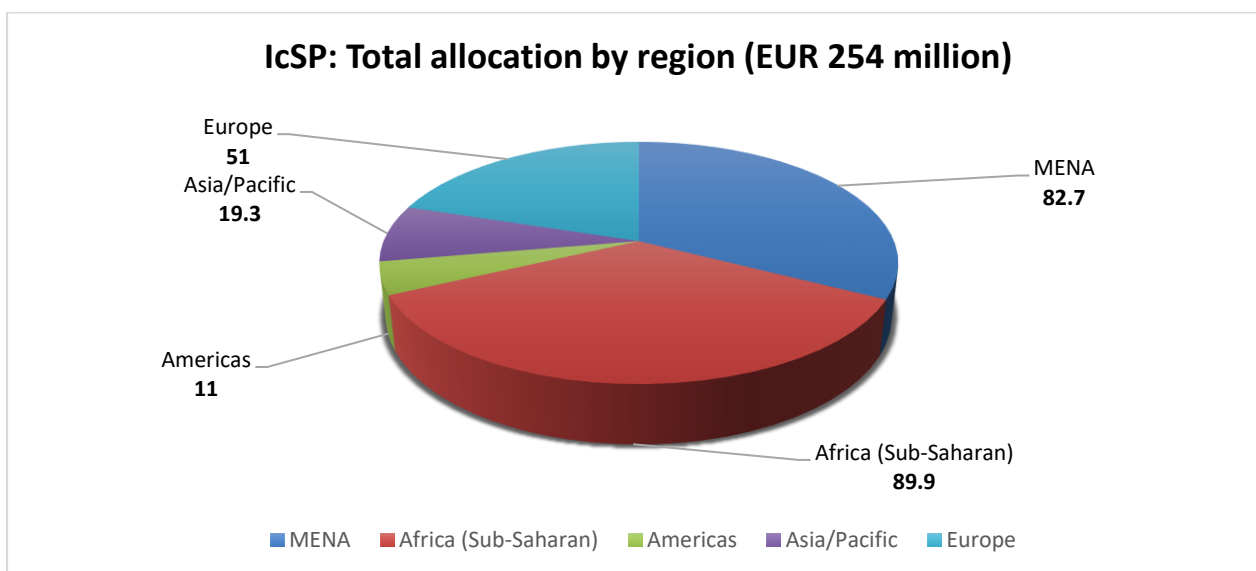
1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE SERVICE

Instrument contributing to Stability and Peace

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

Under this specific objective, a total budget commitment of EUR 254.4 million was committed in 2018.

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



At the end of 2018, there were 276 on-going actions operating in 64 countries. Examples of timely EU responses to high-priority crises on the EU political agenda are given below. Information on the actions funded by the Instrument under Articles 3 and 4 of the IcSP Regulation are available for the general public through the following online tool: <https://icspmap.eu/>.

Syria crisis – supporting international mediation, stabilisation and accountability

Since the beginning of the conflict in **Syria**, over EUR 307 million has been allocated under the Instrument contributing to Stability and Peace (IcSP) and its predecessor the Instrument for Stability (IfS) to actions in Syria and the neighbouring countries affected by the conflict (EUR 41.8 million in 2018), as part of the EU response to the crisis. This represents the largest IcSP engagement worldwide. The interventions financed by the IcSP focus on a range of issues including support to affected populations, support to accountability and transitional justice initiatives as well as support to dialogue and peace-building efforts.

In line with the EU Strategy for Syria, and building on previous funding in the area, the EU commitment to promote transitional justice and accountability here takes the form of support to the work of the *International Commission on Missing Persons (ICMP)* and its efforts to support the search for missing persons. Similarly, the IcSP also supports the *International, Impartial and Independent Mechanism*, established by UN General Assembly resolution 71/248, with core funding which allows it to investigate, identify and prosecute persons responsible for crimes during the Syria conflict.

Furthermore, during 2018 the IcSP, together with Germany, committed to a second phase of the *Syria Peace Process Support Initiative (SPPSI)*. This initiative provides direct operational support to the EU diplomatic agenda in Syria and to the UN-brokered international peace efforts, on the basis of UN Security Council Resolution 2254. The action effectively facilitated the logistical organization of talks with the Syrian opposition and supported the political engagement of Syrian civil society, including during the *Brussels II conference on "Supporting the Future of Syria and the Region"* in April 2018.

Central African Republic

In order to support the peace process, the IcSP deployed a senior advisor (funded via the ERMES facility under Article 4) to the Central African Republic President and Government to help build the mediation and negotiation capacities of the Government's negotiation team as well as to support the design of the process. The initial deployment yielded positive results and was complemented by three new crisis response actions: the first, to build the capacities of the Panel of Facilitators of the African Initiative (AI); the second, to prepare the negotiators of selected Armed Groups for negotiations with the Government; and the third, to support local/grassroots reconciliation efforts through the National Assembly, civil society, and religious actors.

In addition to the peace process, new IcSP actions focused on the gradual deployment of the national armed forces (FACA) and the internal security services (military, police and gendarmerie) along with the justice and civilian administration services, to re-establish state authority and the rule of law and allow for sustainable development in the country. The strategic area of Bouar was chosen as the first pilot area.

Mine Action

Following the decision in 2017 by the European Council to support the implementation of the

Ottawa Convention against land mines, the IcSP, within the limits of its means, remains significantly engaged in support for mine action across the world. In 2018, IcSP Mine action programmes were implemented in Guinea, Colombia, Bosnia and Herzegovina, the Philippines, Syria, and Libya.

The Instrument is often employed to address the socioeconomic impact on the civilian population of anti-personnel landmines, or explosive remnants of war (ERW). Activities financed cover, inter alia, risk education, mine detection and clearance, as well as stockpile destruction.

An evaluation of the IfS/IcSP support to Mine Action in beneficiary countries (2007-2017), Final Report sent in August 2018¹², highlighted that IcSP provided benefits in a range of areas: destruction and disposal of hazardous ammunition, clearance, contribution to safety and security, reducing the effects of mines/ERW, reducing the effects of armed violence, and institutional capacity building. According to the evaluation, the success of IfS/IcSP mine action stems from its flexibility, timeliness and practical adaptability, together with its ability to take risks in uncertain and fast-changing crisis-affected environments. The evaluation also identified a number of recommendations, notably to improve monitoring and evaluation of mine actions, to focus indicators on impact and outcome rather than on output, and to adopt a knowledge management strategy to retain lessons learned. Furthermore, it identified room for improvement on the conflict-, context- and gender sensitivity of some of the actions.

In Syria, the IcSP support to mine action in areas liberated from Da'esh by the Global Coalition was the first EU non-humanitarian assistance measure in the north-east of the country since the beginning of the conflict. In Libya, the EU, via the IcSP, remains the leading donor for humanitarian demining.

Ukraine

Since the beginning of the conflict in 2014, IcSP has supported peace-building, stabilisation and early recovery actions in Ukraine with more than EUR 100 million. In 2018, in addition to further supporting the work of the OSCE Special Monitoring Mission, new IcSP decisions focused on initiatives targeting community-based reintegration for veterans of the conflict in eastern Ukraine and strengthening community and civil society resilience. Furthermore, the IcSP supports a pilot initiative designed to track and analyse patterns of civilian harm by, amongst others, providing officers, soldiers, and other military and civilian stakeholders with specific, scenario-based training on civilian harm mitigation. In parallel, the activity is aimed at aiding the Ukrainian government's efforts to improve assistance to civilians by helping develop more-streamlined procedures and standards for the delivery of post-harm assistance.

The conflict in Ukraine continues to have a severe impact on adolescents and young people with a significant number still experiencing high levels of post-traumatic distress. To mitigate these negative effects on adolescents and youth in conflict-affected eastern Ukraine, the IcSP has also, supported initiatives that strengthen the provision of psychosocial assistance and build a sustainable support system for young people, their parents and caregivers.

CBSD

Supporting partners emerging from conflict to reform their security systems remains one of the EU's priorities, as it is often a key to improve governance, to place the military under

¹² ICSP/2017/390-960. The evaluation has not been published.

civilian oversight, and to help partners prevent and manage crises. On 12 December 2017, an amendment to the IcSP Regulation¹³ introduced the *Capacity Building in support for Security and Development* (CBSD) initiative. CBSD enables the EU to engage with the military of third countries under a set of specific conditions. While working with military partners, the objectives behind any CBSD action has to be civilian and development-oriented. This is an important step to strengthen the link between security and development rooted in the United Nations Agenda for Sustainable Development and a key element in making the integrated approach a reality, by implementing the new strategic framework for EU support to Security Sector Reform and complementing the CSDP.

Under the IcSP long-term conflict prevention component (Article 4), a three-year action was approved to train 800 military of the armed forces of countries in crisis (including Burkina Faso, Iraq, Lebanon, Mali, the Central African Republic, the Democratic Republic of Congo, Somalia and South Sudan) in the areas of health, mine clearance, civil protection and peacekeeping.

Finally, in line with the requirements of the amending Regulation, an operational risk assessment/risk management methodology was finalised and made operative.

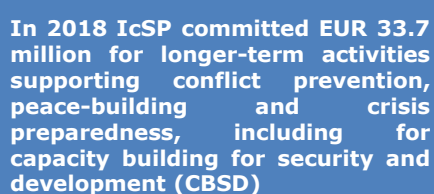
Transitional Justice

In addition to support to the Special Tribunal for Lebanon, the International, Impartial and Independent Mechanism on Syria, the Special Criminal Court in Central African Republic, the IcSP also engaged in promoting victims' right and alternative justice mechanisms. In Guinea Conakry, targeted actions supported victims of the most serious crimes which happened in September 2009 in their efforts to seek justice, while other activities started/continued in Niger and Nigeria on community reconciliation and judiciary treatments of ex-Boko-Haram combatants and in Iraq on restorative justice to address the issue of missing persons. In Colombia, community-based justice mechanisms were supported in the most remote and conflict affected territories. The IcSP also contributed to provide explicit guidance on transitional justice and reconciliation in South Sudan, notably through a workshop on documentation attended by the Chair of the Human Rights Commission on South Sudan.

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

The IcSP is an essential tool of the European Union to contribute to the translation of political priorities for conflict prevention and peace-building into concrete activities.

In 2018, the IcSP Annual Action Programme kept its strong focus on conflict prevention and on



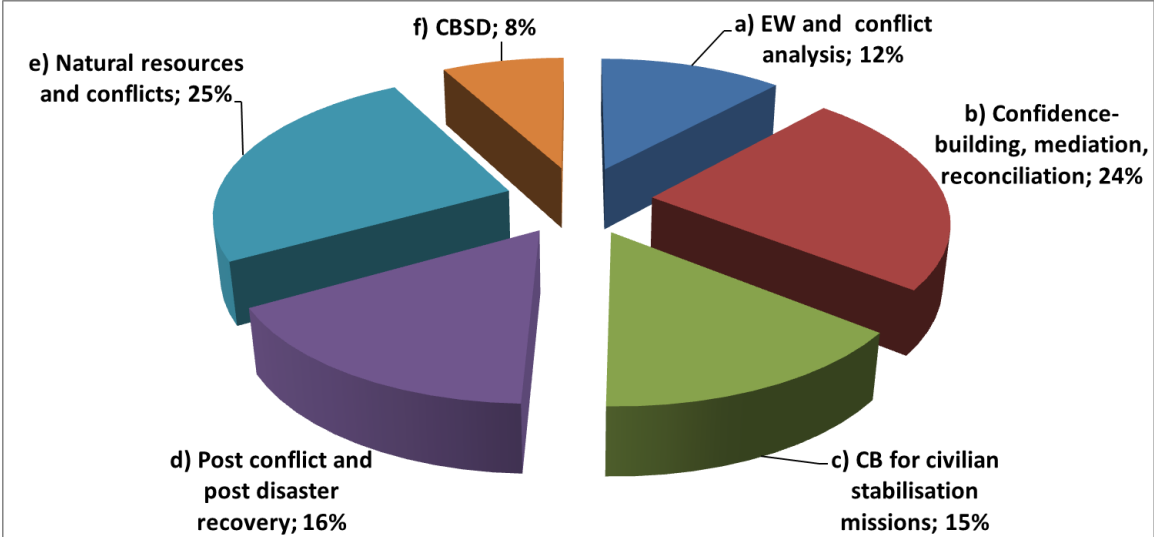
In 2018 IcSP committed EUR 33.7 million for longer-term activities supporting conflict prevention, peace-building and crisis preparedness, including for capacity building for security and development (CBSD)

actions aiming to address the root causes of violent conflict through a EUR 33.7 million package of new actions. Priority was given to **supporting civil society actors** in conflict affected contexts, covering four themes : (i) capacity building in preventing violent extremism; (ii) engaging with the security sector; (iii) addressing land-related conflict; (iv) promoting mediation, dialogue and confidence-building measures. Additional priority was given to reinforcing the

¹³ (EU) No 230/2014

multilateral approach in conflict prevention, in particular through cooperation with the UN by strengthening the EU-UN partnership in the field of mediation and conflict prevention and to promoting the effectiveness of **Common Security and Defence Policy (CSDP) missions** by providing advanced and high level trainings for police and civilian personnel that are to be deployed to civilian stabilisation missions. A final priority addressed the link between **conflict and exploitation of natural resources**, in particular in the diamond sector in Sub-Saharan Africa.

IcSP Peace-building Annual Action Programme 2018 by priority



Success stories

Early Warning - Early Action: how to bridge the gap

Through constant, independent, field-centred analytical work, the action “Bridging the Gap: enhancing early Warning and effective early action”, implemented by the International Crisis Group aims to support the EU, Member States and other relevant international actors to better act, to prevent the emergence, re-emergence or escalation of violent conflict around the world. It helps to (i) support the EU and international actors translate early warning information into early actions/responses informed by local analysis and perspectives, and in a way that is responsive to gender dimensions; and (ii) facilitate dialogue on early warning and policy analysis between the EU and local and international civil society.

The action focuses on 34 countries that are facing repeated cycles of crisis or conflict, or that are threatened by the spill-over of nearby conflicts. It provides suggestions and concrete recommendations on how the EU and its Member States can potentially play a significant role in conflict prevention. In 2018, the action oversaw the production of EU Watch Lists focusing on 20 countries and regions (Afghanistan, Nagorno-Karabakh, Bangladesh, Myanmar, Sri Lanka, Tunisia, Libya, Egypt, Syria, Iraq, Yemen, Ukraine, the Sahel, Nigeria, Cameroon, Burundi, Somalia, Zimbabwe, Venezuela, Colombia) in which prompt action by the EU and the EU Member States could generate prospects for peace. Several of these inputs triggered or informed considerable debate thereby contributing to early action. In addition, the EU and the Member States benefited from ad hoc meetings, tailored briefings, conflict dialogues and workshops with high-level experts.

Security sector reform

Security sector reform is often key to allowing conflict-affected countries regain or sustain peace. The **EU Security Sector Governance Facility** was launched in January 2018 to support and underpin national policy planning, implementation and dialogue on the reform of a country's security sector and to ensure that good governance principles remain central to these processes and EU support therein. Through this Facility, expertise can be rapidly mobilised - at the request of EU services and Delegations - to assist in a wide range of security sector areas (e.g. police reform, defence reform, penal reform, democratic oversight, traditional or community-based security and justice mechanisms). Expertise can be provided on a wide range of tasks: security assessments and research, technical assistance on policy planning, programming and implementation, provision of training, organisation of workshops, etc.

Rapid and flexible deployment of short-term expertise is used to test ideas and gauge the strength of commitment of national partners, thereby allowing for greater subtlety in EU dialogue and in decision-making on where to invest more funds and where not.

During 2018, the Facility mobilised expertise in **Mali** to undertake a comprehensive assessment of the security sector and in **Burkina Faso** to help the Ministry of Interior to better understand, and address the issue of vigilantes and to initiate a comprehensive assessment of the security sector. In **Nigeria**, it supported the Government's engagement to design a border management strategy and in **Georgia** it facilitated policy dialogue between the EU Delegation and the Government on security; while in Brussels to it helped raise awareness, in cooperation with the UN, about the role of security actors in the **prevention of electoral violence**. A key result of the Facility so far is that, not only have the experts been able to successfully deliver on the objectives of each assignment, but these processes have also helped EU Delegations strengthen their political dialogue with the authorities in partner countries on the dimensions and challenges of security sector reform.

Breaking the nexus between conflicts and minerals exploitation

During 2018, the IcSP continued to promote the responsible sourcing and trading of minerals from conflict-affected and high-risk areas through support for the implementation of the OECD programme on *Due Diligence Guidance for Responsible Supply Chains of Minerals*, in particular for tin, tungsten, tantalum and gold. Its main objective is to break the link between mineral extraction and trade on the one hand, and conflicts in fragile countries, in particular in Africa, on the other hand. As an example, the programme has provided market access to an estimated 80,000 artisanal and small-scale miners in Africa's Great Lakes Region. These in turn support an estimated 400,000 dependents. In addition, programme activities included a multitude of trainings and peer-learning sessions across the world through a number of informal working groups. These groups bring together participants from government, industry and civil society to work on specific tasks and issues relevant to the mineral supply chain.

Good progress and cooperation was also achieved on the demand side. In China, a key market and country in the minerals supply chain, the programme engaged with a high number of refiners and manufacturers to encourage them to apply due diligence for imported minerals. Similar efforts were undertaken in Turkey and India. Within the EU, the results of the *Due Diligence Guidance* have also had an impact, serving as the principal basis for the EU Regulation 2017/821, coming in force in January 2021, promoting an integrated approach to due diligence in the supply chain of minerals from conflict affected and high-risk areas.

Complementing the Due Diligence programme, the IcSP has supported two new actions in 2018 in Burkina Faso and Cote d'Ivoire, with the objective of bringing legal and conflict-free gold from artisanal mines to the international market, thereby contributing to peace-building

and stabilization efforts.

As the Commission's lead service for the Kimberley Process Certification Scheme (KPCS) on conflict diamonds, FPI also funds several projects under IcSP, with a focus on alluvial and artisanal diamond mining to ensure stronger implementation of the KP on the ground. A first Artisanal Diamond Mining Forum was organised in September 2018 in Zambia during the EU's Chairmanship of the Kimberley Process, bringing artisanal miners to the discussion table. It led to the establishment of a platform to empower artisanal miners by connecting them with other actors in the supply chain.

FPI is also actively supporting regional cooperation in the Mano River Union countries (Côte d'Ivoire, Guinea, Liberia, and Sierra Leone) to strengthen the rule of law to fight diamond smuggling. Plans for similar cooperation in the Central African region are in a start-up phase, and the EU will be a part of the Technical Team that is being created to support this process.

Preventing electoral violence in Madagascar

The IcSP has contributed to the peaceful presidential elections in Madagascar in 2018. To prevent potential conflict and violence linked to elections, IcSP activities with civil society and other key actors focussed on improving communication. A lack of public communication as well as dialogue between key partners, such as the security forces and the electoral authorities, were critical factors in previous electoral exercises that had resulted in violence. **Innovative tools** such as the development of an **online early-warning** and rapid response mechanism through an interactive public platform available on the web (www.alerte.pevmadagascar.eu) allowed for greater awareness of the risks thereby facilitating early preventive action. A national civil society organisations' network of early warning focal points, "*lanceurs d'alerte*", was provided with specific training to observe, verify and report on potential incidents related to any forms of violence (political, socio-economic, electoral). The early warning platform served as an information sharing hub for all the stakeholders, be it the Electoral Management Body (CENI), the security forces, the Committee for Reconciliation (CFM), media, political actors, civil society, local and traditional authorities or regional/international election observers. The platform witnessed a regular traffic of visitors before, during and after the first and second round of the elections. The information was also shared on the project's official website (www.pevmadagascar.eu), and on social media (Facebook, Twitter #madalerte).

Besides the online platform, the action also developed a media-monitoring tool to provide weekly flash reports on the general situation before, during and after the elections. These flash reports were widely shared within the action's network. The early warning and monitoring work was complemented by a country-wide awareness campaign for peaceful elections. Dozens of radio announcements were transmitted in local languages in almost all the regions of the country both through national and local stations.

Jointly with the EU Electoral Observation Mission and other specific projects under the IcSP supporting the electoral process in Madagascar, FPI contributed decisively to help ensure peaceful presidential elections in 2018.

On line training and tools for the Civilian Stabilisation Missions

The “European New Training Initiative” (ENTRI) enhances the capacity of civilian experts to effectively participate in civilian stabilisation missions of the EU (CSDP missions), the United Nations, OSCE (Organisation for Security and Cooperation in Europe) and the African Union. To

The ENTRI project, through its website, makes available e-learning courses, methodologies and tools free of charge to facilitate the preparation of the individuals participating in civilian stabilisation missions

prepare and support these civilian experts for the challenging missions, ENTRI focuses on high quality capacity building, providing a wide range of customised and off-the-shelf training packages to individuals who are going to or already work in crisis management missions, as well as specialised training of trainers in order to facilitate the transfer of knowledge and experience.

ENTRI also made e-learning courses available. They are free of charge, and can be remotely used by all interested users. Different modules help civilian experts in international peace operations to cope with stressful situations or help them strengthen intercultural competencies, to give but two examples. The '*In-control*' Handbook prepared by ENTRI, now also available in French, Portuguese and Arabic, gives practical information on a variety of issues related to working in a mission and is now widely considered an essential tool for the participation in civilian stabilisation missions.

Foreign Policy Regulatory Instruments

The Service for Foreign Policy Instruments (FPI) serves as the Commission’s lead service for restrictive measures (sanctions) and other foreign policy regulatory instruments such as the Kimberley Process (KP) Certification Scheme on conflict diamonds and the Regulation concerning trade in certain goods which could be used for torture or capital punishment (Regulation (EU)2019/125¹⁴). These other foreign policy regulatory instruments impose certain trade restrictions in order to achieve EU Common Foreign and Security Policy (CFSP) policy objectives.

Sanctions

Throughout the year, FPI tabled complex EU sanctions proposals in record time to ensure that the EU could quickly react to political developments.

FPI was at the forefront of the Union's efforts to protect the interests of EU operators from the **extraterritorial application of U.S. sanctions** against Iran in the aftermath of the US withdrawal from the nuclear deal, the Joint Comprehensive Plan of Action (JCPOA).

As part of these efforts, in 2018 FPI prepared and ensured the adoption of the related amendment of the Annex to the **Blocking Statute**¹⁵, set up a dedicated webpage¹⁶ and issued a comprehensive Guidance Note¹⁷ with a view to facilitating its implementation. FPI also

¹⁴ Regulation (EU) 2019/125 of the European Parliament and of the Council of 16 January 2019 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment; *OJ L 30, 31.1.2019, p. 1-57*

¹⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1548608155972&uri=CELEX:32018R1100>

¹⁶ https://ec.europa.eu/fpi/what-we-do/updated-blocking-statute-support-iran-nuclear-deal_en

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.CI.2018.277.01.0004.01.ENG&toc=OJ:C:2018:277I:TOC>

ensured swift handling of **authorisation applications** under the Blocking Statute. Moreover, FPI represented the Commission in meetings of the sanctions expert group set up under the JCPOA, and supported the United Kingdom, France and Germany in setting up a special purpose vehicle to facilitate legitimate trade with Iran.

As part of the EU commitment to the **fight against terrorist financing**, FPI further stepped up efforts to ensure swift and effective implementation of UN designations of persons and entities related to ISIL (Da'esh)/ Al Qaida and intensified the cooperation with the UN in this regard. FPI continued to monitor **Member States' implementation** of EU restrictive measures and continued to participate in bilateral talks with the **US** on **sanctions implementation**.

Internally, FPI intensified its efforts to raise awareness among Commission services on the impact of **restrictive measures** on their funding activities. Particular attention was given to the interplay between restrictive measures and humanitarian activities. Externally, FPI intensified its outreach efforts to economic operators, including by continuing to make available a continuously updated **EU Sanctions Map**.

Kimberley Process

The EU is the world's largest trading centre for rough diamonds - in 2017 it issued more than 30 000 KP certificates for 128.1 million carats, valued at USD 20 billion. Given that trade in rough diamonds falls within the remit of the Common Commercial Policy (Article 207 TFEU), the EU is a single 'Participant' in the Kimberley Process, a global tri-partite initiative between governments, industry and civil society to stop the trade in 'conflict diamonds', where it is represented by the Commission.

After having been selected by consensus among all 54 Participants in the KP, **the EU assumed the Chairmanship in 2018**. FPI represented the Commission in this role.

During its Chairmanship, the EU helped re-establish trust among Participants and Observers, and re-united the Kimberley Process tripartite structure of governments, industry and civil society. The Civil Society Coalition in particular regained its strength thanks to support from FPI under the Policy Support Facility, and grew by one organisation.

FPI's efforts enabled a first in-depth discussion on the issue of **broadening the scope of the Kimberley Process** in the context of the KP Review and Reform cycle. Reform is crucial to ensure that the Scheme can continue to deliver as a unique tool for conflict prevention and a catalyst for good governance and transparency in natural resource management. As Chair of the Kimberley Process in 2018, FPI worked closely with the EEAS, Commission services, EU Member States, India as the 2018 KP Vice-Chair and Chair of the Ad Hoc Committee on Review and Reform, other third countries and stakeholders to advance this work. The reform cycle continues in 2019, where the EU will continue to engage with all KP actors to advance the reform agenda.

The EU's active engagement and follow-up have brought **positive results for compliance** - numerous outstanding statistical and annual reports were submitted to the respective Working Group Chairs. FPI played an important role in decisions of the KP Monitoring Team to declare certain sub-prefectures in the **Central African Republic** 'compliant zones', which over time should enable the country to generate substantial revenues. FPI was actively involved in co-organizing a first **Artisanal Diamond Mining Forum**, in collaboration with the Chair of the Working Group on Artisanal and Alluvial Production, bringing artisanal miners to the discussion table. Finally, the Service for Foreign Policy Instruments was actively involved in KP efforts to

support the four **Mano River Union** countries (Côte d'Ivoire, Guinea, Liberia and Sierra Leone) in further implementing their strategy and action plan for a joint approach to address KP compliance issues with a regional dimension.

The Kimberley Process **Plenary meeting**, which took place from 12 to 16 November 2018 in Brussels, agreed to establish a Permanent Secretariat for the Kimberley Process, marking a positive step forward for the effectiveness of the Kimberley Process. The Plenary also adopted two Administrative Decisions of the Working Group of Diamond Experts to bring greater clarity to technical definitions and unified diamond nomenclature. This includes more transparency through the change of 'country of origin' to 'country of mining origin' on the KP certificates.

Within the limits of its mandate - addressing situations where rough diamonds are used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments - the Kimberley Process has **successfully limited the trade in conflict diamonds**, from up to 15% in the 1990s to less than 1% today.

'Anti-Torture' Regulation

Regulation (EU)2019/125 of the European Parliament and of the Council – the so called '**Anti-Torture' Regulation** – consolidates the text of the trade restrictions of Council Regulation (EC) No 1236/2005 that are applied to help prevent listed goods being used for torture or for capital punishment. It highlights the EU's commitment to the eradication of torture and capital punishment and prohibits exports and imports of goods specifically designed for capital punishment, for torture or for cruel, inhuman or degrading treatment or punishment. It also makes exports of goods, which could be used for torture and other cruel, inhuman or degrading treatment or punishment, subject to a prior export authorisation requirement. The authorisations are issued by the competent authorities of the EU Member States. The Anti-Torture Coordination group, comprised of representatives of the EU Member States, met in June 2018 to examine questions concerning the application of the Regulation.

In its role as the Commission's lead service for this Regulation, FPI actively engaged in preparations for the launch of the **Global Alliance** to end trade in goods that could be used for **torture** or **capital punishment**. To give impulse to this initiative, FPI supported a technical meeting of experts that was held in Brussels on 29 June 2018 as an initial step in the implementation of the Alliance. Following the experts workshop, a Ministerial meeting took place in the margins of the United Nations General Assembly on 24 September 2018 with more than sixty Members party to the coalition. In this context, FPI engaged with third countries to promote the Alliance and in order to encourage as many countries as possible to join it.

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

Common Foreign and Security Policy operations

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

For CFSP operations, there is no over-arching instrument (basic act) adopted for the full period of the multiannual financial framework period. For the CFSP to be effective, the EU needs to be ready to react rapidly and with determination, to respond to new emerging threats to its

strategic interests. As and when needs or opportunities for action arise, the Council adopts specific decisions under the CFSP provisions of the Treaty on European Union (TEU). Typically, the decisions provide for:

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

In addition, the EU provides funding for the European Security and Defence College (ESDC) and for the operation of the Kosovo Specialist Chambers under the CFSP Budget. The budget can also be used to fund operational actions on the basis of Article 28 TEU.

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

2018 was a very particular year for the CFSP budget and FPI in terms of matching the ever-increasing political ambitions in the area of CFSP with the existing financial resources. FPI committed EUR 370 million for CFSP actions, EUR 42,3 million more than initially provided for in the voted CFSP budget for 2018. FPI made this possible through careful active management of the CFSP budget (including the timely recovery of EUR 28.9 million of unspent funds) and a budget reinforcement of EUR 20 million in mid-2018. This situation contrasted again with the situation preceding 2017, when limited opportunities for effective action resulted in net transfers out of the CFSP budget.

FPI provides direct support to civilian CSDP missions and EUSRs in order to assist the achievement of their operational objectives, the sound financial management of their budgets, expenditure and assets and their compliance with regulations and policies. In doing so, FPI develops specific tools for the use of the civilian CSDP missions and EUSRs, such as guidance, documentation, procedures and framework contracts. In 2018, additional staff was deployed to the Mission Support Platform, bringing the total number of staff working for the Platform in FPI to four. The Platform was established in collaboration with the European External Action Service's Civilian Planning and Conduct Capability, to provide centralised services to the Missions.

In May 2018, FPI signed the contract with the new Warehouse facility for the centralised provision of supplies to all Missions. The Warehouse started to provide strategic equipment as of the second semester of 2018 and work progresses towards ensuring that this facility becomes 100% operational according to the established time plan. The set-up of the Warehouse constituted a major milestone in the achievements of FPI in 2018.

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

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

For the financing of civilian CSDP Missions and EUSRs, in 2018:

- *95% of Commission Financing Decisions were signed within 1 month (on average within less than 8 days) of the adoption of the relevant Council Decision.*
- *95% of Delegation Agreements were signed within 1 month of the signature of the Commission Financing Decision.*

Throughout 2018, FPI required on average less than eight days for the signature of a Commission Financing Decision for civilian CSDP Missions and EUSRs after the adoption of the related Council Decision. For the new Article 28 TEU action in Yemen, the time elapsed between the Council Decision and the Commission Financing Decision was seven days.

The deployment rate of international staff in civilian CSDP Missions was 88% in 2018, i.e. 8 percentage points higher than in 2017. However, Missions generally face difficulties in recruiting candidates with all the skills that they would need in hostile and difficult environments.

The deployment rate of international staff in CSDP missions was 88% in 2018.

As noted in the Global Strategy, European Union Special Representatives play an important role in the implementation of the CFSP, particularly the EU's pre-emptive peace building efforts through preventative diplomacy and mediation. They are instrumental in promoting the Union's values and foreign policy priorities and in identifying appropriate responses to crises. In doing so, their work creates opportunities and conditions for success for both civilian CSDP Missions and other EU external actions.

By chairing human rights dialogues, the EUSR for Human Rights continued to highlight the EU's unwavering commitment to promoting and protecting human rights. As part of a broad effort to enhance co-operation, he constructively engaged countries on the important topic and further strengthened the EU's communication with multilateral institutions and bodies¹⁸. Throughout his work, the EUSR particularly addressed the rights of women, including their economic and political empowerment.

South Caucasus region

The EU Special Representative for the South Caucasus and the crisis in Georgia continued to work towards the objectives of his mandate, encouraging co-operation, building confidence and engaging constructively with the main actors in the region, between Armenia, Azerbaijan and Georgia, and, as appropriate, their neighbouring countries. To this extent, his mandate includes supporting the implementation of a settlement in accordance with the principles of international law and with the existing mechanisms--including the OSCE and its Minsk Group; the crisis in Georgia and the Nagorno-Karabakh conflict. In addition, he keeps working towards promoting the return of refugees and internally displaced persons in the region.

¹⁸ On 27 September, at the UN General Assembly, the EU together with 13 partners from all over the world launched the "Good Human Rights Stories Initiative."

The **EU Monitoring Mission in Georgia**

(EUMM Georgia) has continued to deliver against all four core tasks of its mandate which is to monitor compliance with the Six Point Agreement that ended the 2008 August war. Also in 2018, the Mission remains a key enabler for stability on the ground. Through its monitoring presence and its role in the Incident Prevention and Response Mechanism, it plays a crucial role in de-escalating and defusing tensions and substantially contributes to building confidence between the different actors on the ground. In early December 2018, the Mission's mandate was extended for another two years, and thanks to its active management of the funds, FPI was able to provide the necessary funding.

EUMM experts patrol 365 days of the year and regularly report their observations to EU member states and EU institutions.

The **EUSR for Central Asia** engaged closely with the five Central Asian countries. While Central Asia continues facing several challenges, there is a wind of change blowing through the region. The EUSR has contributed to improving EU visibility in the Central Asia region and also engaged closely with the EU Special Envoy for Afghanistan, supporting initiatives and steps for greater involvement of Central Asian partners in processes of stabilization of Afghanistan. In addition, in 2018, the EUSR continued the dialogue with strategic partners and other key countries, among others with Russia, the US and China. The Central Asian countries have been particularly engaged with the EU also in relation to the upcoming new EU Strategy for Central Asia, including in participating in the EUSR-organized seminars and conferences to share their views and proposals for the future.

Middle East and North Africa

After the departure of the previous **EU Special Representative for the Middle East Peace Process** mid-2018, the newly-appointed EUSR took office on 18 September 2018. She established her team, opened an office in Brussels, Jerusalem and Tel Aviv and conducted visits to the US, Vatican, Egypt, Jordan, Israel and the occupied Palestinian Territory, in line with her mandate. She conducted a dialogue with the Quartet envoys, which focussed on efforts to preserve the two-State solution, relaunch and support the peace process and reduce tensions in Gaza. She also held regular consultations with Member States, both in Brussels and in EU capitals, to foster unity, consistency and effectiveness of the Union's action on the Middle East Peace Process.

The **EU Co-ordinating Office for Palestinian Police Support** (EUPOL COPPS) actively supported the progress made in the security sector. There are ongoing efforts by the Ministry of Interior's Strategic Planning and Development Unit in implementing the Security Sector Strategic Plan, continuing cooperation initiatives between the Palestinian Civil Police and the Israeli National Police, and supporting the Correction and Rehabilitation Department. As regards the justice sector, a number of capacity building initiatives with the Criminal Justice Institutions were successfully concluded.

The **EU Border Assistance Mission for the Rafah Crossing Point** continued to contribute to the Middle East Peace Process throughout 2018 through building the capacity of the Palestinian Authority's General Authority for Borders and Crossings and, in particular, enhancing the Palestinian Authority's readiness to return to and manage the Rafah crossing point when conditions allow. The Mission finalised a number of strategic key documents, such as the Rafah Crossing Point technical needs assessment, instructions on gathering and sharing information and on cooperation between the General Administration for Borders and Crossings and the judicial authorities. The Mission also contributed to establishing action plans on transparency, communication and public relations, and the creation of an Inter-Agency Tasking and Coordination Group. At the same time, the Mission accomplished several projects foreseen

in its mandate, related to human rights, gender balance and anti-corruption principles, and a project related to the procurement of urgent and essential equipment for the Rafah Crossing Point.

The **EU Advisory Mission to Iraq (EUAM Iraq)** met or surpassed the majority of its operational objectives. Established in 2017 and further expanded in 2018, its operations gained traction quickly and continued at a good pace. The Mission continues to work on the implementation of its mandate and will do so in 2019. The positive and forthcoming response from Iraqi interlocutors and international partners gives evidence that the launch of the Mission was the right action of the EU at the right time.

In North Africa, in 2017 the **EU Integrated Border Management Assistance Mission in Libya** (EUBAM Libya) was redeployed to Libya¹⁹. A 'light presence' started in Tripoli as of December 2017, and as of today, EUBAM Libya is the only *de facto* EU presence on the ground. The Mission now possesses a wide network of contacts operating in the area of civilian security sector, is on good terms with Libyan actors and its work is highly regarded. The Mission has contributed to an overall improvement in the exchange and coordination of information in the security sector. It has also continued its support to the work of the Libyan National Team for Border Security and Management, with which the Mission developed the "Concept Note towards a White Paper", outlining the structure for an integrated border management system in the country. The Mission facilitated the establishment of the Maritime Sub Working Group in cooperation with EU Operation Sophia in the Mediterranean Sea and other international actors in April 2018, and has coordinated the support to the development of the security system in Libya.

Western Balkans

In the Western Balkans, the two EUSRs in that region kept working towards contributing to the stabilisation of the region. The EUSR for **Bosnia and Herzegovina** completed his ongoing outreach efforts to explain to the public, authorities and political actors, the meaning and benefits of reforms and the prospects created by the EU integration process. The work of the EUSR was significantly influenced by the preparation for the general elections, the election campaign and the elections themselves. The EUSR followed closely and reported extensively on the activities of political parties, before and during the election campaign. The elections themselves were covered by a number of special dedicated reports, which continued as results and mandates were finalised. Other tasks performed by the EUSR Office include the reform of the public administration and completing an outreach project targeting youth in political parties.

The EUSR for **Kosovo** engaged substantially with the Kosovar institutions and political parties about the ongoing reforms in the judiciary, public administration and education. The EUSR provided expertise at the institutional, policy and legislative levels on issues related to justice and the fight against organised crime and corruption. She monitored developments in Kosovo's economy and actively engaged with the business community aiming to address a number of issues hampering economy and private sector development. In line with her mandate, she also contributed to promoting human rights and actively engaged in outreach and advocacy for the protection of minorities as well as religious and cultural heritage.

¹⁹ Previously, the Mission had been relocated to Tunis due to security circumstances.

In 2018, the mandate of the **EU Rule of Law Mission in Kosovo (EULEX Kosovo)** was substantially modified, with a significant phasing-out of the Mission's executive functions. By June 2018, EULEX judges either completed or handed over to local counterparts all remaining judicial cases. By December 2018, EULEX Kosovo handed over to the Kosovo authorities also the prosecution and police files, after carrying out a risk assessment. EULEX Kosovo continued to support selected Kosovo rule of law institutions on their path towards increased effectiveness, sustainability, multi-ethnicity and accountability, free from political interference and in full compliance with international human rights standards. This support is based on monitoring activities of selected cases and trials in Kosovo's criminal and civil justice institutions and through monitoring, mentoring and advising the

Kosovo Correctional Service. EULEX Kosovo also provided operational support to the EU facilitated Dialogue between Pristina and Belgrade. The Mission retained certain limited executive responsibilities in the areas of forensic medicine and police, including a residual witness protection programme and the responsibility to ensure the maintenance and promotion of public order, as a second security responder.

In 2018, the **Kosovo Specialist Chambers (KSC)** continued refining its readiness for future judicial activities by advancing the finalisation of internal rules and instructions. Since 2017, the KSC have prepared for the start of judicial proceedings, as soon as indictments are filed by the Specialist Prosecutor's Office (SPO). In 2018, the SPO continued with its investigation into the allegations raised in the Council of Europe report "Inhuman treatment of people and illicit trafficking in human organs in Kosovo". While being a part of the judicial system of Kosovo, the KSC and SPO have their seat in the Netherlands.

Ukraine

In 2018, the **EU Advisory Mission for Civilian Security Sector Reform in Ukraine (EUAM Ukraine)** continued to progress in accordance with its mandate and objectives. The Mission has maintained a good reputation as a trusted partner in support of the Civilian Security Sector Reform and representative of the international community, and contributes significantly to EU visibility in Ukraine.

The Mission actively assisted in the drafting of a new Law on National Security, which the Ukrainian Government adopted in 2018. This constituted a major achievement to which the Mission has largely contributed with its expertise. The law provides the legislative framework for civilian oversight of the entire civilian and military security sector including the Security Service of Ukraine and other intelligence services as well as law enforcement agencies.

The case of Ukraine constitutes a model for the EU Integrated Approach in the field of civilian security. The close coordination between the European External Action Service, the EU Delegation, Commission services and the Mission has clearly led to a more efficient support and stronger impact.

EUAM Ukraine in 2018 trained on Human Rights and Gender:

- 10 participants from the Ministry of Internal Affairs (MoIA) followed comprehensive training on human rights;
- 20 participants from the National Police (NPU) Human Rights Directorate and MoIA trained on freedom of expression and police providing safety to the journalists;
- 'Training as trainers' of 40 police officers on effective response of police and criminal justice system to domestic violence;
- Around 170 police officers trained on effective police response to domestic violence;
- 53 representatives from the Ministry of Justice in the regions trained on children's rights, human rights and gender;
- 8 national experts from the Ministry of Justice trained on human rights;
- 25 MoIA middle managers trained on gender-responsive leadership;
- 45 gender focal points of MoIA management trained on gender;
- 22 NPU officers trained on human rights in light of dealing with persons apprehended at temporary detention centres;
- 24 judges were trained on special aspects of hearing cases related to domestic violence

The Mission also established a regional presence in Odessa in 2018, in addition to regional offices in Kharkiv and Lviv.

Africa

Supporting the implementation of the peace process in Mali is at the heart of the work of the EUSR for the **Sahel**. By encouraging and persuading the different parties involved, he facilitated efforts to maintain and increase the pressure on all stakeholders to implement the peace process. The situation in Mali continues to pose a set of risks and contingencies, and the EUSR has been part of the various monitoring committees of the Mali Peace Agreement. In addition to the *Comité de Suivi de l'Accord (CSA)*, the EUSR team has been strongly involved in activities in cooperation with various Bamako groups and the EU Delegation. Participation in all initiatives related to supporting the implementation of the peace agreement was assured. Apart from Mali, the EUSR's involvement was remarkable through his participation in meetings on the Alliance for the Sahel/G5, the constant exchange with other organisations playing a role in the Sahel.

The **EU Capacity Building Mission in Niger** (EUCAP Sahel Niger) made steady progress in 2018 in implementing its mandate and achieving its objectives. The European Court of Auditors issued a report on both the EUCAP Sahel Niger and Mali Missions and both Missions have started implementing its recommendations. At operational level, good progress was made in the functioning of the Regional Operational Centres in Niger, including construction and renovation works of these Centres in all eight regions of the country. Several tabletop exercises were conducted in coordination with the International Office for Migration which contributed to the overall institutionalisation of the interoperability of the Internal Security Forces. In addition, support to reinforcing the Internal Security Forces' technical capabilities yielded encouraging results, with successful operations against drug and arms trafficking. The Mission also provided specialised tactical equipment to the National Guard of Niger to handle terrorist attacks. The Mission was extended for two years in 2018.

The **EU Capacity Building Mission in Mali (EUCAP Sahel Mali)** continued delivering substantial levels of operational input, despite a complex security situation and an uncertain political context. The Mission helped the authorities to fight terrorism providing advice and training to the *Brigade d'Investigation spécialisée*, an investigation brigade in charge of counter-terrorism legal aspects, and logistically facilitating its projection to the North and in the Centre of Mali, aiming at helping restore State authority and rule of law throughout the country. At a more technical level, the Mission continued to support reforms in human resources policies at the National Police and provided training for specific units, such as the *Office Central des Stupéfiants*. As regards border management, the Mission provided substantial support to the National Border Policy and its Action Plan which were approved in 2018. In December 2018, Member States started discussions on the renewal of this Mission for another two years, including an enhanced regionalisation with the possible move of staff to Mauritania.

The **Article 28 TEU Stabilisation action in the Mopti and Ségou regions** came to an end at the end of 2018, after a one-year mandate. This action came on top of the support provided by the civilian Mission. After a difficult start of the Action, the team of experts under this Action managed to deliver on a wide range of objectives.

The work of the **EUSR for the Horn of Africa** has focused, in line with his mandate, on upgrading the EU's political engagement and visibility in its relations with the countries in the region. Intense activities were carried out to link the Somali government with its neighbours, promote links among the parties in South Sudan and encourage communication among leaders

in the region. The impact of the Gulf crisis has involved considerable activity by the EUSR advising governments on how to withstand the impact on their domestic politics and regional relations. The EUSR has consolidated the political relationship with key decision makers in the region. As the only international envoy for the Horn of Africa, the EUSR is in a unique position to facilitate contacts within the region to solve disputes which, while nominally restricted to single countries (e.g. South Sudan), are heavily influenced by the interests and behaviour of others. The EUSR's strong engagement puts the EU at the centre of the international effort to prevent violence and create conditions for sustainable peace.

The **EU Capacity Building Mission in Somalia (EUCAP Somalia)** continued to work with federal and regional authorities to enhance the capacity to effectively govern the coastline, internal waters, territorial seas and the exclusive economic zone. The Mission continued its work despite the fragile external environment under which the Mission operates. EUCAP Somalia continued delivering despite operational staffing levels being just above 40% of its approved strength. Critical understaffing continues to be EUCAP Somalia's main challenge; but the Mission still managed to ensure inter-agency cooperation with Somalian authorities and international actors (UN, African Union) to achieve meaningful results on a number of areas. Among these, the High-Level Security Conference and Somalia Partnership Forum in Brussels (May-June 2018) and the steps taken to politically link maritime security with Somalia's security transition stand out.

In 2018, the EU launched an **Article 28 TEU action in Yemen** which is another new element of EU support in the Horn of Africa. This Action aims at facilitating the flow of commercial goods into Yemen to alleviate the dire situation of the population as a result of the ongoing conflict. The EU supports the UN Verification Mechanism at the port of Djibouti, inspecting vessels that bring goods into the Yemenite port of Hodeidah. This action has contributed to the high visibility of the EU in this part of the world, making it the largest donor of the Verification Mechanism.

Specific Objective 1.4: Support the implementation and promotion of:

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

The EU continues to provide reinforced support to multilateral efforts to combat the spread of weapons of mass destruction and in the field of Small Arms and Light Weapons (SALW) and conventional weapons.

FPI provided funding for a further nine NPD actions through its 2018 CFSP budget. This brings the total of ongoing NPD actions at the end of the year to 24, with a total financial commitment of over EUR 75 million. In this way, the EU continues its solid commitment to and support of both multilateral and regional approaches to advancing peace and prosperity. These priorities are integral to the Global Strategy since 2017. By supporting regional and multilateral efforts to limit the spread of Weapons of Mass Destruction, Small Arms and Light Weapons and conventional arms, the CFSP budget continues to make a concrete and much needed contribution to international peace, security and stability.

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

The EU continued its support to the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO) in order to strengthen its monitoring and verification system and in the framework of the implementation of the EU Strategy against Proliferation of Weapons of Mass Destruction **through an additional contribution of EUR 4.5 million.**

The EU also continued its support for the **EU Non-proliferation Consortium**, now in its third iteration, promoting the European network of independent non-proliferation and disarmament think tanks in support of the implementation of the EU Strategy against the proliferation of weapons of mass destruction. The EU contribution was **EUR 4.6 million.** The annual EU NPD conference was successfully held in Brussels in December 2018, with the participation of High Representative/Vice President Mogherini.

The EU continued to support the **Biological and Toxin Weapons Convention (BTWC)**, funding several activities implemented by the **United Nations Office for Disarmament Affairs (UNODA)**. Its purpose is the universalisation of the Convention itself and the development of the State Parties' national legislation's capacity to support the BTWC. Preparation for a follow-up Decision to be implemented in 2019 has started to ensure and maintain the good momentum. The EU contribution is **EUR 3 million.**

Ten extended assistance programmes were implemented in the context of the EU's support to BTWC in 2018, covering countries such as Cameroon, Malawi, Malaysia and Colombia. A Regional Science and Technology workshop was also organised in Haiti.

With the aim to reinforce the implementation of Chapter III of the EU Strategy against Proliferation of Weapons of Mass Destruction concerning the support of projects conducted by multilateral institutions, two contracts for actions **combating nuclear terrorism** were signed with UNODC and UNOTC, respectively. In line with the mandate of each institution, these actions promote the universalization of the **International Convention for the Suppression of Acts of Nuclear Terrorism (ICSANT)** at the operational and the political level. The EU combined contribution is **EUR 5 million.**

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

Three major regional initiatives were launched in 2018 in the field of Small Arms and Light Weapons.

Working with the **Organisation of American States**, the EU provided support to countering illicit proliferation and trafficking of small arms, light weapons and ammunition and their impact in Latin America and the Caribbean. The implementation, starting in early 2019, will aim at: strengthening physical security and management systems for national military and other institutional stockpiles through improved site security measures and inventory control; reinforcing national capabilities for destruction of seized, excess or unsafe SALW and ammunition; enhancing national SALW marking and tracing capacity; improving SALW transfer mechanisms through national legislation, border controls, and regional coordination; and promoting socially responsible behaviors in selected communities, targeting groups that are severely affected by armed violence, including the use of turn-in campaigns or other strategies designed to reduce local incidence of violent crimes. The EU contribution is **EUR 3 million.**

Working with a consortium led by Small Arms Survey and including Interpol and the World Customs Organization, the EU launched a major initiative working to combat the illicit trade in

and proliferation of SALW for the benefit of the member states of the League of Arab States (LAS). The action will build on earlier efforts undertaken by LAS and the EU to assist LAS Member States in combating illicit small arms and light weapons in the Arab region. It aims, among other things, to strengthen the capacity of LAS Member States to implement the UN Small Arms Programme of Action (PoA) and International Tracing Instrument (ITI). The EU contribution is EUR 2.9 million.

Following the adoption of a **Regional Roadmap on combating illicit arms trafficking in the Western Balkans**, an action was launched in support of the **South-Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC)**. It aims at increasing safety in the Western Balkans region, where comprehensive and sustainable mechanisms, fully harmonized with the European Union and other international standards, are in place to identify, prevent, prosecute, and control the illegal possession, misuse and trafficking of firearms, ammunition and explosives. **The EU contribution amounts to EUR 4 million.** The action is being implemented in synergy with another ongoing EU-funded action focusing on disarmament and arms control activities in South-East Europe. Both actions conduct activities focused on integrating gender perspectives into SALW control policies in the region through technical advice, expertise and trainings.

A thematic action to mainstream gender considerations in relation to the fight against gun violence and SALW control was also approved by the Member States in 2018. Implementation, by UNODA, is expected to start in 2019.

Actions launched in 2017 yielded their first results during the year. Actions focused on SALW, such as **SEESAC VI** contributed to increased regional cooperation, knowledge exchange and information sharing, leading to enhanced capacity for evidence based policy making as regards SALW in the Western Balkans. Moreover, an **OSCE**-implemented action in Georgia destroyed 461 tons of surplus conventional ammunition, thus reducing the risks of illegal proliferation and environmental disaster.

Another highly successful action, **iTrace III** implemented by Conflict Armament Research builds on deployments of highly trained staff to provide training and mentoring to local partners on weapon identification, tracing and management. In 2018, the action provided training and mentoring to national defence and security forces in Burkina Faso, Iraq, Niger, Nigeria, Mali, and Senegal.

iTrace achieved tangible milestones in weapon documentation in South Sudan. Through regular field missions, the action contributed to creating a global reporting mechanism on illicit SALW showing how military equipment has reached all sides of South Sudan's civil war: through the intermediation of neighbouring states, through networks of brokers and intermediaries, and via air and land logistics.

In 2018, the EU continued to provide support to the implementation of the Council Decision in support of the **United Nations Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects (UN PoA SALW)**, implemented by UNODA. This action contributes to the effective preparation and support for the 2018 Third UN Conference to Review Progress made in the implementation of the Programme of Action (RevCon3).

In the framework of the **UN PoA SALW project, five Regional Conferences took place in Latin America, Caribbean, ASEAN, West Africa and East Africa**, building on the results achieved during the Thematic Symposia organised in 2017. Within the framework of the same Council Decision, the EU further funded a sponsorship programme for a selected group of

government experts from most-affected and active States in the field of small arms control in the least developed countries to participate at the Third UN Conference to Review Progress made in the implementation of the Programme of Action. 25 government officials, two civil society representatives and 1 representative of a regional organisation were enabled to attend RevCon3.

Promotion of effective worldwide controls on arms exports

Through the German Federal Office for Economic Affairs and Export Control (BAFA) , the EU promoted improved controls on arms transfers by third countries and supported third countries' efforts, at national and regional levels, to render international trade in conventional weapons more responsible and transparent. The action mitigates the risk of diversion of arms to unauthorised users and promotes effective arms export controls.

Election Observation Missions

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

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

The budget committed under that activity amounted to EUR 41.85 million.

Specific objective 1.5 : Support and consolidate democratic reforms in third countries, by enhancing participatory and representative democracy, strengthening the overall democratic cycle, and improving the reliability of electoral processes, in particular by means of election observation missions

In 2018, FPI deployed a total of **33 electoral missions** comprising over 800 international mission staff. 9 fully-fledged Election Observation Missions (EOMs) were deployed to observe the whole electoral process in **Sierra Leone, El Salvador, Paraguay, Tunisia, Lebanon, Pakistan, Zimbabwe, Mali** and **Madagascar**. Observation encompasses the campaign period, the legal framework, the political environment and the overall electoral process. On average, an EOM is present in the field for approximately three to four months, until the completion of the electoral process. The EOMs followed the objectives, principles and methodology of electoral observation developed over two decades of operational experience with a view to encouraging professionalism and transparency in electoral management, discouraging irregularities and abuse and inspiring public confidence in the electoral process. Therefore, the key programme achievements lie in the contribution to the **consolidation of democracies** in third countries by improving the reliability of electoral processes and in the implementation of a methodology which is considered as one of the most modern among those used by other international organisations. This methodology is based on a comprehensive and systematic observation of the electoral process including among others, the conduct of public and private media as well as issues linked to campaign financing.

The High Representative/Vice-President, assisted by EEAS, establishes annual priorities for possible EU EOMs in consultation with Member States and the European Parliament. The priorities are reviewed once per year taking account political changes during the year.

10 Exploratory Missions were carried out in **Nigeria, Philippines, Zimbabwe, Lebanon, Pakistan, Madagascar, Mali, Colombia, El Salvador** and **Senegal** to assess whether a comprehensive EOM would be useful, advisable and feasible – several of these were already carried out with a view to 2019 missions.

In addition, a further 10 Electoral Expert Missions (EEMs) were deployed in **Nigeria, Mozambique, Afghanistan, Iraq, Timor-Leste, Colombia** (two deployments for legislative and presidential elections respectively), **Bangladesh, Guinea** and **Sao-Tomé and Príncipe to analyse the electoral process** and whose conclusions provided significant inputs to EU political dialogue with the partner countries. An EEM usually consists of two to four experts who meet with a broad range of election stakeholders and analyse the electoral process. Contrary to an EOM, they do not have media visibility.

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

Some of these missions were deployed in **volatile security environments** including the EOM to Pakistan and Mali, the EEM to Nigeria, Afghanistan and Iraq and EFM to Haiti:

- The EOM to **Pakistan** deployed in a challenging security context with terror attacks on campaign rallies. The EOM took special measures to mitigate the risks through additional security trainings for observers, use of armoured vehicles and planning of movements in country in coordination with security experts.
- The EOM to **Mali** deployed in very high risk environment with daily security incidents throughout the centre and north of the country. Observers were deployed in the south of the country, with short ad-hoc visits to the north and centre, applying very strong physical security measures. FPI took all the necessary steps to mitigate those risks in close cooperation with the mission, including the designing of ad hoc security measures (social media monitoring 24/7 by a dedicated cell, scouting vehicles ahead of observers, forward operation bases) to enable a credible work in the field by observers and Core Team analysts.
- The EEM to **Nigeria** and to **Iraq** included an additional budget line for security measures.
- The geographical scope of the EEM to **Afghanistan**, due to the prevailing security situation, was limited to the capital Kabul, with a dedicated budget line to put in place strong security measures.
- The EFM to **Haiti** took place in highly volatile political and security environment. Because of the increasing level of violence, several crucial events at the core of the mission had to be cancelled (by instance the press conference and several round tables). However the mission managed to operate even within this difficult context and to hold almost all the bilateral meetings with the political parties, civil society and

electoral commission.

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

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

- Particular emphasis was continuously placed on the **role and impact of EU EOM recommendations** to ensure that issues raised are mainstreamed into the political dialogue with the country concerned in the framework of a continuous follow-up process. In this regard, FPI, together with EEAS, deployed 4 Follow-Up Election Missions (EFM) in **Jordan, Uganda, Burkina Faso and Haiti** to assess the implementation of recommendations made by previous EOMs, which provided fresh impetus to the national debate between major electoral stakeholders (authorities, political parties and civil society) on these recommendations and future electoral reform.
- In 2018, work continued for better follow up of the recommendations of the Election Observation Missions. A repository was created for better storing and follow-up of recommendations that enables also improved institutional memory and analysis and research.
- Work on **training and methodology** continued in 2018. A total of 55 trainees from 20 EU Member States participated in the courses provided in the second year of EOM's methodology and training programme Election Observation & Democracy Support (EODS II). A total of 6 trainings events (basic training, workshops and seminars) for Core Team experts and Observers were organised, also involving partners in other EU institutions and Member States. The focus remained on increasing the impact of EU EOMs. Methodology and training was geared towards follow-up of the recommendations. EODS II also updated the set of guidelines for various methodological and operational aspects of EU EOMs. The action further contributed to building a reliable election observation capacity at regional levels and enhanced cooperation. A High Level Conference to enhance African Union – EU – UN cooperation on Electoral Processes and Electoral Observation, including methodology of Election Observation Missions was organised by the European Parliament, EEAS and the Commission in October. EODS contributed to organise Deputy Chief Observers' participation in this event.

Overall, EU election observation has reconfirmed its substantial contribution to the EU's efforts to uphold and promote its essential values of democracy, the rule of law and the protection of human rights.

Partnership Instrument

The Mid-Term Review of the EU External Financing Instruments²⁰ concluded that the PI has effectively influenced policy/political processes in partner countries in line with EU interests and has contributed to developing mutually beneficial relationships with partner countries. The MTR, confirmed that the PI is a directly relevant tool to support the EU's bilateral, regional and

²⁰ Mid-term evaluation of the Partnership Instrument for cooperation with third countries, SWD(2017) 608 final of 15.12.2017 https://ec.europa.eu/europeaid/sites/devco/files/swd-mid-term-review-pi_en_0.pdf.

multilateral agenda as set out in the EU's Global Strategy and in line with several EU international commitments (notably Agenda 2030). The programming of the Instrument is focused on EU strategic objectives and interests, and its implementation is flexible to make it responsive to challenges, and to newly emerged or evolved policy priorities and opportunities.

Ensuring synergies and strict complementarity of PI programmes with both EU external action instruments and internal instruments with an external window continued to be crucial, given the increasing number of activities in PI relevant domains. This challenge was overcome through a continued effort of coordination by FPI, in particular in the context of the Quality Support Group process that screens projects before including them in the annual programme. The PI formulation process also benefitted from an audit carried out by the Internal Audit Service which was overwhelmingly positive, yet in its few findings offered useful hints for a more rigorous documentation of the programming of the Instrument.

In terms of **lessons learnt**, the decision-making process has evolved towards more concentration on strategic EU priorities as spelled out in the new PI Multiannual Indicative Programme (MIP) 2018-2020. It identified strategic policy areas where action is most needed to influence the partner countries/regions' agenda, to make progress on relevant political dialogues, to align positions or to produce tangible changes in terms of EU's needs. This focused priority setting was the result of the Service's active engagement with the different Directorates General (DGs) of the Commission, the European External Action Service, and EU Delegations:

- Trade and economic diplomacy (including Responsible Business Conduct, and tax good governance);
- Environment, climate and energy (including water, ocean governance, circular economy, urbanisation aspects);
- Peace, security and defence;
- Digital (including cyber security, digital global governance);
- Global health (including Anti-Microbial Resistance).

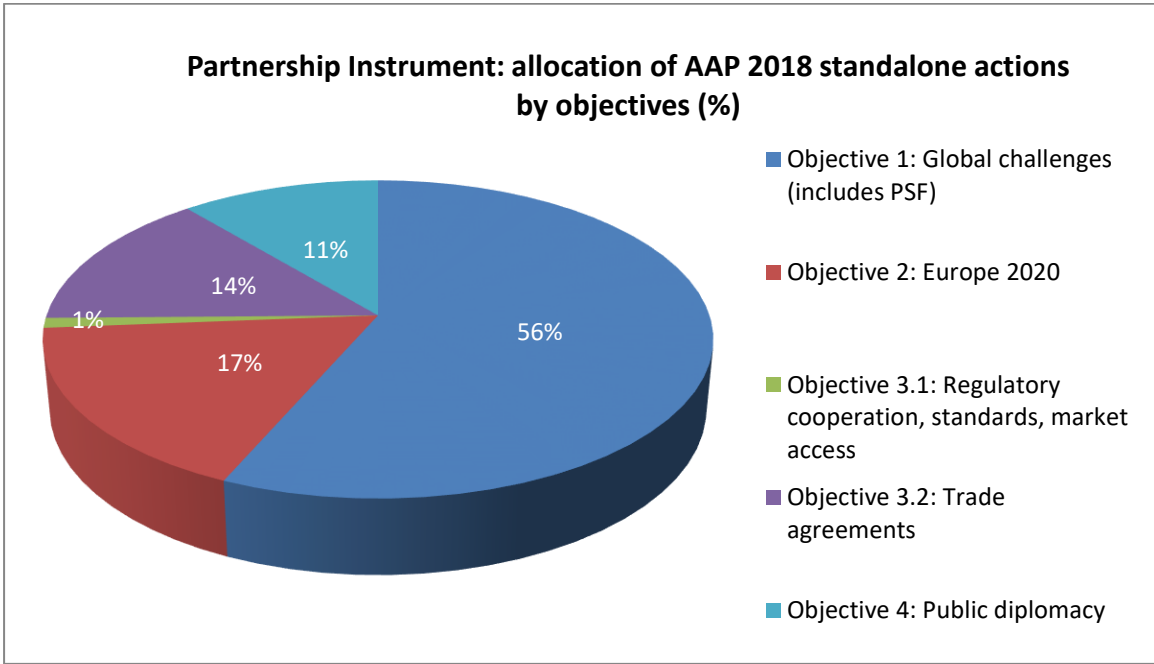
The following cross-cutting issues are integrated or mainstreamed in the Multi-annual Indicative Programme:

- Multilateralism (building alliances), contributing to a global order based on international law;
- EU principles and values (democracy, rule of law, human rights and fundamental freedoms, respect for human dignity, the principles of equality, including gender equality, and solidarity);
- Resilience
- Innovation

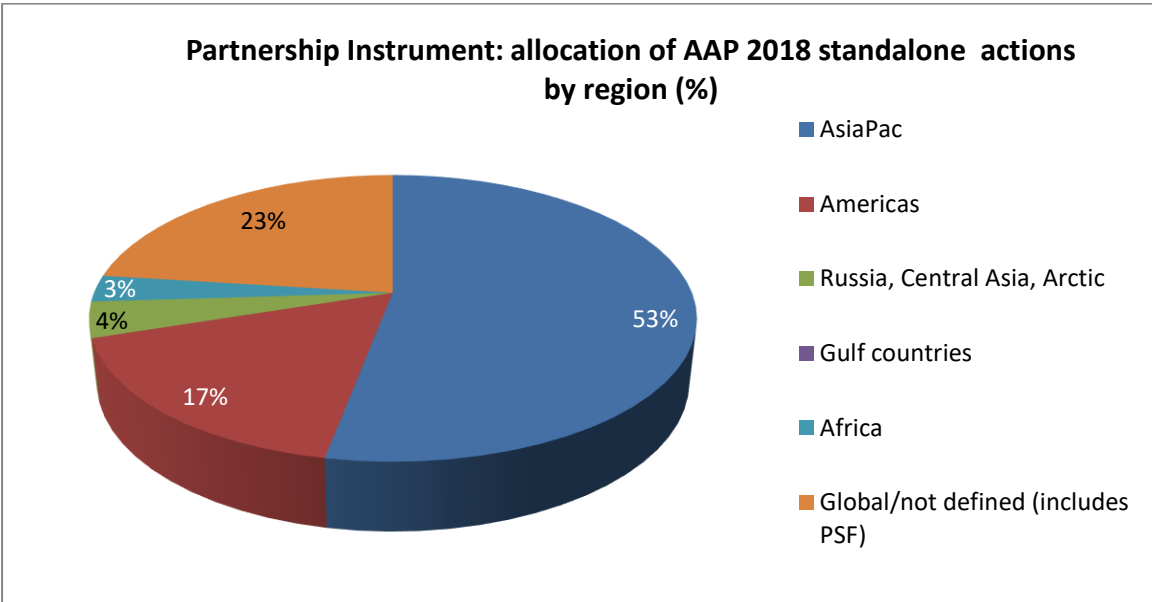
Some aspects need further improvement: enhancing the active role of EU delegations in the formulation of actions; further reinforcing the already strong involvement of European Commission partner services in preparing and implementing the actions; increasing information sharing with Member States; and improving the visibility, knowledge and understanding of the PI, including within the EU institutions, so that its full potential is realised.

2018 has been a productive year for the Partnership Instrument (PI) which has now reached **full implementation speed**. Contracting for the Annual Action Plans (AAP) 2014, 2015, 2016 and 2017 has been completed, and formulation of the AAP 2018 was finalised. Besides the large stand-alone actions, the PI also offers support for short-term actions by means of its

Policy Support Facility (PSF) and TAIEX. In total, EUR 124.4 million were approved for financing under the AAP 2018 of the Partnership Instrument.



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

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

²¹ The chart does not total 100% due to roundings.

Under this objective, 14 new stand-alone actions were adopted in 2018, for a total of EUR 71.6 million. The following are examples of on-going or completed actions where the PI reinforced cooperation or partnerships with partner countries:

The action "**EU-GCC Clean Energy Network-II**" has helped catalyze partnerships between clean energy stakeholders in the EU and GCC. By facilitating dialogue and collaboration on clean energy technology and policy, the network has been working towards EU and GCC shared interests including implementation of the Paris Agreement on climate change (COP 21), and promotion of EU industry market access in the field of clean energy technology.

The action "**EU-China Platform for Dialogue on Emissions Trading**" aims to enhance cooperation with China on climate change by sharing the EU's experience on carbon markets and emissions trading with China building up a nation-wide emission trading system contributing to reduce its emissions,

The action "**EU-India Water Partnership**" facilitates exchanges between public and private sector stakeholders in EU MS and India with regard to the water sector, thereby facilitating a progressive convergence by India towards EU policies and standards on water management.

The action "**EU in Multilateral Asia**" supports a more active EU presence and engagement in regional fora in Asia, namely ASEAN, ASEAN Regional Forum (ARF) and Asia-Europe Meeting (ASEM) with the aim of reinforcing a global rule-based order. In this sense, in 2018 the Project has supported a number of high-level official meetings (e.g. the 12 ASEM Summit in October 2018 and the EU-ASEAN Ministerial Meeting in January 2019) and various senior officials' meetings (at ASEM level and with ASEAN), as well as meetings between EU and Asian civil society and cultural entities.


The **Low carbon business action in Brazil and Mexico** has been promoting decoupling economic growth and CO2 emissions in order to address global climate change as well as to improve market opportunities for leading EU businesses in the green-technology sector. While the first phase focused on signing Cooperation Partnership Agreements (CPAs) between companies in the EU and companies in Brazil and Mexico, the current action has been building on these partnership agreements. The action thus contributes to the uptake of EU low emission technology.

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

Part of the growth that Europe needs to generate over the next decade will necessarily come from emerging economies, as European businesses can take advantage of opportunities and high growth rates in these markets. However, many of such markets are often characterised by low social and environmental standards, which put European companies at disadvantage. One of the critical objectives will be to build partnerships with key players to discuss issues of common concern, and promote **regulatory equivalence, mutual recognition and convergence**, as well as the adoption of **global rules and standards** in order to ensure a **level playing field** for European enterprises. Also, social cohesion and the reduction of inequalities lead to a better state and societal resilience, which is also a clear EU interest vis-à-vis its partners. Therefore the EU has an interest to engage in dialogues in several policy areas promoting at the same time its own and universal values. In 2018, PI enabled and concretely supported policy dialogue and cooperation with a wide range of partners for the realisation of the external dimension of the Europe 2020 strategy as well as for the strengthening of the EU's political relationship with partners more broadly.

Under this objective, 4 stand-alone actions were adopted in 2018, with a special accent on the themes of Social and Solidarity Economy and Economic Empowerment of Women. A few examples of a few finalised or on-going actions where the PI provided input for partner country approaches beneficial to the achievement of Europe 2020 strategy are provided below:

The Project “**Enhanced Data Protection for Data Flows**” aims to support the adoption of legislation compatible with the EU General Data Protection Regulation in several countries. The project has also organised events and ensured EU participation in events organised by other organisations where an EU presence was of interest. For example, the project has attended the Data Protection Public Hearing in the Brazilian Senate and the International Conference on Data Protection, organised by the Colombian Data Protection Authority; has organised small roundtables between the Directorate-General for Justice and Consumers (DG JUST) and civil society in India and between DG JUST and the Chilean Legislation, Justice and Federal Constitution department of the Senate; conducted a technical training of Indonesian policy-makers on European data protection law in Jakarta, and has held two large-scale events to commemorate the entry-into-force of the GDPR in May 2018 organised with participation of DG JUST in Delhi and Santiago.



The PI has supported the adoption of legislation compatible with the EU GDPR in several countries, contributing to promoting GDPR as a global standard

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

The action “**Win-Win: Gender Equality Means Good Business**” is implemented in partnership with UN Women and ILO. It is a project that engages private sector companies, women business networks, women entrepreneurs to foster women’s economic empowerment and exchange good practices with a view to reduce inequalities and strengthen economic and societal resilience. The project promotes the adoption at global level of the Women Empowerment Principles (WEPs) and focuses on specific government practices such as gender-sensitive public procurement or capacity building for women entrepreneurship.

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

Building trust and mutual understanding with key audiences and potential partners is crucial to facilitate future cooperation across policy areas and support the achievement of EU policy objectives. This is even more important in today’s complex and contested world as noted in the EU Global Strategy. In order to build common ground and project its values and interests, the EU needs to pay an increasing attention to **public diplomacy** and contribute creating, fostering and mobilising networks that share EU policy priorities. The approach to Public Diplomacy under the Partnership Instrument focusses on long-term engagement of key target audiences worldwide based on local partnership and tailoring engagement initiatives to perceptions and specificities.

In 2018, PI public diplomacy actions allowed the EU to engage with a broad range of stakeholders in key partner countries in order to build trust and mutual understanding. Activities targeted students, academia, policymakers, civil society and cultural operators. The actions contributed to enhancing knowledge and understanding of the EU:

Under this objective, 1 public diplomacy action was adopted in 2018 covering academic cooperation and outreach under the Jean Monnet Programme and civil society engagement in USA, Japan and India. Also, the EU public diplomacy effort was strengthened in Canada, Russia, Latin America, Korea and ASEAN. The following are examples of a few finalised or on-going actions where the PI enabled enhancing knowledge and understanding of the EU.

Under the action "**EU Policy and Outreach Partnership**", a high brand awareness of the EU has been developed among targeted audiences in South-East Asia, such as the Ocean Governance short stories competition among young writers in Indonesia, and in the USA by means of active EU participation to the "South by South-West" exhibition, allowing the establishment of fruitful contacts for EU companies active in the field of digital, media and music by engaging with private and public counterparts (at state and local level). EU@SXSW clearly demonstrated that the EU is an innovative and creative entity as Americans' partner across sectors and industries.

In 2018, several actions dedicated to **Public Diplomacy** efforts were implemented in the Americas, India, Japan, China, thus contributing to build mutual trust and understanding between the EU and the partner country, while enhancing the ability of the EU to engage with target audiences. Examples of successful activities are: symposia on EU and Japanese geographical indications systems, Climate Diplomacy Week and Erasmus alumni networking activities in Mexico Journalist Training in Argentina, EU Simulation in Brazil, Conference on the crisis of multilateralism and the response from the European Union and Latin America, Roadshow and Diplomatic Training in Chile, EU-China International Literary, and a European Higher Education Virtual Fair in India. In Canada, EU public diplomacy is organised around the three main strands which reflect the EU-Canada relationships both under the Strategic Partnership Agreement and under the EU-Canada Comprehensive Trade Agreement (CETA): EU-Canada shared values, EU-Canada as Global partners and EU-Canada promoting sustainable growth. In Mexico, a roadshow in the states with local authorities and business community, focuses in particular on the promotion of the new trade agreement and its provisions for access to public procurement by EU companies. Under the 'civil society engagement', grants were awarded to CSO organisations in Canada and in Japan with a view to establishing or enhancing dialogues between civil society actors and local, national, regional or international institutions on policy areas of common interest to the EU and its partner countries.



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

Cultural diplomacy is a specific type of public diplomacy. Cultural relations based on partnerships and concrete involvement of cultural operators and other stakeholder create spaces for intercultural dialogue and mutual understanding. Culture here is intended in a broader sense, including also education, training and the creative industries such as fashion, design and tourism, with particular regard to cultural heritage. Culture is not only a powerful instrument of aggregation and consolidation of societies but can also be a resource for the economy as well as an additional level for EU political engagement. Under the action "**Cultural Diplomacy Platform**" increased mutual understanding through intercultural dialogue and facilitated future cooperation among EU cultural operators and the EU strategic partner

countries was achieved through the organisation of the third edition of the Global Cultural Leadership Training and the EU literature prize winners' participation in the Tokyo international Book Fair; as well as a global conference on the international aspects of the European Year of Cultural Heritage.

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

In 2018, the PI strengthened engagement between the EU and economic and business stakeholders with a view to opening up market access and ensuring a level playing field for EU companies.

Under this objective, 8 actions were adopted in 2018 covering business-related policy dialogues (notably with Japan) and actions on phyto-sanitary and food safety regulations hindering market access for EU companies. Besides the standalone actions, several short-term actions were carried out through the PSF and TAIEX. The following examples of on-going actions illustrate how PI action has influenced processes related to market access and business opportunities:

The **EU Gateway | Business Avenues** programme has established a common monitoring methodology for assessing its contribution to the market entry to third markets. Since 2016, 54 business missions to China, Japan, Korea and South East Asia were conducted, in the healthcare, green energy, environment and water sectors amongst others. In total 2,700 European companies participated in the programme and engaged into 54 B2B missions in 9 target industrial and services sectors. Participating European companies sign business deals and start partnership discussions, thus opening market opportunities.

Under the Policy Support Facility, the EU supports the organisation of High-Level Seminar on International Nuclear Cooperation and Governance targeting Iranian policymakers. Three seminars have been held to date, in 2017 and 2018. These seminars make an important contribution to the EU's implementation of the Joint Comprehensive Plan of Action of July 2015 addressing Iran's nuclear activities.



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

The **Public Procurement Initiative** has developed a novel methodology to collect and assess of government procurement data in third countries. This methodology has produced data from Australia and Brazil and will be applied in the following trading partners countries: China, India, Indonesia, Thailand, New Zealand. This data feeds into the strategy for trade negotiation to ensure that focus is on sectors with high potential for European industry in the respective trade agreements.

The action for **Competition Cooperation in Asia** has continued the successful dialogue between DG Competition and the Chinese Competition Authorities to promote convergence of laws and enforcement principles in line with best international and EU practices. In December 2018, the first ever competition dialogue with India was held. It was an open and engaged discussion and perceived as useful and successful on both side, with a date for the forthcoming dialogue already fixed.

The study on practical aspects of **technical barriers to EU-Russia trade** in industrial goods identifies areas where regulatory divergences affect or threaten to affect market access and defined strategic actions aimed at reducing such divergences.

The action “**Technical support to the EU Market Access Team in Brazil**” provides trade policy analysis to the EU Market Access Team to improve the understanding of the Brazilian legislative and regulatory framework, identification of EU interests and help build a common strategy to remove trade and investment barriers.

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

Information outreach on the Union's external relations

Information Outreach

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

In line with the priority given to Strategic Communication under the EU Global Strategy, particular focus was given to combatting disinformation activities in the European Neighbourhood and the Western Balkans and to enhancing EU capability to detect, analyse and expose disinformation instigated by third countries. An additional amount of EUR 1.1 million was allocated for this purpose by the European Parliament under a new Preparatory Action ‘EU StratCom Plus’, implemented under this budget line. Tailor-made disinformation activities combined a qualitative (media monitoring) approach with a quantitative (big data analysis) approach in order to detect emerging trends in disinformation against the EU. For example, the **EU vs Disinformation campaign** website helps to better forecast, address and respond to pro-Kremlin disinformation thereby allowing for a more professional monitoring and analysis of the information space in the Eastern Partnership countries and of Russian media (operating in Russia and beyond: <https://euvdisinfo.eu/about/>).

Finally, an important part of this budget was allocated to the financing of the digital Euronews service in the Farsi language, which is implemented through a framework partnership agreement managed by the Directorate-General for Communications Networks, Content and Technology. During the third quarter of 2018, Euronews registered 11.4 million visits to its digital Farsi services (see also Section 2.2.5 below).

The information and communication activities implemented directly by the FPI consisted of the regular updating and maintenance of the FPI website and the management of the EU Visitors’ Programme.

EU Visitors Programme

Throughout 2018, FPI continued to work in direct cooperation with the European Parliament to ensure the quality and visibility of the EU Visitors Programme, which has been operational since 1974. In 2018 no less than 137 study visits were organised for actual and potential future leaders from third countries, who were given the opportunity to become acquainted with the EU institutions and meet with Members of the European Parliament, officials from the European Commission and other EU institutions, as well as relevant interlocutors in Brussels

and Strasbourg. Emphasis was also put on further developing awareness in EU Delegations about the Programme as a tool of public diplomacy and strengthening their involvement in ensuring its success.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the Service delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives²². It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the Service.

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

2.1. Financial management and internal control

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

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

General sources of assurance

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

²² Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

- **expenditure verification reports** submitted by beneficiaries in support of payment claims (especially **final payment**) and conducted by FPI-approved external auditors following DEVCO practice (e.g. IcSP/IfS, EOMs);
- CFSP missions/EUSRs require external financial **audit reports** at final payment using a dedicated framework contract concluded by FPI;
- reports of **ex-post controls** by external auditors:
 - o **in direct management:** contracted using DEVCO models for terms of reference for Stability Instrument (IcSP/IfS), EOMs and for PI/ICI;
 - o **in indirect management:** contracted using terms of reference drafted specifically for FPI's needs in the case of CFSP and risk based verification missions (mainly in IcSP/IfS area for UN agencies);
- **annual reports of sub-delegated authorising officers** (at HQ) and by heads of EU delegation / Heads of the Regional Teams²³ managing FPI funds (IcSP/IfS and PI/ICI) which include a declaration of assurance;
- contributions of the Internal Control Coordinator, including results of **internal control monitoring** at FPI level; actions resulting from the **risk management** process;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- annual declarations by services having **cross sub-delegations** or service level agreements – SCIC, CNECT, ENER, DIGIT, EMPL, TRADE and the EEAS;
- **observations and recommendations by auditors:** the European Court of Auditors (ECA), the Commission Internal Audit Service (IAS), and the Commission's Accounting Officer (DG Budget) on the accounts and local systems;
- **annual assessment of effectiveness of internal control (iCAT)** on the representative sample of staff in Headquarters and Delegations;
- **limited conclusion of the Internal Auditor on the state of internal control in FPI.**

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Head of Service of FPI.

Sector- or instrument-specific sources of assurance

Instrument contributing to Stability and Peace: For the IcSP, the substantial part of individual contracting (legal commitments) and resulting payments are managed by Delegations. Devolved delegations report regularly to HQ on **project implementation**. This includes financial information on the use of appropriations and is the basis for a regular review of budget implementation. The supervision and internal control effectiveness in case of operations sub-delegated to Delegations are ensured through the **supervision missions**

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

(described below) of FPI HQ staff.

Common Foreign and Security Policy (Indirect management): Normally two pre-financing payments are made for CFSP missions, one for EUSRs. The second payment follows the acceptance of an interim report and financial statement. In addition, CSDP missions have to provide **monthly**, and EUSRs **3-monthly, implementation reports**.

(Indirect management - international organisations): Narrative and financial reports must be provided with each payment request. If project duration is more than 12 months, this translateds into at least one report every 12 months plus a final report.

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

Partnership Instrument: For the Partnership Instrument, the substantial part of individual contracting (legal commitments) and resulting payments are managed by Delegations. Devolved delegations report regularly to HQ on **project implementation**. This includes financial information on the use of appropriations and is the basis for a regular review of budget implementation The supervision and internal control effectiveness in case of operations sub-delegated to Delegations are ensured through the **supervision missions** (described below) of FPI HQ staff.

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

The new 2018 Financial Regulation features a few additional reporting requirements in the AARs; Articles 92.3 (any cases of 'confirmation of instructions'), 125.3 (cases of financing not linked to costs), 130.4 (Financial Framework Partnerships > 4 years), 181.6 (cases of flat rates > 7% for indirect costs), 193.2 (derogations from the non-retroactivity of grants). There are no such cases to report for FPI.

2.1.1. Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives²⁴. The Service's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

The overview of FPI operational funds in 2018 is presented below per instrument and per type of expenditure. The indicators included in this report cover all FPI operational expenditure.

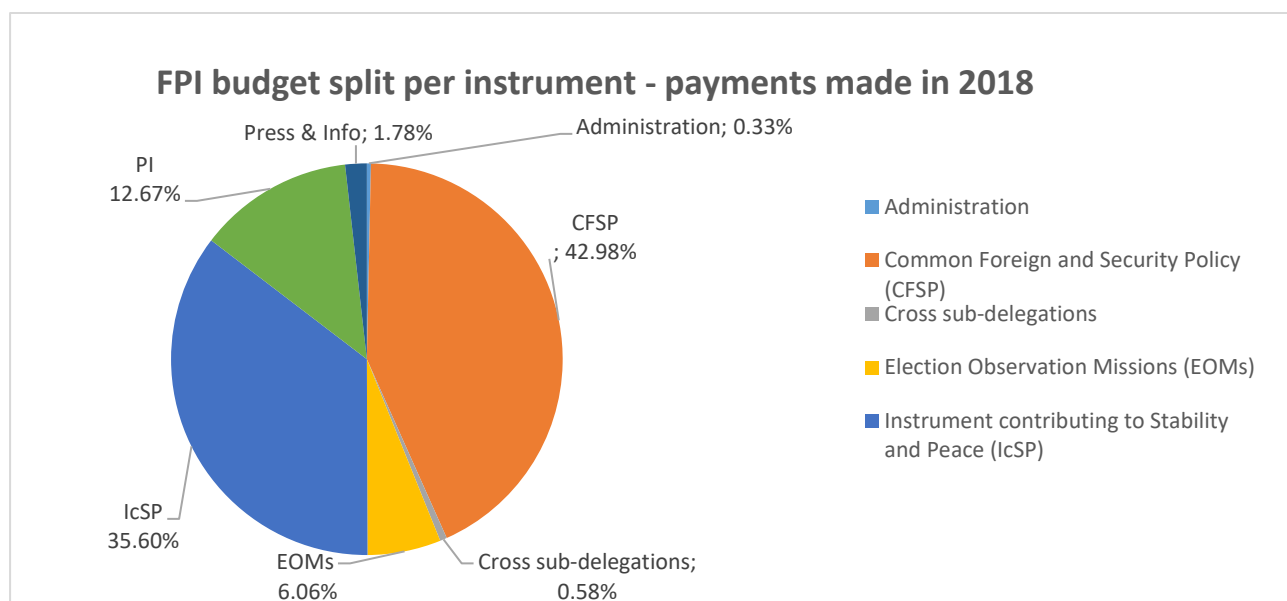
²⁴ 1) Effectiveness, efficiency and economy of operations; 2) *reliability of reporting*; 3) *safeguarding of assets and information*; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the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

The split between management modes is 41.8% direct management (either at Headquarters or in Delegation) and 58.2% indirect management (mainly CFSP and IcSP).

Payments per instrument in 2018:

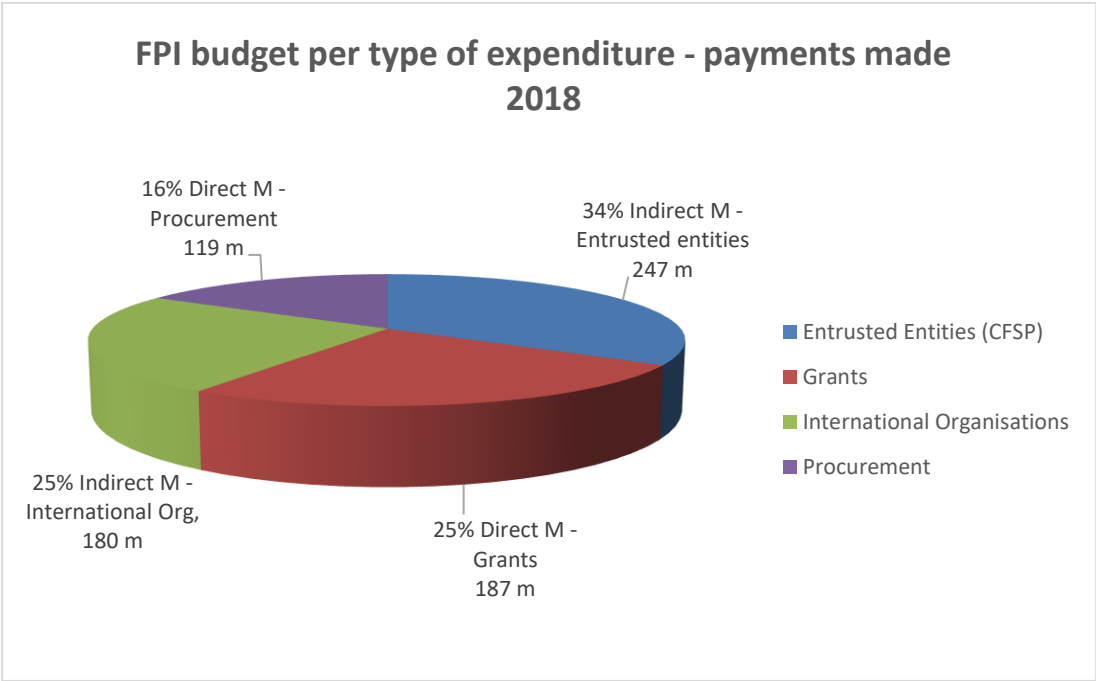
Instrument	Payments made 2018		Payments made 2017	
	EUR millions	%	EUR millions	%
Common Foreign and Security Policy (CFSP)	315.43	42.98%	289.68	50.46%
Instrument contributing to Stability and Peace (IcSP)	261.28	35.60%	186.11	32.42%
Partnership Instrument *	93.00	12.67%	55.37	9.64%
Election Observation Missions (EOMs)	44.47	6.06%	27.8	4.84%
Information Outreach	13.06	1.78%	8.87	1.55%
Cross sub-delegations	4.23	0.58%	3.97	0.69%
Administration	2.44	0.33%	2.29	0.40%
Total	733.91	100%	574.09	100%

*EUR 93m + 0.16m cross sub-del with SCIC + EUR 0.54 cross sub-del with ENER = EUR 93.7



Payments by type of expenditure in 2018:

		Payments made 2018	
		EUR million	%
Direct:			
	Grants	187.36	25.53%
	Procurement	119.18	16.24%
Indirect:			
	International Organisations	180.10	24.54%
	Entrusted Entities (CFSP)	247.27	33.69%
TOTAL		733.91	100%

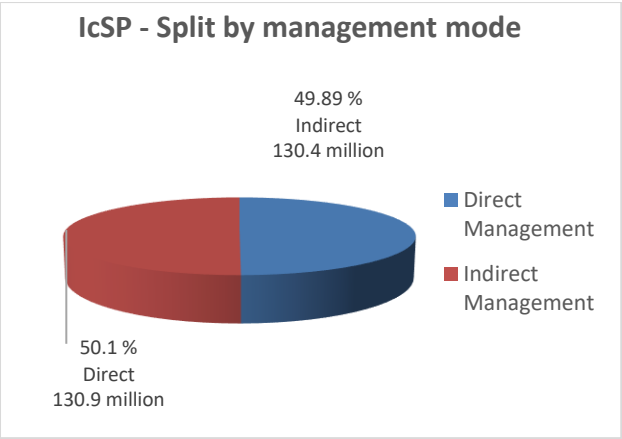


Instrument contributing to Stability and Peace

Whereas under the Instrument contributing to Stability and Peace (IcSP/IfS) the financing decision and budgetary commitment are made by Headquarters, the subsequent individual contracting (legal commitment) is predominantly managed by the Delegations. FPI’s approach consists of regional teams where staff is concentrated in a number of regional hubs to provide economies of scale in the management of IcSP actions thereby reducing reliance on staff of other external relations DGs. The financial circuits are adapted for this purpose with Head of Finance in the Regional Team acting as the AOSD on payments. Contracts are processed and managed by the Regional Teams concerned.

In 2018, about EUR 43.2 million or about 17% of IcSP actions (payments) was implemented by FPI HQ with EUR 218.1 million (about 83%) implemented by devolved Delegations. The detailed structure of the 2018 IcSP payments is presented in the tables below:

IcSP			
EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	14.56	107.87	122.43
Procurement	2.14	5.58	7.71
Delegation Agreement	26.51	104.41	130.93
Other	0.00	0.21	0.21
TOTAL	43.21	218.08	261.29



	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	6%	41%	47%
Procurement	1%	2%	3%
Delegation Agreement	10%	40%	50%
Other	0%	0%	0%
TOTAL	17%	83%	100%

The large proportion of implementation by international organisations (IOs) stems from the fact that FPI operations under IcSP are mostly crisis response actions concentrated in regions with limited number of operating partners, where the UN acts often as a single-entry point. In addition, Art. 4 of the IcSP Regulation²⁵ requires close coordination with the UN. In 2018, 49.9% of payments (EUR 130,4 million) under IcSP were made under the indirect management mode to international organisations.

As an illustration, in 2018 41 delegation agreements under indirect management were signed for a total amount of EUR 147 million. 60% of the total amount was signed with UN agencies (29 delegation agreements for a total amount of EUR 89 million). The majority of the other delegation agreements were signed with EU Member State partners.

Common Foreign Security Policy

From the total budget paid, 85.72% was managed under indirect management by CFSP missions (76% of the total budget paid), EUSRs (5%) and international organisations (5%); and the remainder under direct management (14%) covering mainly the grant agreement with the registrar of the Kosovo Specialist Chambers. For indirect management in the field of the non-proliferation, FPI deals primarily with international organisations from the UN family.

CFSP			
EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	44,87	0,00	44,87
Procurement	0,18	0,00	0,18
Delegation Agreement	270,38	0,00	270,38
TOTAL	315,43	0,00	315,43

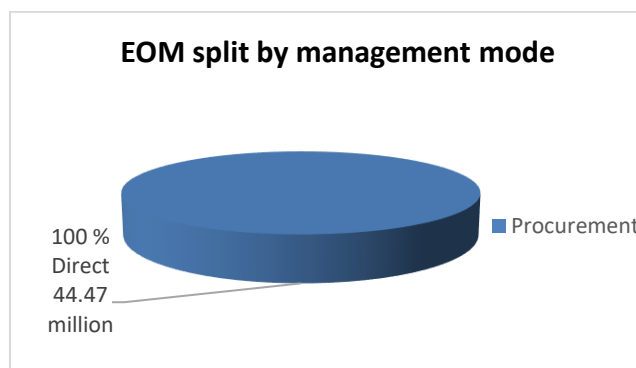
CFSP			
	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	14%	0%	14%
Procurement	0%	0%	0%
Delegation Agreement	86%	0%	86%
TOTAL	100%	0%	100%

²⁵ No 230/2014 of 11 March 2014

Election Observation Missions

The EOM programme is implemented under direct management (100%). Within the EOM programme, FPI was responsible for the implementation of EUR 41.85 million commitment appropriations and EUR 44.47 million of payment appropriations. Due to the nature of the EOMs, the operations are implemented through a framework contract, allowing for a rapid deployment of the missions.

EOM			
EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	0.00	0.00	0.00
Procurement	44.47	0.00	44.47
Delegation Agreement	0.00	0.00	0.00
TOTAL	44.47	0.00	44.47



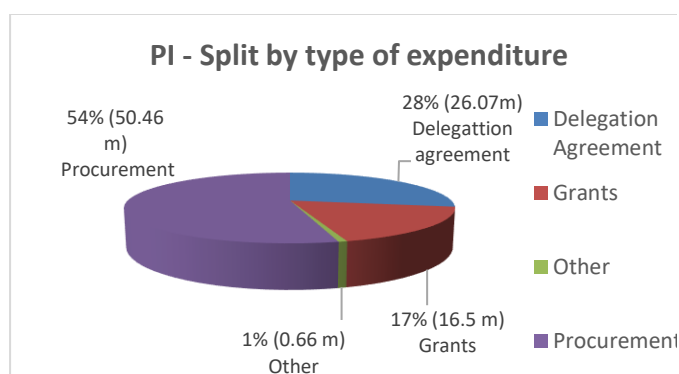
EOM			
	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	0%	0%	0%
Procurement	100%	0%	100%
Delegation Agreement	0%	0%	0%
TOTAL	100%	0%	100%

Partnership Instrument

The majority of actions are contracted through procurement of services.

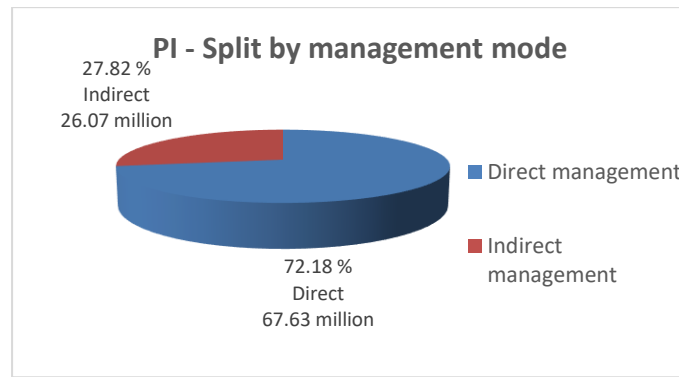
In 2018, about EUR 44.6 million (48%) of the PI actions was paid by FPI HQ with EUR 49.08 million (52%) paid by devolved Delegations. The detailed structure of the 2018 PI payments is presented in the tables below:

PI			
EUR million	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants	9.02	7.49	16.51
Procurement	19.51	30.95	50.46
Delegation Agreement	15.43	10.64	26.07
Other	0.66	0.00	0.66
TOTAL	44.62	49.08	93.70



PI

PI	Payments by FPI HQ	Payments by Delegations	TOTAL
Grants Procurement	10%	8%	17.62%
Delegation Agreement	21%	33%	53.85%
Other	16%	11%	27.82%
TOTAL	48%	52%	100.00%



Information outreach

The Information Outreach programme is implemented under direct management (100%). The EEAS/Delegations and DG CONNECT implement part of the budget. An amount of EUR 16.28 million was allocated to this budget line, with EUR 12.8 million paid to EEAS, EUR 0.26 million paid for information outreach contracts of FPI and the EU Visitors' programme and EUR 3.22 million paid for Euronews in Farsi (managed by DG CONNECT under cross sub-delegation – please refer below).

Cross sub-delegations

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

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

Cross sub-delegations		
Description	Fund Management Center	Paid amount (M EUR)
Partnership Instrument	FPI/SCIC	0.16
Partnership Instrument	FPI/ENER	0.54
Information Outreach	FPI/CNECT	3.22
Administrative support expenditure	FPI/DIGIT	0.31
TOTAL		4.23

The cross sub-delegations signed with DG EMPL and DG TRADE led to no payments in 2018.

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

This reservation has no impact on the other FPI activities.

Table I – The summary of the main sources of assurance

Risk-type / Activities	Internal Control Objectives					Other assurance components				
	Grants	Procurement	Indirect mgmt	Other	TOTAL	Legality & Regularity	Cost-effectiveness & efficiency	Fraud prevention & detection	Independent info from auditors (IAS, ECA) on assurance or on new / overdue critical recommendations	Reservation?
Instrument contributing to Stability and Peace (IcSP)	122.43	7.71	130.93	0.21	261.29	RER = 1.52%	😊	😊	No	No
Common Foreign and Security Policy (CFSP)	44.87	0.18	270.38		315.43	RER = 1.19%	😊	😊	No	No
Partnership Instrument (PI/ICI)	16.51	50.46	26.07	0.66	93.70	RER = 2.79%	😊	😊	No	Yes
Election Observation Missions		44.47			44.47	RER = 0.20%	😊	😊	No	No
Cross sub-del		4.23			4.23	Estimated RER < 2%	😊	😊	No	No
Press & Info		131.06			13.06	Estimated RER < 2%	😊	😊	No	No
Administrative exp.		2.44			2.44	Estimated RER < 2%	Not available	😊	No	No
TOTAL	183	121.85	427.38	0.87	733.91					
<i>Links to AAR Annex 3</i>	<i>See Table 2 – payments made for Overall total</i>				733.91					

Control Strategy

a) financial circuits model and ex-ante controls

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

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

For operations managed by EU Delegations: In 2018, the Regional Teams consolidated themselves, after their creation in 2017, and are now fully functional and operating efficiently.

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

b) ex-post controls

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

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

The consequences in terms of ex-post controls, controls assessing compliance with the requirements for indirect management (Article 154 FR) and other mitigating measures in

the case of non-compliance are described below.

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

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

c) assessment of the effectiveness of management and control systems

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

Pillar assessments of CFSP missions

Indirect management by CFSP missions remains a challenge for the internal control system and the assurance and is an area of risk in the operational budget. Before entrusting funds to CFSP missions in the indirect management mode, the Commission must first ensure that they comply with the "pillar" requirements (Art. 154 FR).

For new missions in particular, compliance is not possible due to a particular feature of the CFSP operating environment, namely that CFSP missions are on each occasion created on an ad-hoc basis. In order for them to be operational from day one, the Commission has to entrust them with funds necessary for their functioning, including procurement of equipment, without being able to have a prior assessment of compliance. While this situation pertains in every case where a new body or agency is created under the EU budget, the difference is that CFSP missions operate outside the EU and often in volatile security environments. Longer-established missions have now had a chance, with FPI assistance, to become compliant. During 2018, all pending Pillar Assessments were launched. As a result of that effort, eight out of ten missions are now declared compliant with Article 154 FR, representing the most substantial part of the CFSP operations: EULEX Kosovo, EUPOL Afghanistan, EUMM Georgia, EUPOL COPPS in the occupied Palestinian Territories, EUAM Ukraine, EUBAM Rafah, EUCAP Sahel Niger and EUCAP Sahel Mali (in January 2018). The number of accredited CFSP Missions has increased from seven to eight during 2018.

The situation of the two non-compliant longer-established Missions, is as follows:

- For EUBAM Libya, a Road Map has been established with nineteen recommendations, ten of which are marked with critical status affecting mainly the internal control and procurement system of the Mission. Important work on the follow-up of the recommendation and remedial actions was performed in 2018. FPI expects that the Mission could be declared compliant during 2019.
- In the case of EUCAP Somalia (NESTOR) a full pillar assessment was performed in 2018, which identified weaknesses in the internal control system, accounting and

procurement. A Road Map has been established and FPI will closely follow its implementation.

The pillar assessment of the CSDP Mission in Iraq, which was established in 2017, took place in 2018. The pillar assessment report is currently at a draft stage. The report is overall positive, but includes a number of recommendations. The recommendations are expected to be implemented at the final report stage, which most likely will result in the CSDP Mission Iraq being declared compliant with Article 154 FR.

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

- **financial reporting** (delegated management reports) by the missions as fixed in the agreements concluded between the Commission and each CFSP mission.
- obligatory **external audits** before all final payments, also specified in the agreements;
- **monitoring** missions by FPI project managers; missions where financial management is identified as "at risk" may be subject to more intensive monitoring and support and FPI is putting in place arrangements to allow external procurement experts to be made available on an ad hoc basis to assist and advise missions;
- **monitoring/assessment of Art. 154 compliance missions** by FPI staff: all pillar-assessed missions are subject to monitoring. Such missions take place 6 months after a mission started in full indirect management mode. Subsequently - approximately every two years - compliant missions will be assessed again by an external auditor under dedicated Terms of Reference;
- obligations regarding the main elements (procurement, segregation of duties, accounts and external audits) are specified in the agreements concluded between the Commission and each CFSP mission. Progressive implementation of the Article 154 (formerly Article 60) criteria by the missions, subject to verification by the Commission.

Additional specific mitigating measures for not fully compliant missions:

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

Supervision Missions

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

On the basis of a risk analysis, FPI selects a sample of decentralized spending units.

Following a thorough assessment of each of them, as well as an on-site visit, FPI is in a position to identify the interaction between all the actors involved in the system, to highlight shortcomings and issue recommendations.

Since 2015, 16 Supervision missions have taken place. All the Delegations managing the Partnership Instrument have been supervised once in every three years.



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

Their results allow FPI to draw conclusions on lessons learned and to share good practice and information, which can be used in management decisions at all levels. Therefore, they are a key tool in helping the Head of Service to make FPI a secure place to spend the public money entrusted to the organisation.

FPI performed 3 supervision missions in 2018 in line with the 2018 annual plan: Thailand, Kenya, and Lebanon. In addition, a follow-up mission to the Delegation to India was performed.

The priority for 2018 was to continue the assessment of all Delegations hosting a FPI Regional Team.

The assessment of the three Delegations visited concluded that their management and control systems in place are "Fully Effective" when it comes to running FPI operations.

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

Thailand: The assessment took place in March and the main recommendations were on adjustment of the internal structure and staff allocation, concluding that with a little fine-tuning, the RT would enhance its operational capacity.

Kenya: The assessment took place in June and a number of recommendations were issued; some of which were implemented by year end. In particular, the control team identified that more discussions with the Delegations in the region and common reflection were needed to clarify the operational capacity of the RT and enhance the FPI corporate identity.

Lebanon: The assessment took place in October resulting in a limited number of minor recommendations mainly related to document management issues, the need to enhance monitoring and to make better use of the results of evaluations. Some other recommendations were made to further develop Project Managers' skills and competencies specifically in the downstream design of actions/interventions.

In general, the process shows that the management and control systems in place meet the requirements to make FPI an effective spending organization operating in a decentralized control environment. The main systemic adjustments needed were to identify and manage crosscutting risks common to all RTs in the FPI Risk Register, and the need to increase fraud prevention and awareness.

Number of specific findings per delegation				
Delegation	Number of findings Priority 1	Number of findings Priority 2	Number of findings Priority 3	Total number of findings
Thailand	3	3	4	10
Kenya	2	8	5	15
Lebanon		8	3	11
Total number of findings	5	19	12	36

Follow-up of recommendations:

In October 2018, a follow-up FPI Mission was organised to the Delegation in India to assess the remaining points from the Action Plan established after the FPI Supervision Mission in 2015. All points marked "partially implemented" and "not implemented" in the Action Plan have been assessed as "implemented". The point regarding the risk management in the Delegation and the establishment of a Risk Register has been globally addressed by the EEAS in the instructions for the AMP 2019 on the Delegation's "Risk Management Action Plan" and needs no further specific follow-up from FPI. Hence the Action Plan has been closed.

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

1. Effectiveness of controls - control results and benefits

Legality and regularity of the transactions: FPI has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

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

Control effectiveness: ex post controls

	Instrument contributing to Stability and Peace (IcSP)	Common Foreign and Security Policy (CFSP)	Partnership Instrument (PI / ICI)	Election Observation Missions (EOMs)	TOTAL
(A) Ineligible expenditure detected by ex-post controls	1 012 404	47 621	142 204	80	1 202 309
(B) Total cost of audit	140 080	74 475	78 278	23 298	316 131
(C) Average cost of audit (total audit cost/number of audit assignments)	17 510	14 895	11 183	11 649	14 370
(D) Efficiency ratio ((A)/(B))	7.23	0.64	1.82	0.00	3.80

FPI has quantified the cost of the resources required for carrying out the controls described in the AAR and estimates, insofar as possible, their benefits in terms of the amount of errors detected by these controls. Overall, during the reporting year the **controls carried out by FPI** in the framework of its annual ex-post control plan have a cost-effectiveness rate of 3.80 ⁽²⁶⁾.

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

Multiannual error rate (MER): FPI took 2014, the first year of the multiannual financial framework until 2020 and of the new instruments, as its base year for reporting this new requirement. Therefore, 2018 is the fifth year of using the multiannual approach of reporting on ex-post controls. The results based on these five years (2014-2018) are presented below²⁷.

²⁶ EUR 3.80 of ineligible expenditure were detected for every EUR spent in ex-post control.

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

Table: Multiannual Residual Error Rate (MRER)

	Activity	Payments made in 2014 - 2018 (€)	Number of ex-post controls	Sampled amount verified (includes previous years)	Related total amounts paid (incl. pref)	Value audited = EC share of value claimed	Ineligible amount (€)	Amount to be recovered	Corrections made (i.e. debit note issued or amount registered for offsetting)	Detected error rate (=J/E)	Residual error rate of the sample = [(J-K) + (G-E)xL]/G	Amount at risk in the population (€) = (CxL) - K	Multiannual RER in the population (%)
19.02	Crisis response and global threats to security (IfS/IcSP)	917 082 113	49	111 073 953	157 275 574	156 369 530	3 040 432	1 756 289	550 389	1.58%	1.23%	13 950 407	1.52%
19.03	Common foreign and security policy (CFSP)	1 383 872 021	31	114 754 167	192 793 038	165 195 946	1 507 592	1 446 500	930 685	1.26%	0.78%	16 513 306	1.19%
19.04	European Instrument for Democracy and Human Rights (EIDHR) - EOMs	148 207 213	10	20 124 925	24 384 465	24 383 909	44 357	44 357	25 344	0.22%	0.12%	301 317	0.20%
19.05	Partnership Instrument / Industrialised Countries Instrument (ICI / PI)	227 919 616	25	33 024 817	33 301 206	33 678 548	1 820 114	996 712	517 620	3.02%	1.46%	6 361 151	2.79%
	FPI	2 677 080 962	115	278 977 862	407 754 283	379 627 933	6 412 495	4 243 857	2 024 037	1.52%	1.02%	37 126 182	1.39%

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

The multi-annual residual error rate (RER) for 2014-2018 takes into account total ineligible expenditure detected and corrected compared to total payments made in 2014-2018. Based on the multi-annual RER, FPI is of the opinion that the control procedures in place give the necessary guarantees for the legality and regularity of the underlying transactions except for the ICI instrument where the rate of above 2% leads to a reservation. Both the reservation and the action plan are summarised below in section 2.1.5 and Annex 10.

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

For FPI, the estimated overall amount at risk at payment²⁸ for the 2018 expenditure is EUR 7.4 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*²⁹ during the year (EUR 498 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made³⁰.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections³¹ for the 2018 expenditure are EUR 2 million. This is the amount of errors that the Service conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure for the 2018 expenditure of EUR 5.5 million.

²⁸ In order to calculate the weighted average error rate (AER), the *detected or equivalent* error rates have been used; see note 6 to the table.

²⁹ "*relevant expenditure*" during the year; see note 5 to the table.

³⁰ "*payments made*" or *equivalent*; see note 2 to the table.

³¹ Even though to some extent based on the 7 years historic average of recoveries and financial corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the Service over the past years, the AOD has adjusted this historic average. Any ex-ante elements, one-off events, (partially) cancelled or waived ROs, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes, current programmes with entirely ex-ante control systems) have been adjusted in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes.

Table II - Estimated overall amount at risk at closure

FPI	payments made (EUR million)	<i>minus</i> new ^a prefinancing (EUR million)	<i>plus</i> cleared ^c prefinancing [<i>minus</i> retentions (partially) released ^b and deductions of expenditure made by MS] (EUR million)	= "relevant expenditure" ^d (EUR million)	Average Error Rate (<i>weighted AER</i> ; %)	estimated overall amount at risk <i>at payment</i> (EUR million)	Average Recoveries and Corrections (<i>adjusted ARC</i> ; %)	estimated future corrections (EUR million)	estimated overall amount at risk at closure (EUR million)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Instrument contributing to Stability and Peace (IcSP)	261	236	147	173	1.52%	3	0.40%	0.69	2
Common Foreign and Security Policy (CFSP)	315	313	177	181	1.19%	2	0.40%	0.72	1
Election Observation Missions (EOMs)	44	37	25	33	0.20%	0	0.40%	0.13	0
Partnership Instrument (PI)	93	53	52	92	2.79%	3	0.40%	0.37	2
Press & Info	13	0	0	13		0			0
Administrative expenditure	2	0	0	2		0			0
Cross sub-delegations	4	0	0	4		0			0
Total	734	639	401	498	1.49%	7.4	0.40%	2.0	5.5

Notes to the table

(1) [*if possible*] differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle. In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis). Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

(4) Pre-financing actually having been cleared during the financial year (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption').

* In Cohesion, the retention which is now released or (partially) withheld by the Commission.

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (*see the ECA's 2017 AR methodological Annex 1.1 point 15*), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used.–

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD [*has adjusted*] this historic average [*from ... to ...*]. Any ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes, current programmes with entirely ex-ante control systems) [*have been adjusted*] in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes. The adjusted ARC used in column 8 was provided by DG BUDG.

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

Fraud prevention, detection and correction

FPI has developed and implemented its own Anti-Fraud Strategy (AFS) since 2014, elaborated on the basis of the methodology provided by OLAF. In 2018, FPI updated its "Fraud Risk Assessment and Mitigating Responses of FPI" [Ares (2018)1236234] in the context of the review of the Commission Anti-Fraud Strategy (CAFS) and continued to monitor the implementation of its Anti-Fraud Strategy (AFS) as well as the specific AFS for CSDP Missions.

The FPI AFS will be reviewed in 2019 after the adoption of the new AFS and of the umbrella Anti-Fraud Strategy for all External actions (covering DEVCO, NEAR, FPI and EEAS).

a) Detection:

In 2018, the total number of ongoing cases decreased and is now two. OLAF closed two investigations in 2018. The first concerns a grant to an NGO in Zanzibar. The second case relates to a framework contract managed by the EEAS under which CSDP missions/EUSRs and Delegations purchased armoured cars.

Two cases from the selection process in 2017 were dismissed in early 2018. Two new cases were selected and dismissed since July 2018.

b) Prevention:

FPI updated its "Fraud Risk Assessment and Mitigating Responses of FPI" in 2018 and trained more than 80 colleagues on anti-fraud awareness.

For civilian Common Security and Defence Policy (CSDP) Missions, FPI implements a specific Action Plan and Anti-Fraud Strategy including a set of guidance documents covering the analysis of inherent risks, public procurement and ethics and integrity. Based on a report carried out by the Internal Audit Service in 2014, FPI has launched a pilot project providing secure access for the CSDP Missions to the Early Detection and Exclusion System (EDES).

Prevention efforts have raised awareness among staff on fraud risks. They allowed FPI to detect and control the two new cases that were flagged to OLAF in 2018.

c) Follow-up:

Generally, to improve reaction to suspected fraud and to assure the timeliness in recovering sums unduly spent, FPI worked in close cooperation with OLAF on ongoing cases and replied quickly to information requests from OLAF investigators. In addition to the annual ex-post control plan, when FPI identifies contracts/granted projects at a higher risk of fraud, it subjects them to an external audit with specific objectives.

In February 2018, FPI organised a coordination meeting between FPI, EEAS/CPCC and OLAF for the transmission of information to OLAF related to Civilian CSDP Missions. The three services committed to reach a shared understanding on cases where a disciplinary investigation would lead to the transmission of information by EEAS and FPI to OLAF.

d) Exchanges with OLAF

Relevant information received by FPI was proactively and timely shared with OLAF in 2018. This concerned 9 potential cases. In parallel, FPI also provided information to OLAF exercises of monitoring the implementation by FPI of the (administrative and financial) recommendations following OLAF investigations (i.e. FPI implementation of recoveries; FPI request to OLAF for transmittal of a case to the national authorities).

Conclusion

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

2. Efficiency = the Time-to- indicators and other efficiency indicators

Efficiency indicators

Time-to-pay: In 2018, the average number of days to make a payment was 34.3, which represents a slight increase compared to 2017 (28 days). The percentage of invoices paid on time remained stable compared to 2017 (92.3% compared to 92%).

Amounts to disburse (reste à liquider): The RAL at the end of the year increased by EUR 48 million, an increase of 5% compared to the RAL at the end of 2017. This increase is linked to both instruments CFSP and PI. The increase for CFSP is due to the fact that there are more needs this year. For the PI, this is due to the fact that the duration of activities is longer than for the other instruments.

Note: Time to grant (Art.114 (2)) FR: this requirement does not currently apply to FPI as the greater part of its activities is not implemented by open calls for proposals/grants.

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

3. Economy = the cost of controls

FPI conforms to Article 74(9) FR by quantifying as far as possible the costs of the resources and inputs required for carrying out its controls and their benefits in terms of the amount of errors and irregularities prevented, detected and corrected.

The total cost of controls in 2018 for FPI⁶⁵ is estimated at EUR 3.95 million, that is **0.54%** of operational payments executed in 2018 (EUR 734 million), which shows a slight decrease compared to the previous year (0.69% in 2017). This slight decrease is due to an increase in payments made and stable cost of controls.

For FPI Headquarters, the approximate cost of ex-ante controls is EUR 2.80 million, whereas the cost of ex-post controls is EUR 1.15 million (with the total of EUR 3.95

⁶⁵ Estimate based on the cost of control missions performed by staff, external audits and cost of staff (FTEs) involved in controls and supervision in the year.

million as presented in the table below).

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

		Cost of controls by management mode (EUR million) ⁶⁶		
		2018	2017	2016
Direct	Grants	0.96	1.04	1.34
	Procurement	1.05	1.12	1.16
Indirect		1.94	1.79	1.22
Total		3.95	3.95	3.72

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

4. Conclusion on the cost-effectiveness of controls

The Service's control environment and control strategy remained stable during the reporting year compared to the previous year, the conclusion on the cost-effectiveness of controls is therefore unchanged.

FPI already uses the possibility foreseen in FR art 74.2 to differentiate the frequency and/or the intensity of the DG's controls – in view of the different risk-profiles among its current and future transactions and of the cost-effectiveness of its existing and any alternative controls – by re-directing the control resources towards more rigorous controls where needed while retaining leaner and less burdensome controls where appropriate. FPI will further adapt the risk profiles in its control strategy based on results of controls.

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

2.1.2. Audit observations and recommendations

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

European Court of Auditors (ECA)

There were no findings on legality and regularity from the Court of Auditors regarding the 2018 DAS (Statement of Assurance) for FPI. The 2017 Annual Report included no

⁶⁶ The corporate methodology for the estimation, assessment and reporting on the cost-effectiveness of controls was revisited in September 2018 and applied first time in the 2018 annual reporting. The difference of the estimated cost of controls as compared to previous years derives from this new methodology and does not reflect any substantial change in the DG's control strategy.

recommendations for FPI. The only open recommendation from prior Annual Reports (DAS 2013) refers to the pillar assessment of the CFSP missions. FPI continues to work towards the accreditation of all CFSP missions in accordance with the “six-pillar assessments”. Detailed information on the current state of play regarding the implementation of this recommendation is given in section 2.1.1.

As regards Special Reports of the European Court of Auditors, FPI was associated with two performance audits of the ECA in 2018:

- Special Report on EOMs:

The Commission was only associated to rec 4 and rec 5 on the monitoring and follow-up of the EOMs and only conditionally i.e. FPI committed to provide financing for the follow-up tool (database) to be set-up by the EEAS.

- Special Report on Sahel

ECA issued a final report on EUCAP Sahel Missions: Niger and Mali, with the following recommendations to the Commission:

1. Move towards delegating the power to authorise purchases to the Head of Mission
2. Improve support to Missions through the common warehouse and the Missions Support Platform
3. Set budgetary periods that match operational necessities

On all three recommendations FPI is making very good progress.

Internal Audit Service (IAS)

Based on all work undertaken by the IAS in the period 2016-2018⁶⁷ namely,

- Audit on Instrument contributing to Stability and Peace in FPI (2016)
- Audit on Partnership Instrument in FPI (2018)
- Audit on EC-EEAS coordination (2018)

and taking into account that:

- Management has accepted all the recommendations issued in 2016-2018;
- Management has adopted action plans to implement all the accepted recommendations. The IAS considers that these action plans are adequate to address the residual risks identified by the auditors, except for the audit on EC-EEAS coordination where management still has to adopt an action plan in early 2019;
- The implementation of these action plans is monitored through reports by management and follow-up audits by the IAS.

The Commission’s Internal Auditor concluded on 15 February 2019 that the internal control systems in place for the audited processes are effective, except for the observation giving rise to the 'very important' recommendation as listed in the appendix. This recommendation still needs to be addressed, in line with the agreed action plan⁶⁸.

⁶⁷ Final audit reports issued in the period 01/02/2016 – 31/01/2019

⁶⁸ In the meantime FPI has implemented points 2.a and 2.b of the action plan addressing this recommendation (see immediately below).

Accepted recommendations rated 'very important' and not reported as implemented by management and/or closed by the IAS:

1. Audit on Partnership Instrument in FPI (2018)

- Recommendation 2 (rated 'very important'): Implementation of Partnership Instrument (PI) projects: control environment and HQ supervision - Due date: 30/06/2019

The IAS conducted fieldwork in three EU Delegations (EUDs) (China, Thailand and US) and in the HQ, to check the control system in place and the functioning of the mechanism to supervise it. Overall, the results of the audit were very positive. Weaknesses were detected (i) in the design and performance of the supervision missions performed by FPI HQ and (ii) in the control environment of the EUD US.

Weaknesses in the control environment for the implementation of PI projects (both at HQ and EUD level) may lead to ineffectiveness and inefficiencies of operations and to fraud risks. Insufficient guidance for the conduct of the supervision mission in EUDs may lead to inadequate reporting on weaknesses in the control environment, mitigating measures not being defined, not appropriate and/or not implemented, ultimately resulting in ineffective operations, illegal/irregular transactions and fraud risks.

The IAS recommended that FPI should: a) remedy the weaknesses identified in the set-up of the control environment at HQ and EUD US level; b) ensure the independence between the design and the control functions of financial circuits; c) update the process manual for Supervision Missions and ensure appropriate reporting to the FPI Authorising Officer by Delegation on the outcome of supervision mission findings and the actions taken with regard to recommendations issued, and d), closely monitor operations in the EU Delegation in the United States to ensure that the identified shortcomings do not reoccur.

FPI's comments on IAS audits

Audit of the Partnership Instrument

In 2018, the internal audit service (IAS) finalised its work on the audit of the Partnership Instrument, where FPI is the main auditee. The final audit report was issued on the 16 November 2018, and included two recommendations.

The first recommendation (classified as important) requested FPI to ensure that best practices in managing PI projects are consistently applied, and to analyse the results of the combined external evaluation of the Public Diplomacy methodology (which will be finalised at the end of Q1 2019) and the perception study (which will be available at the end of Q2 2020) in order to better inform decision-making, and disseminate the results of the analysis to the initiators of Public Diplomacy projects.

The second recommendation (classified as very important) requested FPI:

- a)** to remedy the weaknesses identified in the set-up of the control environment at HQ and EUD US level,
- b)** to ensure the independence between the design and the control functions of financial circuits, and
- c)** to update the process manual for supervision missions and ensure appropriate reporting to the FPI AOD on the outcome of supervision mission findings and the actions taken with regard to recommendations issued.

FPI accepted both recommendations and established an action plan to address them.

Concerning recommendation 2 a), FPI has already implemented the mitigating measures by ensuring that financial verification is undertaken by the Regional Team Americas within the financial circuit. In addition, FPI has recruited an additional contractual agent GF IV for operational verification in the US Delegation in line with the action plan.

The action addressing recommendation 2 b): *"In order to ensure the independence between the design and the control functions of financial circuits, the responsibility for each individual supervision mission is henceforth entrusted to a FPI Head of Unit outside the contract and finance unit that is not directly concerned by the specific mission"*, has already been implemented as of October 2018.

The remaining recommendations will be implemented by the deadlines foreseen in the action plan (see immediately above).

Multi-DG audit on EC-EEAS coordination

In 2018, IAS finalised the audit on EC-EEAS coordination, and issued a draft report on 8 October 2018. The draft report included four recommendations of which only Recommendation number 2 and 3 (both classified as important) were addressed to FPI.

Recommendation number 2 requested FPI to revise the working arrangements taking into account the current practices and modalities, and formally adopt the revised document and communicate it to staff.

Recommendation number 3 requested FPI to provide further guidance, detailing the modalities of interaction, including operational/logistical support, for managing IcSP projects, and to communicate these modalities to the EUDs and regional teams. FPI accepted the IAS recommendations without further comments, and the corresponding Action Plan was sent to IAS on 27 February 2019.

Audit of the Instrument contributing to Stability and Peace

In 2016, the Internal Audit Service carried out an audit of the Instrument contributing to Stability and Peace, for which the final audit report was issued on 26 January 2017. The three recommendations (all of them classified as important by the IAS) addressed to FPI focused on the swiftness of launching crisis response actions, the guidance and supervision of the EU delegations implementing IcSP actions and the relevance of objectives and indicators at project level. FPI accepted all the recommendations and delivered the action plan to address them. In 2018, FPI delivered on all three recommendations covering the swiftness with which crisis response actions are launched, action-level objectives and indicators and guidance to Delegations. In July 2018, IcSP indicators were fully aligned with the FPI Results Framework.

Audit on the FPI Control Strategy

As far as the IAS audit on Control Strategy (2014) is concerned: the IAS finalised their follow-up audit in 2018, and concluded that all recommendations had been adequately and effectively implemented, and therefore could be closed.

Conclusion

In 2018, there were no critical findings and recommendations (and a limited number of findings overall) related to FPI from audits conducted by the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA).

2.1.3. Assessment of the effectiveness of the internal control systems

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

FPI has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the principles and having due regard to the risks associated with the environment in which it operates.

FPI made significant progress in the implementation of the new Internal Control Framework adopted by the Commission on 19 April 2017⁶⁹. To this end the following actions were undertaken in 2018:

- The internal control monitoring criteria, following an internal discussion and validation process with management were communicated to HR/VP Mogherini and reported together with the Management Plan 2018;
- FPI actively participated and contributed to the working group of RELEX DGs and EEAS, whose purpose was to ensure a coherent approach towards internal control assessment of the Delegations. The results of the discussion will be implemented by the EEAS, which is in charge of internal control assessment for the delegations.
- FPI conducted in July and December 2018 a review of its internal risks at Head of Units' level and identified them as critical, high, medium and low risks.

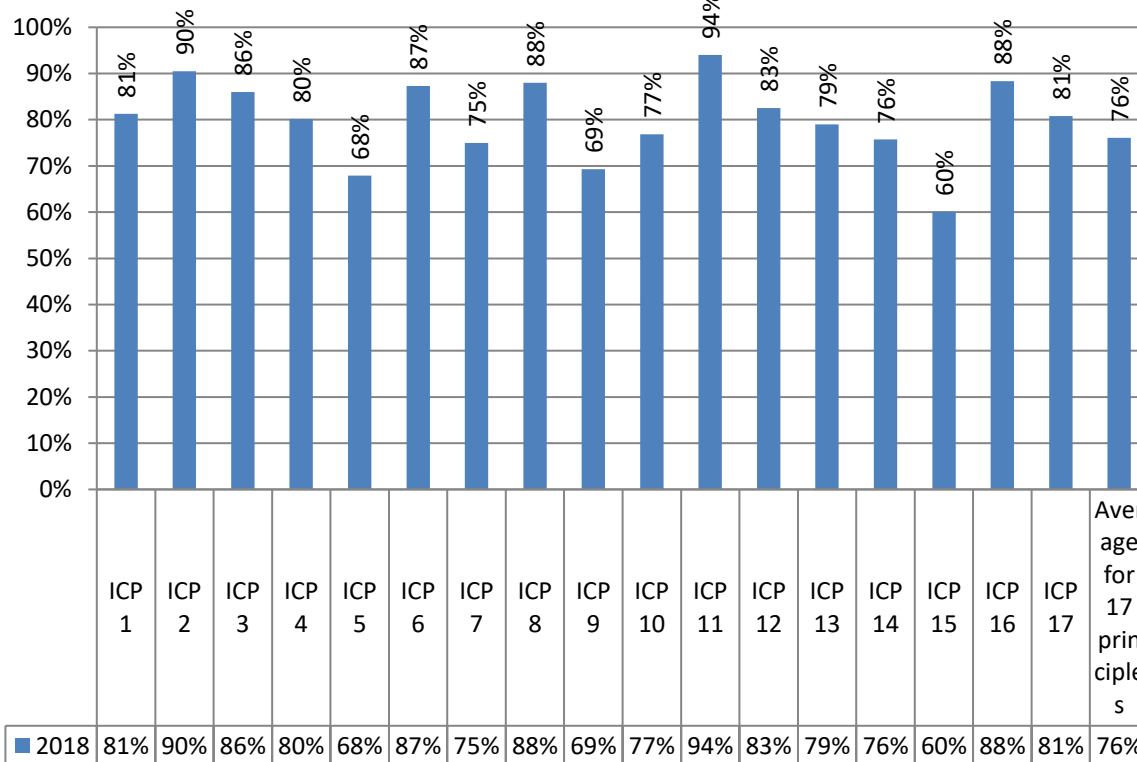
Regarding the effectiveness of internal control and financial management, FPI considers that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. This conclusion is supported by the results of ex-post controls presented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

Concerning the overall state of the internal control system, FPI complies with the three assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the FPI to its key risks. In addition, further enhancing the effectiveness of FPI control arrangements in place, by *inter alia* taking into account any control weaknesses reported and exceptions recorded, is an ongoing effort in line with the principle of continuous improvement of management procedures.

FPI performed a comprehensive assessment of effectiveness of internal control principles (ICP) for the purposes of this report using the iCAT survey made available by Central Services. Overall 60 staff were invited to complete the survey, out of which 6 were management. The response rate was 49 persons in the staff sample (90%) and 6 (100%) in the management sample. The staff sample included 21 staff from the Delegations and Regional Teams. Results indicate an effectiveness rate of 76.1%, which presents a slight decrease compared to 2017 (an effectiveness rate of 79.5%) due to the change in the set of questions between 2017 and 2018 following the revision of the internal control framework from 15 Internal Control Standards to 17 Internal Control Principles:

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

Weighted effectiveness of the Internal Control Principles in 2018, FPI



■ 2018
18

The analysis of optional comments provided by respondents indicates several issues for the attention of Management such as ethics, handling sensitive information, need for back-up, recalling the FPI mission statement, involvement in risk identification, updating procedures, systematic use of Ares, whistleblowing and "personne de confiance". FPI is following up on this.

Lack of compliance with Art. 154 of the Financial Regulation ("six pillars assessment") of two of the CFSP missions may point to the risk of potential internal control issues in this budget chapter. In order to provide assurance in these cases and taking into account the high-risk environment of the missions, FPI relies on its ex-ante and ex-post controls and monitoring as well as the specific mitigating measures as described in section 2.1.1 of this report. Attention was given in 2018 to the pillar assessment of these last two CFSP missions and efforts will be continued towards reaching full compliance of all the missions with Art. 154 of the Financial Regulation by the end of 2019.

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

Considering the results of its self-assessment of internal control, the analysis of the implementation of action plans relative to the recommendations of the different audit bodies; the results of controls; the risk analysis performed in the context of the

Management Plan and the management knowledge gained from daily operations, FPI concludes that the effectiveness of the control principles was maintained in 2018.

Even though a reservation concerning the error rate for ICI/PI being above 2% is present, it is a recurring reservation (made for the first time in the AAR 2015) without any impact on the assessment of the effectiveness of the internal control systems.

FPI has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended.

2.1.4. Conclusions on the impact as regards assurance

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

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

Functioning accountability chain

The accountability and reporting chain in FPI is organised as a pyramid through which the statements of assurance signed by each Head of Delegation set the basis of the assurance provided by the other AOSDs at the upper levels of the pyramid. For 2018 68 AOSD reports by the Heads of Delegations were received and analysed at HQ, 5 AOSD reports by the Heads of the Regional Teams and 5 AOSD reports by Heads of Units in FPI HQ. The reports do not point to any issues which could have a potential material impact on the assurance.

Full coverage of expenditure by the control mechanisms

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

IAS limited conclusion

IAS concluded that the internal control systems in place for the audited processes are effective, except for one observation giving rise to a 'very important' recommendation.

Legality & regularity based on RER results

While the multiannual residual error rate (RER) for 2014-2018 is below 2% (1.39%) for the whole budget of FPI, the RER under the budget chapter 19.05 (ICI / PI) is 2.79%. Therefore, the Head of Service has decided to maintain a reservation in the current report.

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

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

FPI has implemented all possible suitable ex-ante and ex-post controls, to the extent that they remain cost-effective and do not affect the other policy objectives.

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

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

A favourable assessment of cost-effectiveness of controls

The total cost of controls for 2018 in FPI is estimated at EUR 3.95 million and represents 0.54% of total payments made by FPI in 2018. Taking into account the risky environment in which FPI operates, FPI considers the total cost of control as reasonable.

Effective implementation of the Internal Control Principles

FPI has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended. None of the internal control issues described above, in Management's opinion, has any potential impact on the assurance.

Anti-Fraud Strategy in place.

The Anti-Fraud Strategy of FPI is in place and functioning as intended. The planned revision/update has been postponed to 2019, as OLAF did not finalise the update of the Commission Anti-fraud Strategy in 2018. The next revision/update of the Anti-Fraud Strategy is foreseen for 2019, on the basis of the revised Anti-fraud Strategy for EU External Relations.

Overall Conclusion

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

2.1.5. Declaration of Assurance and reservations

DECLARATION OF ASSURANCE

I, the undersigned,

Head of Service for Foreign Policy Instruments

In my capacity as authorising officer by delegation

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

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

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

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

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

Brussels, date

(signed)

Hilde HARDEMAN

⁷⁰ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

Reservation

DG	Service for Foreign Policy Instruments (FPI)
Title of the reservation, including its scope	Reservation concerning the error rate for ICI/PI being above 2%
Domain	Direct management mode – grants
Programme in which the reservation is made and total (annual) amount of this programme	19.05 (Cooperation with third countries under the Partnership Instrument) Payments made in 2018: EUR 93.7 millions.
Reason for the reservation	Legality and regularity: occurrence of errors at beneficiary level in the underlying transactions; multi-annual RER above 2%.
Materiality criterion/criteria	Legality and regularity criterion: the materiality criterion is the multi-annual residual error rate, i.e. the level of error which remains undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle.
Quantification of the impact (= actual "exposure")	The estimated actual exposure for this activity is EUR 3.9 million for 2018.
Impact on the assurance	Legality and regularity of the affected transactions. The assurance is affected by the quantified budgetary impact (EUR 3.9 million at risk), which in overall terms remains quite limited compared to the total FPI payments made in 2018. The reservation has no impact on the remainder of the FPI budget. The residual error rate overall for FPI is below 2% (1.39%). The reservation is made on the total budget line 19.05 PI/ICI and thus is calculated actual exposure of EUR 3.9 million.
Responsibility for the weakness	Implementing partners/beneficiaries of grants
Responsibility for the corrective action	<p>The reservation on IC/PI is a recurring reservation, which for the first time was made in the AAR 2015, the action plan below was set up in 2015.</p> <p>The reservation under the budget chapter 19.05 relates only to the Instrument for cooperation with Industrialised Countries, which is part of the former MFF (2007-2013) and is discontinued. Consequently, the follow up actions that can be taken for these errors are limited. The risk of significant ineligible expenditure to be identified in future payments is also limited as RAL as of 31 December 2018 amounts to EUR 3.9 million.</p> <p>The main elements of the action plan set up by FPI for correcting the weakness for ICI/PI are:</p> <ol style="list-style-type: none"> 1. Reinforcing the financial control at HQ and in Delegations by strengthening the FPI financial circuits in Delegations (through the setting up of regional teams) 2. Reinforcing the accountability of Delegations as to the follow-up and corrective measures to errors identified by audits.

3. Ask beneficiaries to provide (a sample of) **supporting documents** when they submit a financial report.
4. Identify synergies between **supervision missions** and potential monitoring missions to beneficiaries with a focus on financial aspects (i.e. combine the two where feasible).

Some of the actions concerning CFSP (NPD) on which the reservation was lifted in 2017 were incorporated into the long-term control strategy of FPI, not only for NPD projects but also for other instruments like PI and IcSP where appropriate to ensure the long-term best possible outcome in terms of legality & regularity:

1. Increase **ex-ante audits** (special purpose audits) to ensure that the expenditure presented on the final financial statement by the beneficiary is free of irregularities before the final payment is issued (20.000/25.000 euros per audit), taking into account the cost-effectiveness of controls.
2. Awareness-raising of the most common types of errors and the ways to avoid them: organise **info sessions** (kick off meetings) with key beneficiaries to raise awareness on applicable contractual provisions and regulations and to insist on the negative impact at the end of the project if financial management is taken lightly. For IcSP and PI, the HQ should provide support to the Delegations to help them with training materials and possible participation to the info sessions on the spot.
3. Further improvements on the quality of mandatory expenditure verifications: check the professional capacity of local auditors proposed by beneficiaries to perform **expenditure verifications**. The Commission has the possibility to reject and ask to change to another auditor.

In the field of NPD: increase financial professional capacity of beneficiaries with a small structure by requiring them to **have/hire professional financial staff** to ensure proper financial reporting. For non-proliferation and disarmament projects, Member States will be informed of the mitigating measures taken in order to address financial weaknesses encountered with certain implementing partners.

2.2. Other organisational management dimensions

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

FPI Results Framework and Manual

On 27 September 2017, FPI adopted its Results Framework in conjunction with the FPI Manual providing a clear framework against which the Service can report on the results of its interventions – actions/operations/missions – and show in a clear and understandable way FPI performance in achieving its policy objectives (SPP/ABM). A key concern was to demonstrate how our instruments – IcSP, CFSP, PI and EOM – contribute to implementing EU policies in external action mainly under the Commission's political priority 9 "Europe as a global actor", but also political priority 1 "A new boost for jobs, growth and investment", priority 3 "A Resilient Energy Union with a Forward-Looking Climate Change Policy", priority 6 "Trade: A balanced and progressive trade policy to harness globalisation", and priority 8 "A New Policy on Migration". and in line with the policy objectives of BFOR – Budget focused on Results.

In 2018, the Manual and its Annexes were updated, subsequent to the adoption of the new Financial Regulation in August, the adoption of the SIEA Framework contract and the outcome of the Simplification of Procedures Exercise conducted following the FPI days in April.

The Results Framework is fully aligned with the FPI Strategy, the EU 2020 Strategy, the Global Strategy and the European Union's commitments under Agenda 2030. In time, it will allow FPI to provide easily-accessible and understandable information on results achieved for the wider EU public and for the benefit of stakeholder dialogue, including with industry and civil society.

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

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

Operational information system OPSYS

In 2018, FPI pursued its cooperation and engagement with DGs DEVCO, NEAR and DIGIT in the development of the new operational information system OPSYS. This system will integrate the European Commission's management of EU interventions in external action from their planning to evaluation. All FPI-managed instruments and operations with a financial implication including CFSP, will be integrated into OPSYS by July 2020. OPSYS is organised in 3 Tracks: Results & Monitoring (Track 1); Contracts & Procurement (Track 2) and Programming, Actions and Documents (Track 3). In 2018, work focused on the testing and implementation of Track 1 and Track 3 including the organisation of 5 webinars in autumn 2018 which involved FPI staff from Headquarters and Regional Teams alongside their DEVCO and NEAR colleagues. OPSYS work also involved

preparations for the electronic 'migration' of FPI actions' logical frameworks to OPSYS as well as the electronic encoding of all on-going and completed evaluations into the EVAL module of OPSYS. This work will continue in 2019 and will include the testing of additional functionalities. Release 2 is scheduled for March 2019 combining Tracks 1 and 3 while Release 3 combining all Tracks is scheduled for August 2019.

Indicators under the EU Gender Action Plan

While not related to organisational management *per se*, it is important to note that in 2018 FPI continued to implement progressively the EU Gender Action Plan 2016-2020 in line with the Management Plan. Particular focus was given to reporting against the OECD aid-tracker/policy marker in support of gender equality and women's rights (G-marker)⁷¹ which is a qualitative statistical tool to record aid activities that target gender equality as a policy objective. In 2018, 49% of Election Observation Mission core team member were women; 50% of all observers were women; and of the total number of 55 trainees from 28 Member States, 64% were women. In addition, 100% of EOM actions contracted in 2018 achieved a score of G-Marker⁷² 1. For IcSP, 62.3% of contracted actions reported a G-Marker 1, 8.2% reported a G-Marker 2. For PI, 14.71% of the contracted actions reported a G-Marker 1 and 2.98% of the contracted actions reported a G-Marker 2.

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

Further details on FPI performance on Gender Mainstreaming during 2018 are available in the Programme Statements annexed to the Draft Budget for 2020.

Pooling of resources and central stocking of equipment for CSDP missions

The set-up of the Warehouse constituted a major milestone in the achievements of FPI in 2018. The process and procedures to establish a large-scale logistical platform / warehouse to provide all CSDP missions with rapid access to essential equipment and logistical services (IT, fleet management, etc.) commenced in 2016.

The new warehouse provides a centrally managed stock of critical items readily available to CSDP Missions, greatly enhancing the ability of the EU to rapidly deploy new Missions and in parallel, to reduce the number of separate procurement procedures being launched in existing Missions.

The first batch of recruitment of Mission Support Platform (MSP) staff started in September 2016 and ended in February 2017. In line with the Council agreement, 7 staff

⁷¹ The G-marker is used by OECD Development Assistance Committee (DAC) members as part of their annual aids activities reporting and is based on a three-point scoring system:

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

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

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

⁷² Gender-marker is an OECD/DAC a marker which attributes a score to projects based on how significant is their gender dimension, see footnote 31 above

members were recruited under the Civilian Planning and Conduct Capability (CPCC) cell to work on IT and logistical matters while 1 staff member was recruited under the FPI cell for procurement tasks.

The MSP cell in FPI played a pivotal role in providing assistance and support for the set-up phase of EUAM Iraq, resulting in a swift and rapid launching of the Mission.

In May 2018, FPI signed the contract with the new Warehouse facility for the centralised provision of supplies to all Missions. The Warehouse has started to provide strategic equipment as of the second semester of 2018 and work progresses towards ensuring that this facility becomes 100% operational according to the established time plan

Furthermore, additional staff was deployed to the Mission Support Platform (five under the CPCC MSP cell, and three under the FPI MSP cell), bringing the total number of staff working for the Platform in FPI to four.

The reinforced MSP has thus reached a critical mass of resources, boosting its ability to ensure rapid reaction to crisis situations, and at the same time achieving economies of scale by centralising critical mission support services and reducing the administrative burden of CSDP missions.

2.2.1 Human resource management

FPI manages financial instruments with a worldwide outreach and an increasing budget of EUR 645 million in 2014 to 816 million in 2018 with limited human resources. It is of utmost importance to employ these human resources effectively and flexibly according to political priorities.

In 2018, the FPI played an active role in the further implementation of the HR Modernisation project as laid down in the Communication on Synergies and Efficiencies which had been rolled-out across the Commission by year end. Clarifications were received on procedures as well as on the division of tasks between the HR BC team, the Account Management Centre (AMC) and HR Corporate. FPI also contributed to the steering, testing and evaluation of the ATLAS pilot project.

The Regional Teams set up in 2017 are now fully established and work has continued to ensure a worldwide coverage of the Service's instruments and a further strengthened service to the HR/VP and the European Union. The current structure permits closer cooperation with other Commission services and the EEAS. For administrative purposes, in 2018 some minor adjustments were made to finance and contract sections, aligning posts under a single entity, reporting to the responsible unit (FPI.1) in Headquarters.

In 2018, an assessment was made of the distribution of human resources in Headquarters to ensure that the scarce staff available are assigned where they are most needed and can be most effective. The necessary administrative steps were taken to realise a small reorganisation to enter into force in 2019, bringing together the teams handling CFSP operations on the one hand, and Election Observation on the other hand. Moreover, in the second semester of 2018, it became necessary to further reinforce the highly burdened sanctions team, which due to the United States' withdrawal from the Iran nuclear deal had an unforeseen, labour-intensive strand of activity added to their portfolio. This reinforcement happened primarily through internal reallocation.

In the domain of learning and development, an inventory of training needs was undertaken and learning and development priorities identified for 2019.

A one-day teambuilding was organised as part of the FPI Days in April 2018, during which staff members could contribute to establishing the priorities for the improvement of working methods. A key outcome was an action plan for the simplification of procedures which now is being implemented. The FPI Days also proved an opportunity to offer training courses for Delegation staff. FPI.1 colleagues made a presentation on FPI Manual, Results Framework, OPSYS, Evaluation & Monitoring during a session with large participation from across the Service.

Continuous support was given to colleagues in HQ, Delegations and Regional Teams in the implementation of the FPI Manual/FPI Results Framework as well as the use of the evaluation tool managed by DEVCO, the EVAL module. The evaluation management tool, fully deployed in FPI in 2018, will be integrated in OPSYS by January 2020.

To make sure that colleagues are well equipped to handle the instruments the Service manages, FPI invested both in terms of recruitment and in terms of internal training. Three days of operations-focused training for the IcSP and the PI (FPI Training Days) took place in June.

FPI played an active role in the development of the 2018 Staff Survey, ensuring that the questions reflected the working situation also for its delegation staff. The internal communication efforts that were made in order to promote the staff survey, resulted in a strong participation rate of 72%.

FPI increased the frequency and quality of updates to the FPI intranet. In addition, the HR-related reorganisation of FPI staff in Delegations (Regional Teams) is now fully reflected on the FPI intranet. A collaborative platform for improved knowledge management became operational in February 2019.

Female representation in management

In 2018, the FPI upheld its unprecedented level of 40% female middle managers (two out of five HoU posts). During the autumn, a selection procedure was organised for a future vacant HoU post. By the end of 2018 it was known that, with the appointment of a female HoU as of 1 February 2019, FPI would not only raise its percentage to 60% female middle managers, but also meet its target for newly appointed women in middle management. It should also be noted that during the year, one female Deputy HoU was appointed as well as two female Team Leaders.

In the coming years, FPI will strive to maintain the level of female middle managers and will encourage the development of female talent for future management opportunities. In this context, it is worth noting that there is a high female representation also in other team leading functions; the percentage currently stands at 57% at the level of Head of Sector/Section and 43% for team leaders.

2.2.2 Better regulation (only for DGs managing regulatory acquis)

Not applicable for FPI.

2.2.3 Information management aspects

Procedures were in place during 2018 to follow up on the correct and timely attribution and filing of documents. As a first priority, FPI gave attention to ensuring business continuity to secure the effective delivery of its operations and to guarantee sound document management. There were improvements to the management of information during 2018 with a further decrease in the number of Hermes-Ares-Nomcom (HAN) files not filed compared to the previous year, falling from 11.91% to 5.2% and an increase in the number of HAN files readable and accessible to all staff, rising from 94.08% (2017) to 94.43% (2018). The target for 2020 is 95%. However, a decrease was registered in the number of HAN files shared across services – falling from 14.94% (2017) to 14.27% (2018).

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

A single central archive now exists providing for easy document location allowing FPI to meet its legal obligations to retain information on matters for which it is accountable as well as facilitate internal and external audits in the coming years.

In line with the Commission's Action Plan, FPI undertook a major overhaul of internal systems to ensure compliance with the new data protection rules. It implied a review of all data processing operations with an assessment of their compliance with the general principles of Regulation 2018/725. FPI completed the two notifications opened in 2017 and also completed four additional notifications that will be transformed into records in 2019. FPI also worked with the DPO on the assessment of the necessity to adopt restrictions at the level of the Commission for the two oldest notifications (one covering restrictive measures and the other covering Electoral Observation Missions) with a conclusion that they were not needed for the moment. Overall, FPI has aligned with the Commission's Action Plan requirements for the period concerned.

2.2.4 External communication activities

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

In 2018, FPI continued to enhance the quality and visibility of the European Union Visitors Programme (EUVP), a long-standing and unique inter-institutional agreement between the Commission and the European Parliament to increase knowledge of the EU among leaders, emerging leaders and opinion-formers from third countries via tailor-

made information visits to EU institutions. The EUVP Secretariat, hosted by FPI and co-managed with the European Parliament, organized 137 study visits tailored to participants' interests as well as to those of the EU interlocutors receiving the visitors. Participants – mostly young leaders - from 78 different countries were received by Members of the European Parliament, officials of the European Commission and other EU institutions, and other relevant interlocutors in Brussels and Strasbourg. Emphasis was also put on further developing awareness in EU Delegations about the Programme as a tool of public diplomacy and strengthening their involvement in ensuring its success.

As in previous years, FPI financed the production and dissemination of Euronews in the Farsi language, which is implemented through a framework partnership agreement with Euronews, managed by DG CONNECT.

The digital audience for the Farsi service has experienced a steady increase compared with 2016. During the third quarter of 2018, Euronews registered 11.4 million visits to its digital Farsi services. The increase in visits to the Farsi service was 119% compared to the same quarter of 2017.

In 2018, FPI contributed EUR 100,000 towards the definition of the DG COMM-led and managed corporate information and communication campaign under its Strand III 'An EU that protects and defends in a volatile, uncertain environment'.

In 2018, FPI stepped up its information and communication activities. Besides the regular updating and maintenance of the FPI website, FPI has injected stories and communication material to EEAS/COMM corporate communication channels, including press material, websites and social media channels.

Further details are provided in Annex 2.