



2013

Annual Activity Report

**Service for
Foreign Policy
Instruments –
FPI**

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FOREWORD OF THE HEAD OF SERVICE

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

FPI's level of achievement in 2013, and its unique interaction with the diplomatic activities of the EEAS, underlined its specific role and usefulness. Its main activities are to respond to international crises and conflicts. It operates therefore in a difficult environment which requires a capacity for rapid and flexible response. Another characteristic of FPI is the diversity and complexity of its activities. When comparing the budget managed by FPI to that managed by other Commission services, FPI nonetheless achieves its objectives with a proportionately smaller number of staff.

2013 was also a challenging year for FPI in the preparation and final negotiation of the new Partnership Instrument the object of which, among other things, is to help the EU to defend its interests and to project the external dimension of a number of important EU policies and objectives relating to global challenges and the 2020 Strategy.

Tung-Lai Margue

INTRODUCTION:

The Service in brief

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

FPI is responsible for the operational and financial management of Common Foreign and Security Policy (CFSP) operations; Instrument for Stability (IfS) crisis response; Industrialised Countries Instrument (ICI); Election Observation Missions (EOMs); and press and public diplomacy (PPD). In addition it is responsible for implementing the EU's foreign policy regulatory instruments such as sanctions, the Kimberley Process on conflict diamonds, and the Regulation prohibiting trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment (Regulation 1236/2005 of 27 June 2005). These instruments and their budgets contribute towards the implementation of the Lisbon Treaty, Article 21 (2) (c), under which the EU seeks to preserve peace, prevent conflicts and strengthen international security, in accordance with the purposes and principles of the United Nations Charter, the Helsinki Final Act and the Charter of Paris.

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

- The **evolution of world events** including unforeseen events / crises: the Service's activities are shaped largely by external events and the evolution of the world political situation.
- The global scale and complexity of the **EU's relations with the rest of the world**: FPI's responsibilities require intensive coordination with the EEAS, the external relations services mentioned already as well as other Commission services. Maintaining business continuity and effective operations is a challenge in the face of complex and sensitive operations and high stakeholder expectations.
- Increasing **financial challenges**: the budget FPI manages has steadily increased with EUR 682 million operational expenditure authorised in 2013 (appropriations for commitments) compared to EUR 638 million in 2012. Moreover operations in crisis situations by definition carry higher risks.

The year in brief

Instruments managed by FPI are chiefly geared towards the world-wide preservation of peace, the prevention of conflicts and the strengthening of the international security. In 2013 global instability, as measured by the number of conflicts (encompassing disputes, nonviolent crises, violent crises, limited wars, and wars), increased compared to 2012, from 405 conflicts worldwide to 414, including 20 wars and 25 limited wars. This reflects the deteriorating security situation in various parts of the world, in particular in the Sahel region, the persistent Syrian conflict, as well as

new crises such as that in Central African Republic. FPI's instruments were therefore fully deployed throughout the year, including regulatory instruments/sanctions. Overall the budget authorised for FPI was used up (see Annex 3) at 97% for commitments and for payment appropriations. EUR 666 million was committed, **90% of which related to crisis response or crisis management operations** under CFSP and Instrument for Stability.

In its CFSP operations FPI implemented decisions adopted by the Council in response to particular political and security issues. Under the Instrument for Stability, FPI intervened to help prevent conflict, to respond to emerging or actual crises or to build the capacity of a wide range of peace-building actors. The Political and Security Committee (PSC) of the Council gives strategic guidance and political direction for CFSP operations, the main current ones being the CFSP missions in the field in Kosovo, Afghanistan, DR Congo and Georgia. PSC is also kept informed of the crisis response measures under the Instrument for Stability, with a view to ensuring overall coherence. Operations focused on security sector reform in partner countries through building/reinforcing police and security forces, disarmament, demobilisation and reintegration of armed groups, and in the justice area. In terms of geographical coverage, Sub-Saharan Africa and the Middle East and North Africa (MENA) were the major areas of interventions linked with the many cases of instability and crises occurring in those regions. Important stabilisation projects are also underway to help consolidate peace processes in Burma/Myanmar and Central Asia.

FPI works to help achieve the security and foreign policy objectives of the EU pursued by the HR/VP, who is assisted in this task by the EEAS. Sharing the same objectives, both services have put in place working methods and procedures in all the main areas where they cooperate and they work together on a daily basis at all levels. At the same time FPI coordinates closely with all relevant Commission services and, in doing so, the various EU actors remain attuned to assuring complementarity and coherence across the various EU instruments.

FPI was involved in the negotiation of the external action instruments for the period 2014-2020 which successfully concluded in December. It was in the lead for the successor to the Stability Instrument, the Instrument contributing to Stability and Peace (IcSP) and the Partnership Instrument (PI) which carries on from ICI, with a broader scope. It was associated, for the Election Observation component, in the elaboration of Democracy and Human Rights instrument (EIDHR).

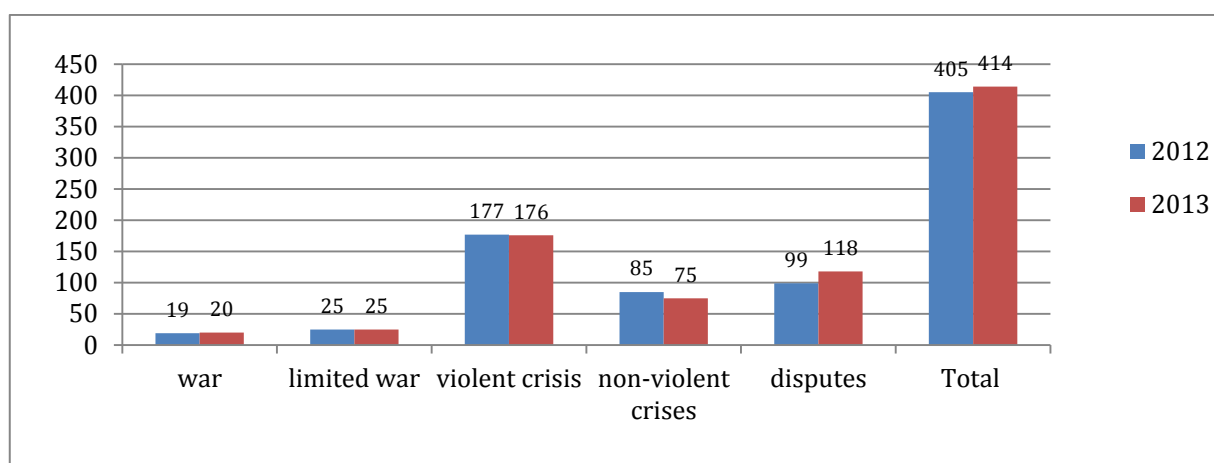
For regulatory instruments, the main achievements were the successful participation of Greenland in the Kimberley process and the review of the "Anti-Torture Regulation" with the adoption by the Commission of a proposal to amend the Regulation.

Executive Summary

Key performance indicators (KPI) (5 most relevant)

KPI 1: number and intensity of conflicts

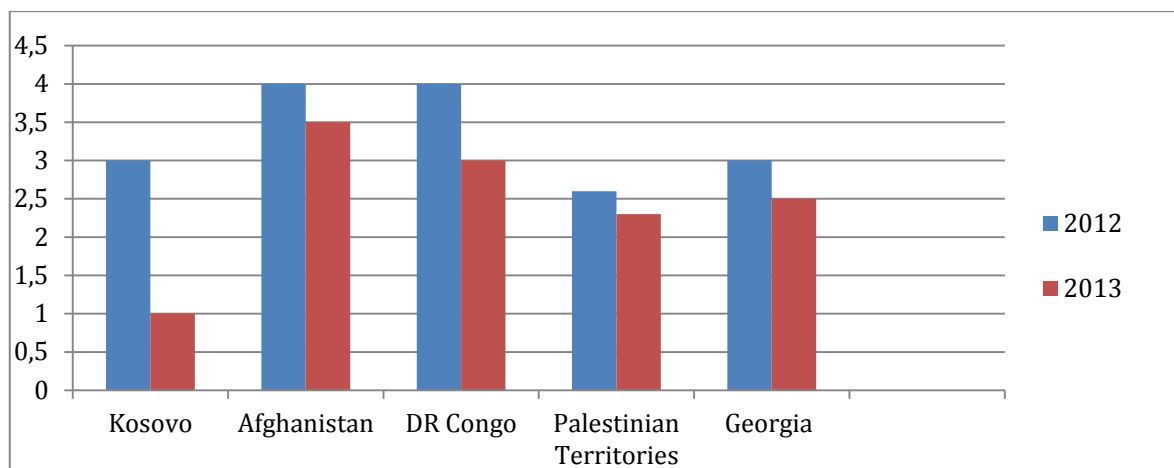
Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Number and intensity of conflicts worldwide: <ul style="list-style-type: none"> • wars (level 5) • limited wars (level 4) • violent crises (level 3) • non-violent crises (level 2) • disputes (level 1) Source: Conflict Barometer, http://hiik.de/en/index.htm	☹️	Contribute to stabilization or decrease in the number and/or intensity of conflicts compared to the 2012 baseline: 405 conflicts of which: <ul style="list-style-type: none"> • 19 wars • 25 limited wars • 177 violent crisis • 85 non-violent crises • 99 disputes 	2013: 414 conflicts of which: <ul style="list-style-type: none"> • 20 wars • 25 limited wars • 176 violent crisis • 75 non-violent crises • 118 disputes



Level 5: war; Level 4: limited war; Level 3: violent conflict; Level 2: non-violent conflict; Level 1: dispute.

KPI 2: intensity of conflicts in main CFSP operations

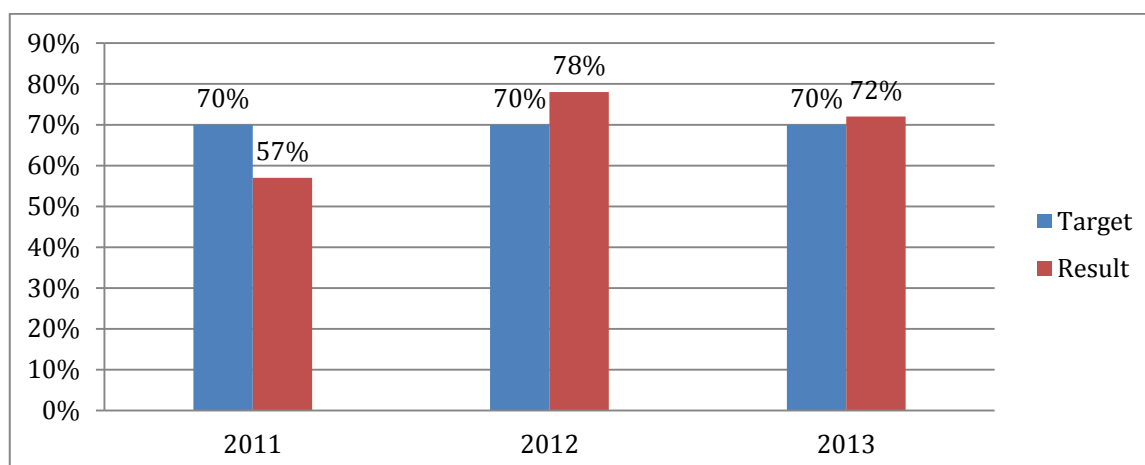
Result/Impact indicator ()	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Intensity of the conflicts where the main CFSP operations intervene	☺️	Decrease in the intensity of the conflicts in: <ul style="list-style-type: none"> - Kosovo - Afghanistan - DR Congo - Palestinian territories - Georgia 	General decrease in the intensity of the mentioned conflicts. See graph below



The left-hand scale corresponds to: Level 5: war; Level 4: limited war; Level 3: violent conflict; Level 2: non-violent conflict; Level 1: dispute.

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

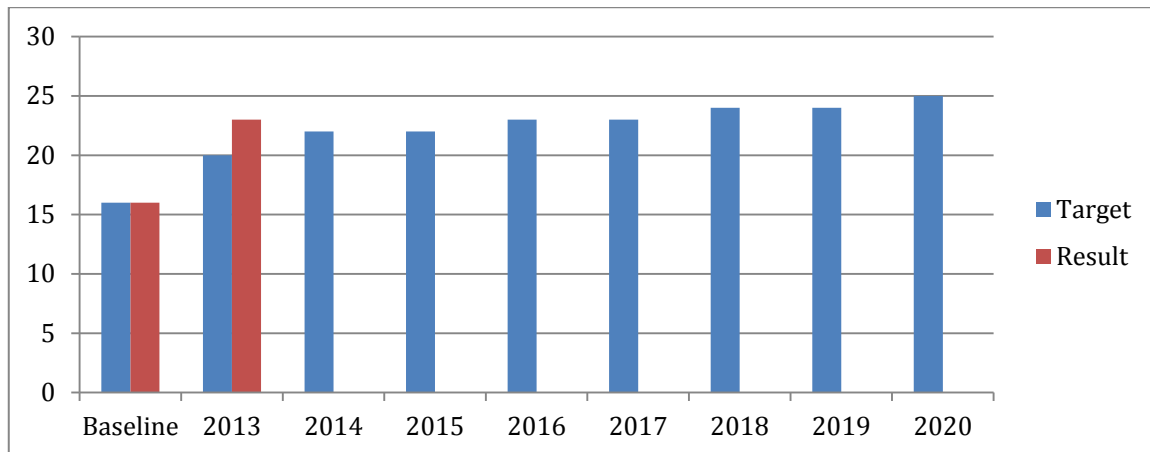
Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Percentage of projects adopted within 3 months of a crisis context	😊	70% of projects adopted within 3 months of a crisis context (period from date of presentation to PSC)	57% in 2011 78% in 2012 72% in 2013



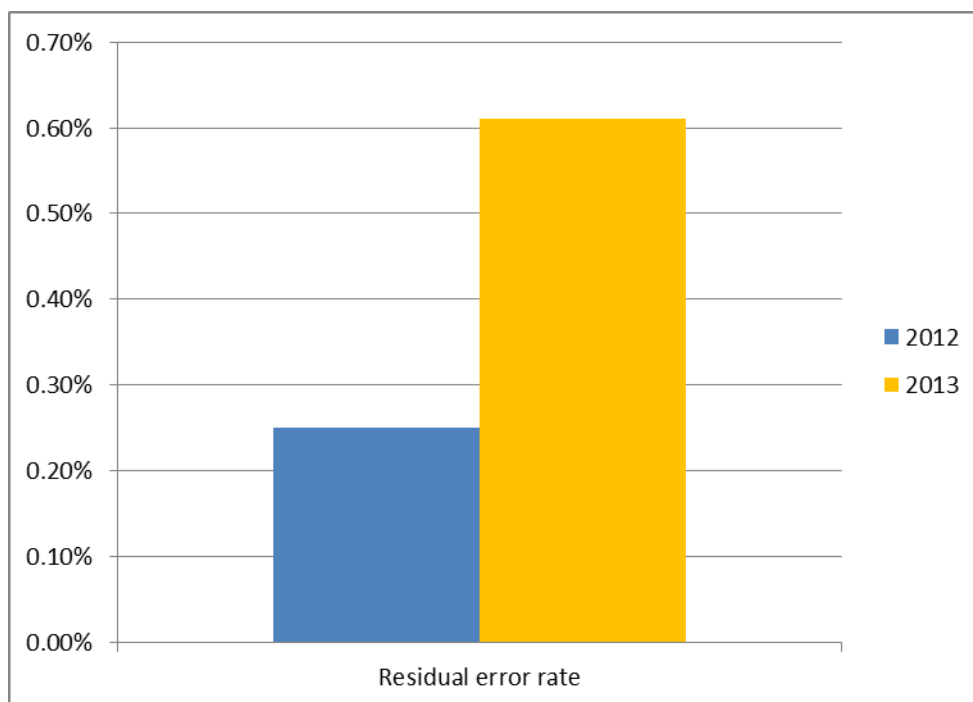
Note: Initial indications show that 70% is a realistic target for the number of decisions adopted within 3 months. Data for 2014 and 2015 will provide more of a picture on the trend of this indicator, in view of the Mid-Term Review (MTR) of the 2014-2020 Multi-financial Framework.

followed by means of Election Observation Missions, Election Assessment Teams and Election Experts Missions.

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Number of electoral missions	😊	2020: 25	2013: 23



KPI 5: Error rate



Policy highlights of the year (executive summary of part 1)

Common Foreign and Security Policy

With regard to the **objective** “Support to preservation of stability in Kosovo, Southern Caucasus, Afghanistan, Middle East and Africa through substantial CSDP missions”, the EU Rule of Law mission (EULEX KOSOVO) continued to be one of the key elements ensuring stability in Kosovo, including through executive operations. With the EU mediated talks by the High Representative Catherine Ashton, Serbia and Kosovo reached a reconciliation agreement on April 19 which paves the way for the normalization of the relations and municipal elections for mayors and assembly deputies. For the first time since Kosovo's self-declared independence, the Serbian minority in Kosovo was able to participate in the elections.

When new CFSP actions are planned, EEAS and Commission review relevant interventions of other EU instruments, in order to ensure complementarity and coherence. As part of the comprehensive approach, there are instances when a CFSP action that has ended is complemented through other instruments (e.g. EUPOL Congo). Where possible practical co-operation between instruments is ensured.¹

In **Afghanistan**, the political and security situation remained volatile. EUPOL Afghanistan maintained its success in civilian police capacities and improved co-ordination between the police and the judiciary. It is now very likely that the Mission will remain in place after 2014.

In the **Middle East**, the EU Police Mission (EUPOL COPPS) continued and progressed with its activities in 2013, but the Border Assistance Mission to the Rafah crossing point between Egypt and Gaza was relocated to Tel Aviv, because it could not implement its mandate because of the closure of the Gaza Strip.

In the **Democratic Republic of Congo (DRC)**, the two Missions on Security Sector Reform continued their action. In the police area, EUPOL DRC contributes to the set-up of a viable police service, including its link to a justice system that corresponds to the needs of the Congolese society. In the military sector, EUSEC DRC contributes to different aspects of army-related reform.

One **new border assistance mission** was established in Africa, EUBAM Libya, with a budget of EUR 30 million for the first year. It started operating in May following successful preparatory actions in which FPI took an active role, including two CFSP-funded preparatory measures. The deployment was facilitated by the use of the new CSDP warehouse, established by FPI, to supply the mission with a range of equipment.

One **new EU Special Representative (EUSR)** was appointed in March, for the Sahel, to lead the EU's contribution to regional and international efforts for peace, security and

¹ i.e. in the implementation of operations e.g. IfS support for the provision of armoured cars to the UN mission in Syria using a framework contract established for the CFSP.

development. He co-ordinates the EU's comprehensive approach to the crisis on the basis of the EU's Strategy for Security and Development in the Sahel. FPI gave extensive support to the EUSR in close co-operation with the EEAS.

A number of new Decisions were implemented with regard to the **second objective**, "Support to the implementation of the Pillar 2 strategy on non-proliferation of weapons of mass destruction (WMD) in order to increase security in this area". These actions, entrusted to international organisations and other implementing partners, improved the universalisation and implementation of major arms control and disarmament treaties; strengthened efforts of the international community to counter illicit trafficking of small arms /light weapons (SALW) and the proliferation of WMD and their means of delivery; and enhanced nuclear security worldwide. Among new projects, FPI contributed to a trust fund organised by the Organisation for the Prohibition of Chemical Weapons (OPCW) for the **destruction of chemical weapons in Syria**.

CFSP operations continued to contribute to increased stability and security in the world and gave the EU visibility as a relevant security actor, particularly in the civilian sphere.

Instrument for Stability

Crisis response and crisis preparedness: In 2013, the successful management of a EUR 240 million budget saw 45 actions launched for a total of EUR 214 million under the short-term crisis response component of the IFS and EUR 26 million under the Peace-building Partnership (PbP), the component assisting with long-term crisis preparedness.

IfS measures can complement EU humanitarian assistance, and contribute to the 'Linking Relief, Reconstruction, and Development' (LRRD) approach. In addition, IfS actions complement EU CSDP operations and other actions, and make critical contributions to an EU comprehensive approach in response to conflicts and crises. Under the IfS Regulation², the Commission reports to the European Parliament and Council on every Exceptional Assistance Measure (EAM) on the background rationale for intervention and complementarity of the Commission response under the IfS.

Working in very close cooperation with the EEAS and reflecting the EU's foreign policy priorities, the IfS allowed the EU to make timely interventions in some high-profile crises. Among these was support to refugees from the Syrian crisis and to their host communities, including some direct assistance to affected populations within Syria itself. IfS was one of the first EU instruments deployed as part of the response effort to the crisis in Mali through a EUR 20 million assistance package. And in Myanmar/Burma, following approaches from both the Office of the President and Daw Aung San Suu Kyi, an 18-month IfS intervention assisted with the capacity-building of the Myanmar Police Force, in order to improve police respect for human rights as well as their accountability and professionalism in the areas of crowd management and community policing.

Crisis preparedness actions continued to support EU efforts to mainstream conflict

² Regulation (EC) N°1717/2006 of 15 November 2006, Article 6(6).

prevention in fragile and conflict prone countries and, in line with Council conclusions on conflict prevention, these actions contributed towards increasing emphasis on early action and strengthened capacity to design viable, operational and realistic options for preventive action. Measures included: investment in capacity-building of grass-root level civil society to engage in peace-building and conflict prevention actions across 14 conflict-affected countries; global-level support to early warning systems to strengthen the capacity of in-country and regional actors outside the EU, to analyse risks and emerging tensions in 32 theatres of potential conflict; support to the League of Arab States in the continued development of its Regional Crisis Centre; and cooperation on emergency response, with a view to enhancing the capacity of ASEAN to respond to emergency situations, including a first round of training for future staff of the Myanmar National Crisis Centre in November in the presence of HR/VP Ashton.

Foreign Policy Regulatory Instruments – the main achievement was the successful delivery of the participation of Greenland in the Kimberley Process, which was voted by an overwhelming majority by the EP plenary. The two proposals (Council decision and an amendment to Council regulation 2368/2002) enable Greenland to participate in the Kimberley Process certification scheme on rough diamonds (KPCS) through its status as an overseas country or territory (OCT) associated with the EU. The Council Decision sets out specific rules for movement of rough diamonds between the EU and Greenland. The amendment to Council Regulation (EC) 2368/2002 creates the presumption that for the purposes of KPCS the territory of EU and Greenland is one entity without internal borders and thus applies the EU rules to the movement of rough diamonds from/to this joint territory. 2013 saw the successful conclusion of the review of the Anti-Torture Regulation. Importantly, this work contributed to the postponement of a death penalty execution in the US as well as more effective self-regulation of the pharmaceutical industry. In terms of EU Sanctions, FPI ensured the follow-up to the European Court of Justice ‘Kadi II judgment’ with its major implications for EU sanctions policy. FPI also prepared important new sanctions Regulations on north Korea(DPRK), Syria and Iran.

Election Observation Missions

The objectives of election observation missions to partner countries remained the building of confidence in the electoral process; the enhancement of the reliability and transparency of democratic electoral processes, and the discouragement of irregularities, abuse and electoral violence.

Main operational risks were unforeseen changes in political conditions leading to changes in the electoral calendar and in EU priorities for election observation. In this respect, as in previous years, the 2013 EU EOM agenda was substantially modified since from the original 2013 priority list, elections in Tunisia, Libya, Lebanon, Egypt, Yemen and the Palestinian Authority did not take place. Furthermore the existence of post-conflict countries (Mali, Libya) in the 2013 electoral calendar added serious security risks. The revised agenda for EU EOMs introduced Guinea Conakry and Bangladesh on the priority list but still resulted overall in a lower number of missions than planned.

In spite of the difficulties, FPI ensured the timely deployment of 23 missions: 10 full-fledged Election Observation Missions (EU EOMs), 11 Election Expert Missions (EEMs), and 2 Election Follow-up Missions (EFMs) to assess the implementation of previous EU

EOM recommendations. The most prominent, and at the same time challenging, missions were Kosovo, Kenya, Pakistan as well as the two missions to Mali.

Instrument for Cooperation with Industrialised Countries

The ICI is the EU's main vehicle for cooperation with industrialised countries. It continued to focus on the priority areas identified in the multi-annual programme for cooperation with industrialised countries and high-income countries and territories (2011-13): business cooperation, people-to-people links, and public diplomacy including cooperation in the field of education. The **EU Gateway programme** and the **European Training Programme** were the main two programmes to provide assistance to EU companies and EU executives in their attempts to gain a foothold in the Japanese and Korean marketplaces. The latest survey on results from the participation to EU Gateway shows a strong revenue growth within the 12 months after participation, showing the positive benefit of the programme for participating companies. The impact indicators of the ETP programme since its launch also show positive results for participants of which more than 60% are from SMEs.

The ICI continued to provide financial support for dialogue with and between stakeholders in areas of strategic importance for cooperation with a range of partner countries. Small-scale cooperation activities were also organised to underpin the broader political, economic, social and people-to-people cooperation and support dialogue between the EU and its partner countries.

Key conclusions on resource management and internal control effectiveness (executive summary on part 2 and 3)

In accordance with the governance statement of the European Commission, (the staff of) 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 standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. As required by the Financial Regulation, the Head of Service of FPI as authorising officer by delegation has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

FPI assessed the effectiveness of its key internal control systems during the reporting year and concluded that the internal control standards (ICS) are effectively implemented with the exception of ICS 14 (evaluation). Furthermore, FPI took measures to further improve the efficiency of its internal control. For details, see in Part 3 below.

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 Part 2 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 his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

Information to the Commissioner

The Annual Activity Report is a management report of the Head of Service of FPI to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources and the achievement of objectives. FPI has brought the main elements of the report and assurance declaration to the attention of the High Representative of the Union for Foreign Affairs & Security Policy/Vice-President of the European Commission Catherine Ashton.

1. POLICY ACHIEVEMENTS

Achievement of general and specific objectives

Policy Area: 19 - External Relations		☒ Spending programme																						
GENERAL OBJECTIVE 1 : Contribute to the implementation of the Lisbon Treaty (Article 21 (2) (c)) by 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, with the principles of the Helsinki Final Act and with the aims of the Charter of Paris.																								
Impact indicators	Target (long-term): 2020	Milestone: 2017	Current situation (n-1)																					
Number and intensity of conflicts worldwide: <ul style="list-style-type: none"> • wars (level 5) • limited wars (level 4) • violent crises (level 3) • non-violent crises (level 2) • disputes (level 1) Source: Conflict Barometer, http://hiik.de/en/index.htm	Contribute to stabilization or decrease in the number and/or intensity of conflicts worldwide.	Decrease in the Intensity of the conflicts where the main CFSP and IfS operations intervene.	2013: 414 conflicts of which: <ul style="list-style-type: none"> • 20 wars • 25 limited wars • 176 violent crisis • 75 non-violent crises • 118 disputes 																					
<table border="1"> <caption>Conflict Indicators Comparison (2012 vs 2013)</caption> <thead> <tr> <th>Indicator</th> <th>2012</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>war</td> <td>19</td> <td>20</td> </tr> <tr> <td>limited war</td> <td>25</td> <td>25</td> </tr> <tr> <td>violent crisis</td> <td>177</td> <td>176</td> </tr> <tr> <td>non-violent crises</td> <td>85</td> <td>75</td> </tr> <tr> <td>disputes</td> <td>99</td> <td>118</td> </tr> <tr> <td>Total</td> <td>405</td> <td>414</td> </tr> </tbody> </table>				Indicator	2012	2013	war	19	20	limited war	25	25	violent crisis	177	176	non-violent crises	85	75	disputes	99	118	Total	405	414
Indicator	2012	2013																						
war	19	20																						
limited war	25	25																						
violent crisis	177	176																						
non-violent crises	85	75																						
disputes	99	118																						
Total	405	414																						

Note: The indicator is based on the “Conflict Barometer” of the Heidelberg Institute for International Conflict Research (HIK) which measures the number of crises in the world and quantifies crises by intensity of conflict as: *wars (level 5)*; *limited wars (level 4)*; *violent crises (level 3)*; *non-violent crises (level 2)*; *disputes (level 1)*. This indicator is used on a trial basis and will need to be evaluated over a longer time period if it is appropriate for the assessment of the EU’s impact on global crises.

This does not mean there is a causal link between CFSP or IfS interventions and any particular outcome in the country/region where they were implemented. IfS responses often require a collective effort based on partnerships with other donors, civil society actors, multilateral and regional partners etc so a direct link between outcomes and specifically EU interventions is difficult to ascertain.

Nonetheless this may be a useful indicator of the EU’s global impact. As a global player, the EU often has a certain credibility and is perceived as a more neutral actor, lending it a competitive advantage when intervening in many conflicts to offer assistance in preventing conflict or avoiding escalation. Thus, an impact can be achieved when a response is provided at EU level, as a combined effort provides increased leverage over local authorities and international partners.

1.1.1 – ABB Activity 19.03 – Common Foreign and Security Policy

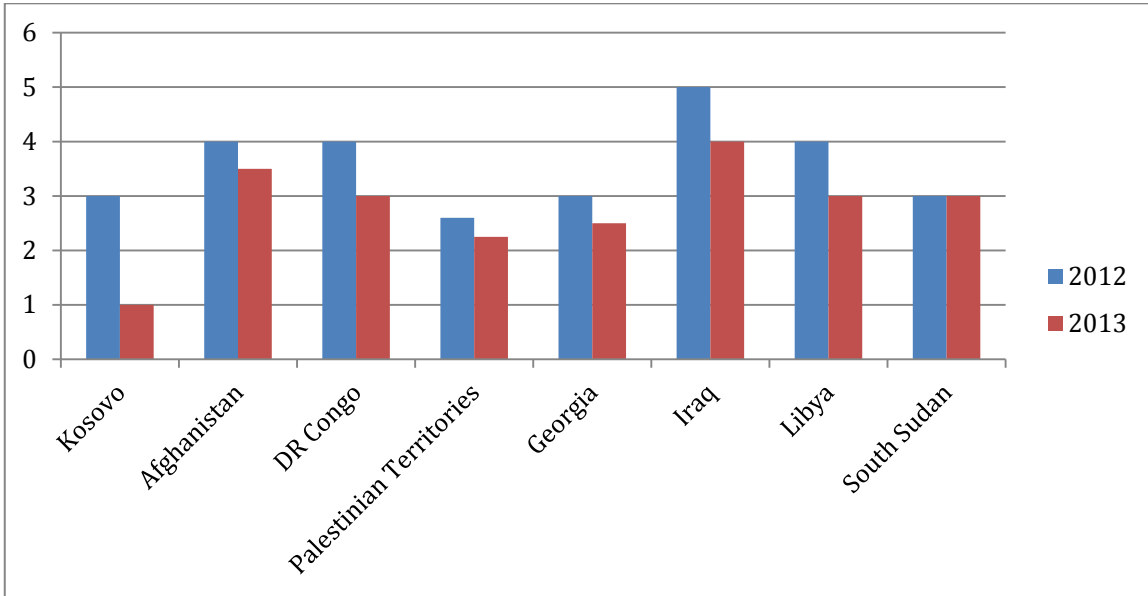
FPI's management of each CFSP action is based on specific decisions adopted by the Council under the CFSP provisions of the Treaty on European Union (TEU). There is no over-arching instrument (basic act) adopted for the full period of the multiannual financial framework. Actions are either CSDP civilian crisis management missions, European Union Special Representatives (EUSRs) or actions in the field of non-proliferation of Weapons of Mass Destruction (WMD) and small arms and light weapons (SALW). The main performance indicators are the decrease in the intensity of the conflicts where the main CFSP operations intervene and the number of countries having ratified international conventions in non-proliferation and disarmament.

Result/Impact indicator	Trend	Target (or milestone)	Latest known results as per Annual Activity Report
Intensity of the conflicts where the main CFSP and IfS operations intervene	☺	Decrease in the intensity of the conflicts in: <ul style="list-style-type: none"> - Kosovo - Afghanistan - DR Congo - Palestinian territories - Georgia 	General decrease in the intensity of the mentioned conflicts. See graph below.
Number of countries having ratified the treaties: <ul style="list-style-type: none"> - CTBTO - UN Resolution 1540 	☺ ☺	CTBTO: Long term target: 165 UN Resolution 1540: 125	161 countries (up from 159) 140 (up from 120)

CFSP Specific objective 1: Support to preservation of stability in Kosovo, Southern Caucasus, Afghanistan, Middle East and Africa through substantial CSDP missions		
Result indicator	Target (long-term)	Current situation (as achieved) <small>(Source: Conflict Barometer: http://hiik.de/en/index.html)</small>
Stabilisation of situation and increase of security in Kosovo	Decrease in the intensity of the conflict from level 3 (violent crisis) to level 2 (non-violent crisis).	Intensity of conflict down to level 1
Improvement of security situation in Afghanistan	Decrease in the intensity of the conflict from level 5 (war) to level 4 (limited war) or 3 (violent crisis).	Intensity of conflict down to level 3.5
Increased security situation in: Congo and, Palestine	Intensity of the conflict at level 4 (limited war) Average conflict intensity: 2,6.	Intensity of conflict down to level 3 Intensity of conflict down to level 2.3.
Stabilisation following the 2008 war between Georgia and Russian Federation over South Ossetia and Abkhazia	Decrease in the intensity of the conflict from level 3 (violent crisis) to level 2 (non-violent crisis).	Intensity of conflict down to level 2.5

<p>Improved security situation with regard to piracy in the Western Indian Ocean and improved security in countries of East and West Africa</p>	<p>The CSDP Mission EUCAP Nestor was launched in July 2012 for training and capacity building of National Coast Guard in targeted countries, training local police and justice staff in Somalia in the area of maritime law and piracy. First results are expected for the first half of 2013. EUCAP Sahel Niger aims at building-up the capacities of Niger authorities to fight terrorism and organised crime. EUAVSEC is set up to improve security capacity (border control, aviation security and law enforcement) at the International Airport of Juba.</p>	<p>EUCAP Sahel Niger CSDP has trained over 700 Niger security forces personnel, on increasing operational response and coordination between the security actors, scientific police, intelligence handling. The mission also contributed to improving coordination of international security projects in Niger. EUAVSEC became operational in 2013. Due to the eruption of fighting in Juba, the international staff of the mission was evacuated to Brussels in December 2013.</p>
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Intensity of conflicts in main CFSP operations



The left-hand scale corresponds to: Level 5: war; Level 4: limited war; Level 3: violent conflict; Level 2: non-violent conflict; Level 1: dispute (Source: Conflict Barometer: <http://hiik.de/en/index.html>)

FPI committed a total of EUR 329 million for CFSP missions and EU Special Representatives (EUSRs) under Specific Objective 1. The bulk was committed to finance **11 CSDP missions** (EUR 303 million): EULEX Kosovo (EUR 110 million), EUPOL Afghanistan (EUR 78 million), EUMM Georgia (EUR 27 million), EUJUST Lex Iraq (EUR 15 million); EUCAP Nestor (EUR 12 million); EUCAP Sahel Niger (EUR 7 million). EUBAM Libya was launched with a budget of EUR 30 million. The remainder went to missions in Democratic Republic of Congo (DRC) and Palestine (EUR 25 million). **Here an overview:**

- **12 EU Special Representatives** (total budget: EUR 24 million) were active in: Afghanistan, the African Union, Bosnia and Herzegovina, Central Asia, Horn of Africa, Kosovo, Middle East Peace Process, the South Caucasus and the crisis in Georgia, the Southern Mediterranean region, Sudan/South Sudan. In addition the EUSR for Human Rights continued his mandate and a new EUSR appointed in March for the Sahel. Each EUSR has a specific mandate to promote the EU's policies and interests in troubled regions and countries and to play an active role in efforts to consolidate peace, stability and the rule of law.

- **EU Rule of Law mission EULEX KOSOVO:** the biggest CSDP mission has been one of the key elements ensuring stability in Kosovo, including through executive (police) operations. The objective is to maintain civilian law and order, to improve the rule of law and to support the government in administering the territory through mentoring, monitoring and advising activities. Established with a maximum of 2250 staff it had 2070 staff in place. The mission under its executive mandate is active in the areas of law enforcement, customs, and administration of justice. There was a **significant decrease in the intensity of the conflict** following the EU mediated talks and the reconciliation agreement reached in April.
- **EU Police Mission in Afghanistan:** in the context of the international community's efforts to support the Afghans in taking responsibility for law and order, **EUPOL** operates within a coordinated EU approach that includes local political guidance provided by the EU Special Representative and a reconstruction effort managed through the EU delegation. EUPOL adds significant value as the only multilateral actor able to provide highly-qualified civilian policing and rule of law expertise in spite of the volatile political and security situation. The mission has 300 international and 220 local staff in the field in line with its target deployment capacity. Results point to slightly improved civilian policing capacity and improved police-judiciary coordination. **The conflict level is down from level 4 to level 3.5.**
- **EUMM Georgia:** set-up in 2008 following the Russia-Georgia war in 2008, the mission monitors compliance by all sides with the EU-brokered "Six-Point Agreement" between Georgia and Russia and the Agreement on Implementing Measures (2008). Its mandate consists of stabilisation, normalisation and confidence-building, as well as reporting to the EU in order to inform European policy-making and thus contribute to the future EU engagement in the region. First and foremost, the mission is working to prevent the renewal of an armed conflict. It continues to be fully operational with 270 international and over 120 local staff to conduct routine inspections within the stipulated zone that includes Georgia, South Ossetia and Abkhazia. The EU efforts to stabilize the region in the CFSP field include also the European Union Special Representative (EUSR) for the South Caucasus and the crisis in Georgia. **The conflict is now at level 2.5, down from level 3 (violent crisis).**
- **EUJUST LEX-Iraq:** was established to strengthen the rule of law and to promote a culture of respect for human rights in Iraq by providing professional development opportunities for high- and mid-level Iraqi officials from the criminal justice system. The core aim is to contribute to a consolidation of security by underpinning the system of rule of law. The mission's mandate ended on 31 December 2013. Despite a challenging security environment, delivery is considered satisfactory with projects involving all branches of the Iraqi criminal justice system ongoing.
- **In the Middle East:** CFSP activities contribute to the wider efforts of the European Union in support of Palestinian state-building in the context of working towards a comprehensive peace based on a two-state solution. These include the **EU Police Mission (EUPOL COPPS)**, the **EU Border Assistance Mission (EUBAM Rafah)**, and the **EUSR for the Middle East Peace Process (MEPP)**. Both missions were established in 2005. EUPOL COPPS continued its activities to strengthen the rule of law institutions within Palestine throughout 2013. The capacity building of Palestinian police advanced, the criminal justice sector set up and functioning is progressing and furthermore EUPOL COPPS works steadily on the improved interaction between both sectors. However, the mission at the Rafah crossing point between Egypt and Gaza could not implement its mandate due to closure of the Gaza strip. As a result, EUBAM Rafah is still in "stand-by" mode until agreement to reopen the border crossing. **There has been a small decrease in the intensity of the conflict from 2.6 to 2.3.**
- **In the Democratic Republic of Congo (DRC):** the two Missions on Security Sector Reform continued their action. In the police area, **EUPOL DRC** contributed to the set-up of a viable police service, including its link to a justice system that corresponds to the needs of Congolese society. In the military sector, **EUSEC DRC** contributes to different aspects of

army-related reform. Both missions have 50 international staff each. The restructuring of the Congolese Police has advanced. The interaction between police and criminal justice system has improved. Human resources management, logistics and training of armed Forces also improved. **The intensity of the conflict decreased from at level 4 to level 3.**

- **EUBAM Libya** was launched in May. The border assistance mission's objective is to improve security in Libya through support to Libyan authorities for developing their capacity and strategy for enhancing border security. When at full capacity, the mission will have 100 international staff. The mission partly deployed despite the difficult security situation.
- After having been based in Brussels for security reasons since its inception in 2005, **EUJUST LEX-Iraq** has been successfully deployed in Iraq since 2011. Despite a challenging security environment, delivery is considered satisfactory with projects involving all branches of the Iraqi criminal justice system ongoing.
- Three missions were established in 2012 in Africa to improve the security situation with regard to piracy in the Western Indian Ocean and in countries of East and West Africa: **EUCAP Nestor (Horn of Africa), EUAVSEC South-Sudan, EUCAP Niger**. The CSDP Mission EUCAP Nestor is a civilian mission complementary with the European Union Naval Force (EUNAVFOR – Operation Atalanta) and the EU Training Mission (EUTM) in Somalia for training and capacity-building of the national coast guard in targeted countries, and training local police and justice staff in Somalia in the area of maritime law and piracy. EUCAP Sahel Niger aims at building-up the capacities of Niger authorities to fight terrorism and organised crime. It has trained over 700 Niger security force personnel, on increasing operational response and coordination between the security actors, scientific police, intelligence handling. It also contributed to improving coordination of international security projects.
- **EUAVSEC South Sudan** became operational in 2013. Due to the eruption of fighting in Juba, the international staff of the mission was evacuated to Brussels in December 2013.

CFSP Specific objective 2: Support to the implementation of the Pillar 2 strategy on: 1) non-proliferation of weapons of mass destruction in order to increase security in this area (WMD); 2) combating illicit accumulation and trafficking of Small Arms and Light Weapons (SALW).		
<p>Number of countries having ratified the treaties: Preparatory Commission for the Comprehensive Nuclear- Test-Ban Treaty Organization (CTBTO monitoring report).</p> <p>UN Resolution 1540: Number of countries having signed.</p>	<p>Long-term target:</p> <p>CTBTO: number of countries having ratified: 165</p> <p>UN Resolution 1540: number of countries having signed: 125</p> <p>Nuclear security in selected countries strengthened, BTWC membership increased and implementation enhanced in selected regions universality of the Chemical Weapons Convention promoted.</p> <p>Launching of a Nuclear Fuel Bank located in Kazakhstan project driven by IAEA.</p> <p>Promotion of the HCoC (Hague Code of Conduct) related to missiles test.</p> <p>Support of a process leading to the establishment of a zone free of nuclear weapons and all other weapons of mass destruction in the Middle East.</p> <p>Promotion of the EU proposal for an International Code of Conduct on Outer Space activities.</p> <p>The main objective is to cover the full program "new lines for action by EU in combating the proliferation of WMD and their delivery systems" updated during the French presidency.</p>	<p>CTBTO: number of countries having ratified: 161 (up from 159) http://www.ctbto.org/the-treaty/status-of-signature-and-ratification</p> <p>UN Resolution 1540: number of countries having signed: 140 (up from 120) http://www.un.org/en/sc/1540</p> <p>6 (target 13) projects implemented by international organizations related to nuclear, biological, chemical and missiles activities: International Atomic Energy Agency (IAEA), Commission of the Comprehensive Test- Ban Treaty Organization (CTBTO), Organization for the prohibition of Chemical Weapons (OPCW), World Health Organization (WHO) and the UN Office for Disarmament Affairs (UN ODA).</p>
<p>Increased security through contributions to the fight against the illicit trade and excessive accumulation of SALW and their ammunition.</p>	<p>Enhanced contribution to national, regional and international initiatives and universalization of multilateral instruments to fight the proliferation, illicit trade and excessive accumulation of SALW and their ammunition. Enhanced control of arms exports and implementation of the Cartagena Action Plan 2010-2014, adopted by the States Parties to the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their destruction.</p>	<p>6 (target: 7) projects implemented by international and regional organizations and entities, including UNODA, OSCE, UNPD, BAFA, GIZ, ISU, Saferworld.</p>

FPI committed a total EUR 24 million for Specific Objective 2. A number of Council decisions were adopted establishing new actions. Implemented by international organisations and other partners, these provided a tangible contribution to the universalisation and implementation of major arms control and disarmament treaties and instruments and strengthened the efforts of the international community to counter the illicit trafficking of small arms and light weapons (SALW) and the proliferation of weapons of mass-destruction (WMD) and their means of delivery, as well as to enhance meaningfully nuclear security worldwide.

Projects related to nuclear, biological, chemical and missile disarmament activities are implemented by the International Atomic Energy Agency -IAEA the Commission of the Comprehensive Test-Ban Treaty Organization -CTBTO; the Organization for the prohibition of Chemical Weapons -OPCW; and the World Health Organization -WHO. Other of progress is followed through: Chemical Weapons Convention (CWC), Biological Convention, Ottawa Convention, Global Threat Reduction Initiative (GTRI), Non-Proliferation Treaty, Biological and Toxin Weapons Convention (BTWC), Hague Code of Conduct, Outer space Activities, Wassenaar arrangement, Comprehensive Test Ban Treaty (CTBT) **with the aim of obtaining an increased number of signatories** of those Treaties and better to prepare signatory countries to implement them.

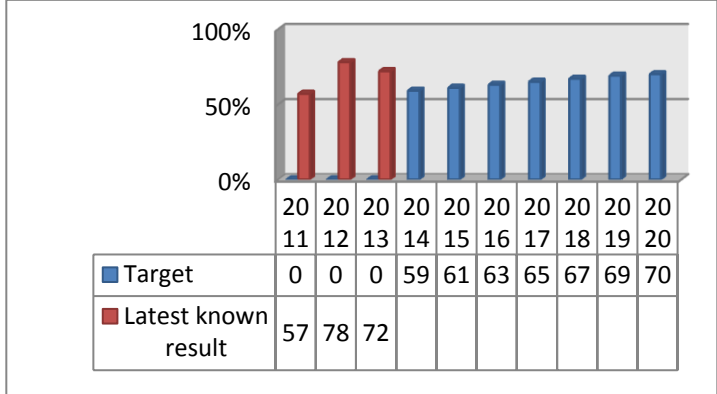
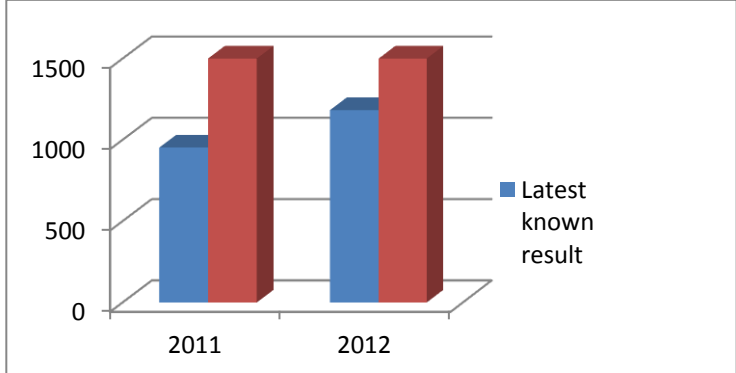
In the fight the proliferation, illicit trade and excessive accumulation of **SALW** and their ammunition, **6 new projects were launched** to pursue the long-term target in that field.

1.1.2 – ABB Activity 19.06 – Crisis Response and global threats to security (Instrument for Stability)

Specific objective 1: In a situation of crisis or emerging crisis, to swiftly contribute to stability by providing an effective response designed to help preserve, establish or re-establish the conditions essential to the proper implementation of the Union's external policies and actions in accordance with Article 21 TEU.

Specific objective 2: To contribute to the prevention of conflicts and to ensure capacity and preparedness to address pre- and post-crisis situations and build peace.

Policy Area: 19 - External Relations ABB: 19.06 - Crisis Response and global threats to security		<input checked="" type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending programme	
Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
1. Percentage of projects adopted within 3 months of a crisis context	☺	70% of projects adopted within 3 months of a crisis context (period from date of presentation to PSC)	57% in 2011 78% in 2012 72% in 2013

2. Number of processes and entities with strengthened capacity of EU and beneficiaries	😊	1,500 processes and entities with strengthened capacity of EU and beneficiaries attributable to IFS funding to prevent conflicts, address pre and post conflict situations and to build peace.	2011: 952 processes and entities 2012: 1183 processes and entities 2013: Information not yet available																																	
Most relevant KPI	😊	Crisis response measures adopted within 3 months  <table border="1" data-bbox="655 622 1241 801"> <thead> <tr> <th></th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Target</td> <td>0</td> <td>0</td> <td>0</td> <td>59</td> <td>61</td> <td>63</td> <td>65</td> <td>67</td> <td>69</td> <td>70</td> </tr> <tr> <td>Latest known result</td> <td>57</td> <td>78</td> <td>72</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Target	0	0	0	59	61	63	65	67	69	70	Latest known result	57	78	72							
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Target	0	0	0	59	61	63	65	67	69	70																										
Latest known result	57	78	72																																	
Most relevant KPI	😊	Number of processes and entities with enhanced capacities  <table border="1" data-bbox="564 869 1302 1240"> <thead> <tr> <th>Year</th> <th>Latest known result</th> <th>Actual result</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>~1050</td> <td>~1550</td> </tr> <tr> <td>2012</td> <td>~1250</td> <td>~1550</td> </tr> </tbody> </table>		Year	Latest known result	Actual result	2011	~1050	~1550	2012	~1250	~1550																								
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FPI committed a total of EUR 240 million of which EUR 26 million under the **Peace-building Partnership (PbP)**, the IFS programmable component assisting with long-term crisis preparedness based on the 2012-2013 Strategy Paper and Multi-Annual Indicative Programme prepared by the EEAS and adopted by the Commission.

Under the **short-term crisis response** component, **45 actions** were launched. These provided timely EU responses to many high-priority crises on the EU's political agenda. Examples of **crisis response measures** that follow provide an overview:

- **Syria:** The protracted crisis has seen ongoing IFS support both inside Syria and in neighbouring countries. In Turkey, Iraq, but mainly Jordan and Lebanon, the IFS was instrumental in supporting the authorities in their reception and hosting of the ever-growing number of Syrian refugees. Refugees are also directly assisted, for example through the provision of cash rental subsidies and improvement of living conditions, including in the governance structures of the camps, the provision of alternative education and in the sphere of psycho-social support. In Lebanon, the IFS is providing significant support to the local healthcare sector, which is under huge strain given the additional demands placed by the presence of large numbers of refugees. Within Syria itself, access and other conditions for providing non-humanitarian support are clearly more challenging. Nevertheless, the IFS

was able to provide some direct assistance in the form of primary healthcare, increased food security and basic education.

From early on, the Syria crisis has required mobilisation of all the external cooperation instruments at the disposition of the EU. In order to avoid undue overlaps, a coordination mechanism at desk level has been organised involving all those services that are providing funding in the context of the crisis. This coordination mechanism provides a regular opportunity for an early exchange on on-going and planned activities and operates in addition to the crisis platforms and the normal interservice consultations that inform the formulation of new actions under the IfS. In this way, several activities were identified where IfS could usefully complement humanitarian needs, for example by providing security in the Jordanian refugee camps or by providing much needed assistance in areas of Northern Syria where the Damascus regime imposes severe restrictions on humanitarian actors. Some of the activities started under the IfS have also informed the design of a multi-donor trust fund through which DEVCO is now planning to channel long-term support.

- **Mali:** In early 2013, the IfS was one of the first instruments the EU was able to deploy as part of the wider EU response effort to the crisis in Mali. The EUR 20 million IfS package of assistance provided support mainly in the areas of security and justice, assistance for re-establishing the presence of the Malian State in the north of the country and towards the first stages of the electoral process. The response was also emblematic of IfS measures paving the way for a comprehensive approach to the crisis, with follow-on assistance secured through the longer-term EU instruments as well as actions of EU Member States.
- **Niger:** During 2013, security threats in Niger increased due to the rebellion and military conflict in northern Mali. The return of an estimated 250,000 economic migrants from Libya to Niger alone, including ex-combatants and mercenaries, further exacerbated the situation. Building on existing IfS support towards security and stabilisation in the northern regions of Niger and Mali, follow-on support was agreed in 2013 to assist in the areas of municipal policing, income generating activities and support to peace and reconciliation initiatives launched by regional and national authorities. These measures contribute to attaining the objectives of the EU Sahel Strategy, complement EU development assistance and humanitarian aid and will create synergies with the CSDP EUCAP Sahel mission in Niger.
- **Central African Republic:** After the coup d'état of March 2013, the scope of existing IfS support for the demobilisation of ex-combatants and a consequent reinsertion programme was broadened to include a wider geographic coverage to reflect the new situation on the ground. This was followed with: support packages to civilian security forces, which could also pave the way towards comprehensive efforts on security sector reform later on; support to media to allow for objective and conflict sensitive information availability in Bangui and the provinces; the deployment of human rights' observation missions; and the fostering of inter-community dialogue through civil society efforts.
- **Côte d'Ivoire:** Following the appoint of a national authority to implement the government's 2012 policy on disarmament, demobilisation and reintegration (DDR), the EU provided assistance through IfS measures that included; capacity-building and technical assistance, including the orientation and preparation of demobilised ex-combatants who were to be reintegrated; support to the economic and social reinsertion of approximately 5,000 previously de-militarised and de-mobilised ex-combatants and parallel assistance to host communities in order to create an environment favourable to such reintegration; and the close, regular monitoring of the DDR programme to ensure that this participative approach caters to the needs of host communities as well as those of ex-combatants.

- **Burma/Myanmar:** Following earlier interim support to the peace process, including towards the creation of the Myanmar Peace Centre (MPC) in 2012, the IfS agreed in 2013 an 18-month support package that also complements a number of ongoing and planned actions under other EU instruments. Following approaches from both the Office of the President and Daw Aung San Suu Kyi, and in line with the Foreign Affairs Council Conclusions of April 2013, the EU has, through an 18 month IfS intervention, been able to initiate assistance to the capacity building of the Myanmar Police Force in order to improve police respect for human rights as well as their accountability and professionalism in the areas of crowd management and community policing.

In addition to these crisis response actions (which by their nature are not subject to multiannual programming), the EU committed a further **EUR 26 million** of IfS programmable funds for **pre- and post-crisis preparedness and related capacity-building**, in the framework of the programme "IfS Peace-building Partnership". Focus was put on civil society capacity building; early warning; natural resources and conflict; and peace-building and fragility. In doing this the EU worked with a wide range of stakeholders, including: the UN, and other international bodies; EU Member State agencies; NGOs and other civil society actors.

As 2013 was the last year in the seven year programming cycle of IfS Regulation an external evaluation was commissioned to assess the impact of project results in the period 2007-13 and provide recommendations on how to maximize future impact of EU support. The 2013 evaluation concluded that the IfS Crisis Preparedness component is an indispensable element of the comprehensive EU peace, security and development architecture and should be fully embedded into this structure. It found that the component allows the EU to address conflict issues in the broadest sense and that individual projects have indeed built or strengthened the capacity of organisations to contribute to peace-building efforts and strengthen the concept of a community of practitioners.

The evaluation also stressed that despite a limited budget, actions supported contributed to fulfilling EU commitments related to women, peace and security and mediation and dialogue. Investment in civil society at grassroots level across 26 conflict affected countries/regions, has been instrumental in making some 80 projects relevant to the country contexts and ensure that they meet the priorities and needs, not just at country level but also locally. The IfS Crisis Preparedness component has been used to great effect in creating strategic partnerships, particularly at the multilateral level with UN projects, with a significant impact on EU relations with several of specialised UN specialised agencies.

- Investment in **civil society at grass-root level** increased its capacity to engage in peace-building and conflict prevention actions across 14 conflict affected countries, notably in the areas of mediation and dialogue; media and conflict; fragility and conflict, human security; and women, peace & security.
- Through the **Civil Society Dialogue Network (CSDN)**, a viable forum for dialogue on peace-building issues has been established between the EU and civil society actors, providing the latter with an opportunity to input to the EU's policy making processes. A resulting 40 dialogue meetings had been held by the end of 2013, which enhances the long-term capacity of civil society in third countries, as well as their European partners, to better prepare for crisis prevention.

- Online training modules and analytical guidance materials for practitioners and policy makers on **natural resources and conflict (NRC)** were produced through the first two phases of the EU-UN partnerships on land, natural resources and conflict (NRC). These knowledge products support global dialogue and advocacy on NRC, particularly in regions of key EU political interest such as Africa's Great Lakes.
- Under the **ENTRI** programme (Europe's New Training Initiative for Civilian Crisis Management), the capabilities of staff (both EU and non-EU nationals) being deployed in international civilian crisis management missions have been strengthened through customised training. Amongst others, training sessions included: training on conflict analysis and conflict sensitivity; training on rule of law; mediation and negotiation training; and gender-sensitisation. In addition, a total of 19 pre-deployment courses for 407 experts have been delivered and completed to date, while interoperability and harmonised approaches to training have been fostered as a result.
- Assistance was provided towards facilitating **mediation dialogue**, notably relating to high profile crisis situations in Syria, Egypt, Mali and South Sudan. The **ERMES** (European Resources for Mediation Support) facility, that was defined and put in place at the end of 2013, paves the way for further facilitating the provision of EU technical support to third parties engaged in inclusive peace, mediation and dialogue processes - at international, regional and/or local levels. It will provide the EU with vital capacity to provide, at very short notice, a range of technical assistance and training inputs in support of peace processes, support for the organisation of relevant seminars and meetings and the facilitation of third party events. Assistance has already been provided in this field with regard to mediation dialogues.
- In order to enhance our partners' capacities in pre- and post-crisis preparedness, the League of Arab States (LAS) continued developing its **Regional Crisis Centre** with EU support. Based at LAS headquarters in Cairo, the Crisis Centre has already helped enhance the capacities of LAS on **early warning** as well as supporting the development of EU/LAS political dialogue. A final phase of training for LAS staff and senior officials is currently ongoing until April 2014, aiming to cover policy areas of interest to future LAS work such as humanitarian assistance, disaster risk reduction, post-crisis needs analysis (PCNA), mediation and gender and conflict.
- Cooperation with **ASEAN** on emergency response commenced with a view to enhancing the latter's capacity to respond as a regional organisation to emergency situations as well as to improve inter-connectivity between the ASEAN Secretariat and the national crisis centres of ASEAN member states. In this context, a first training for future staff of the **Myanmar National Crisis Centre** took place in November 2013 in the presence of HR/VP Ashton.
- With regard to **early warning systems (EWS)**, support has been provided at a global level via a grant contract with Saferworld and Conciliation Resources to strengthen the capacity of in-country and regional actors outside the EU, principally civil society to analyse conflict risks and dynamics and to alert national and EU policy makers to emerging tensions across 32 theatres of potential conflict. In addition, support is provided to the International Crisis Group (ICG) to provide high quality conflict analysis over some 27 countries to policy makers and civil society with recommendations for **early response** measures.

December 2013 also saw the publication of the Commission-EEAS joint communication to the European Parliament and the Council on **the EU's comprehensive approach to external conflict and crises**. FPI provided input to the drafting of this communication, which references how conflict prevention and stabilisation measures under the

Instrument for Stability can be called upon as part of the full repertoire of the EU to craft flexible and effective responses.

On **EU sanctions**, one of the three **Foreign Policy Regulatory Instruments** where FPI represents the EU, FPI prepared and negotiated proposals for Council regulations made jointly by the Commission and HR/VP, and prepared Commission regulations on CFSP restrictive measures (sanctions). FPI also represented the Commission in relevant Council groups, in particular the Council's Foreign Relations Counsellors working party (RELEX) (typically meeting twice a week), as well as special RELEX/Sanctions meetings with officials and experts from capitals throughout each semester.

To implement sanctions FPI concluded a total of 55 legislative procedures. This included: **Council regulations** (by Commission written procedure): **16**, of which: Iran: 2; Libya: 2; Syria: 3; Somalia: 3; Myanmar: 1; Democratic People's Republic of Korea (DPRK): 2; Al Qaida: 1; Democratic Republic of Congo (DRC): 1; Zimbabwe: 1. In addition: **Commission implementing regulations** (by empowerment / sub-delegation procedures): **39**; of which: Al Qaida: 22; Liberia: 2; Democratic Republic of Congo (DRC): 2; Zimbabwe: 2; Democratic People's Republic of Korea (DPRK): 3; Syria: 1; Terrorism: 3.

Furthermore, FPI continued its management of the **sanctions database** to assist the financial sector in identifying persons and organisations that are the object of EU financial sanctions (asset freezing). An essential upgrading is necessary due to new technology requirements, information flows and user needs of the various stakeholders, so that the database can remain an effective tool for implementing financial sanctions. Further updating is also required to ensure compliance with the new EU Data Protection Regulation. Preparatory work for such updating was undertaken in order to meet the objective of having the new database in place by the end of 2014.

On the **Kimberley Process (KP)**, the EU (represented by the Commission) continued to **chair the KP's Working Group on Monitoring (WGM**, which is one of the most important as it deals with country compliance issues) and to play an active role in the other KP committees and working groups including the Committee on KP Reform. In this context, FPI has been instrumental in achieving concrete results in the debate on strengthening KP implementation through the adoption of its proposal for amendments to the KP Core Document, and will aim to take this process further in 2014. FPI prepared Commission proposals for a Council Decision and for amending the KP Regulation (2368/2002) with a view to **enabling Greenland to import and/or export rough diamonds** through the EU (creating the presumption that for the purposes of the KPCS, the territory of EU and Greenland is considered as one entity without internal borders and thus applies the EU rules on the movement of rough diamonds from/to this joint territory.) The proposal was voted by an overwhelming majority at the EP plenary. The aim is for the European Parliament and the Council to adopt the proposals in 2014.

On the "**Anti-Torture Regulation**", in 2013, FPI processed the review of Regulation 1236/2005 concerning trade in certain goods which could be used for capital

punishment, torture or other cruel, inhuman or degrading treatment or punishment. The review process included, among other things, extensive discussion with a group of experts established specifically for this purpose, notably on equipment that could be used for the above-mentioned purposes and a meeting of the Committee consisting of Member States which operates under the Regulation. The outcome of the review has been reflected in a draft Commission Regulation amending the lists of goods annexed to the Regulation; and a legislative proposal to amend the Council Regulation.

1.1.3 - ABB Activity 19.05 - Relations and cooperation with industrialised non-member countries

<p>GENERAL OBJECTIVE 2 : To contribute to the advancement of EU interests through increased cooperation and dialogue with main industrialised and high-income partners in the following main areas: business and trade, people-to-people links including cooperation in the field of education, and public diplomacy.</p>			
Impact indicators	Target (long-term)	Milestones (if any)	Current situation (n-1)
<p>1) Improvement of market access through specific business cooperation programmes.</p>	<p>280 European companies attending the Gateway programme to Japan and Korea. Equip European executives with the linguistic and business skills necessary to export/invest to Japan/Korea.</p>		<p>254 European companies attending the Gateway programme to Japan and Korea in 2011. 38 fellowships attending the ETP for Japan and 12 for Korea.</p>
<p>2) Enhanced cooperation and dialogue with the industrialized countries and high income territories.</p>	<p>Enhanced cooperation through programmes for academic exchanges and joint degrees between the EU and main industrialised/high-income partners.</p> <p>Generation of joint recommendations on enhancing EU cooperation in particular fields with partner countries.</p>		<p>35 EU Centres of Excellence active.</p> <p>10 think tank projects on research and public debate selected in the US.</p> <p>8 Bilateral higher education projects.</p> <p>Erasmus Mundus partnerships on-going.</p> <p>Successful implementation of the EU-GCC Clean Energy Network project.</p> <p>EU-US civil society dialogues active in 4 areas (consumer policy, environment, public health and macro-economic).</p>

Policy Area: 19 - External Relations ABB activity: 19 05 Relations and cooperation with industrialised non-member countries		<input checked="" type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending	
		Target (long-term)	Current situation (as achieved)
Specific objective 1: To strengthen the presence of European companies in key markets which are difficult to penetrate.	Result indicator: Improvement of market access through specific business facilitation and training programmes (Gateway, ETP)	<p>Foster business cooperation in technological sectors with Japan and Korea through EU Gateway programme</p> <p>Equip European executives with the linguistic and business skills necessary to export/invest to Japan/Korea.</p> <p>Consolidating the New Executive Training Programme (ETP) in Japan and Korea and selecting fellowships for training in Japan and in South Korea.</p> <p>To launch business cooperation programmes with Hong Kong and Macao, with the GCC countries and explore new business avenues in South-East Asia.</p>	<p>For the period 2009-2013, a total of 40 missions in technology and design sectors to Japan and Korea (allowing nearly 1264 EU companies to participate) have successfully been carried out.</p> <p>100% of the ETP graduates remain involved in EU-Japan/Korea business after 2 years of being graduated; 83.3% after 10 years after doing the ETP programme. Launching of the new Executive Training Programme after the completion of the award procedure in 2011. In the 2^o cycle of ETP, 37 EU executives were selected for training in Japan and 14 were selected for training in South Korea.</p>

<p>Specific objective 2:</p> <p>To enhance the visibility of the EU as a whole, to promote a better understanding of EU's actions and positions, and to exert a positive influence on how the EU is perceived in partner countries.</p>	<p>Result indicator (description + source): Degree of visibility and understanding of the EU (as well as of its policies, objectives and culture) with key stakeholders, decision-makers and opinion-shapers in industrialised partner countries</p>	<p>Successful implementation of academic and outreach activities by EU Centres in the following countries: Canada, US, Japan, Korea, Taiwan, Singapore, Australia and New-Zealand.</p> <p>Start of civil society dialogues projects with the US in areas of mutual interest. Developing public diplomacy and outreach activities in the US through policy research and debate. Enhanced cooperation through new programmes for academic exchanges as well as joint/double degrees between the EU and main industrialised/high-income partners.</p> <p>To enhance the quality of European higher education and promote understanding between peoples.</p> <p>Increasing the dialogue with and between stakeholders in areas of strategic importance for cooperation with the partner country concerned.</p> <p>Increased visibility of the EU and European universities in the GCC region.</p>	<p>Successful implementation of academic and outreach activities by EU Centres in all ICI countries and territories, (except Gulf –GCC- countries). Continued implementation of 3 public diplomacy and outreach projects based on the EU-GCC Joint Action Programme (JAP) in the GCC countries and completion of the EU-GCC clean Energy Network.</p> <p>In 2013 launch of Calls for proposals for the reinforcement and/or renewal of the Network of EU centres in 4 countries: Canada, South Korea, New-Zealand and Australia. Launch of calls for proposals for EU Business and Regulatory Cooperation Programme in Taiwan and for Business Information Programme with Hong Kong and Macao..</p> <p>In 2013, Launch of 2 calls for tenders for one in Singapore ("Business Avenues") to improve EU trade with the ASEAN countries and the second one for improvement of business and trade cooperation with the GCC (Gulf Countries Council).</p> <p>Successful call for proposals for regional Erasmus Mundus partnerships (5 projects selected in 2013)</p> <p>2 bilateral higher education projects were selected in 2012 (following cfp in 2011): 1 EU-ROK and 1 EU-Australia, and 8 in 2013 (2 Australia, 3 South Korea, 2 Japan and 1 New Zealand.</p> <p>36 bilateral projects were selected over the period 2007-2013: 16 with Australia, 12 with South Korea, 6 with Japan and 2 with New Zealand.</p> <p>These projects have so far involved around 200 institutions and supported the mobility of approximately 1 300 students and 550 faculty staff members.</p>
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The ICI sector has fully delivered on the implementation of the ICI 2013 Annual Action Programme, including notably: operating a selection and contracting procedure for three EU Centers (one in Korea and two in Canada), the continuation of the two business programmes (Executive Training Programme and Gateway) in Japan and South-Korea, the financial contribution to Erasmus Partnerships and to bilateral education cooperation projects, the set-up of a Business Avenues programme in Singapore, targeting ASEAN countries as well as a business programme in Taiwan. Call for proposals/tenders were launched for renewal of the EU Centres in Australia & New Zealand and for a Trade and Business Cooperation Facility in the EU-GCC.

Gateway 2013

The objective of the Gateway Programme is to assist European Union companies in a pro-active manner in their attempts to get a strong foothold on the Japanese and Korean market. The Gateway helps European businesses to succeed in Japan and Korea by providing support at the crucial early stages of their market penetration strategy. Selected companies receive a comprehensive service providing assistance, advice and business contacts. The participation of companies in Gateway events needs to be adequately integrated in the companies' own strategy for entering these markets.

The Gateway Programme aims, both in terms of promotional activities and sectorial scope, at giving direct, concrete and effective support to companies. Studies conducted by an independent contractor indicate that companies are largely satisfied with the results of the programme, and it is estimated that every euro invested in the programme generates 5 euro in additional business for the participating companies.

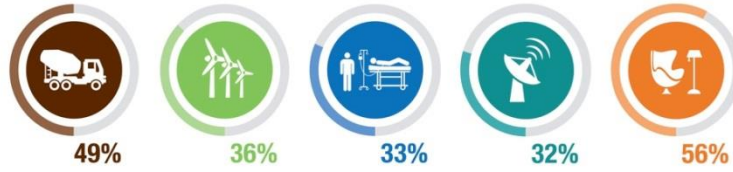
In 2013, Gateway has organised 7 events in total (5 in Japan and 2 in Korea), gathering 268 EU companies (194 in Japan and 74 in Korea) and generating 4142 business contacts (2820 in Japan and 1322 in Korea)

	# Expressions of Interest	EU companies	Number of sector events	EUMS represented	Business contacts
Japan	547	194	5		2820
Korea	151	74	2		1322
Total	698	268	7	All (except MT and CY)	4142

From the latest results survey of participants in EU Gateway, companies report that for each euro invested by the programme, 5 euros come back as revenue growth within the companies within the first 12 months after participation (see table below).

Revenue growth
(2011)

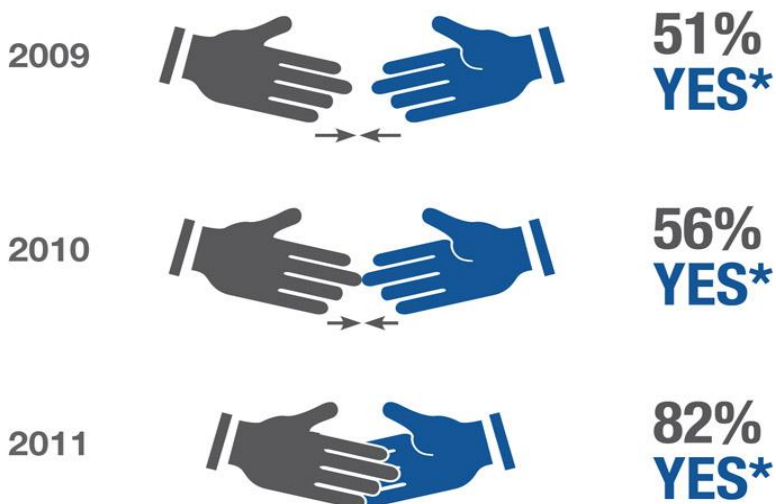
More than 40% of companies participating in EU Gateway in 2011 state they experienced revenue growth following the business mission. The extent of growth varies according to the industry sector.



Equally from the survey, there is evidence that the programme in increased business collaboration between EU companies and Japanese/Korean companies, an increase from 51% to 82% over the first three years of the programme.

New business collaborations

From the first business missions in 2009 to 2011, more and more participants established new collaborations in Japan and Korea.



*new business collaborations have been established.

European Training Programme (ETP) 2013:

The objective of the ETP programme is to create a pool of EU executives equipped with the specific business, linguistic and cultural skills and knowledge necessary to operate in and with the Japanese and Korean markets. The executives trained through the ETP programme should be able to give effective assistance to their organisations in penetrating or consolidating positions on these markets.

Hence, ETP offers a training programme striking the right balance between linguistic tuition (Japanese or Korean), business courses and an internship at Japanese/Korean companies to about 180 European executives over the period 2012-2015. However, a study by an independent team of experts shows that the length of the programme is an issue for smaller and medium-sized companies, and this will lead to a revamped design of the ETP in the future under the Partnership Instrument. 2013 figures:

- 27 participants for ETP Japan (company size: 5-10 employees: 3; 11-50 employees: 8; 51-250 employees: 3; more than 250 employees: 12). Selected by EC in July : 37 but 10 have withdrawn before start of the programme.
- 11 for ETP Korea (company size: 5-10:3; 11-50: 2; 51-250: 4; more than 250: 2).

Impact indicators on the whole duration of ETP (35 years in total):

- 1116 participants of which:
 - 1037 in ETP Japan
 - 79 in ETP Korea
- More than 800 EU Companies helped of which more than 60% are SMEs.
- Within 10 years of completing the ETP: 100% of turnover increase in alumni's sponsor companies in Asia
- 65% of ETP alumni become senior executives within their companies
- On average, the ETP alumni salary increases by 350%.

Most activities in the field of education cooperation under the people-to-people actions were implemented on behalf of FPI by the Education, Audiovisual and Culture Executive Agency (EACEA).

Negotiations on the **Partnership Instrument** were successfully closed while foundations were set for implementing this new instrument in 2014. This included the first recruitment of additional staff allocated to the programme's management. In particular FPI advanced work on the 2014 annual action programme, involving all relevant actors (Commission services and EEAS) in the identification of projects for inclusion.


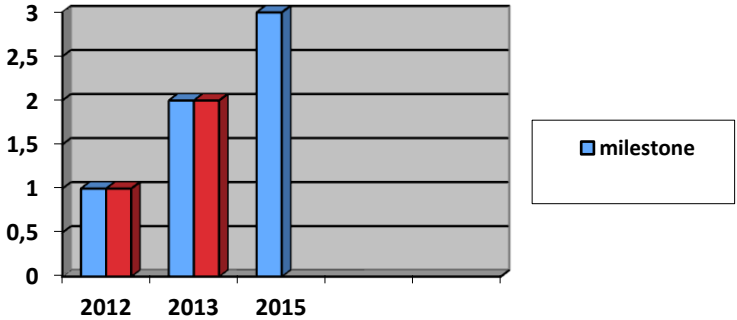

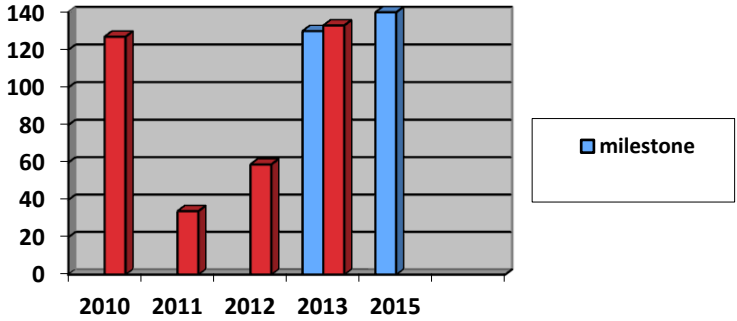

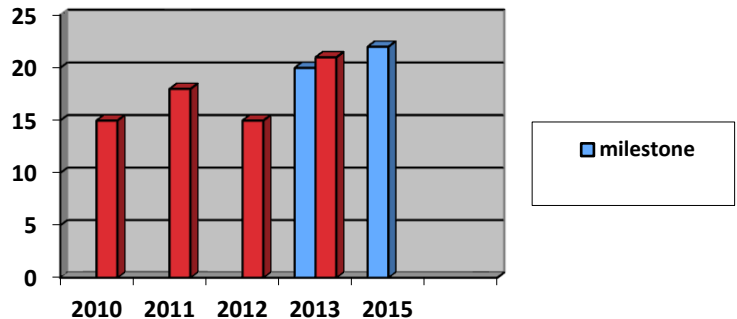
1.1.4 – ABB Activity 19.04 – Election Observation Missions (EOM)

<p style="text-align: center;">General objective 3: Support to the democratic cycle through support to electoral processes - Election Observation Missions.</p>			
Impact indicators	Target (long-term)	Milestone	Current situation (n-1)
<p>Number of EU electoral missions deployed (Election Observation Missions (EOM), Election Assessment Team (EAT), Election Expert Missions (EEM), Pre-Election Expert Missions, and Post-Election Expert Missions). Defined by: EU and each monitoring mission</p>	<p>Transparent and democratic election processes organised by institutions enjoying the public confidence through strengthening of the overall democratic cycles in third countries by means of deploying 25 missions per year by 2020.</p> <p>Baseline: 16 missions. Average for 2010-2012 as follows:</p> <ul style="list-style-type: none"> • 7 EOMs, • 2 EATs; • 6 EEMs; • 1 Follow-up mission (previously called Post-Election Expert Missions) 	<p>23 missions in 2017</p>	<p>2013 = 23 missions as follows:</p> <ul style="list-style-type: none"> • 10 EOMs, • 11 EEMs; • 2 Follow-up mission (previously called Post-Election Expert Missions) <p>Missions carried out providing detailed assessment on accordance of the electoral process with international standards as well as recommendations for further electoral and other reforms.</p>

Policy Area: 19- External Relations ABB: 19.4 European Instrument for Election Observation (EOM)				<input checked="" type="checkbox"/> Spending programme
		Target (long-term)	Interim Milestone (short-term)	Current situation (as achieved)
General objective: Support to the democratic cycle through support to electoral processes.	Number of elections monitored by EU Election Observation Missions (EOMs) Defined by: EU and each monitoring mission	2020: 25 missions Transparent and democratic election processes organised by institutions enjoying the public confidence	2017: 23 missions	- 10 EOM missions carried out in 2013, providing detailed assessment on accordance of the electoral process with international standards as well as recommendations for further electoral and other reform. - 11 experts missions - 2 follow-up missions

Specific objectives:

ABB activity: 19 04 European Instrument for Election Observation (EOM)			<input checked="" type="checkbox"/> Spending programme
		Target (long-term)	Current situation (as achieved)
Specific objective: To build confidence in and to enhance the reliability and transparency of democratic electoral processes through deployment of European Union Election Observation Missions (EOMs)	Result indicator (description + source): Indicator 1: Number of Election Follow-up Missions (post-election expert missions) deployed in countries after an Election Observation Mission to assess the implementation of recommendations. Indicator 2: EU capacity to support and assess democratic and electoral processes expressed in the number of experts trained. Indicator 3: Number of electoral processes and democratic cycles supported, observed, and followed by means of Election Observation Missions, Election Assessment Teams and Election Experts Missions proposing recommendations to the host country.	Between 8 and 10 EOMs and exploratory missions. Approx. 10 expert missions, including ex-post expert missions to assess the implementation of EOMs' recommendations. The exact number of missions deployed will depend on the political agenda defined by the HR/VP.	1. 2 Follow-up missions deployed in 2013 2. 133 experts and observers trained in 2013 3: 10 Electoral Observation Missions (EOMs) + 11 expert missions(EEMs).

<p>Most relevant KPI 1 Number of Election Follow-up Missions (post-election expert missions) deployed in countries after an Election Observation Mission to assess the implementation of recommendations.</p>		 <table border="1"> <thead> <tr> <th>Year</th> <th>Red Bar</th> <th>Blue Bar (Milestone)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>1</td> <td>1</td> </tr> <tr> <td>2013</td> <td>2</td> <td>2</td> </tr> <tr> <td>2015</td> <td>3</td> <td>3</td> </tr> </tbody> </table>	Year	Red Bar	Blue Bar (Milestone)	2012	1	1	2013	2	2	2015	3	3						
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2012	1	1																		
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2015	3	3																		
<p>Most relevant KPI 2 EU capacity to support and assess democratic and electoral processes expressed in the number of experts trained.</p>		 <table border="1"> <thead> <tr> <th>Year</th> <th>Red Bar</th> <th>Blue Bar (Milestone)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>130</td> <td>0</td> </tr> <tr> <td>2011</td> <td>35</td> <td>0</td> </tr> <tr> <td>2012</td> <td>60</td> <td>0</td> </tr> <tr> <td>2013</td> <td>135</td> <td>135</td> </tr> <tr> <td>2015</td> <td>140</td> <td>140</td> </tr> </tbody> </table>	Year	Red Bar	Blue Bar (Milestone)	2010	130	0	2011	35	0	2012	60	0	2013	135	135	2015	140	140
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2010	130	0																		
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FPI managed to contract and deploy 23 missions in 2013, sometimes in challenging security, political and logistical contexts. The electoral calendar in 2013 was highly volatile, with election dates postponed (Madagascar, Bangladesh), cancelled (Lebanon and Egypt) or fixed at the last moment (Guinea Conakry), thereby increasing uncertainty with respect to the operational and financial aspects of the missions under preparation. As a result 2013 has been a challenging year for election observation in terms of volatile political developments in the priority countries for EU EOM deployment and subsequently tight implementation deadlines.

FPI managed to fully and successfully implement the highly visible annual programme of election observation deploying 10 fully-fledged EU EOMs to Paraguay, Pakistan, Kenya, Mali (2 missions), Guinea Conakry, Honduras, Nepal, Madagascar and Kosovo in a highly challenging security environment. An EU EOM to Bangladesh was partially deployed before being cancelled due to political developments in the country. In addition, 11

Election Expert Missions (EEMs) were deployed to Djibouti, Togo, Iraq, Zimbabwe, Bhutan, Cambodia, Rwanda, Maldives, Swaziland, Mauritania and Egypt. FPI also deployed a Pre-election Expert Mission to Kenya, to observe the voter registration process, as well as two Election Follow-up Missions to Bolivia and Mozambique, to assess the implementation of previous EU EOM recommendations. It also continued the screening of its operational procedures with a view to reducing costs, increasing efficiency and improving standard operating procedures on security. FPI strengthened its security concept for missions and liaised with the EEAS security and Commission security services to ensure that the highest level of security is provided for staff and experts deployed. Under the contract for training and methodological developments (Election Observation and Democracy Support, EODS), a total of 76 trainees from 24 EU member States participated in the courses provided by the training programme EODS. In addition, EODS trained the first 28 long-term observers for the African Union and assisted the League of Arab states in strengthening their observation methodology which led to training of 29 short-term observers.

1.1.5 - ABB activity 19.11: Communication & information (budget line 19.11.02)

ABB activity: 19 11 Policy strategy and coordination for 'External relations' policy area			<input checked="" type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
		Target (long-term)	Current situation (as achieved)
Specific objective 1: Increase EU visibility in third countries	Result indicator (description + source): Increased knowledge & understanding of the EU and its external action in third countries.	Increased understanding of the EU's role in working with strategic partners (US, Russia, Brazil, China, etc.). Improved understanding of the EU in Iran. Highlight added value of EU, Commission and EEAS	No world-wide opinion monitoring is available to provide data on the impact of these activities, while individual EU Delegations carry out assessments of their individual actions.

The Information and Communication sector works closely with the Strategic Communication Division of the EEAS in supporting the EU's external communication and public diplomacy priorities. The number of activities undertaken remained stable with a budget of EUR 12 million, used mainly for activities in EU delegations around the world (around 50%), for the financing of the TV programme Euronews in Farsi, and for activities at HQ such as website management, production of audio-visual material, and information material for summits of the EU with third countries (joint Council-EEAS-Commission process).

The information and communication budget allocated to 121 delegations enable them to increase knowledge and understanding of the EU and its external action in third countries. No worldwide opinion monitoring is available to provide data on the impact of these activities but individual EU delegations carry out assessments of their individual actions. The objective is to increase the understanding of the EU's role in particular when working with strategic partners as US, Russia, Brazil, China, etc. The financing of Euronews in Farsi aims to improve the understanding of the EU in Iran. Providing information material for summits of the EU with third countries (joint Council-EEAS-Commission process) and the production of audio-visual material highlight the added value of EU, Commission and EEAS.

The EU Visitors Programme (EUVP) managed jointly with the European Parliament provides tailor-made visits (5-8 days) for young potential multipliers and decision-makers from third countries, to provide them with a deeper understanding of the EU.

In 2013, new arrangements were put in place allowing the EEAS to carry out information and communication activities in particular in the EU delegations on behalf of the EU, the Commission and its services.

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

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

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

The following examples show how FPI adapts certain internal arrangements in order to improve the efficiency and economy of its operations:

Example 1

The responsible unit FPI.4 harmonised working procedures between the sectors working on election observation (EOM) and the industrialised countries cooperation instrument (ICI), in particular by using standard templates, leading to a more harmonised way of presenting files and the related checklists. Also standardised election observation forms were designed, tested and improved.

Example 2

FPI uses videoconferencing for evaluation committees (procurement and grants) when participating staff are located in delegations. This reduces costs in terms of meeting time and resources for staff missions and reduces the time for awarding contracts.

Example 3

The Peace-building Partnership (under the Stability Instrument (IfS)) put in place quality expertise specialising in mediation activities and dialogue. To this end, the crisis response planners can use the ERMES facility (European Resources for Mediation Support) allowing them access to a range of technical assistance at very short notice.

Example 4

The responsible unit FPI.2 exploited synergies between the crisis prevention/crisis response teams (IfS) and the EU sanctions team. The latter worked closely on a derogation by the United Nations Security Council (UNSC) for Myanmar which facilitated IfS assistance to both police training and de-mining programmes.

2. MANAGEMENT OF RESOURCES

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. This is achieved through the following controls and reports.

General

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

- **annual reports of subdelegated authorising officers** (at HQ) and by heads of EU delegation managing FPI funds (IfS, ICI and press and information) which include a declaration of assurance;
- annual declarations by services having **cross sub-delegations** - DGs COMM (for press and information); DG EAC (for ICI – Erasmus Mundus); JRC (some IfS projects);
- **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;
- FPI HQ (and for IfS, the delegations) may launch **ex post evaluations** to assess sound financial management in view of preparing either continuation or revision of certain projects / programmes (recently mainly IfS, ICI).

Sector- or instrument-specific

Instrument for Stability: Devolved delegations report twice per year to HQ on **project implementation** (mid- and end-of-year). This includes financial information on the use of appropriations and is the basis for a regular review of budget implementation.

Common Foreign and Security Policy: (Indirect centralised management): Normally two pre-financing payments are made for CFSP missions, one for small budget and/or short duration EUSRs. The second payment follows the acceptance of an interim report and financial statement. In addition CSDP missions have to provide **monthly**, and EUSRs **3-monthly, implementation reports**. Also, In case of non-compliance with the requirements for indirect management, **mitigating controls** are put in place (see below). (Joint management - international organisations): Narrative and financial reports must be provided with each payment request. If project duration is more than 12 months, i.e. at least one report every 12 months plus a final report.

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

Industrialised Countries Instrument: On the basis of risk assessment FPI does not contractually require an audit /expenditure verification report for final payments to public organisations (mainly, universities). A certificate of the costs incurred is required in the case of beneficiaries /contractors who are not public organisations.

This section reports further below on the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives³. It is structured in three separate sections: (1) the DG's assessment of its

³ Effectiveness, efficiency, economy of operations; reliability of reporting; safeguarding of assets / information; prevention, detection, correction and follow-up of fraud; adequate risk management relating to legality / regularity of underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

own activities for the management of its resources; (2) the assessment of the activities carried out by other entities to which the DG has entrusted budget implementation tasks; and (3) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

Management of human and financial resources by FPI

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

Instrument for Stability: In 2013, FPI signed 124 **new** contracts⁴ for a total of EUR 243 million. Including those signed before 2013, FPI HQ and devolved delegations managed 340 **ongoing** contracts for a total value of EUR 627 million. Under direct management procurement represented some 3% of the total (36 contracts) while grants 34% (194 contracts). Nearly 6% of IfS projects were implemented under indirect management (10 agreements). Roughly half the total (EUR 344 million or 55%) was implemented by joint management (international organisations, mainly UN) (94 contribution agreements).

EUR 115 million or 18% of IfS projects was implemented by FPI HQ (51 contracts) with EUR 512 million (nearly 82%) implemented by devolved delegations (289 contracts).

Ongoing IfS contracts and grants		Headquarters		Delegations		Nbr	Amount
Centralised direct	Before 2013	5	€ 6,081,651.60	18	€ 6,004,911.73	23	€ 12,086,563.33
Procurement	Signed 2013	5	€ 6,403,375.14	8	€ 2,830,861.00	13	€ 9,234,236.14
	SUBTOTAL:	10	€ 12,485,026.74	26	€ 8,835,772.73	36	€ 21,320,799.47
Centralised direct	Before 2013	14	€ 30,919,185.09	106	€ 95,004,071.86	120	€ 125,923,256.95
Grants	Signed 2013	8	€ 24,875,342.60	66	€ 64,842,637.03	74	€ 89,717,979.63
	SUBTOTAL:	22	€ 55,794,527.69	172	€ 159,846,708.89	194	€ 215,641,236.58
Centralised indirect	Before 2013	0	0	2	€ 1,450,000.00	2	€ 1,450,000.00
	Signed 2013	1	€ 3,000,000.00	7	€ 30,806,037.86	8	€ 33,806,037.86
	SUBTOTAL:	1	€ 3,000,000.00	9	€ 32,256,037.86	10	€ 35,256,037.86
Joint management	Before 2013	12	€ 37,934,258.00	54	€ 196,595,802.18	66	€ 234,530,060.18
	Signed 2013	2	€ 2,500,000.00	26	€ 106,813,555.87	28	€ 109,313,555.87
	SUBTOTAL:	14	€ 40,434,258.00	80	€ 303,409,358.05	94	€ 343,843,616.05
Other	Before 2013	3	€ 2,247,537.10	2	€ 7,759,535.10	5	€ 10,007,072.20
	Signed 2013	1	€ 1,000,000.00	0	0	1	€ 1,000,000.00
	SUBTOTAL:	4	€ 3,247,537.10	2	€ 7,759,535.10	6	€ 11,007,072.20
Total		51	€ 114,961,349.53	289	€ 512,107,412.63	340	€ 627,068,762.16

Common Foreign and Security Policy CFSP: Total budget implemented (new contracts) was EUR 353 million: EUR 332 million or almost **94% was managed under indirect centralised management** by CFSP missions / EUSRs; EUR 16 million (5%) by international organisations under joint management (non-proliferation actions); and the remainder (EUR 5 million or 1%) in direct centralised management as procurement.

⁴ "Contract", unless otherwise indicated, is used in this report to refer to all legal commitments irrespective of their legal form and includes procurement contracts; grant agreements; financing agreements for indirect management (corresponding to "delegation" agreements) and contribution agreements with international organisations.

CFSP had 180 contracts **ongoing**. Most (115) were under indirect management (64%). 49 (27%) were implemented under direct management, and 16 (9%) under joint management (international organisation) – mainly non-proliferation projects.

Election Observation Missions EOMs: FPI implemented EOMs under direct management (100%) at HQ by procurement (for just under EUR 38 million in commitments).

Industrialised Countries Instrument ICI: FPI implemented ICI under direct management at HQ with devolution limited to the EU delegations in Japan and Washington. FPI has put into place a cooperation mechanism for EUR 7 million in commitments for Erasmus Mundus (32% of the budget) with the Education, Audiovisual and Culture Executive Agency (EACEA). The Director of the Agency is the delegated authorising officer responsible for these appropriations.

Press and Information: This is implemented under direct management (100%) with a large share (EUR 5,6 million in commitments (46% of the budget) managed by 121 of the EU's delegations. In addition FPI subdelegates to DG COMM management of EUR 5,4 million in commitments (44% of the budget) for the "Euronews in Farsi" action.

Control effectiveness as regards legality and regularity

FPI has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the payments concerned. The control objective is to ensure that the residual error rate does not exceed 2%.

Summary of controls

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

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

The value of this **ex ante control** is shown by the fact that overall some 6,8% (6,5% in 2012) of all transactions were sent back to the operational service for correction. Compared to last year there was a slight increase in the number of files sent back, however compared to previous years, the number of files sent back has decreased, suggesting that the presentation of files by the operational units has been improving. This strong element of **ex ante control** on all transactions at HQ continues to be a main pillar for the assurance, based on the results of the control work set out below.

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

In accordance with the Financial Regulation, the authorising officers must put in place management and control structures and procedures suited to the performance of their duties, **including where appropriate ex post controls**. These are controls which are conducted after project implementation has begun and after a significant transaction has been completed. They are designed to obtain an additional assurance that the control system is working, and that the initial *ex ante* controls are effective.

The performance of *ex post* controls was further strengthened by improved reporting and monitoring by management and additional resources (participation of FPI.1 staff in EPC missions). *Ex post* controls are essential for achieving a reasonable assurance, because: **first**, over 80% of funds under the Stability Instrument are subdelegated to be managed by EU delegations and **second**, the CFSP budget is nearly entirely managed (64% as indicated above) in indirect centralised management by CFSP missions, under the authority of Heads of Mission. Thus FPI **ex ante verification cannot give a complete assurance** since it covers only those transactions effected by HQ services:

- **For the Stability Instrument**, this covers the financing decision and budgetary commitment, whereas the subsequent individual contracting (legal commitments) and resulting payments are managed in delegations. There, FPI relies largely on Commission staff attached since the beginning of 2011 to DG Devco. IfS management on behalf of FPI follows strictly the same circuits and procedures as DG Devco and apply the same rules (Practical Guide etc). A guidance note to the delegations implementing IfS projects lays down specific features of the instrument.
- **For CFSP**, verification by the *ex ante* control unit at HQ covers all transactions up to and including the payment of funds over to the CFSP missions, but does not cover the transactions effected by the missions themselves (contracting and payments). The consequences in terms of *ex post* controls, controls assessing compliance with the requirements for indirect centralised management (Article 56, now 60 FR) and other mitigating measures in the case of non-compliance are described below.

Control effectiveness: ex ante verification at headquarters

Ex-ante controls in FPI are carried out by the FPI.1. All financial transactions are subject to its prior verification. FPI.1 produces a “fiche de visa” for each transaction or group of transactions. In 2013, 707 visas were issued concerning the activities listed in Table 1.

Activity	Commitment			Payment			Recovery			Total Count
	Count	Amount	Average	Count	Amount	Average	Count	Amount	Average	
ADM	63	33,124,604	525,787	46	1,564,406	34,009	3	42,922	14,307	112
CFSP	42	321,980,311	7,666,198	125	257,666,410	2,061,331	58	18,713,132	322,640	225
IFS	41	145,724,034	3,554,245	46	48,265,802	1,049,257	4	604,324	151,081	91
EOM	46	35,022,232	761,353	83	32,858,781	395,889	4	1,325,625	331,406	133
ICI	12	16,185,299	1,348,775	70	11,429,494	163,278	0	0	0	82
P&I	19	1,490,557	78,450	43	1,226,183	28,516	2	42,126	21,063	64
	223	553,527,038	13,934,808	413	353,011,076	3,732,280	71	20,728,129	840,498	707

Table 1 - Financial transaction by Activity

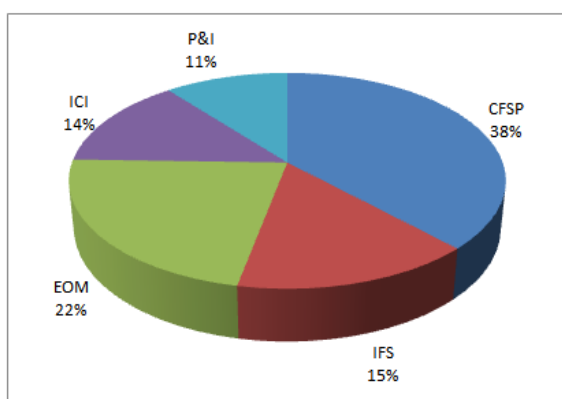


Table 2 - Importance by Activity

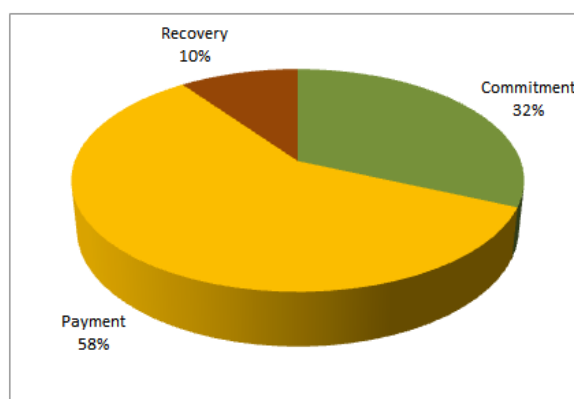


Table 3 - Importance by type of transaction

The number of transactions being subject to an unfavourable opinion of the *ex ante* financial verifiers represented 6.8% compared to 6.5% of last year.

Type	Number of transaction	Unfavorable opinion	
		Number	%
Commitment	223	12	5.4%
Payment	413	32	7.7%
Recovery	71	4	5.6%
	707	48	6.8%

Table 4 - Unfavorable opinion by type of transaction

The unfavourable opinion concerns principally the validity and validation process of the file taking into account that a transaction may contain more than one error.

	Type of transaction			Total	
	Commitment	Payment	Recovery	Number	%
SC Suspension	11	27	4	42	7.1%
SR Refusal	0	0	0	0	0.0%
SP Suspended	1	5	0	6	1.0%
	12	32	4	48	

Table 5 - Unfavorable opinion by type of visa

	Commitment	Payment	Recovery	Total	%
Legal Framework	4	0	0	4	7%
Validation Process	8	3	1	12	21%
Supporting Document	1	9	0	10	18%
Validity of the transaction	0	14	1	15	27%
Payment Process	0	4	0	4	7%
Quality of the information	5	4	2	11	20%
	18	34	4	56	

Table 6 - Unfavorable opinion by type of error

In addition, the verifying team issued 195 fiches de visa relating to decommitments and gave an unfavourable opinion on four files (2.3%). Regarding the files with no budgetary impact (draft financing decision, modification of bank account, reallocation of budget, interservice consultations, etc.), 683 files were submitted and 3.7% received an unfavourable opinion. The most important errors concerned the quality of the information and its presentation in the documents.

Control effectiveness: ex post controls

Together, the ABB activities 19.03 (CFSP) and 19.06 (IfS) accounted for over 90% of payments made in 2013. As in previous reports, **the controls carried out on these two activities are the main basis for the assurance.** The results of *ex post* controls are summarised in the following table with details given below.

	ABB activity	Payments made in 2013 (€ m)	Number of ex post controls (EPCs)	Amount verified (includes payments made in previous years)	Amount verified compared to payments made in 2013	Amounts paid	Ineligible amount (€m)	Amount to be recovered	Corrections made	Detected error rate	Residual error rate	Amount at risk (€m)	Materiality (%)
19.03	Common foreign and security policy (CFSP)	312,216,967.00	7	24,112,369.60	7.72%	42,108,521.35	485,421.03	485,421.03	0.00	1.15%	1.15%	3,599,192.68	1.15%
19.06	Crisis response and global threats to security (IfS)	167,215,268.00	6	60,756,401.50	36.33%	60,756,401.50	41,083.70	41,083.70	0.00	0.07%	0.07%	113,071.57	0.07%
			18	30,957,730.34	18.51%	29,906,565.48	365,044.98	365,044.98	2,397.87	1.22%	1.21%	2,027,652.90	1.21%
	Total	479,432,235.00	31	115,826,501.44	24.16%	132,771,488.33	891,549.71	891,549.71	2,397.87	0.67%	0.67%	3,210,689.74	0.67%

Notes: Based on work completed at the time of the AAR in accordance with the 2013 plan. Draft reports are relied on if there are no material findings and the contradictory procedure is finished or about to be finalised. The difference between amounts paid and verified for CFSP is explained by the fact that the amount verified is a sample of the amount claimed by the CFSP mission/EUSR in the financial statement.

Detail: 19.03 (CFSP): 7 controls in the form of external audits of CFSP missions and EUSRs, of which 6 audit reports are finalised and 1 draft.

19.06 (IfS): 24 controls. 18 controls were on beneficiaries of which 17 in the form of external audits (9 conducted by delegations, of which 7 finalised reports and 2 draft; and 8 managed by HQ, of which 2 finalised and 6 draft reports). The remaining 6 IfS controls mentioned in the table were controls on delegations by FPI staff (2 finalised and 4 draft reports).

In addition, controls were carried out on other ABB activities as follows:

	ABB activity	Payments made in 2013 (€ m)	Number of ex post controls (EPCs)	Amount verified (includes payments made in previous years)	Amount verified compared to payments made in 2013	Amounts paid	Ineligible amount (€m)	Amount to be recovered	Corrections made	Detected error rate	Residual error rate	Amount at risk (€m)	Materiality (%)
19.04	European Instrument for Democracy and Human Rights (EIDHR) - EOMs	26,036,039.00	3	14,047,069.00	53.95%	14,014,834.33	83,609.00	54,130.00	54,130.00	0.39%	0.00%	0.00	0.00%
19.05	Relations and cooperation with industrialised third countries (ICI)	14,902,827.00	9	2,277,867.09	15.28%	1,630,418.54	177,671.48	47,897.44	22,748.83	2.94%	1.54%	229,870.66	1.54%
19.11	Policy strategy and coordination (Press and Information)	11,677,234.00	9	704,227.19	6.03%	704,227.19	0.00	0.00	0.00	0.00%	0.00%	0.00	0.00%
	Total	52,616,100.00	21.00	17,029,163.28	32.36%	16,349,480.06	261,280.48	102,027.44	76,878.83	0.62%	0.15%	80,933.57	0.15%

The difference between the ineligible amount and amount to be recovered is explained by the fact that for grants, several factors have a decreasing effect on the ineligible amount (e.g. co-financing rate of the beneficiary, non-profit calculation).

Note: materiality criteria (See also Annex 4.)

For FPI (HQ and delegations): As regards legality and regularity of underlying transactions, the objective is to ensure that the estimated annual risk of errors in payments is less than 2%.

For beneficiaries / implementing partners: Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error is less than 2%. The residual risk of error is estimated by the residual error rate obtained from an examination of a representative sample of transactions less any corrections made resulting from the supervisory and control systems in place. FPI aims to recover amounts due as a result of ex-post controls within nine months from the completion of the control (i.e. final report).

Note on amount at risk: for CFSP and IfS, once the detected error rate is extrapolated to the population of non-audited payments, the resulting residual error rate remains the same as for the population audited and therefore does not have an impact on the amount at risk for these two main instruments. For

the ICI, the residual error rate for the audited population (1.54%) is below the materiality threshold (2%). If the detected error rate is extrapolated to the ICI population unaudited (based on the assumption that the detected error rate also applies to this part of the population), this leads to a residual error rate for the population of 2.7% (the amount at risk in this case is EUR 406,024). However, given that the overall residual error rate for all FPI activities is 0.6%, that the potential amount at risk from ICI constitutes 0.08% of payments made in 2013 and that the payments leading to the amounts to be recovered (EUR 47,897) were made prior to 2013, FPI considers that there are no grounds for a reservation. FPI is analysing the type of underlying errors and their reasons so that any issues arising can be addressed in the management of the commitments still being implemented under ICI (since the instrument finished at the end of 2013), and the systems being put in place for its successor, the Partnership Instrument.

Instrument for Stability: 24 controls were conducted:

IfS <i>Ex post</i> controls	2010	2011	2012	2013
A) Delegations checked by FPI staff	4	5	7	6
B) Beneficiaries of which:				
<i>checked by FPI staff</i>	11	4	6	1
<i>checked by external auditors</i>	0	16	12	17
Sub-total	11	20	18	18
TOTAL A) + B)	15	25	25	24

Results of IfS control processes A) controls on delegations: These on-the-spot missions cover systems as well as transactions and went to 5 delegations (Kenya, Niger, Ivory Coast, Egypt and Kyrgyzstan). A check on transactions in the delegation to Afghanistan was conducted desk review from Brussels. Payments for a total amount of EUR 61 million (36% of total IfS payments) were checked. The resulting error rate was 0.07%. After corrections made, the residual error rate was 0%. Some administrative weaknesses were identified none of which had financial consequences. **FPI concludes that financial management is satisfactory in all the delegations checked.**

Recommendations resulting from *ex-post* controls in 2012 were followed up through an action plan. Delegations have paid extra attention to the administrative weaknesses detected to ensure that these would not occur again. Findings were shared within the delegations (Finance and Contracts, Operations). In some cases new procedures were introduced or staff were reminded of the correct procedures.

Results of IfS control processes B) controls on beneficiaries: 20 projects in 11 countries were subject to *ex post* controls (compared to 12 projects in 2012) (and using the DEVCO Framework Contract for Audits with Terms of Reference based on standard DEVCO methodology for such audits). The selection was made using the FPI risk methodology. Total expenditure audited was some EUR 31 million or nearly 19% of the total value of contracts signed in 2013. The detected error rate was 1.22% i.e. below the materiality threshold. The residual error rate but may go down in the course of 2014 as a result of recovery order procedures that are not yet finalised. **Based on the residual error rate of 1.21%, FPI is of the opinion that the control procedures in place give the necessary guarantees for the legality and regularity of the underlying transactions.**

In addition FPI 2 carried out 2 special purpose controls not included in the EPC plan on 2 contracts with a total value of EUR 5 million, detecting ineligible expenditure of EUR 0,39 million or nearly 9%. a) an implementing partner in Yemen was audited in order to obtain additional assurance on the correct application of procurement procedures. The detected error rate was 0.62%. b) an NGO beneficiary was audited following suspected fraud. The provisional error rate was over 14% (amount ineligible amount EUR 374,332). The contradictory procedure is still underway and may conclude in recovery.

IfS beneficiaries: Analysis of the errors detected: Financial findings: *Ex post* controls of beneficiaries conducted resulted in an amount of EUR 365,045 of project expenditure declared ineligible. Missing and/or inadequate documentation was the most important cause for ineligible expenditure (17 occurrences), followed by application of incorrect procurement procedures (4 occurrences) and expenditure not for project purposes (4 occurrences). All findings resulted in the recovery of the ineligible amounts.

IfS ex post controls on beneficiaries: FINANCIAL FINDINGS		
Compliance issue / reason for ineligible expenditure	Number of occurrences	affected amount in EUR
Missing / inadequate documentation	18	135,875.27
Incorrect procurement procedure applied	4	101,991.29
Expenditure outside contractual period	1	1,872.00
Expenditure includes VAT / other taxes		
Incorrect exchange rate used	3	2,549.00
Budget exceeded		
Expenditure not for project purposes	5	24,442.34
Fraud and irregularities		
Income not declared / not reported		
Other financial findings	22	98,315.08
Total financial findings	53	365,044.98

IfS beneficiaries: Analysis of the errors detected: Internal control findings: these recommendations in audit reports are passed on to the beneficiaries to enable them to improve their own internal management. 53 internal control issues were identified. Weaknesses relating to the control environment were the most common reason for a finding (18 occurrences), followed by weaknesses in the financial reporting system and procedures (12 occurrences), procurement procedures (7 occurrences) and human resources and payroll management (6 occurrences):

IfS ex post controls on beneficiaries: INTERNAL CONTROL FINDINGS				
Internal control issue	number findings	number findings	number findings	total number of findings
	priority 1	priority 2	priority 3	
No documentation or inadequate documentation	3	1		4
Accounting system and procedures	1	1		2

Financial reporting system and procedures	8	5		13
IT systems and procedures (computerised information systems)	1			1
Control environment	10	8		18
Asset management including related procurement process and procedures		1		1
Cash and bank management (treasury)	2	1		3
Expenditure control including related procurement process and procedures	4	3	1	8
Human resources and payroll management	3	3		6
Total internal control findings				56

IfS beneficiaries: Analysis of the errors detected: Other compliance findings: Delays in project reporting to the Commission (5 occurrences) and the non-respect of EU reporting formats (3 occurrences) were the main causes for other compliance findings:

IfS ex post controls on beneficiaries: OTHER COMPLIANCE FINDINGS				
Compliance issue	number findings	number findings	number findings	total number of findings
	priority 1	priority 2	priority 3	
Delays in (financial / non-financial) project reporting to the Commission	4	1		5
Reporting formats not respected	2	1		3
Contractual requirements for visibility and publicity not respected				0
Other	1	3		4
Total other compliance findings				12

Common Foreign and Security Policy: 7 *ex post* controls were conducted. FPI either commissions external auditors or its staff performs controls. These were all external audits, commissioned for contracts concluded and financed over the period 2008 to 2012. The total value audited amounted to EUR 59 million of which EUR 42 million was already paid. The result of these audits is an ineligible amount of EUR 485,421, leading to an error rate of 1.15%. The assurance is based on these 7 controls.

Besides a total of 19 financial findings, 32 internal control findings and 6 other compliance findings were made. Action is being taken to follow up on all recommendations linked to these findings to be reported in the 2014 AAR.

Not included in the summary table is an *ex post* control by FPI staff included in the 2012 plan but not carried out at the time, which was conducted in 2013 at EUJUST LEX-Iraq. The value of the agreement checked amounted to EUR 27 million of which EUR 26 million was already spent. The findings established an error rate of 9.8%. In accordance with the Commission's central guidance on materiality (see Annex 4) and since, moreover, the activity was no longer conducted in 2013 after the CFSP mission closed down, this does not contribute to the assurance for the reporting year. It is nonetheless a serious finding which FPI is following up with an action plan addressed to CFSP

missions (main elements to be addressed are the quality of supervision exercised over missions' procurement and the quality of external audit work on which FPI relies). The particularly difficult operating environment of this mission and the need to guarantee effective security of its members must be seen as important mitigating factors.

Monitoring missions: since they do not check transactions or establish an error rate, do not count as *ex post* controls. Nevertheless by focusing more on systems they contribute to the assurance of the Head of Service that actions are progressing in the achievement of their objectives (effectiveness). 14 monitoring missions were undertaken by project managers in relation to their projects. 10 CSDP missions were visited at least once by their project manager as well as 1 EUSR team based outside Brussels. FPI reviewed the methodology for carrying out monitoring missions and revised the reporting format, and applied these changes in 2013.

Election Observation Missions: 3 controls were carried out on a total amount of EUR 14 million. These controls resulted in an amount of EUR 54,130 as ineligible. The main type of errors were: missing supporting documents; double registration of expenses; incorrect / overpayment of per diems; budget heading exceeded; incorrect exchange rate used. The first three types were due to weaknesses in the internal controls of the contractor, while the last two corresponded to an incorrect application of the standard service contracts. The audit reports make recommendations for corrective measures to enhance the internal controls of the contractor. For the last two types of errors, the contractor received instructions on how to correctly interpret and apply the contract.

Industrialised Countries Instrument: 9 controls carried out on a total amount verified of EUR 2,2 million, with 6 external audits and 3 ex-post controls by FPI staff. These led to the identification of an amount of EUR 47,898 as ineligible. The type of errors were: lack of adequate supporting documents; double booking of expenses; ineligible travel in business class; VAT reported as eligible; indirect cost (overheads) not in compliance with contractual provisions; expenses not directly linked to the action, or not indicated in the budget for the action; allowances paid exceeding authorised levels.

The first two types of errors are related to weaknesses in the internal controls of the beneficiaries. FPI recommended to the beneficiaries to strengthen the internal controls in order to ensure adequate supporting documents and to reconcile the financial reports with their internal accounting and the supporting documents for each expense. For the other type of errors, the main reason was the lack of understanding of the applicable EU rules, due to the complexity of the rules or the low relevance of the EC grants for the beneficiary, when compared to the other sources of funding they receive. In order to prevent similar errors in the future, FPI has worked on different measures to be followed up also in the context of the new Partnership Instrument.

Press and Information: 9 controls were carried out on expenditure in delegations for a total amount verified of EUR 704,227, by means of desk reviews done at HQ (except for 1 on-the-spot control). Although these did not result in any financial findings, a series of administrative errors were highlighted and are being followed-up.

Control efficiency and cost-effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and (where possible) of the benefits of controls.

FPI conforms to Article 66(9) FR since January 2013 by quantifying as far as possible the costs of the resources and inputs required for carrying out its controls and their benefits in terms of the amount of errors and irregularities prevented, detected and corrected.

The total cost of controls for FPI⁵ is estimated at EUR 4,6 million, that is 0.86% of payments executed in 2013 (EUR 537 million). Due to the fact that this is the first year where such an estimate, there is no benchmark for comparison.

Standard definitions and measurements of control efficiency and cost effectiveness were only made available during the course of 2013 and at year end several aspects still required clarification and defining. Therefore some indicators are impossible to measure *a posteriori* for 2013 since systems in HQ and delegations were not set up to report on these indicators, or there has been insufficient time for HQ and delegations to adjust their processes so that these measures could be obtained.

Instructions could be given for HQ and devolved delegations managing FPI funds to start capturing certain information but it will be some time before the associated data/measurements become available. So, for the 2014 AAR, though gaps still remain, additional performance indicators might become available and will certainly require further clarification and refinement together with DG DEVCO and the central services.

Instrument for Stability: The total cost for outsourcing *ex post* controls (EPC) of beneficiaries to external auditors is EUR 361,668 for the EPC plan (average cost of EUR 16,439 per audit) and EUR 90,927 for the special purpose audits.

The total value of errors detected in the EPC plan is EUR 365,045 which gives a relative efficiency rate of 1.01 (errors detected / cost of the audit). For the 2013 EPC plan it is not yet possible to determine the benefits in terms of amounts of ineligible expenditure recovered as most contract closure and recovery procedures are still being finalised.

The total value of errors detected from special purpose audits is EUR 385,041 which results in a relative efficiency rate of 4.23 (errors detected / cost of the audit). Again it is not possible to calculate the cost-effectiveness of controls by comparing costs with the benefits in terms of amounts of ineligible expenditure recovered, as the contradictory and closure procedures with beneficiaries are still ongoing.

⁵ Estimate based on the cost of control missions performed by staff, external audits and cost of staff involved in controls and supervision in 2013

The cost for the *ex-post* controls of delegations managing IfS funds conducted by FPI staff is EUR 31,237 (total mission cost). The average cost per mission is EUR 5,206. The average cost per million euro of payments verified is EUR 512. 1 financial error was detected for an amount of EUR 40,719. After correction, the residual error is zero.

Common Foreign and Security Policy: The cost of the 7 *ex post* controls (external audits) is EUR 136,126 or 0.32% of the total value of the contracts audited. This results in a relative efficiency rate of 3.56 (errors detected /cost of the audits). The cost of monitoring missions by FPI.3 staff was EUR 59,947. Benefits are currently difficult to quantify, however the qualitative benefits are linked to improved management of missions which leads to better financial management. They also allow critical financial and other management problems to be identified which led, for example, to one mission being subjected to additional close monitoring as a risk mitigating measure.

The benefits of the *ex post* controls carried out during 2013 cannot yet be quantified. The cost of the outsourced controls is low (EUR 0.136 million) in comparison with the total amount spent on CFSP projects in indirect management (EUR 348 million). The benefits are also of a preventive and reputational nature. Without these controls a substantial part of these appropriations would be subject to higher risks.

Overall, during the reporting year the controls carried out by FPI for the management of the budget appropriations for EOMs, ICI and Press and Information were cost effective, as the costs of controls (EUR 114, 914) represented 0.69% of the amounts audited.

- **Election Observation Missions:** Controls carried out (for a total cost of EUR 69,360) led to the identification of an amount of EUR 54,130 as ineligible. This results in a relative efficiency rate of 0.78 (errors detected /cost of the audits).
- **Industrialised Countries Instrument:** Controls carried out (for a total cost of EUR 37,353) led to the identification of an amount of EUR 47,898 as ineligible. This results in a relative efficiency rate of 1.28 (errors detected /cost of the audits). Regarding *ex post* controls carried out in 2012, at the end of the reporting period, 100% of the ineligible amounts had been recovered.
- **Press and Information:** For the press and information budget line, the controls carried out (for a total cost of EUR 8,201) did not result in any financial findings.

Other indicators of effectiveness

Time-to-pay: In 2013, the average number of days to make a payment was 27, which represents a major decrease compared to 2012 (30 days). The percentage of invoices paid on time has slightly increased compared to 2012 (73% compared to 70%). These figures need to be interpreted in light of the fact that the majority delays occur at the level of delegations on one budget line, which represent 76% of the number of payments made by FPI and are the cause of 91% of delays. The statistics of the FPI are impacted negatively because for this budget line, the bank value date is based on the reconciliation date done at the end of each month by delegations and not to the real date of the payment. Despite this, progress on this indicator is constantly monitored and followed-up by HQ and delegations instructed to improve on their performance.

Amounts to disburse (*reste à liquider*): The RAL at the end of the year amounted to EUR 750 million, an increase of 17% compared to the RAL at the end of 2012. This was mainly due to the lack of payment appropriations for IfS as a result of the general cutbacks decided by the budgetary authority.

Control efficiency and cost-effectiveness - Conclusion

FPI has quantified the cost of the resources required for carrying out the controls described in the AAR and estimates, insofar as possible, their benefits in terms of the amount of errors detected by these controls. Overall, during the reporting year the **controls carried out by FPI** in the framework of its annual *ex post* control plan **have a cost-efficiency rate of 1,58⁶**. This must be considered as an **initial attempt** to estimate this rate and is still subject to the caveats indicated above. In particular for the controls on delegations this rate cannot be calculated. As this is the first year that FPI has prepared this calculation, there is no benchmark for comparison.

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

To reach a conclusion as of the relative efficiency of the various controls for the different management modes, it is necessary to analyse the evolution of the efficiency indicators over time and/or to compare them with relevant benchmarks. This is not currently possible, as **this is the first year in which FPI reports on these indicators**.

⁶ EUR 1.58 of errors was found for every EUR spent (EUR 0.63 was spent for every euro of error).

Fraud prevention and detection

Detection: For CFSP there were five ongoing cases which had been reported to OLAF and which at year end were at different stages of investigation (two with closure pending). One new case was reported. Follow up to these cases will be given in 2014. For IfS, no new cases were reported. The outcome of four old cases was still outstanding. Two others were closed.

Prevention and follow-up: FPI developed its anti-fraud strategy as foreseen in the Commission's overall strategy⁷. **Measures taken are the following.** To raise the awareness of staff concerning fraud prevention and detection during the preparation and implementation period of contract, the "Casebook of OLAF investigations in the field of external aid" was distributed to all members of staff. To improve capacities of FPI staff to effectively tackle internal and external fraud, all staff received instructions and information on procedures to be followed in cases of irregularity or fraud in FPI.

To improve reaction to suspected fraud and 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. Relevant information received by FPI was proactively shared with OLAF. In most cases where OLAF decided to open an investigation, FPI launched its own audits on the basis of the risks to confirm or not possible errors and irregularities and to establish any amount to be recovered. All new beneficiaries are systematically checked whether they are signalled in the Early Warning System. OLAF cases are reviewed several times a year and follow-up measures, if appropriate, are taken in order to speed up the closure.

Controls aimed at preventing and detecting fraud are essentially the same as those intended to ensure the legality and regularity of the transactions and prevent unintentional errors. Still, in addition to the annual *ex-post* control plan, when FPI identifies contracts/projects at a higher risk of fraud it subjects them to an external audit with specific forensic objectives. For special purpose audits see section 2.

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

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

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

Safeguarding of assets and information: all CSDP missions and EUSRs have to include an

⁷ COM(2011) 376 24.06.2011.

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

Budget implementation tasks entrusted to outside entities and other Commission services.

This section reports and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the Service’s supervisory controls on the budget implementation tasks carried out by other Commission services and entrusted entities distinct from the Commission.

Budget implementation tasks entrusted to outside entities

Instrument for Stability: information on **indirect centralised management** actions is included under Annex 6. These entities had to comply with the 6 criteria laid down in Art.56 FR (**the “6 pillars”**) after an assessment by the Commission. FPI usually relies on compliance assessments already performed by DG Devco. As for the supervision of the entities once they have been entrusted with funds, they are subject to the normal requirements and controls laid down in the standard “delegation” agreement, as in DG Devco, and fully included in the controls reported in section 2.1 above.

Actions implemented under **joint management** with international organisations account for EUR 344 million or nearly 55% of total ongoing projects. At the end of 2013, 94 contracts were still ongoing, including 28 signed in 2013. These entities had to comply with the 4 criteria laid down in Art.53d FR (**the “4 pillars”**) after an assessment by the Commission. FPI usually relies on compliance assessments already performed by DG Devco. As for the supervision of the entities once they have been entrusted with funds, they are subject to the normal requirements and controls laid down in the standard “contribution” agreement, as in DG Devco. Thus, supervision based on the principle of controlling 'with' the relevant entity. The standard agreement provides for the entity to make available financial information and for the Commission to carry out checks, including on-the-spot. Framework Agreements such as the *Financial and Administrative Framework Agreement (FAFA)* with the United Nations provided further details on how to perform these controls known as **“verification missions”**.

These follow procedures and standards agreed with the UN and approved by the Commission and FPI considers that they constitute valid *ex post* controls which contribute to the assurance and which can be fully integrated in the controls reported in section 2.1 above (where the results are reported). The verification performed includes:

- checks on the **coherence** of the agreed budget for a given project and the financial report, and on the **quality** of the financial management system;
- due consideration of any **4-pillar assessment** previously performed and a review of whether it is still valid and up to date;
- **financial findings**, if detected; leading to a contradictory procedure in order to determine the relevance of the findings and possibilities to recover any ineligible funds.

- findings related to **financial management capacity**, to be addressed in the framework of the project (if still ongoing) or in the wider context of cooperation with the organisation (for future projects).

Common Foreign and Security Policy: Indirect centralised management by CFSP missions remains a challenge for the internal control system and the assurance and a significant area of risk in the operational budget. Before entrusting funds to CFSP missions to manage the Commission must first ensure that they comply with the “6-pillar” requirements (Art. 56 FR).

For new missions, compliance is not possible due to a particular feature of the CFSP operating environment, namely that **CFSP missions are each time created from scratch**. In order for them to be operational from day one, the Commission has to entrust them with funds necessary for their functioning, including procurement of equipment, without being able to have a prior assessment of compliance. While this situation pertains in every case where a new body or agency is created from scratch under the EU budget, the difference is that CFSP missions operate outside the EU and often in volatile security environments.

Longer-established missions have now had a chance, with FPI assistance, to become compliant. In keeping with its action plans in response to various past audit findings, FPI pursued the objective of making the 3 largest CFSP missions compliant by the end of 2013, and the compliance assessment process is now complete for EULEX Kosovo (EUR 110 million), EUMM Georgia (EUR 27 million), EUPOL Afghanistan (EUR 78 million) together representing EUR 215 million or almost 80% of the budget for CFSP missions.

For the remaining non-compliant missions, FPI is pursuing a progressive programme of compliance assessment taking into account cost-effectiveness considerations (e.g. where the mandate of a mission is due to close). In order to provide an assurance in these case, and as reported in previous AARs, FPI relies on its above-mentioned ex ante and ex post controls and monitoring as well as the specific mitigating measures:

For the following controls see part 2 introduction and section 2.2 above:

- a) **financial reporting** (delegated management reports) by the missions as fixed in the agreements concluded between the Commission and each CFSP mission ().
- b) obligatory **external audits** before all final payments, also specified in the agreements;
- c) **monitoring** missions by the FPI project managers; missions where financial management is identified as “at risk” or “à problème” may be subject to more intensive monitoring and support and FPI is putting in place arrangements to allow external procurement experts to be made available on an ad hoc basis to assist and advise missions.
- d) **ex post / on-the-spot controls** by the Commission.
- e) 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 56 criteria by the missions, subject to verification by the Commission.

Additional specific mitigating measures:

- a) reinforced monitoring and support by the FPI project managers; missions where financial management is identified as “at risk” or “à problème” may be subject to

more intensive monitoring and support and FPI is putting in place arrangements to make available external procurement experts on an ad hoc basis to assist and advise missions.

- b) in view of the inability to ensure compliance with Article 56, the agreements subjected all procurement by the CFSP missions of more than EUR 20 000 to **mandatory prior approval by the FPI HQ.**

This is applied both to the launching of procurement procedures and the awarding of contracts with a value exceeding EUR 20,000. The purpose is to verify, whether procurement rules and procedures are respected, whether the contracted amounts correspond to the mission's budget, and whether the purchases of the services or supplies are justified. In practice, it also means that FPI provides substantial support to the missions by carefully screening contract notices, tender files, evaluation and negotiation reports, proposed contracts and suggesting modifications and improvements to all submitted files.

Very few files are rejected outright. Some are returned for correction: in 2013, 449 procurement files from CFSP mission were verified by FPI. Of these, 6 were rejected and 97 approved after corrections were made. Rejections were mainly for resorting to inappropriate procurement procedures. The type of errors/problems sent for correction concerned: errors in the contract notices and tender files, incomplete documentation, inadequate/unclear terms of reference or technical specifications, incorrect selection and evaluation criteria, draft contracts which do not correspond to the tender file.

Indirect and joint management: Conclusion

Based on the above monitoring and supervision work and the controls reported in this AAR, FPI found no indications that management by the entities is inadequate or that their reporting is not be reliable. Weaknesses in CFSP missions which were not compliant with Art.56 FR were mitigated by adequate measures. Consequently, we can conclude that there are no issues affecting the assurance of the Head of Service of FPI.

Budget implementation tasks entrusted other Commission services (cross sub-delegations)

FPI has cross-sub-delegated the following activities to other Directorates General:

- EUR 5,4 million to DG COMM for the purpose of financing through Euronews the broadcasting of news to Iran in the Farsi language.
- EUR 222,969 to the Joint Research Centre JRC for scientific/technical support to the delimitation through its expertise in geospatial data analysis in the security domain (in the framework of Exceptional Assistance measure under the Instrument for Stability to support a Regional Conflict Prevention Programme in Kyrgyzstan and Central Asia).

The Authorising Officers by Delegation receiving these subdelegations implement the appropriations subject to normal Commission rules, responsibilities and accountability arrangements. In their reports to FPI they did not communicate any events, control results or issues which had a material impact on assurance.

FPI has also cross-sub-delegated small amounts to DG Education and Culture (EAC) and the Paymaster's Office (PMO): EUR 57,939 to DG EAC for the purpose of implementation of the educational part of ICI instrument; and EUR 44,127 to PMO for the purpose of payments to EOM chief observers. These services did not communicate any events, control results or issues which had a material impact on the assurance.

Assessment of audit results and follow up of audit recommendations

This section reports and assesses the observations and conclusions reported by auditors 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.

Court of Auditors special reports

EU cooperation with Egypt in the field of governance: The Court's report criticised EU assistance to promote key areas of governance in Egypt in the period before and after January 2011 uprising. It found that overall the Commission and EEAS could have managed EU support to improve governance in Egypt more effectively. This was partly due to the difficult conditions faced in Egypt. The main focus of was on ENPI, DCI and EIDHR assistance. The Court also examined two Stability Instrument projects as part of its sample: a) Support to Democratisation in Egypt; and b) Support Activities to Electoral Processes in Egypt; but reached no critical findings on the implementation of either.

EU support for rehabilitation following the earthquake in Haiti: The Court undertook an audit mission to Haiti from in August and September 2013 to assess EU support for rehabilitation following the earthquake of 12 January 2010. The draft report (not yet finalised), examined a Stability Instrument project and put forward findings on one component. FPI had in the meantime conducted an evaluation of the operation, and integrated lessons learned in the second phase of follow-on projects started in 2014.

Internal Audit Capacity

The Head of Service received a note from the IAC [of DEVCO, who provides this function to FPI] in which they concluded that they were not aware of anything which may lead to a potential reservation for 2013. The IAC will cover sufficiently FPI activities on a multiannual basis so that FPI is in compliance with Internal Control Standard 16.

Validation of local systems (DG BUDGET – Accounting Officer)

In accordance with Article 68(1)e of the Financial Regulation the Accounting Officer launched a validation process of FPI local financial systems and his report is currently being finalised (expected April 2014). The draft, received in March, made no critical findings and only one "very important" finding, which is already being followed-up.

Conclusion

In 2013, there were no findings, nor recommendations related to FPI from audits conducted by the Internal Audit Capability (IAC) of DEVCO⁸, the Commission Internal Audit Service (IAS) or the European Court of Auditors (ECA). The validation of local systems carried out by DG BUDG included no critical findings for FPI. As regards the implementation of recommendations issued in previous years, the relevant action plans are considered to be fully implemented. The Court of Auditors' observations in the two special reports indicated above did not include any issues related to transactions, control systems or the management representations in the AAR.

⁸ Internal audit assignments are carried out by the IAC of DG DEVCO based on a service level agreement

3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

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

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

Regarding the effectiveness of internal control and financial management, FPI considers that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

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

FPI performed a general assessment of effectiveness of internal control standards (ICS) for the purposes of this report, involving a representative sample of the staff concerned. Based on experience and available information, it assessed whether systems provide a reasonable assurance that the ICS are achieving their goals and working as intended. Results indicate an effectiveness rate of 86%, which constitutes a slight improvement compared to 2012 (an effectiveness rate of 85%).

In 2012, the effectiveness rates of ICS 11 (Document Management) and ICS 14 (Evaluation of Activities) had worsened slightly compared to 2011. FPI addressed these weaknesses in 2013, with a particular focus on ICS 11, which had also been prioritised in the 2013 Management Plan. As a result, in 2013, FPI improved its archiving procedures through the completion of its filing plan. This was supplemented with ARES training sessions and further instructions issued. These resulted in a higher effectiveness rate for this Internal Control Standard in 2013. For ICS 14, FPI aimed to improve evaluation activities where possible, in the broader context of defining indicators for the next Multiannual Financial Framework, while taking into account the specificities of its instruments and their stage of implementation. However, the effectiveness rate for the standard as measured by the self-assessment has continued to decrease. This standard has been prioritised in the 2014 Management Plan and efforts continue in order to ensure its full implementation. This will be done in the context of the phasing-in of the new instruments for 2014-2020 by the preparation and planning of evaluation activities.

The 14 exceptions (3 for IfS, 4 for CFSP and 7 for EOMs), 14 non-compliance events (8

for IfS, 5 for CFSP and 1 for EOMs) and 4 overrides (all for CFSP) reported at headquarters and by delegations in accordance with existing guidance have no impact for the assurance. The number of exceptions and non-compliance events has decreased (a total of 38 in 2012); while the level of overrides has remained stable (4 overrides were reported in 2012).

In light of the results of its self-assessment of internal control carried out and for the purposes of this report (ICS 15 – Assessment of internal control systems); in light of the implementation of action plans relative to the recommendations of the different audit bodies; the results of controls; the risk analysis performed in the context of the Management Plan; and the management knowledge gained from daily operations, effectiveness of the control standards and the documentation thereof was maintained in 2013. The functioning of the ICS, and in particular key standards for financial management, contributed to a mitigation of the risks and weaknesses identified, having regard to the specificities and objectives of external relations and the instruments managed by FPI. Measures will be taken in 2014 to remedy any remaining weaknesses.

In conclusion, the internal control standards are effectively implemented with the exception of standard concerning evaluation.

4. MANAGEMENT ASSURANCE

This section reviews the assessment of the elements reported in Parts 2 and 3 and draw conclusions supporting of the declaration of assurance.

Review of the elements supporting assurance

The information reported in Parts 2 and 3 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 complete coverage of the budget delegated to the Head of Service of FPI.

Follow up to 2012 AAR reservation

In accordance with the action plan, in 2013 FPI undertook lengthy in-depth analysis together with other relevant services of the two issues raised in the 2012 AAR reservation and of possible solutions (procurement/recruitment status of core team experts and the respect of the election observers' "volunteer" status). FPI also pursued measures in relation to the way the current arrangements are implemented (through the framework contract). This covered additional issues that arose in the intervening period concerning the status of chief election observers. This process allowed FPI to identify appropriate solutions. FPI has launched the decision-making process to approve these implementing arrangements. The clarifications so obtained complete the implementation of the action plan and allow the Director to lift the reservation.

DECLARATION OF ASSURANCE

I, the undersigned,

Head of Service

of the Service for Foreign Policy Instruments (FPI) of the European Commission,

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view⁹; and

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 capability, the observations of the Internal Audit Service, and the lessons learnt from the relevant reports of the Court of Auditors.

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

Brussels, 31 March 2014
(signed)

Tung-Lai MARGUE

⁹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.