



# 2018

# Annual Activity Report

**SRSS**  
**Structural Reform**  
**Support Service**



*In July 2018, the SRSS celebrated three years since its establishment. Over these three years, the SRSS expanded its work to 25 Member States and over 500 technical support projects.*

*An important development in 2018 was the adoption of the amendment to the SRSP Regulation. Only a year after the entry into force of the original SRSP Regulation, the Member States and the European Parliament authorised us to double the budget available for 2019 and 2020. With this amendment, we also set up a new euro-area work stream to help non-euro-area Member States to better prepare for their membership of the euro area.*

*The higher, EUR 80 million, budget under SRSP 2019 enables us to serve the Member States better. By October 2018, the SRSS had received 580 requests from 27 Member States for an estimated amount of EUR 194 million. We selected 263 requests, but the demand still outstripped the available means.*

*As required by the SRSP Regulation, in 2018, we published our first Annual Monitoring Report on SRSP 2017 projects. The preliminary results so far demonstrate that the support from the SRSP can significantly improve the capacity of Member-State authorities to implement reforms.*

*In 2018, we kept on strengthening our cooperation with the Member States, with a special focus on the strategic orientation of their requests and on the role of the Coordinating Authorities.*

*The Service also continued to coordinate the Commission's efforts to support the Cyprus Settlement process under the auspices of the United Nations. Despite the stalling of the process brought about by the inconclusive Conference on Cyprus in Crans Montana, the Commission's support to the Turkish Cypriot Community continued through the Aid Programme. We focused our efforts on bringing the two communities closer by relevant bi-communal measures and by expanding green line trade.*

*In May 2018, the Commission presented a proposal for a new, EUR 25 billion worth, Reform Support Programme under the next Multiannual Financial Framework package. The Programme comprises three elements: a Reform Delivery Tool to provide financial support for reforms, a Technical Support Instrument to offer and share technical expertise, and a Convergence Facility to help Member States on their way to joining the euro area. The proposal is currently under negotiation with the co-legislators.*

*This is my third report and I am confident that it will give you a comprehensive overview of the SRSS activities.*

*Maarten VERWEY  
Director-General*

# Table of Contents

<b>THE SRSS IN BRIEF</b>	<b>4</b>
<b>EXECUTIVE SUMMARY</b>	<b>5</b>
A) KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG (EXECUTIVE SUMMARY OF SECTION 1) .....	6
B) KEY PERFORMANCE INDICATORS (KPIs) .....	9
C) KEY CONCLUSIONS ON FINANCIAL MANAGEMENT AND INTERNAL CONTROL (EXECUTIVE SUMMARY OF SECTION 2.1) .....	12
D) PROVISION OF INFORMATION TO THE COMMISSIONER .....	13
<b>1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE SERVICE</b>	<b>14</b>
1.1 HELP MEMBER STATES TO PREPARE AND IMPLEMENT GROWTH-ENHANCING ADMINISTRATIVE AND STRUCTURAL REFORMS, IN PARTICULAR IN THE CONTEXT OF EU ECONOMIC GOVERNANCE PROCESSES, THROUGH THE PROVISION OF RELEVANT TECHNICAL SUPPORT .....	15
1.2 EFFICIENT STEERING AND COORDINATION OF TECHNICAL SUPPORT PROVISION TO MEMBER STATES ACROSS DIFFERENT COMMISSION SERVICES AS WELL AS WITH RESPECT TO MEMBER STATES.....	30
1.3 PROVISION OF ASSISTANCE TO THE TURKISH CYPRIOT COMMUNITY AND EFFICIENT COORDINATION OF THE COMMISSION'S EFFORTS TO SUPPORT THE PROCESS LED BY THE UNITED NATIONS FOR THE REUNIFICATION OF CYPRUS.....	32
<b>2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL</b>	<b>36</b>
2.1 FINANCIAL MANAGEMENT AND INTERNAL CONTROL .....	36
2.1.1 CONTROL RESULTS .....	37
2.1.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS.....	62
2.1.3 ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS .....	66
2.1.4 CONCLUSIONS ON THE IMPACT AS REGARDS ASSURANCE .....	69
2.1.5 DECLARATION OF ASSURANCE AND RESERVATIONS .....	71
2.2 OTHER ORGANISATIONAL MANAGEMENT DIMENSIONS .....	74
2.2.1 HUMAN RESOURCE MANAGEMENT .....	74
2.2.2 BETTER REGULATION.....	75
2.2.3 INFORMATION MANAGEMENT ASPECTS .....	77
2.2.4 EXTERNAL COMMUNICATION ACTIVITIES .....	79

## THE SRSS IN BRIEF

The European Commission, under the presidency of Jean-Claude Juncker, has committed itself to a positive agenda to help Member States recover from the financial and economic crises and to unlock the growth potential of their economies to the benefit of all societies.

Effective implementation of structural reforms, timely and adequate transposition of the Union acquis and efficient and effective use of the EU funds are vital for encouraging investment, unlocking the growth potential, raising living standards and supporting the process of convergence in the EU.

To help EU Member States address the implementation challenge, the European Commission set up the Structural Reform Support Service (SRSS) in July 2015.

The SRSS has a mandate to help EU member countries prepare, design and implement growth-generating reforms. The focus is on providing tailor-made support on the ground.

Since 2017, we have been managing a dedicated programme — the Structural Reform Support Programme (SRSP) — now<sup>1</sup> with a budget of EUR 222.8 million for 2017-2020. Under the programme, Member States can also transfer a part of unused EU funds allocated to them to the SRSS. So far, two Member States (Greece and Bulgaria) have made use of this possibility. The programme is the main source of funding for technical support projects in EU countries and does not require co-financing by the countries concerned.

The SRSS also undertakes special assignments to deal with specific issues faced by particular countries, such as migration management in Greece (until June 2018) and support for the reunification of Cyprus.

As regards organisational developments, SRSS counts on a flexible and service-oriented way of working, involving cross-unit teams working on specific projects. The units represent the division of technical support provision by policies areas and the country-oriented perspective is assured by the Country Coordinators, who are appointed by the Director General.

In 2018, SRSS comprises 8 Units; its headquarters are based in Brussels; and it has two decentralised offices, one in Nicosia (Cyprus) and one in Athens (Greece).

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<sup>1</sup> Regulation (EU) 2018/1671 of the European Parliament and of the Council of 23 October 2018 amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme (by EUR 80 million) and adapt its general objective.

## EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of SRSS to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes and for the coordinating, executive and management functions that it exercises, as laid down in the Treaties<sup>2</sup>.

The executive summary has four sub-sections:

- a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1; *what* we have delivered);
- b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the DGs 2016-2020 Strategic Plan;
- c) Key conclusions on Financial Management and Internal control (executive summary of section 2.1; *how* we have delivered); and
- d) Information to the Vice President.

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<sup>2</sup> Article 17(1) of the Treaty on European Union.

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

The implementation of administrative and structural reforms is essential to strengthen the adjustment capacity of an economy and to help it move to and/or remain on a sustainable growth path.

The SRSS general objective is to help EU countries build more effective institutions, stronger governance frameworks and efficient public administrations.

In 2018, following Member States' requests, the Commission, through the SRSS, actively assisted Member States in preparing and implementing reforms.

By supporting such reforms, the SRSS contributed directly to "Jobs, Growth and Investment", one of the Commissions ten political priorities and the general objective for the SRSS. In addition, due to its broad ranges of activities, the SRSS contributed indirectly to eight of the other Commission priorities.

The first specific objective of the SRSS is to help, through the provision of technical support, Member States to prepare and implement reforms, in particular in the context of EU economic governance processes. Notwithstanding the provision of support, overall ownership and responsibility for the policies and reforms developed and implemented remain with the Member States themselves.

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*For the year 2018, 24 Member States submitted 444 requests for support, for a total value of EUR 152 million (as estimated by the Member States). One hundred and forty-six requests were proposed for selection for funding – following a thorough prioritisation exercise carried out by the Commission.*

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The support provided ranged from the presence of resident experts on the ground in Member States, expert missions, and study visits to the expertise provided by the Commission, other international organisations and Member States or the private sector.

In 2018, following requests from Member States, the SRSS provided support to 25 Member States in a wide range of policy areas such as public administration, the business environment, labour markets, health care, education, taxation, public financial management, access to finance, and legal and institutional issues and policies of financial institutions.

In May 2018, the Commission adopted the proposal for the next MMF cycle. The proposal combines the key principles of solidarity and responsibility at all levels and delivers on the commitments made by President Juncker in his 2017 State of the Union Address. It also builds on the vision set out in the Five Presidents' Report of June 2015, the reflection paper of May 2017 and the Commission's roadmap for deepening Europe's Economic and Monetary Union from December 2017 with three principles at its core: unity, efficiency and democratic accountability. The new Reform Support Programme will support priority reforms in all EU Member States, with an overall budget of EUR 25 billion. It comprises three elements: a Reform Delivery Tool, to provide financial support for reforms; a Technical Support Instrument, to offer and share technical expertise; and a Convergence Facility, to help Member States on their way to joining the euro area.

Besides providing technical support to the MS, the SRSS kept steering and coordinating the support provided to Member States across different Commission services and with respect to external actors in the field.

In 2018, the SRSS continued to manage the assistance to the Turkish Cypriot community under Council Regulation (EC) No 389/2006 (the "Aid Programme") as well as to monitor the implementation of the Green Line Regulation. The SRSS prepared the Annual Reports from the Commission on the implementation of the Green Line and Aid Regulations. Under the Aid Programme, the SRSS provided assistance to facilitate the reunification of Cyprus by preparing the beneficiaries for a settlement (e.g., support to the private sector and rural development), and to support civil society. It established a new Local Infrastructure facility and funded the bi-communal Nicosia Trunk sewer. The Aid Programme continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage. Two new crossing points over the Green Line were opened; these were funded by the Aid Programme and implemented by the United Nations Development Programme.

Furthermore, the SRSS continued to provide support for migration management in Greece until 30 June 2018, when the responsibility thereof was handed over to the Directorate General for Migration and Home Affairs (DG HOME). During the first half of the year, the SRSS continued to support the implementation of the EU-Turkey Statement. This included helping the Greek government to implement priority actions, such as: supporting the enhancement of the reception capacity and conditions on the islands and on the mainland; accelerating the processes applicable to irregular migrants and refugees arriving at the Greek islands from Turkey (asylum processing and returns either to Turkey or to the Country of Origin); and supporting capacity-building measures for the Asylum Service, the Appeals Authority and the Reception and Identification Service.

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*While migration-management activities were handed over to DG HOME at the end of June 2018, the SRSS continued to support the Greek State through a technical support project for developing the operational and institutional capacity of the two State services responsible for the reception of asylum seekers.*

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The SRSS also engaged in helping Greece with the provision of adequate shelters for unaccompanied minors and setting up a

sustainable national system for foster care. Additionally, the SRSS coordinated the Commission's efforts to put in place, together with the Greek authorities, a Financial Plan in support of actions in the field of migration, and it helped to operationalise the necessary structures in order to absorb the funds available to Greece under the Commission's financing instruments for migration (AMIF and ISF).

As follow-up to the Court of Auditors' Special Report, n.19/2015 "*More attention to results needed to improve the delivery of Technical Assistance (TA) to Greece*", the SRSS has performed an ex-post evaluation of the activities carried out and coordinated by the ex-Task Force Greece during the period 2011-2015, created before the SRSS establishment.

The key findings are that the actions of the TFGR, implemented at the request of the Greek authorities, were relevant to their needs and in line with the conditionality set by the economic adjustment programmes.

The TFGR supported Greek authorities in analysing their needs and in defining concrete actions for reform implementation.

There is a wide consensus among the stakeholders that without the TFGR, the outcomes in the framework of the economic adjustment programmes would have been considerably less favourable.

EU added value was created through the provision of assistance on the ground in areas where Member States lacked the capacity to respond and/or other EU policies could not meet the need identified. The support ensured complementarity and synergies with other Union programmes and policies, contributed to the implementation of EU law and the

exchange of good practices, promoted mutual trust between Member States and the Commission and addressed national challenges impacting on cross-border or EU-wide challenges.

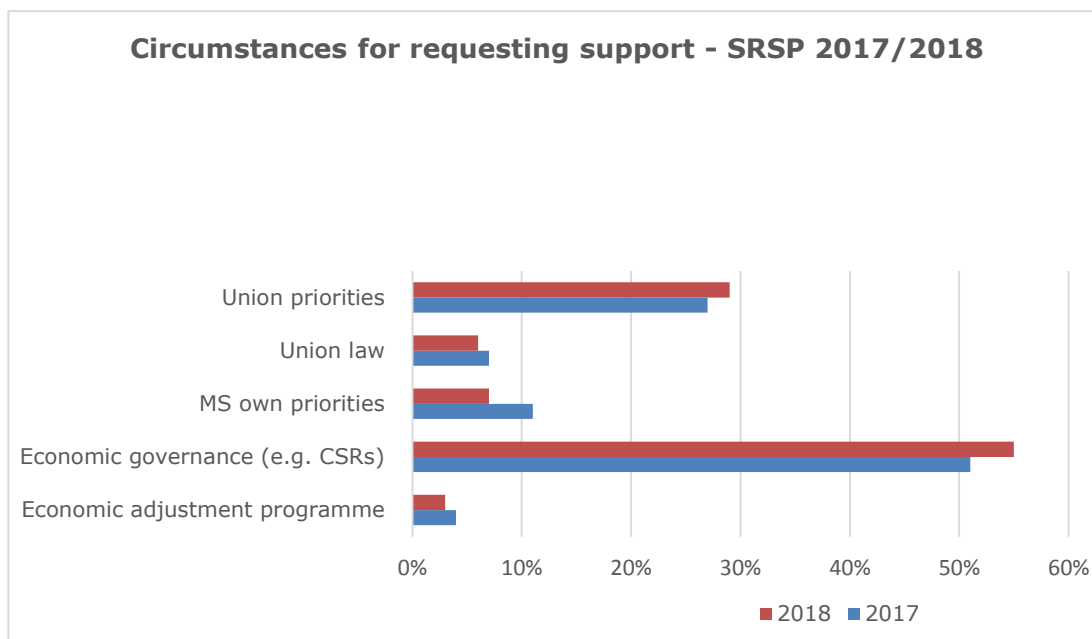
In relation to the EU added value, the activities carried out by the TFGR showed that the results achieved by the interventions in the different policy areas, were essential for developing and implementing measures which had an impact, not only at national, but also at EU level, in particular for the economic and financial stability of the euro area.

## b) Key Performance Indicators (KPIs)

The KPIs are those identified in the 2016-2020 Strategic Plans.

<b>General objective 1 : A New Boost for Jobs, Growth and Investment</b>			
<b>Impact indicator:</b> Employment rate population aged 20-64			
<b>Source of the data:</b> Eurostat			
<b>Baseline</b> 2014		<b>Target</b>	<b>Latest known results</b> (2017)
69.2%		At least 75%	72.2%
<b>Specific objective 1.1 :</b> Help Member States to prepare and implement growth-enhancing administrative and structural reforms, in particular in the context of EU economic governance processes and the implementation of EU law, through the provision of relevant technical support			Related to spending programme(s): Yes
<b>Result indicator:</b> The extent to which the support provided helps Member States prepare and implement structural reforms, inter alia, reforms related to Country-Specific Recommendations (CSRs). This indicator measures – for each Member State concerned - the help provided by technical support in the preparation and implementation of reforms (notably but not exclusively those indicated in the CSRs) based on an assessment carried out by the SRSS. The assessment may also benefit from the feedback of the Member States and of the "country support teams", which are part of the Commission coordination mechanism.			
<b>Source of data:</b> % of the requests selected for funding that are related to Economic governance (e.g. CSR or Country Report)			
<b>Baseline</b> (2017)	<b>Interim Milestone</b> (2018)	<b>Target 2020</b>	<b>Latest known results</b> (2018)
51%	55%	Increasing trend	55%
<b>Specific objective 1.2 :</b> Efficient steering and coordination of technical support provision to Member States across different Commission services as well as with respect to Member States			Related to spending programme(s): Yes
<b>Result indicator:</b> Feedback on the efficiency of the coordination mechanism			
<b>Source of data:</b> SRSS monitoring data, information available from Commission coordination mechanism, other data			
<b>Baseline</b> (2015)	<b>Interim Milestone</b> <b>(2017)</b>	<b>Target</b> (2020)	<b>Latest known results</b> (2018)
The SRSS Coordination mechanism was set up in 2017	N° of Directorates-General satisfied with the consultation process on the selection of SRSP requests	Positive assessment (by internal and/or external stakeholders) of the efficiency of the coordination mechanism	100% of Commission services that expressed views are satisfied (15/15)

<b>Specific objective 1.3:</b> Provision of assistance to the Turkish Cypriot community and efficient coordination of the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus			Related to spending programme(s): Yes
<b>Result indicator:</b> Number of enterprises having received EU support in the form of a grant			
<b>Source of data:</b> KOBIGEM/EUPSO			
<b>Baseline (2015)</b>	<b>Interim Milestone (2017)</b>	<b>Target (2020)</b>	<b>Latest known results (2018)</b>
330	370	420	380

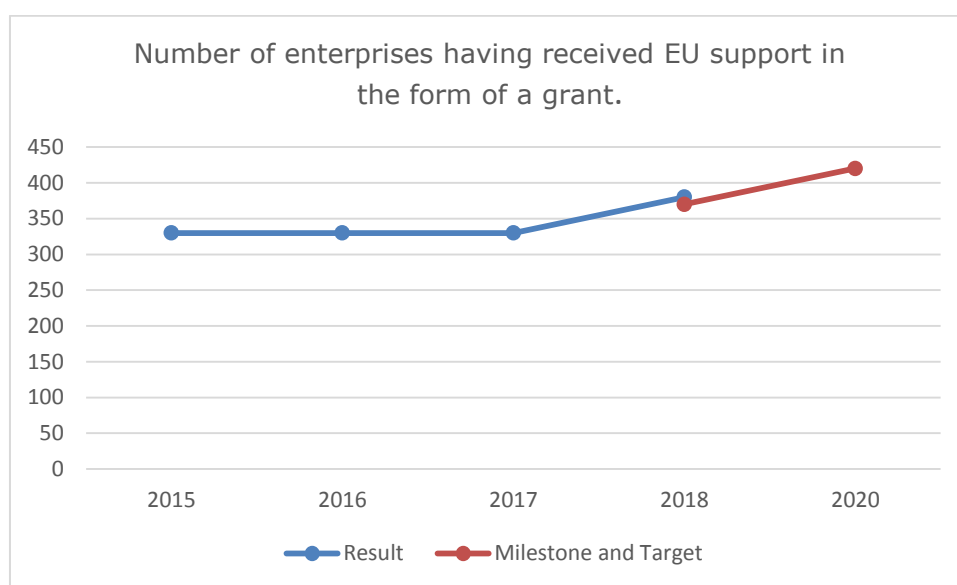


*Source: SRSS data and elaboration, cut-off date 31/12/2018*

**Most relevant KPI 5: Number of enterprises having received EU support in the form of a grant**

Year	Milestone (and target for 2020)	Result
<b>2015</b>		330
<b>2016</b>		330
<b>2017</b>		330
<b>2018</b>	370	380
<b>2020</b>	420	

Source of data: KOBIGEM/EUPSO



**Under Specific objective 1.3: Tendency to trust the EU as an institution (category: Turkish Cypriot community (TCc))**

Year	Milestone (and target for 2020)	Result (%)
2015		51
2016		52
2017		52
2018	56	53
2020	60	

Source of data: Eurobarometer

## **c) Key conclusions on Financial Management and Internal Control (executive summary of section 2.1)**

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

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

In addition, the SRSS has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that: overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and the necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning grant direct management (agreements signed with non-pillar assessed beneficiaries) under the following programmes/budget lines: 01.027701 Preparatory actions; 04.026301 and 04.026302: European Social Fund; 13.036501 and 13.036502 European Regional and Development Funds; 13.046101 and 13.046102 Cohesion Fund and 13.080200 and 13.080100 Structural Reform Support Programme.

## **d) Provision of information to the Commissioner**

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, the main elements of this report and assurance declaration, including the reservation envisaged, have also been brought to the attention of Vice President Commissioner Valdis Dombrovskis, who is responsible for the Euro and Social Dialogue and also in charge of Financial Stability, Financial Services and Capital Markets Union.

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

A sound regulatory and institutional environment and a smoothly functioning economy are essential for making gains in competitiveness, encouraging investment, fostering jobs creation and investment, raising living standards and delivering sustainable growth across the EU. Implementation of administrative and structural reforms is essential to strengthen the adjustment capacity of an economy and help it move to and/or remain on a sustainable growth path.

The Commission recognises the importance of such reforms, while acknowledging the challenges that Member States face in preparing and implementing such reforms. The SRSS general objective is to help EU countries to build more effective institutions, stronger governance frameworks and efficient public administrations.

In 2018, the Commission, through the SRSS, supported Member States in preparing and implementing reforms. The SRSS provides support, based upon requests from Member States, only after specific projects are mutually agreed between the Commission and the Member States concerned. By supporting the implementation of administrative and structural reforms in Member States, the SRSS has contributed directly to "Jobs, Growth and Investment", one of the Commission's ten political priorities and the general objective for the SRSS.

In addition, due to its broad range of activities, the SRSS has contributed indirectly to eight other Commission priorities (Digital Single Market, Energy union and climate, Internal Market, A deeper and fairer economic and monetary union, Justice and fundamental rights, Migration, A stronger global actor, and Democratic change).

In contributing to the general objective, the work of the SRSS focused on three specific objectives as identified in the Strategic Plan 2016-2020:

- 1.1) Help Member States to prepare and implement growth-enhancing administrative and structural reforms, in particular in the context of EU economic governance processes, through the provision of technical support;
- 1.2) Efficient steering and coordination of technical support provision to Member States across different Commission services as well as with respect to external actors in the field; and
- 1.3) Provision of assistance to the Turkish Cypriot community and efficient coordination of the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus.

## 1.1 Help Member States to prepare and implement growth-enhancing administrative and structural reforms, in particular in the context of EU economic governance processes, through the provision of relevant technical support

With respect to specific objective 1.1, the outputs indicated are related to the indicator chosen in the SP 2016-2020: "The extent to which the support provided helps MS prepare and implement structural reforms, inter alia, reforms related to country-specific recommendations".

The main challenges for 2018 were addressed and the achievements can be summarised as follows:

- *the technical support projects agreed with the Member States under SRSP 2017 and SRSP 2018 were delivered in a timely manner;*
- *the relevance and high-quality of this support was ensured;*
- *the increased budget envelope for the Programme as a result of the increased number of requests from Member States; and*
- *the proposal for a new technical support programme for the post-2020 programming period (Multiannual Financial Framework – MFF) was adopted by the Commission in May 2018.*

<b>Main outputs in 2018:</b>			
<b>Important items from work programmes/financing decisions/operational programmes</b>			
<b>Output description</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results (situation on 31/12/2018)</b>
SRSP Annual Work Programme	Adoption by the Commission	Q1 2018	The European Commission adopted <a href="#">the work programme for 2018</a> on 7.3.2018
Technical support projects delivered, agreed under SRSP2017 and SRSP2018	Number of projects related to structural reforms that have at least started (procurement procedures or other means of implementation concluded)	100% of the project selected for funding under SRSP 2017 and 70% of the projects selected for funding under SRSP 2018 will be at least started.	100% of the project selected for funding under SRSP 2017 and 66% of the projects selected for funding in SRSP2018 were started by 31/12/2018.
Feedback from beneficiary authorities on the support delivered	System for collecting the feedback of the beneficiary authorities on the timing and quality of the support provided is in	System in place by Q3 2018 First feedback collected by Q4 2018	In November 2018, the SRSS launched a pilot phase in order to collect the feedback on recently closed project. Based on the pilot, the questionnaires were

	place.		revised and the collection of feedback is up and running.
Post-2020 MFF technical support programme proposal	Adoption by the Commission	Q2 2018	The <a href="#">proposal</a> was adopted by the European Commission on the 31.5.2018
<b>Other important outputs</b>			
Output description	Indicator	Target	Latest known results (situation on 31/12/2018)
Ex-post evaluation of the activities of the Task Force for Greece (TFGR)	Staff Working Document published	Q4 2018	The Staff Working document will be published in Q2 2019

For the year 2018, 24 Member States submitted 444 requests for support, for a total value of EUR 152 million (as estimated by the Member States). The available amount of EUR 32.5 million was oversubscribed by a factor of 5. One hundred and forty-six requests were proposed for selection for funding – following a thorough prioritisation exercise carried out by the Commission. The requests proposed for funding cover all policy areas indicated in Article 5(2) of the SRSP Regulation.

In 2018, 100% of the projects selected for funding under SRSP 2017 and 66% of the projects selected for funding in SRSP 2018 were started. The target of 70% was not reached in 2018 due to a mix of factors, including the capacity of the Member States to better define their needs and the internal capacity of the SRSS in handling the procurement and other internal procedures.

The technical support provided by the SRSS takes the form of:

- expert and fact-finding missions on the ground to assess the situation;
- diagnostic analyses and recommendations on how to address the situation sharing of relevant best practices through seminars, conferences & workshops; and
- development and implementation of targeted solutions to address the situation.

In order made the expertise of TAIEX<sup>3</sup> (Technical Assistance and Information Exchange

<sup>3</sup> TAIEX is the Technical Assistance and Information Exchange instrument of the European Commission. TAIEX supports public administrations with regard to the approximation, application and enforcement of EU legislation as well as facilitating the sharing of EU best practices. It is largely needs-driven and delivers appropriate tailor-made expertise to address issues at short notice in three ways:

- Workshops: EU Member State experts present specific areas of EU legislation in workshops to a large number of beneficiary officials.
- Expert missions: EU Member States expert(s) are sent to the beneficiary administration to provide in-depth advice on the transposition, implementation or enforcement of a specific part of EU legislation.
- Study visits: a group of three practitioners from a beneficiary administration take part in a study visit to an EU Member State's administration.

instrument) available for the SRSP activities, a Service Level Agreement (SLA) implementing the TAIEX-SRSP Peer to Peer Programme was established with DG NEAR in 2017 (cf.2.1.1 Control results).

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*TAIEX-SRSP Peer 2 Peer is an instrument managed in cooperation by DG European Neighbourhood Policy And Enlargement Negotiations (DG NEAR) and the Structural Reform Support Service of the European Commission, to implement the Structural Reform Support Programme (SRSP). The instrument provides short-term exchanges through Expert Missions, Study Visits and Workshops of technical assistance between public sector experts of Member States in order to build up more effective institutions, stronger governance frameworks and efficient public administrations. The instrument is only available for projects selected under the SRSP and the technical support provided covers growth-enhancing reforms, from inception to completion.*

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In 2018, a total of 67 requests to organise TAIEX SRSP events, were submitted by the SRSS to DG NEAR. Sixty-one were approved, out of which 24 applications requested more than one activity (series of events).

As result, in 2018, 77 TAIEX activities were implemented: 41 Expert Missions, 31 Study Visits, 4 Workshops and 1 Work from Home.

Immediately following each TAIEX SRSP activity, the participants, experts or hosts are provided with the opportunity through an automated evaluation system to provide anonymous feedback on the quality and on the logistical aspects of the event in which they participated, undertook or hosted. In addition to this, the participants in a study visit are required to provide a report on the visit; and, in relation to expert missions, the experts who undertook the mission are required to make a report.

Taking stock of the TAIEX feedback system, in November 2018, the SRSS launched a pilot phase for the collection of feedback from beneficiary authorities, provider and internal EC staff on the technical support provided. Nine recently-closed projects were selected for the pilot phase. Twenty-nine questionnaires were sent to Beneficiary Authorities, Policy Officers and Providers with a 68% response rate.

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*"As host, we found the organisational aspects via the TAIEX unit to be excellent, with good engagement and clear setting out of requirements/expectations. The participants were very interested and engaged, participating very fully in the process, and seemed anxious to maximise the benefit from the visit. They were also generous in sharing their own experience of the Greek process, ensuring that we as hosts also benefited greatly from the visit."*

*TAIEX Feedback, Host institution, 2018*

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All Beneficiary Authorities were highly or very satisfied with the support received, with the interaction with the SRSS and with the providers. As result of the pilot test, the questionnaires were revised and the collection of feedback has been running officially since January 2019.

The collection of feedback foresees 2 moments for sending out questionnaires:

- 1) At the end of the project: to beneficiary authorities (BA), providers (different questionnaire in case of procurement or grant) and policy officers. The aim is to gather feedback on the support received and on the interaction of the stakeholders involved in the process; and
- 2) After a period of 6-12-18 months (as indicated by the beneficiary authority in the first questionnaire), a second questionnaire is sent to the Beneficiary Authority; it aims to gather information on the use made by the BA of the technical support received.

Following the 2017 State of the Union speech and the letter of intent from President Juncker to President Tajani and Prime Minister Ratas, on 6 December 2017, the Commission presented a Roadmap for deepening Europe's Economic and Monetary Union, including a roadmap of steps to be taken over the next 18 months. Two elements in the package were directly related to the work of the SRSS - the amendment of the SRSP Regulation and the Communication on new budgetary instruments for a stable euro area within the Union framework. The current SRSP Regulation includes an increase in the SRSP budget in 2019-2020 by EUR 80 million and adjusts its general objective to also add support for preparation for euro-area membership to the Programme's objectives.

The amendment of the SRSP Regulation brought the total budget of the Programme to EUR 222.8 million for 2017-2020.

On 31 May 2018, the European Commission adopted the proposal on the establishment of the Reform Support Programme (RSP). The proposal was presented as part of the package relating to the upcoming Multiannual Financial Framework for 2021-2027.

The Reform Support Programme will include three elements: a Reform Delivery Tool (financial support for reforms); a Technical Support Instrument (technical expertise); and a Convergence Facility (support for Member States preparing to join the euro area).

The Programme builds on the experience of the currently ongoing Structural Reform Support Programme (SRSP) for 2017-2020. The impact assessment accompanying the new legislative proposal provides evidence of a very high take-up of the SRSP among Member States, with requests for support significantly exceeding the amount of funding available for its annual cycles. The feedback from Member States and preliminary observations from the implementation of the initial SRSP projects on the ground also demonstrates the need to enhance this support. If the new legislative proposal is adopted, the Member States will be able to apply for support as of January 2021.

### **Ex-post evaluation of the activities of the Task Force for Greece (TFGR)**

The external study supporting the ex-post evaluation of the activities of the Task Force for Greece (2011-2015)(TFGR) was concluded in 2018. Evidence from the supporting study shows that the TFGR intervened swiftly, mobilised support from Member States and European Commission and adequately coordinated the requests from the Greek authorities for assistance with available expertise. The specific objectives were largely achieved and it succeeded to a high extent in detailing the needs of the Greek authorities and in defining concrete actions for reform implementation. Furthermore, identification and mobilisation of expertise was achieved in a very short time period, thanks to the direct support provided by the TFGR and the European Commission staff, and the solidarity demonstrated by the Member States. The pace of implementation of the support for structural reforms in Greece was adequate. However, the lack of a monitoring system from the outset of the intervention, and the lacking set of indicators able to provide information on outputs and results to be achieved, represent the main shortcomings of the support.

The TFGR provided significant EU added value by achieving better results than could have been achieved solely by the actions of the supported Member State, by leveraging the high-level and senior expertise of various DGs of the European Commission and of the involved Member States. The final report was published<sup>4</sup> in February 2019.

A detailed analysis of the activities carried out in 2018 under the SRSP, by policy area, is provided in the following sections.

### **Public financial management, budget, revenue administration and taxation**

In 2018, the SRSS strengthened and broadened its activity in public financial management and revenue administration to cover a wider array of countries and policy areas. Support for reforms in these policy areas was provided to 19 Member States.

This support has had a direct impact on securing tax revenues, reallocating spending towards more growth-enhancing policies, and developing stronger economies. Overall, it has contributed to enhancing the capacity of Member States to manage their economic policies and financial affairs more effectively.

In the field of public financial management, technical support for conducting spending reviews has been largely extended, covering six Member States in 2018. Enhancing the capacity of Member States to conduct both comprehensive and sectoral spending reviews fulfils the objectives of improving budget preparation and increasing the efficiency of public spending, thus contributing to a sustainable expenditure-based consolidation of the budget.

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<sup>4</sup> ISBN 978-92-79-98400-6. See executive summary:  
<https://publications.europa.eu/en/publication-detail/-/publication/77443b10-2055-11e9-8d04-01aa75ed71a1/language-en>

## BULGARIA AND CROATIA – SUPPORT TO THE REVENUE ADMINISTRATIONS IN IMPLEMENTING SOFTWARE

In 2018, a project was completed successfully in Bulgaria using a local IT firm to conduct a transaction network analysis to identify appropriate data-mining techniques, possible software solutions and providers. In Croatia, SRSS in-house provision of expertise in the area of carousel fraud was delivered and, following a tender process, a local IT company has been selected to deliver similar support to that provided in Bulgaria.

Successful delivery of these projects allows the two countries involved to implement modern solutions to the problem of serious non-compliance, thus contributing to the Union priority of combatting tax evasion and tax fraud. The project also contributes to strengthening cross-border cooperation, since it will allow the two countries to provide better information to other Member States seeking to combat carousel fraud.

This consists of improving strategic planning, change management, business-process management, and project management. Support measures under the SRSP regarding capacity-building and the fight against tax evasion have been closely coordinated with actions under the FISCALIS 2020 Programme. The SRSS continued to play a key role in sustaining the reform process in Greece to make the tax administration more efficient and effective. Projects focused on debt collection, the reorganisation of the customs administration, the design and implementation of a comprehensive IT strategy, and assistance for the establishment of a tax and customs academy.

Technical support has been delivered through a combination of SRSS in-house staff expertise (Brussels- or Athens- based), expertise from Member States and contracts with national agencies, international organisations, and providers from the private sector.

### **Business environment, investment, innovation, competition, trade, energy, regulation and privatisation**

The SRSS supported many Member States in the area of the business environment, innovation, competition, trade and privatisation. This includes activities to encourage competition by assisting reforms regulating specific professions and by strengthening the capacity of competition authorities. In addition, support was provided to improve the quality of economic data for policy-making purposes, and to support the work of Competitiveness Councils and National Productivity Boards.

Moreover, support for public accounting reforms has also been extended, in particular the transition towards accrual accounting, covering four Member States in 2018. This represents an important tool for improving the accuracy and reliability of financial information.

Furthermore, technical support was also provided for reforms relating to performance budgeting, cash management, and fiscal decentralisation. In the field of revenue administration and taxation, the SRSS continued to provide technical support to Member States to improve their tax administration structures and processes with a view to promoting a system of fair taxation across the EU.

Main areas of support in 2018 include debt collection, risk analysis, tax-gap analysis, voluntary tax compliance, e-commerce, the fight against tax fraud and tax evasion, tax audits and taxpayers' services. In addition, support for strengthening the management capacity of tax administrations has been largely extended, covering seven Member States in 2018.

## SLOVAKIA – SUPPORT TO THE SLOVAK INVESTMENT HOLDING (SIH) TO IDENTIFY POTENTIAL INVESTMENT PROJECTS

In Slovakia, the SRSS mobilised support for the Slovak Investment Holding (SIH) to identify potential investment projects from a wide spectrum of private and public entities. The support helped to develop a tailored methodology to assess the bankability of the project ideas, identify gaps and provide guidance to fill those gaps so that projects could be further matured to be considered for financing by the SIH, the EIB under the European Fund for Strategic Investments, or by other national or international financing sources.

As follow-up measure, the SRSS is providing further support to strengthen the capacity of SIH to provide advisory services to potential project promoters for project structuring and project development with a focus on EU and international sources of repayable public financing. The project contributes to helping Slovakia to transition from non-repayable grant-financing sources to repayable forms of financing available under EU and other instruments, such as the European Fund for Strategic Investments (future "InvestEU" post-2020).

The SRSS supported authorities in improving the institutional framework related to attracting and retaining foreign direct investment. In addition, the SRSS continued to support authorities in the field of investment licensing and inspections. This included the simplification of licensing frameworks in various areas and the rationalisation of national inspections systems. In addition, the SRSS assisted authorities in their efforts to strengthen the coordination and monitoring of state-owned enterprises.

In 2018, the SRSS provided support to Member States to develop a strategy for small- and medium-sized enterprises and improve the statistical methodology for measuring the activities of family businesses. Moreover, the SRSS assisted Member States in implementing an action plan for the development of the pharmaceutical industry, and strengthening the capacity of stakeholders to participate in EU programmes.

Furthermore, the SRSS helped authorities in the area of export promotion, through activities such as setting up an information portal and a help-desk to support exporters. In addition, the SRSS supported authorities with activities in the area of privatisation.

In the area of the digital economy, the SRSS supported Member States in, for example, developing a roadmap for the digitisation of industry, developing a 5G laboratory, and introducing digital information modelling in buildings for managing the lifecycle of public real estate assets.

The SRSS provided support to Member States in the area of investment and public assets. This includes assistance in the field of concessions/Public-Private Partnerships (PPP) to develop guidance and build capacity for the preparation and launch of PPP projects. The SRSS supported authorities in their efforts to review and benchmark the governance of state-owned enterprises (SOE) and to align SOE management to best international practices. Furthermore, the SRSS continued to support authorities in the area of public investment through assistance for the practical application and operationalisation of guidelines and processes for the pre-selection and appraisal of public investment projects.

In the area of **better regulation**, the SRSS provided support to several Member States. The support helped authorities to identify the most complex and frequent regulations affecting small and medium enterprises, with a view to developing business-friendly compliance-assistance tools. Furthermore, the SRSS provided support for the improvement of regulatory impact-assessment systems. During the last year, the SRSS supported authorities in preparing regions for a transition out of coal. This support involved the preparation of action plans and recommendations on the rehabilitation of the mining land and on avoiding negative environmental impacts.

The SRSS supported Member States in the area of energy in 2018. The overall objective was to implement the principles set in the Energy Union Strategy and the related legislation. This includes developing recommendations for legislative, structural and administrative reforms with a view to improving the competitiveness of the energy markets and reinforcing the security of supply. Moreover, the SRSS supported Member States on the drafting of integrated National Energy and Climate Plans. In addition, Member States benefited from assistance in the area of energy efficiency and renewable energy sources. This includes activities supporting energy audits and energy-efficiency investments in small- and medium-sized enterprise, and measures to help tackle energy poverty.

### **Agriculture, rural development, environment and transport**

In 2018, the SRSS supported Member States with capacity-building activities regarding international and national climate policies. The SRSS helped Member States in the areas of sustainable management of water resources, waste management, spatial planning and land use, cadastre, forestry, and evaluating the effectiveness of possible climate-change-mitigation policies and measures. In addition, the SRSS supported Member States in strengthening the enforcement and monitoring of environmental law and activities to combat pollution.

Another area of SRSS support in several Member States was transport. The SRSS assisted Member States in enhancing the coordination of inland navigation and the flow of freight. Furthermore, the SRSS helped authorities to deploy Building Information Modelling for the construction of transport infrastructure. In addition, the SRSS supported authorities in developing long-term national transport plans and in carrying out capacity-building activities to strengthen strategic transport planning.

### **Employment, health and long-term care, education, migration policy, pensions and social welfare systems**

In 2018, support for reforms in these areas was provided to Member States.

In the area of social policy, the SRSS continued to support the reform of the social protection and social welfare systems in Greece, including the establishment of a single social security agency, the roll-out of the Guaranteed Minimum Income scheme and the modernisation of the disability assessment system. In Estonia, the SRSS initiated the delivery of support to the government to develop more integrated provision of social, medical and vocational support services to people with disabilities and elderly people with high support needs. In Romania, support was provided for reforming the payment mechanism for social assistance benefits, and for strengthening the monitoring and social audit of social care providers.

In the field of labour market policies, the SRSS provided technical support in Greece on the re-design and pilot testing of major Active Labour Market Policy (ALMP) schemes, such as training, public works and wage-subsidies. Furthermore, the SRSS provided support during the process of minimum wage setting in Greece, and continued to support the implementation of the national roadmap to tackle undeclared work. In Italy, the SRSS is supporting the national authorities in developing policy tools to strengthen the capacity of investment policies (i.e. Industry 4.0) to absorb skilled individuals.

#### AUSTRIA – SUPPORT TO IMPLEMENT THE PRIMARY HEALTH CARE REFORM

Support was delivered to the Federal Ministry of Labour, Social Affairs, Health and Consumer Protection and regional public authorities in implementing the primary health care reform and, more specifically, the establishment of 75 primary multi-disciplinary health care units by 2022. The support is built upon four components:

- 1) comprehensive start-up information is made available to enable health professionals to start their own primary health care unit;
- 2) up to 18 primary health care units are supported directly;
- 3) awareness is raised about the available technical and financial support options, and stakeholders are empowered to implement the reform; and
- 4) a web platform is established for public relations purposes on the primary care reform.

Key project deliverables and results will be presented at an international conference and made available as a best-practice example to other interested Member States. In addition, the project is building synergies with existing national and EU Funds, as it facilitates the investment of these funds in the primary care sector in Austria.

reorganisation of the system of School Boards, which are responsible for the financial and infrastructure management of school buildings.

In the area of pensions, support was provided to Croatia, Slovenia and Lithuania on the review of their respective national pension systems and measures to strengthen supplementary pension savings. To improve the capacity of public administrations in Poland, Croatia (i.e. European System of Integrated Social Protection Statistics - ESSPROS methodology) and Romania, another focus of support was on systematic data collection and analytical methods in support of evidence-based policy-making.

As regards migration, the SRSS supported the Greek authorities towards the establishment of a State run system of reception for asylum seekers. In Poland, the SRSS continued to provide technical support to develop evidence-based policy and tools to steer labour migration. In Austria and Italy, the SRSS assisted the authorities in implementing actions aimed at smoothing the integration of migrants and refugees into their host societies.

In the field of education, the SRSS assisted the Croatian authorities in the implementation of the national curricular reform by preparing mentors to teach new learning and teaching skills and to provide instructions on the assessment of learning outcomes.

In Cyprus, the SRSS supported the authorities in the development of policy recommendations and legislative proposals to improve inclusive education. The SRSS also supported the Cypriot authorities in the

## CROATIA – SUPPORT TO THE IMPLEMENTATION OF THE COMPREHENSIVE CURRICULUM REFORM

In the area of higher education, Cyprus received expert support to assess the advantages and disadvantages of a potential student loan scheme.

In Romania, the SRSS is providing policy briefs to the authorities in four key areas of education, including teaching, access, inclusiveness and resource management, and has contributed to the development an early-warning mechanism to prevent early school leaving. The SRSS assisted the Polish authorities in improving the quality of inclusive education and provided technical expertise in the context of the upcoming establishment of the new Polish Łukasiewicz Research Network.

In the area of student assessment, the SRSS initiated support to Slovakia in developing and piloting criterion-referenced testing in school education. In Lithuania, the SRSS completed its support to the Higher Education Statistical Office to develop and implement a model to forecast teacher workforce needs and launched comprehensive expert support to implement the consolidation of the teachers' training institution network in three centres of excellence.

In Slovenia, the SRSS provided targeted expertise to improve the effectiveness of the strategy to prevent and address bullying. In Portugal, the SRSS mobilised national and international expertise to support the authorities and civil society organisations in the design of a National Plan for Adult Literacy.

The new Croatian school curriculum proposes a shift to learning outcomes, which requires a transformation of the traditional teaching practices. The SRSS supported the Ministry of Education and Science to build the capacities and competences of the appointed mentors, and on the development of the crucial skills for the successful implementation of the new curriculum. The support included four components:

- 1) Creating a framework for the training of teachers' trainers and school leaders;
- 2) Producing training and coaching resources to support the experimental implementation of the curriculum reform;
- 3) Prepare local trainers and mentors to work with teachers in the experimental schools; and
- 4) Support the Ministry in the analysis of the findings of the pilot phase and provide recommendations to ensure the reform's effectiveness.

The project will have a positive impact on Union-wide challenges related to education performance and teaching competences, which are shared by a number of Member States. Key project deliverables and results could eventually be presented as best practices after their impact is assessed at the end of the comprehensive support action. In addition, the contribute to increase the impact and effectiveness of existing national and EU Funds dedicated to education reforms in Croatia.

In the field of Vocational Education and Training, the SRSS provided technical support to Bulgaria to strengthen its national capacity to implement the National Qualification Framework and, more specifically, regarding the update of the List of Professions and State Education Standards. Finally, in Greece, the review of the education system aimed at its modernisation was finalised, and the SRSS supported specific analysis and recommendations on improving digital learning in schools.

The SRSS provided technical support in the area of health and long-term care. The capacity of the project implementation unit of the Ministry of Health of Romania for the design and construction of regional hospitals was increased. Slovenia benefitted from multiple actions: i) support for the reform of long-term care; ii) support for improving the monitoring of sentinel and other adverse events; iii) support for implementing Patient-Reported Experience and Outcome Measures; iv) support in the adaptation of the hospital reimbursement system to local conditions; and v) support for matching health needs with the distribution of healthcare resources. In the Czech Republic, the SRSS supported the creation of a National eHealth Centre. In Austria, a start-up guide and start-up services were provided in support of the primary health care reform. Furthermore, the SRSS continued to support the introduction of health system performance assessment in Latvia and Slovenia. It also provided coordinated support to improve primary care, hospital care and public procurement of health equipment in Slovakia. In addition, the SRSS provided support for training the public administration in the health sector, and for the introduction of hospital collaboration in Latvia. In Lithuania, the SRSS initiated support for the reform of health technology assessment. In Croatia, the SRSS is supporting the development of a strategic framework and models for the functional integration of hospitals. The Cyprus Health Insurance Organisation, tasked with the implementation of the reform on universal health care, received support and advice in the development and implementation of its business continuity and disaster recovery strategy, in developing its negotiation strategy with healthcare providers and in implementing the General Data Protection Regulation. In addition, support to the Ministry of Health is ongoing in order to build its expertise to establish a capacity master plan for the health sector. In Greece, the SRSS continued to support health system reforms towards universal health care, with a focus in 2018 on activities such as the development of emergency medicine curriculum and hospital performance. The Central Procurement Agency for the Greek Health Sector (EKAPY) currently benefits from technical support on strategic planning, the development of its organisational structure and the improvement of the effectiveness and efficiency of the tendering process.

### **Efficient, modern, service-oriented public administrations and public procurement practices**

In 2018, in the area of governance and public administration, the SRSS consolidated the support already provided and further expanded it with new projects to additional Member States.

In Greece, the SRSS maintained its support for the administrative reform at central and local levels with a focus on inter-ministerial coordination, human resources management, regulatory governance, internal audit and e-government. Similarly, the SRSS supported the reform of human resources management systems in Croatia, Ireland, Cyprus and in Romania, with the organisation and development of the Romanian Institute of Public Administration. Furthermore, in Croatia, it funded the design of a system for monitoring and evaluation of public administration reform. With SRSS assistance, the Lithuanian Authorities mutualised support functions and the French authorities improved their capacity to handle cross-border issues in the application of EU legislation.

SRSS activity in 2018 was also extended to new fields, like the promotion of innovation in the public sector with projects kicking off in Ireland and in Latvia, where the SRSS also provided substantial support for the reform of the Ministry of Interior. In Romania, support for the reform of public internal audit was maintained and is being further consolidated, while in Lithuania, with SRSP funding, the government received advice on communicating reforms to the public, in a better and more effective manner.

## CYPRUS – SUPPORT TO REVIEW AND PLAN FOR THE REFORM TO IMPROVE THE OPERATIONS, EFFICIENCY AND MANAGEMENT OF THE COURTS

Ireland, given similar past experience of a financial crisis, the already-implemented judicial reform and the common law system, was chosen as provider. The Irish experts, from the Institute of Public Administration of Ireland (IPA), delivered a final report including:

- a) a functional review of the operation of efficiency of the Supreme Court and district Courts;
- b) a functional review of the management system in Courts;
- c) a comparative analysis of performance of the courts systems in Cyprus and other countries; and
- d) a draft action plan with next steps to be taken under each recommendation.

The Supreme Court of Cyprus adopted the report and a detailed action plan was developed in cooperation with the Ministry of Finance and the Ministry of Justice.

of the Digital Strategy with horizontal actions and domain specific actions (support for eJustice, revenue administration, eHealth and Labour Market). The SRSS also continued its support to Lithuania for the IT consolidation reform and to Croatia for improving data exchanges of social benefit information. New projects were prepared and deployed in the Czech Republic, Malta, Italy, Slovakia, Portugal and Spain.

### **Effective rule of law, combatting corruption, money-laundering and fraud, and judicial systems**

The SRSS maintained its direct support to Greece in the area of Anti-Corruption by supporting the implementation of the National Action Plan and the fulfilment of the country's obligations under the Memorandum of Understanding. Further support was provided under a comprehensive technical support project, implemented by the OECD, with outcomes covering ten different thematic areas related to anti-corruption. In addition, three new technical support projects were prepared for Greece: a new Anti-Corruption training programme, implemented by the Ministry for Foreign Affairs of Finland, and two additional contracts with UNODC. The SRSS also initiated support to the management complaints by whistle-blowers in Italy by providing operational expertise and coaching to the National Anti-Corruption Agency.

In the field of Anti-Money laundering, the SRSS continued to provide direct support to

In the area of local government, the SRSS continued supporting Greece in the revision of the Kallikratis reform<sup>5</sup> and the improvement of the performance of Greek local authorities in delivering quality services to citizens. As regards the implementation of European Structural and Investment Funds (ESIF), the SRSS assisted the Greek authorities in carrying out a more efficient monitoring of the Public Investment Programme and launched new technical support for developing the regional policy for Greece post-2020. Moreover, the SRSS launched technical support to Spain for the enhancement of the implementation of the European Maritime and Fisheries Fund (EMFF).

In the area of public procurement, 2018 was a year of further expanding the geographical scope and the impact of the assistance provided. Following requests by the Greek, Lithuanian and Maltese authorities, concerning respectively e-procurement, professionalization of public procurement workforce and review of procurement processes, the SRSS has launched technical support projects addressing those needs of the national authorities.

In 2018, Member States' interest in support in the area of Digital Public Administration and e-Government became even more pronounced. The SRSS continued to assist Greece and Cyprus with the implementation

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<sup>5</sup> Greek law 3852/2010

Greece by implementing support for a National Risk Assessment on Money Laundering and Terrorism Financing with the World Bank. In Latvia, the SRSS maintained its direct involvement in the roll-out of an extensive training programme on Anti-Money Laundering and monitored the implementation of the support by The Netherlands (FIOD) and the World Bank. A new programme started in Spain to support the development of an asset recovery system.

In the area of judicial reform, the SRSS continued its support to Greece with the implementation of a major project focusing on the implementation of e-justice, support to the Greek Ministry of Justice in relation to the prison system reform and the preparation of detainees for release. A new project that kicked-off in September is building upon the results achieved previously, while, similarly, in Cyprus, past SRSS activity has directly triggered reforms in a number of justice-related areas. Furthermore, an additional project on the introduction of digital audio recording in court proceedings is foreseen.

In Spain, the SRSS is supporting the promotion of cyberjustice through change management and improvement of data collection. New projects were set up in Estonia and in Portugal, where the judicial sector will benefit from the development of a training-needs analysis, in order to improve the training programmes of the staff of the judiciary as well as the prosecutors and judges. Finally, in Slovenia, the SRSS has supported the development of a "Barnahus" (House for Children) to ensure the development of a child-friendly justice. This project was highly supported by the Slovenian government and led to further reforms and more intensive inter-ministerial cooperation in the field.

In conclusion, in 2018, SRSS activity in the area of Public administration and Good Governance included an extensive range of actions. As a result, by the end of the year, Member States' interest in the area had become even more pronounced: the number of requests for support that were received under the latest call under SRSP 2019 was more than 25% higher compared to that of SRSP 2018.

LITHUANIA, LATVIA AND ESTONIA – Support to improve the pipeline of potential companies that could "go public"

Via three projects, the three Baltic States (Lithuania, Latvia and Estonia) seek to improve the pipeline of potential companies that could "go public" and be listed on their stock exchanges. By leveraging the experience of other Member States, the SRSS projects can enable better and more efficient support for these potential equity listings. These projects can significantly contribute towards the objectives of the Capital Markets Union by encouraging Member States to re-balance their market-based financing away from banks and towards capital markets. This can release relatively unproductive savings thereby facilitating investment and growth.

**Coordination for public administration and governance**

In June 2018, the SRSS assumed the role of European Commission policy coordinator for public administration and governance. The main objectives of this function have been defined as: increasing coherence of EU policies and programmes related to improving public administration and governance; developing, pooling and disseminating country and thematic knowledge on public administration; and representing the Commission in this area. To fill this role, the SRSS has taken over the coordination and secretariat function of the Commission's Inter-service Group on Public Administration Quality and Innovation. The SRSS also contributed through training and quality reviews of the public administration and governance chapter of the European Semester country reports. In addition, the SRSS mobilised a network of experts in EU Member States, which will provide updated

country knowledge in order to be able to provide up-to-date analysis for next year's European Semester.

Access to finance, insolvency frameworks, legal and institutional issues related to financial institutions, and financial sector policies

In 2018, the SRSS engaged with national, regulatory and supervisory authorities in several Member States, including central banks and supervisory authorities, as well as with market participants and financial sector stakeholders, all with the aim of facilitating structural reforms to improve the functioning of the financial sector. The support provided relates to a wide range of financial sector issues including those relevant to credit institutions (e.g. legal and institutional matters, supervision, resolution and competition), access to finance (e.g. Capital Markets Union, micro-finance, credit mediation, venture capital, etc.), insolvency (practical, legal and institutional reforms), insurance undertakings (e.g. legal and institutional questions, supervision and regulation etc.), and promotional banks (e.g. legal and institutional matters).

In addition, the financial sector/access to finance team in the SRSS continued to work on the delivery of support specifically sought by Member States in the context of the Capital Markets Union. Other substantial themes on which technical support has been given include addressing non-performing loans and reinforcing financial stability. This work means developing the pertinent policy priorities internally in the Commission with the relevant line DGs, as well as engaging in a discussion with support providers who are active in these areas, in particular international financial organisations.

These work-streams have led to positive initial results, for example by raising awareness of the SRSS and its financial sector work and this has in turn contributed to the receipt of an increased number of quality requests for support in 2018.

The SRSS launched a number of projects related to the Capital Markets Union, including capital market diagnostic studies, important infrastructural and inter-connectedness work between payments and settlements systems and a co-ordinated set of supports aimed at facilitating a common pan-Baltic covered bonds framework. The SRSS continues to closely support national supervisory authorities, working with them on developing their approaches to regulation and to sharpening their internal processes in order to improve their risk-based supervision of the key financial markets. Within this general subject matter area a project on consolidating risk-based supervision in the investment markets and the insurance sector was completed in Romania and projects developing guidelines for banks in the area of risk management and a bank business model to challenge banks business plans were also completed in Slovenia, while additional central bank modelling developments are well underway. In addition, the SRSS is undertaking technical support projects for developing insolvency frameworks and practices in five Member States. as well as for creating innovative tools and strategies in the area of financial literacy.

### **Migration Crisis Management in Greece**

The SRSS, in close collaboration with the relevant Commission services and EU agencies, continued to support the Greek authorities on migration management until 30 June 2018, when the responsibility was handed over to the Directorate General for Migration and Home Affairs (DG HOME).

During the first half of 2018, the Director General of the SRSS continued to act as the EU Coordinator for the implementation of the EU-Turkey Statement of March 2016, which aimed at ending irregular migration from Turkey to the Greek islands, and to provide support for migration management in Greece.

With staff based in Athens, Brussels and the Greek hotspot islands, the SRSS helped the Greek government implement priority actions, such as: supporting the enhancement of the reception capacity and conditions on the islands and on the mainland; accelerating the processes applicable to irregular migrants and refugees arriving at the Greek islands from Turkey (asylum processing and returns to Turkey or to the Country of Origin) and supporting capacity-building measures for the Asylum Service, the Appeals Authority and the Reception and Identification Service. The SRSS also engaged in helping Greece with the provision of adequate shelters for unaccompanied minors and setting up a

sustainable national system for foster care. Additionally, the SRSS coordinated the Commission's efforts to put in place, together with the Greek authorities, a Financial Plan in support of actions in the field of migration. SRSS intervention relied primarily on different coordination mechanisms, which included:

- A Steering Committee for the implementation of the EU-Turkey Statement, chaired by the Head of the SRSS with the participation of the Greek authorities, the European Asylum Support Office, the European Border and Coast Guard Agency, Europol and representatives of EU Member States, which continues to meet under the chairmanship of DG HOME since 30 June 2018 ;
- A Steering Committee for the implementation of the Financial Plan agreed between the Commission and the Greek authorities, chaired by the Head of the SRSS with the participation of the Greek authorities, Commission Services (DG HOME and DG ECHO) as well as the office of the United Nations High Commissioner for Refugees (UNHCR); and
- Thematic coordination meetings chaired by the SRSS with the participation of the Greek authorities and other actors concerned, meeting on a needs basis and aiming at exchanging information on day-to-day operations and addressing specific operational challenges. Issues addressed included asylum processing, returns, hotspot management and data transparency.

During the first half of 2018, the SRSS prepared a structured comprehensive hand-over file, and it gradually involved colleagues from DG HOME to take part in exchanges with the Greek authorities as well as will all other stakeholders to ensure a smooth transition of responsibilities.

After handing over its migration management activities to DG HOME in June 2018, the SRSS continued to support the Greek State through a technical support project for developing the operational and institutional capacity of the two State services responsible for the reception of asylum seekers.

## 1.2 Efficient steering and coordination of technical support provision to Member States across different Commission services as well as with respect to Member States

The SRSS is mandated to steer and coordinate the technical support provided by the Commission to the Member States, with the objective of supporting *"the preparation and implementation of growth enhancing administrative and structural reforms, in particular in the context of economic governance, including through assistance for the efficient and effective use of the European Structural Funds"*.

In 2018, the SRSS continued to lead an inter-service coordination mechanism to coordinate the technical support provided by the Commission to Member States, in particular the support through the Structural Reform Support Programme (SRSP).

The coordination mechanism continued to have the following structure:

- **"high level steering committee"** (HLSC), which meets at senior management level and makes recommendations and provides guidance on all aspects of the technical support provided to Member States, including funding priorities;
- **"technical support working group"** (TSWG) meets regularly to exchange information on the provision of technical support, optimise cooperation among the services, and prepare the consultation process on requests for support received under the SRSP (to ensure alignment with policy priorities and prevent funding overlaps between various Union funds and programmes). The TSWG is also the main forum for information exchange between the SRSS and other Commission services and prepares the work of the HLSC. In addition, the SRSS closely cooperates with the Commission's representations in Member States to define a common external communication strategy and ensure a unified communication on the SRSP projects; and
- **"technical support country teams"**, which share information on SRSP requests submitted by the Member States and the implementation of ongoing SRSP projects. The technical support country teams have been integrated into the European Semester country teams.

Main outputs in 2018:			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
<i>Ensure effective functioning of the Commission internal coordination mechanism</i>	<i>Country-specific coordination: technical support country teams have been integrated into the European Semester country teams for all countries that have requested support under the SRSP.</i>	<i>One month after a new MS requests support</i>	<i>Country meetings were regularly organised</i>
	<i>Horizontal coordination: regular meetings of the Technical Support Working Group taking place to monitor the roll-out of SRSP 2018 and SRSP 2019</i>	<i>3 meetings by the end of 2018</i>	<i>3 meetings in March, June, and October 2018</i>
	<i>Steering: regular meetings of the High Level Steering Committee taking place to</i>	<i>2 meetings by the end of 2018</i>	<i>No meetings took place as meetings on</i>

	<i>monitor the roll-out of SRSP 2018 and SRSP 2019</i>		<i>the SRSP 2019 selection round (initially foreseen for the end of 2018) were postponed until January 2019 to allow for a longer consultation period.</i>
<i>Coordination with international organisations</i>	<i>Number of operational arrangements with international organisations</i>	<i>2 in place by end of 2018</i>	<i>2 in place in October 2018</i>
<i>Coordination with Member States</i>	<i>Meetings with Member-State coordinating authorities to take stock of the provision of technical support and ensure coordination of the requests for support at Member States' level</i>	<i>1 meeting per year for each Member State receiving support</i>	<i>An event with the coordinating authorities was held in September 2018</i>

In 2018, 29 Commission services continued to be represented in the coordination mechanism. Three meetings (in March, June, and October 2018) took place at the level of the TSWG. The HLSC and the TSWG meetings on the SRSP 2019 selection round (initially foreseen for the end of 2018) were postponed until January 2019 to allow for a longer consultation period.

Significant progress has been made in 2018 on developing the internal IT system to facilitate the assessment of SRSP requests from Member States and the monitoring of ongoing SRSP projects. Additional information on the implementation of SRSP projects has been shared with the TSWG and the European Semester country teams.

In 2018, the SRSS also continued to coordinate the work with other external actors in the field, in particular the Member States. All Member States submitted their requests for support for the SRSP 2019 selection round through a new web interface, which enabled them to follow also the status of these requests.

Cooperation with international organisations was strengthened in 2018. Operational guidelines have been concluded so far with two international organisations (i.e. Council of Europe and EBRD). These guidelines set out the principles of cooperation between the SRSS and the international organisations. Furthermore, the SRSS has signed a framework agreement with EBRD on the cooperation between the two institutions in delivering support to five EU Member States through the Structural Reform Support Programme. This agreement significantly facilitates the work of the SRSS and enables the swift delivery of technical support on the ground. Negotiations for the conclusion of operational guidelines and framework agreements with other international organisations are ongoing.

Regular bilateral meetings were organised between the European Commission and the Member States to inform them about the technical support provided, mobilise expertise and discuss support in specific reform areas. An event was organised in Brussels in autumn 2018 with the Coordinating Authorities for the SRSP of 27 Member States. The purpose of the meeting was to ensure coordination of requests for support for SRSP 2019 at Member-State level, provide an update on the implementation of ongoing support and discuss the role of the Coordinating Authorities. The event was very well received – there

was a friendly atmosphere and Member States benefitted from exchanges of best practices.

Close contacts with Member States were ongoing throughout 2018 to select requests for support funded through the transfer of funds under the Article 11 of the SRSP Regulation in 2018 (resources for technical assistance under the European Structural and Investment Funds that can be transferred to be used for technical support under the SRSP). Greece and Bulgaria requested such transfers.

A strong coordination mechanism helps to position the Commission as a unique technical support provider, with the SRSS acting as a coordinator and entry point for Member States. Consequently, Member States may benefit from a coordinated, coherent and effective support to prepare and implement structural growth-enhancing reforms, including those in response to the Country-Specific Recommendations under the European Semester.

### **1.3 Provision of assistance to the Turkish Cypriot community and efficient coordination of the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus**

Since the beginning of this Commission, the Cyprus settlement issue has been under the direct political responsibility of President Juncker. In 2018, the Structural Reform Support

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*The EU is the main donor to the Committee on Missing Persons. In December 2018, the Commission extended the Delegation Agreements with UNDP to provide funding for the operations of the CMP over one year, until the end of 2019.*

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Service continued to be actively engaged in supporting the resumption of settlement talks under the UN framework. The Service also continued to deliver assistance to the Turkish Cypriot community under Council Regulation (EC) No 389/2006 (the "Aid Programme")<sup>6</sup> and monitoring the implementation of the Green Line Regulation<sup>7</sup>.

In 2018, the SRSS prepared the Annual Report from the Commission on the implementation of the Green Line Regulation<sup>8</sup> in 2017.

The Aid Programme pursues the objective of facilitating the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, on improving contacts between the Turkish and Greek Cypriot communities and on preparation for the acquis. It is implemented in the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control and where the application of the acquis is temporarily suspended pursuant to Protocol 10 of the Treaty of Accession. This implies that the Commission operates in a unique political, legal and diplomatic context.

The Commission reports annually on implementation of the Regulation<sup>9</sup>. During the year 2018, the Aid Programme to the Turkish Cypriot community continued to target all the objectives laid down by Regulation (EC) 389/2006. The main outputs during 2018 were the following:

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<sup>6</sup> Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) no 2667/2000 on the European Agency for Reconstruction, OJ L 65 of 7.3.2006, p.5.

<sup>7</sup> Council Regulation (EC) No 866/2004 of 29 April 2004 on a regime under Article 3 of Protocol 10 to the Act of Accession, OJ L 206, 9.6.2004, p.51

<sup>8</sup> COM(2018) 488 final of 22.06.2018

<sup>9</sup> The 12th annual report, covering 2017, was published on 22.6.2018 (COM(2018) 487 final).

- Development and restructuring of infrastructure: the SRSS concluded a contract for the construction of the New Nicosia Trunk Sewer in 2018. The Nicosia branch includes the construction of approximately 13 km of sewers and force mains and 4 pumping stations. The SRSS also awarded a contract for the construction of an irrigation system for the reuse of Morphou/Güzelyurt Wastewater Treatment Plant (WWTP) treated wastewater. Furthermore, the SRSS concluded a new "Local Infrastructure Facility" delegation agreement with UNDP establishing a transparent mechanism for EU-funded infrastructure investments. The facility aims to provide support for the identification, screening, development, procurement, and physical implementation of relevant local infrastructure investments. In 2018, the SRSS also launched a key tender procedure on the repairs to the Famagusta Networks.
- Promoting social and economic development: the SRSS signed a new service contract to support the implementation of grant schemes in the fields of rural development, private sector development, human resources development, community development and civil society. The SRSS signed 10 grant contracts with schools and lifelong learning organisations to improve teaching and learning practices up to EU standards. The SRSS also signed a delegation agreement with Northern Ireland Cooperation Overseas (NI-CO) for the establishment of an innovation centre in Nicosia Old Town to provide services to entrepreneurs, innovators and researchers. Funding for the work of the World Bank was reinforced to expand it to fiscal and macroeconomic analysis, including a study on promoting competitiveness and economic development.
- Fostering reconciliation, confidence-building measures and support to civil society: the programme continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage. The Aid Programme provided the funds for the construction works needed for the opening of two new crossing points over the Green Line (the works are being implemented by the United Nations Development Programme). Support for civil society included technical assistance to increase capacity of civil society organisations and to strengthen their role and democratic engagement in the Turkish Cypriot community. In addition, the SRSS signed 8 grants with different civil society organisations (CSOs) with an aim of strengthening their organisational capacities, outreach and impact.
- New Green Line crossing points, specifically requested as a confidence-building measure, were opened in 2018.
- Bringing the Turkish Cypriot community closer to the EU: the Programme has funded 170 scholarships for Turkish Cypriot students to attend a university in the rest of the EU, under a scheme managed by the British Council. The EU Infopoint, which the SRSS manages together with the Representation of the European Commission in Cyprus, has undertaken a wide range of activities, including 330 visibility and communication actions organised in 2018.
- Preparing the Turkish Cypriot community to introduce and implement the *acquis*: assistance continued in 2018 under 17 areas, or "sectors", of the *acquis*, in order to facilitate the reunification of Cyprus. In total, 209 TAIEX events were organised.

In 2018, an evaluation<sup>10</sup> of the Aid programme was launched and is expected to be finalised by the end of 2019.

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<sup>10</sup> Article 34 of the Regulation (EU, Euratom) 2018/1046 of 18 July 2018 on the financial rules applicable to the general budget of the Union.

## Main outputs in 2018:

### Important items from work programmes/financing decisions/operational programmes

Output	Indicator	Target	Latest known results (situation on 31/12/2018)
<i>Social/economic development actions in the Turkish Cypriot community</i>	<i>Number of major social/economic development actions contracted</i>	<i>30 by the end of 2018<sup>11</sup></i>	<i>13 10 grants agreements in connection to the call for proposals "Innovation and change in Education VII"; "Farm Advisory Service – FAS"; "Project Management Unit for the implementation of grant schemes for the Turkish Cypriot community " and "Waste Disposal of Animal By-products". The difference explained by the Call for proposals on SME, for which we expected the contracts to be concluded in 2018. The work of the Evaluation Committee is still ongoing and agreements will be concluded in 2019</i>
<i>EU acquis preparation of the Turkish Cypriot community and monitoring of the implementation of the Green Line Regulation</i>	<i>Number of TAIEX actions, with specific reference to independent expert Green-Line missions (fresh fish, honey, phytosanitary issues)</i>	<i>200 TAIEX actions, of which 10 Green Line missions by end-2018</i>	<i>209 TAIEX actions</i>
<i>Increase EU visibility within the Turkish Cypriot community</i>	<i>Number of communication actions</i>	<i>100 by end of 2018</i>	<i>330 by the end of 2018</i>
<b>Other important outputs</b>			
Output	Indicator	Target	
Interim Evaluation of	Roadmap	Q2 2018	Roadmap published in Q3

<sup>11</sup> Indicative estimates given the uncertainty regarding timely conclusion of grant agreements in the context of call for proposals.

Aid Programme for the Turkish Cypriot community	<i>published on Europa website</i>		
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## 2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

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

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives<sup>12</sup>. It includes any additional information necessary to establish that the available evidence is: reliable, complete and comprehensive; and appropriately covering all activities, programmes and management modes relevant to the Service.

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

### 2.1 Financial management and internal control

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

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

- The Authorising Officers by sub-delegations' (AOSD) annual declarations on the 2018 operations;
- The reports from the Authorising Officers in other DGs managing budget appropriations in cross sub-delegation;
- Available pillar-assessment reports for which the SRSS relies on DG DEVCO compliance reports on international organisations and national agencies<sup>13</sup>;
- The reports on control results (management declarations and audit opinions) from entrusted entities (International Organisations and Development Agencies) in indirect management, as well as the result of the Commission supervisory controls on the activities of these bodies;
- The contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at the DG level;
- The reports on recorded exceptions and non-compliance events referring to the activities of 2018;
- The limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);

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<sup>12</sup> Art 36.2 of the Financial Regulation: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

<sup>13</sup> Pillar assessment is an ex-ante assessment of the internal control system of an international organisation or national agency allowing them to sign a pillar assessed grant or delegation agreement governed by a specific administrative and financial framework signed by the Commission and the relevant organisation.

- The observations and the recommendations reported by the European Court of Auditors (ECA);
- The ex-post control reports based on internal desk reviews made on a sample of transactions and the ex-post control reports following the external auditors' on-the-spot checks; and
- The expenditure verification reports submitted by the grant beneficiaries in support of cost claims and conducted by external auditors.

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

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

### 2.1.1 Control results

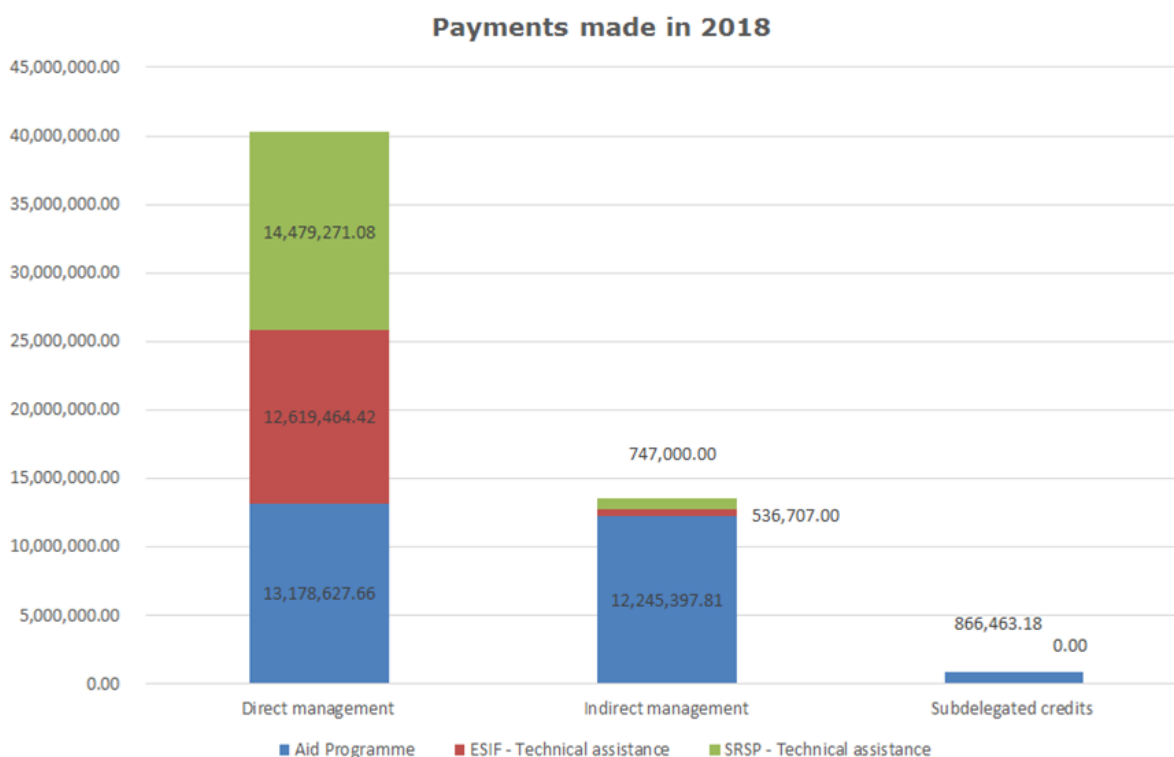
This section reports and assesses the elements identified by management, which support the assurance on the achievement of the internal control objectives. The DG's assurance building and materiality criteria are outlined in Annex 4 of the AAR. Annex 5 outlines the main risks together with the control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

The SRSS total budget for 2018 (commitment credit appropriations) was EUR 94.73 million including operational credits, support expenditure and global envelope. The 2018 SRSS operational commitment credit appropriations amount to a total of EUR 87.77 million. Almost 100% of these credits were committed for expenditure.

In 2018, payments were made for an amount of EUR 54.8 million of **which 52% for the European Structural and Investment Funds (ESIF) and the Structural Reform Support Programme (SRSP)**, and about **48% for the Aid Programme**.

In accordance with the management modes established in the relevant work programmes, the SRSS implemented its funds by direct management (procurement and grants) and indirect management.

An overview of the SRSS payments made in 2018 under the **operational credits** is presented below:



## 1. PROVISION OF TECHNICAL SUPPORT

In 2018, the SRSS continued to provide technical support to Member States in application of:

- the **Common Provision Regulation – Art. 25 (Resources)**<sup>14</sup> in respect of the implementation of the remaining share of the EUR 30 million transferred in 2016 to the Commission by the Hellenic Republic (**C(2016)3835**);
- the **Structural Reform Support Programme (SRSP)**<sup>15</sup> and related work programmes (**C(2017)5780** and **C(2018)1358**). In this context, it is worth noting that in 2018 the Budgetary Authority decided to increase the financial envelope of the SRSP by EUR 80 million<sup>16</sup> for the period up to 2020 taking into account the increased number of Member-State requests which, already in 2017, significantly exceeded the available annual budget allocation;
- the **Regulation on the SRSP – Art. 11 (Other financial contributions to the budget of the Programme)** based on the voluntary requests of the Hellenic Republic (**C(2018)3748**) and Bulgaria (**C(2018)5435**) to entrust resources<sup>17</sup> to the Commission to support actions contributing to the delivery of the Union strategy for smart, sustainable and inclusive growth.

The SRSS implemented almost the full amount of the ESIF (82%) and SRSP (88%) payment operational credit appropriations under grant direct management.

<sup>14</sup> Regulation (EU) 1303/2013 of the European Parliament and of the Council of 17 December 2013.

<sup>15</sup> Regulation (EU) 2017/825 (financial envelope of EUR 142.8 million covering the period 2017-2020).

<sup>16</sup> Regulation (EU) 2018/1671 of 23 October 2018 amending Regulation (EU) 2017/825 to increase the financial envelope of the SRSP and adapt its general objective (EUR 40 million for 2019 and EUR 40 million for 2020).

<sup>17</sup> A financial envelope of EUR 20 million from the Hellenic Republic and EUR 1.5 million from Bulgaria.

## 2. AID PROGRAMME

In 2018, the SRSS adopted its **annual work programme (C(2018)6695)** establishing assistance initiatives to facilitate the reunification of Cyprus, by encouraging the economic development of the Turkish Cypriot community, with particular emphasis on the economic integration of the island, the improvement of contacts between the two communities and with the EU, and preparation for the acquis. The SRSS also continued the implementation of the previous work programmes C(2015)8757 and C(2016)6688, and C(2017)7156.

Forty-seven percent of the operational payment credit appropriations were used under indirect management and 50% under direct management, mainly through procurement contracts (66%) and grants agreements awarded following calls for proposals (34%).

Under the terms of the Service Level Agreement (SLA) signed with DG NEAR, in 2018, the SRSS continued the implementation of the logistic and financial arrangements provided to the Turkish Cypriot community (TCC) through the Technical Assistance and Information Exchange (TAIEX), the payment operational credits (3%) of which were **sub-delegated** to DG NEAR.

The tables below present the **control results** related to the SRSS activities as carried out in 2018 and in respect of **all payments made**.

Activity	Direct management	Indirect management	Cross-delegations to other DGs (EUR)	Internal control objectives –indicators available			Independent information from IAS, ECA on assurance available	Reservation
	Grants and procurement (EUR)	Delegation agreements with Entrusted Entities (EUR)		Legality and regularity	Sound financial management	Fraud prevention and detection		
Provision of technical assistance under the ESI Funds (Technical Support)	<b>12,619,464.42</b> (operational expenditure)	<b>536,707</b>		RER=0.5% under indirect management	✓	✓	✓	No
	<i>2,258,603.22</i> (Procurement)			RER=1.99%				
	<i>8,169,618.8</i> (Grants Pillar-Assessed)			RER=0.5%				
	<i>2,191,242.4</i> Grants Non-Pillar-Assessed)			RER=13.8%				Yes
	<b>0</b> (support expenditure)			N/A				No
SRSP (Technical Support)	<b>14,479,271.08</b> (operational expenditure)	<b>747,000</b>		RER=0.5% under indirect management	✓	✓	✓	No
	<i>1,576,527.30</i> (Procurement)			RER=1.99%				
	<i>9,268,314.51</i> (Grants Pillar-Assessed)			RER=0.5%				
	<i>3,534,429.27</i> (Grants Non-Pillar-Assessed)			RER=13.8%				Yes
	<i>Administrative</i>			RER= 0.5%				No

	<i>arrangements 100,000</i>							
	<b>201.154,62</b> (support expenditure)			RER=0.5%				No
Aid Programme	<b>13,178,627.66</b> (operational expenditure)	<b>12,245,397.81</b>	<b>866,463.18</b>	RER=0.5% under indirect management	✓	✓	✓	No
	<i>8,675,275.70 (Procurement)</i>			RER=1.99%				
	<i>2,400,000 (Grants Pillar- Assessed)</i>			RER=0.5%				
	<i>2'103,351.96 (Grants Non-Pillar - Assessed)</i>			RER=0.5%				
	<b>18,029.90</b> (support expenditure)			RER=0.5%				
<b>Total (coverage)</b>	<b>40,496,547.68</b>	<b>13,529,104.81</b>	<b>866,463.18</b>					
<b>SRSS – Grand total payments in 2018</b>	<b>EUR 54,892,115.67</b>							

## A. Control effectiveness as regards legality and regularity of the transactions

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

Since 2016, the SRSS has been processing its financial transactions in accordance with the established financial circuits including **ex-ante controls** placed in the operational and financial Units and ensuring respect of the 'four eye principle' and segregation of duties. A fully centralised financial circuit is applied to all financial transactions with the exception of the payments under the Aid Programme, which follow a partially decentralised financial circuit with counterweights in the Financial and Budget Unit and which are authorised in the corresponding operational unit by the Head of Unit, who has received a sub-delegation from the Authoring Officer by Delegation.

In 2018, the operational and financial actors intervening in the financial workflows have continued to attend relevant training to acquire adequate knowledge for effectively processing financial-related operations. All new Operational Initiating Agents were empowered by the Authorising Officer to sign the 'certified correct' (Art. 111 Financial Regulation<sup>18</sup>), having provided evidence of attendance – as a minimum – of the EC mandatory financial training. In all instances, controls were performed by two operational and financial agents, responsible respectively for the initiation and verification of the files, before authorisation.

In 2018, the Service updated its control system for budget implementation reflecting the risks of the different management modes applied to the operations of the SRSS programmes (Annex 5).

In 2018, the SRSS developed several procedures, guidelines and procedural templates (see below under each management mode):

- ✓ to help ensure common implementation and respect of the EC legal framework, aimed at avoiding instances of deviations; and
- ✓ to streamline the financial operations linked to the projects of technical support under the SRSP and the projects financed by the Aid Programme.

The following main indicators also demonstrate the quantifiable and unquantifiable benefits generated by the effective functioning of SRSS ex-ante and ex-post controls as featuring in the SRSS control strategy (Annex 5).

<b>Most relevant 'Effectiveness' indicators</b>	<b>Values in 2018</b>	<b>Benefits</b>
Number of litigation cases/ official complaints filed following calls for proposals/calls for tenders/awarding of direct grants	0 (zero)	Unquantifiable costs of Court cases saved, including the time and cost of resources needed to deal with them. Mitigation of reputational risks affecting the mission of the Service.
Value of cost claims rejected	EUR 1,318.40	Effective application of legality and regularity provisions and prevention of potential financial loss (cf. Annex 3, table 8)
Value of credit notes issues	EUR 2,142.39	
Value of recoveries made	EUR 13,419.19	
Value of ineligible cost claims in recovery context	EUR 40,518.41	
Value of credit notes in recovery context	EUR 605,127	

<sup>18</sup> Regulation (EU, Euratom) 2018/1046 of 18 July 2018.

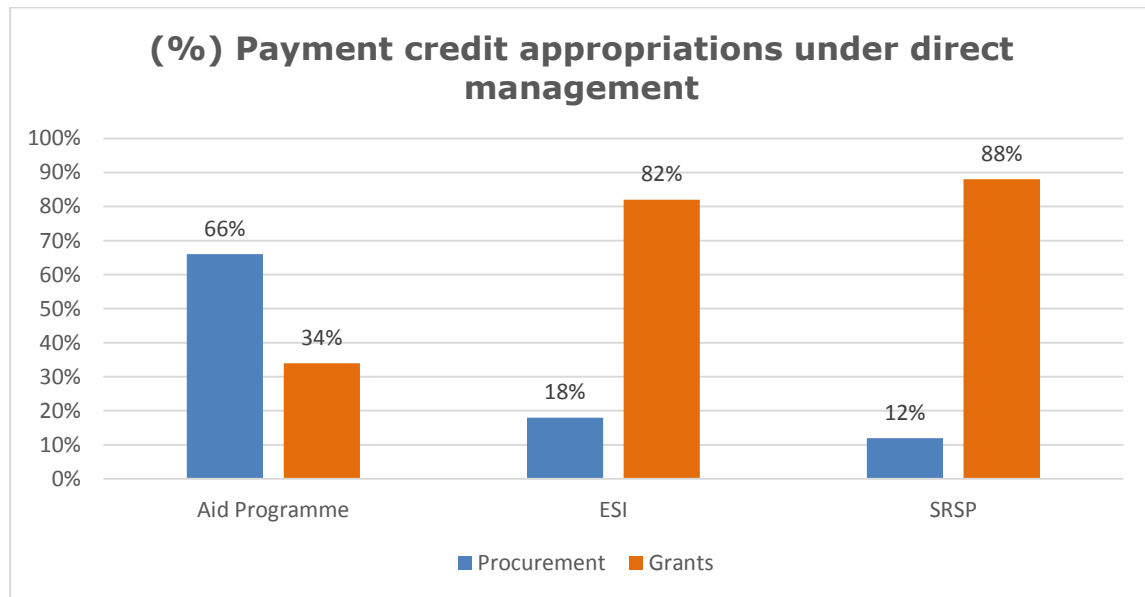
% of payments suspensions (made for requesting clarifications/additional information before final payment)	23% in 2018 (as compared to 29% in 2017)	
% of budget execution (amounts committed )	98%	Effective use of the planned commitment credit appropriations. (Cf. Annex 3. Table 1)
% of budget execution (payments made)	90%	Effective use of planned payment credit appropriations and respect of the SRSS contractual obligations. (Cf. Annex 3. Table 2)
Number of audit recommendations not implemented or pending	0 (zero)	Effective use of resources in accordance with legality and regularity and sound financial management.
Number of critical audit recommendations received	0 (zero)	Effective use of resources in accordance with legality and regularity and sound financial management; mitigation of reputational risk affecting the mission of the Service.
Number of initial negative opinions to our inter-service consultations for the adoption of the annual financing decisions	0(zero)	Effective use of resources, in accordance with legality and regularity and sound financial management.

Finally, the main control objective in the area of legality and regularity is to ensure that the estimated residual error rate (the amount that remains uncorrected after the corrections of the errors in the audited payments) does not exceed 2% of the total annual expenditure for each activity (Annex 4 – Materiality criteria).

The residual error rate was calculated in accordance with the ex-post control strategy and related audit sampling methodology that the SRSS developed in 2018 (cf. Annex 10.3 - SRSS sampling methodology for the grant agreements- audited on the spot and methodology for the desk review of procurement procedures).

As this is the actual first year that the error rate is calculated for the SRSS expenditure, the results referring to the multiannual approach cannot yet be identified and, therefore, the results refer only to the error rate calculated for 2018. The results on the ex-post controls and the conclusions reached in respect of the SRSS error rates feature below, under each expenditure management mode.

## a.1. DIRECT MANAGEMENT



### **Procurement - direct management**

In 2018, the SRSS implemented a total of EUR 12.5 million in payments and EUR 39.7 million in new commitments under procurement direct management.

Further to the **technical support expenditure** implemented through procurement, the SRSS mainly managed negotiated procedures: 64 for middle- and low-value contracts below the Directive threshold of EUR 144,000<sup>19</sup>. However, despite the small value of such contracts, which entail minor risks for the Contracting Authority, the SRSS awarded such middle- and low-value contracts on the basis of a systematic assessment of the established eligibility and award criteria.

Considering the high volume of such operations, and in order to respect the principle of widest competition, the SRSS developed and issued instructions for/to staff on the management of negotiated procedures for middle- and low-value contracts, particularly where only one tender is received.

The SRSS also made extensive use of its 'Multiple framework contract for support to structural reforms in EU Member States' and other EC framework contracts by signing 56 new specific contracts mainly following a re-opening of the competition. The risks linked to the implementation of an established framework contract are considered to be minor, and, in any case, these were offset by a systematic re-opening of competition, which ensured an assessment of offers responding better to each technical support initiative. Moreover, the SRSS developed and issued guidance for/to staff to determine the need for an opening and evaluation committee in respect of the main financial risks (linked to the value of the relevant specific contracts) and the operational risks (linked to risk of redress from unsuccessful tenderers challenging the results of the evaluations).

In 2018, the Service also launched a Call for expression of interest (CEI) with a view to selecting relevant experts specialised in the main areas of the technical support reforms, in order to provide for rapid mobilisation of expertise in case of 'quick-turnaround' technical support requests. By the end of 2018, 8 contracts were signed with experts for

<sup>19</sup> Directive 2014/24/EU on public procurement.

the provision of technical support.

The SRSS applied the same operational and financial ex-ante controls to all procedures leading to the signature of a legal commitment or an authorisation of payments. By mid-2018, the SRSS had improved its practices of contract management by introducing the use of an IT tool (JIRA) to manage Member-State requests for technical support (module 1) and to ensure appropriate monitoring of projects and contract milestones (module 2) by both operational and financial agents. A system of regular data-quality checks and reports has also been established to ensure that the Service works on reliable information. By the end of 2018, the rate of incorrect data entries had decreased due to more regular usage of the IT tool by all SRSS users.

The SRSS has demonstrated its commitment to strictly adhering to the principle of wider competition and transparency applying to procurement procedures, by establishing control workflows to ensure systematic ex-ante publicity on the planned middle- and low-value contracts, and an ex-post publication of the awarded contracts above the Directive threshold.

Further to the implementation of the **Aid Programme** work programmes, the SRSS mainly managed open and restricted procurement procedures (11) and signed 7 specific contracts under established EC framework contracts<sup>20</sup> to provide technical assistance in the areas of strategy development and energy efficiency, IT and logistics. The Service also managed a simplified procedure<sup>21</sup>, one procedure with a single provider<sup>22</sup>, two negotiated procedures<sup>23</sup>, which resulted in an increase of the value of the contracts (cf. Annex 3, table 11 and 12), and one<sup>24</sup> procedure as a result of a cancelled procedure.

In 2018, the SRSS made substantial organisational arrangements with a view to strengthening the legality and regularity of the procurement activities, as well as speeding up the process of awarding of contracts. For instance, the pool of financial agents working at Headquarters on the Aid Programme was reinforced, and financial agents travelled to Nicosia as necessary to chair and supervise - as non-voting members - the work of the evaluation committees.

The SRSS also established clearer guidance on the implementation of contracts under the Aid Programme. Procedures and workflows were developed to reinforce, where necessary, the ex-ante controls over the requests for contract amendments (through either contract addenda or administrative orders), the use of incidental expenditure and derogations from the rules of origin. By focusing on the main risks, the SRSS introduced reporting obligations for the Authorising Officer on administrative orders having a financial impact, and on incidental expenditure above a threshold of EUR 2,500.

Moreover, the Service updated the financial workflows applicable to the preparatory activities (e.g. publication of the prior information and contract notices, tender evaluations, replies during the tendering procedures, etc.) leading to the signature of contracts (and grant agreements) with a view to ensuring control supervision by the same Authorising Officer.

Finally, for the purpose of contributing to the principle of transparency applicable to the procurement procedures, the SRSS established workflows to ensure systematic and complete publication of awarded contracts (cf. Ex-post controls and 2.1.2 IAS recommendations).

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<sup>20</sup> DG DEVCO, OIB, DIGIT.

<sup>21</sup> Art.38.2 c) of Annex 1 of Financial Regulation.

<sup>22</sup> Art.38.2 d) of Annex 1 of Financial Regulation.

<sup>23</sup> Art.11 of Annex 1 of Financial Regulation.

<sup>24</sup> Art. 39.1 of Annex 1 of Financial Regulation.

## Ex-post controls

The SRSS ex-post control strategy does not foresee audits on contracts and related payments. Assurance on the payments made under the Aid Programme is achieved by the fact that payments are made following the conclusion of expenditure verification reports submitted with the request for payment for fee-based contracts. Moreover, the SRSS considers that there is a low risk for the contracts implemented under Technical Support since these are mainly middle- and low-value contracts and specific contracts under established framework contracts and, therefore, the potential level of errors is smaller.

In line with the SRSS ex-post control strategy<sup>25</sup>, desk reviews were performed in 2018 in order to check the legality and regularity of the procurement procedures completed by the SRSS and to identify areas for improvement.

The SRSS reviewed ten procurement procedures<sup>26</sup> (for a total contract value of EUR 498,060) referring to the **Technical Support** and all the procurement procedures<sup>27</sup> (for a total contract value of EUR 10,976,560.47) under the **Aid Programme** concluded by the SRSS from the setting up of the Service until June 2018.

The results of the checks performed revealed errors (e.g. absence of ex-ante publicity of negotiated procedures for awarding middle- and low-value contracts; delayed ex-post publication of awarded contracts, or corrigenda; unclear definition of selection criteria or assessment criteria not applied for key experts; use of outdated checklists) affecting the legality and regularity of the procedures. However, it was assessed that these errors do not lead to quantifiable financial adjustments (material error), nor do they translate into a reputational reservation, since no related risk materialised in 2018. Moreover, as already mentioned, the Service has already put in place remedial actions (e.g. recent update of checklists, and systematic ex-ante and ex-post publicity) to address some of the weaknesses identified.

In light of these considerations, the SRSS makes a best conservative estimate of the error rate for procurement of 1.99%.

### **Grant - direct management**

In 2018, the SRSS implemented a total of EUR 27.6 million in payments and EUR 31.6 million in new commitments under grant direct management.

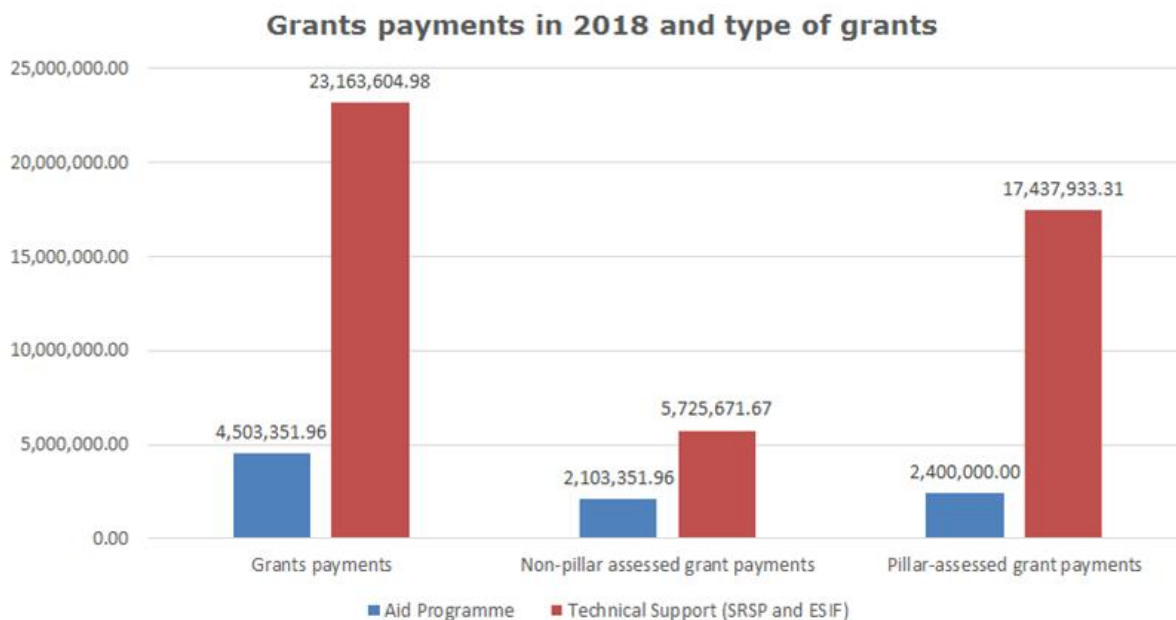
More than seventy percent of the total payments under direct grant management were made to organisations, which undergo an ex-ante assessment (called "pillar assessment"), which guarantees a level of protection of the financial interests of the Union equivalent to that required under the Financial Regulation. The pillars correspond to broad areas covered by the assessment and include: (1) internal control; (2) accounting; and (3) independent external audit. The ex-ante assessment also includes at least one of the following, so that the entity can be entrusted with the corresponding budget implementation tasks: (4) procedures and rules for grants; and (5) procedures and rules for procurement. For these reasons, the transactions under such type of agreements are considered to be of lower risk.

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<sup>25</sup> Cf. SRSS ex-post control strategy's sampling methodology under Annex 10.3.

<sup>26</sup> Majority of negotiated procedures for the awarding of middle- and low-value contracts and specific contracts implementing the multiple framework contract for support provided for the implementation of structural reforms in the EU Member States.

<sup>27</sup> Five restricted/open, and four negotiated procedures, except for two negotiated procedures already reviewed by the IAS in the framework of the audit carried out in 2017 on the SRSS financial management.



The majority of payments processed in 2018 under direct-grant management concerned initial pre-financing. Initial pre-financing payments did not expose the SRSS to risks since the amounts are still considered assets of the Commission, which are only transferred to the beneficiaries when the final cost claims are accepted by the Commission.

With respect to the **Technical Support**, in 2018, the SRSS awarded 85 new direct grants complying with the selection and award criteria indicated in annual financing decisions. The majority of these direct grants were provided to 'pillar-assessed' grant beneficiaries, and the rest were 'grant agreements' with non-pillar-assessed organisations. Pillar-assessed grant agreements were signed with entities, such as the Organisation for Economic Co-operation and Development (OECD), the World Health Organization (WHO), the UN Refugee Agency (UNHCR), the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF) and the Council of Europe (CoE) to carry out a variety of technical support activities. In addition, grant agreements were awarded to Member-State public bodies and other bodies with a public service mission, which, in view of the nature of the technical support action, have a recognised and relevant technical competence, a high degree of specialisation in the following fields: public financial management and revenue administration; governance and public administration; growth, business environment and sectoral issues; labour market, health, education, social services; the financial sector and access to finance.

The SRSS developed guidance and templates on directly-awarded grants with a view to ensuring alignment with the legal framework (in the case of grant beneficiaries that are already identified in the Commission's financing decisions) or requesting prior approval by the responsible Authorising Officer to justify a derogation from a call for proposals. This initiative served also to respond to the IAS recommendation made on the need to distinguish clearly between cases of direct awards to grant recipients under direct management and the selection of entrusted entities under indirect management.

The SRSS also continued to contribute to the implementation of the Commission's strategy 'EU budget expenditure focused on results', by implementing interventions according to a 'logical framework approach' (LFA) based on robust planning, outputs, outcomes and performance indicators. The promoted LFA includes a preliminary assessment of the context and stakeholders in which the contractors/beneficiaries operate in order to ensure a more accurate definition of the key objectives of the projects and the related potential risks. The Service has continued to use the 'Intervention logic' (IL) method and an LFA matrix for developing its terms of reference for the

implementation of the SRSP and ESIF funds in both direct and indirect management (see below). It is considered that such an approach - focused on good planning, coordination, monitoring and reporting - contributes to efficiency and effectiveness of financial activities (e.g. improved resources planning and programming, appropriate budget allocation in the course of implementation of projects, etc.).

Finally, in 2018, the SRSS also implemented mitigating actions related to the reservation on grant direct management made in its Annual Activity Report 2017. The SRSS:

- developed guidance and templates for requests/reports to the AOSD to choose between the award of direct grants and indirect management;
- strengthened its control process to ensure that all the actors in the financial circuits regularly follow the training on grants management;
- increased awareness of the ex-ante controls concerning the most frequent errors detected as part of the ex-post checks and external audits. The results were systematically disseminated within the Service and, where appropriate, actions were taken to correct the main weaknesses;
- reinforced its ex-ante controls by adopting a control strategy for ex-ante desk checks applicable to payments under grant management. This strategy targets particularly non-pillar-assessed beneficiaries of grants (*for which the risk of errors is higher than for pillar-assessed organisations*). It consists of: a) continuing to carry out ex-ante controls on beneficiaries' estimated budget items before grants are awarded; and b) asking beneficiaries to provide documented evidence supporting the sampled cost claims, with a view to ensuring that the amounts finally paid out are in accordance with the applicable contractual conditions on the eligibility of costs. The implementation of this strategy is considered instrumental for a further reduction of the error rate, which, in 2018, was still detected to be above 2% in the area of payments to non-pillar-assessed beneficiaries (cf. ex-post controls below and the conclusions on the error rate).

Under the **Aid Programme**, the SRSS launched 3 new calls for proposals<sup>28</sup> and awarded 18 grant agreements under two calls for proposals<sup>29</sup>, which were closed in 2018.

In order to contribute to the principle of transparency applicable also to grant procedures, the SRSS established workflows ensuring a systematic and complete publication of information on the awarded grant agreements.

In terms of payments, 53% was paid to pillar-assessed grant beneficiaries (IBRD) and the rest to grant beneficiaries under the terms of the grant agreements awarded following calls for proposals.

Operational and financial monitoring has been carried out during the life of the contracts, generally through verification of deliverables (e.g. interim, final reports) submitted by the relevant beneficiaries. Moreover, action grant (non-pillar-assessed) agreements for a value higher than EUR 100,000 were subject to verification of the action's expenditure<sup>30</sup> by external auditors. The objective of this expenditure verification was to assist the Contracting Authority in evaluating, before final payments were made, whether the fees and expenditure claimed by the beneficiaries on the invoices and financial reports were eligible, and in accordance with the terms and conditions of the signed grant agreements.

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<sup>28</sup> 'Competitive Enterprises, Clusters and Business Support Organisations', 'Support for investment in agriculture', 'Together against Trafficking of Human Beings'.

<sup>29</sup> 'Innovation and change in Education VII' (2016) and 'Cypriot Civil Society in Action VI' (2017).

<sup>30</sup> Art. 15.6 of the General Conditions applicable to European-Union-financed grant contracts for external actions

## Ex-post controls

The SRSS outsourced the audit reviews of the grant payments made under the Technical Support and the Aid Programme.

In accordance with the sampling methodology defined by the SRSS in its ex-post control strategy, the external auditors performed seven on-the-spot audits to review:

- 3 grant agreements for a total value paid of EUR 1.1 million, representing about 18% of the total amount paid by the SRSS for the grants agreements<sup>31</sup> under the Technical Support; and
- 4 grant agreements of a total value paid of EUR 0.9 million, representing 21% of the total amount paid by the SRSS for the grant agreements<sup>32</sup> under the Aid Programme.

The auditors concluded that for two (non-pillar-assessed) grant agreements made under the Technical Support, the material error found was 2% (in respect of a claimed amount of EUR 99,632) and 26% (in respect of a claimed amount of EUR 126,040). The SRSS has already taken action to correct the overpaid amount (EUR 32,857.95) by notifying the beneficiary of a recovery order.

The audit results referring to the grant agreements made under the Aid Programme confirmed no final error. For the Aid Programme, a best conservative estimate of the error rate is set at 0.5%.

Based on these detected error rates, the SRSS is of the opinion that the control procedures in place give the necessary guarantee for the legality and regularity of the underlying transactions, **except for** a limited area of non-pillar-assessed grants under the funds for Technical Support (SRSP and ESIF), for which the residual error rate is calculated at 13.8%.

### **a.2. INDIRECT MANAGEMENT**

In 2018, the SRSS implemented a total of EUR 13.5 million in payments and EUR 30.8 million in new commitments under indirect management.

Under the **Technical Support**, the SRSS signed a new delegation agreement with the European Bank for Reconstruction and Development (EBRD) to implement 7 projects for technical support (EUR 1.32 million) in selected Member States in the areas of the Financial Sector and access to Finance and Growth and Business Environment. Two other projects for a total value of EUR 250,000 were also entrusted to the EBRD for opening up the Estonian Legal and Regulatory Framework to Innovative Technical Solutions, and for supporting the Framework for Insolvency and Restructuring Practitioners in Greece (cf. Annex 6).

In the case of the delegation agreement signed with the EBRD, a Steering Committee (representing both the European Commission and the entrusted entity) was also established to guide and monitor the successful implementation of the individual projects foreseen in the delegation agreement.

By the end of the year, the SRSS had also developed guidance and templates on the selection of entrusted entities with a view to ensuring alignment with the legal framework, i.e. either the entrusted entity is already identified in the Commission's financing decisions or the choice of the selected entity is justified by compliance with the

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<sup>31</sup> Grant agreements whose final payments were made in 2017.

<sup>32</sup> Grant agreements whose final payment were made in 2017.

criteria already established.

Under the **ESIF and SRSP** funds, the SRSS made EUR 1.28 million in payments to the following international organisations:

- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in respect of a project of technical assistance for the distribution networks in Greece; and
- The EBRD, for example, for strengthening capital markets in Estonia, Latvia, Lithuania and Poland or opening the Estonian legal and regulatory framework to innovative technical solutions.

In 2018, a share of the **Aid Programme** resources to the Turkish Cypriot community (TCc) were implemented by indirect management (EUR 12.2 million in payments to the British Council<sup>33</sup> and the UNDP<sup>34</sup>, and EUR 29.2 million in new commitments mainly with the UNDP, Northern Ireland Co-operation Overseas (NI-CO) and the British Council).

Delegation agreements are considered to be low-risk operations because the entrusted entities apply their own established controls on their own accounting, internal control and audit systems, which have been positively assessed already in the ex-ante pillar assessment to manage the EU entrusted budget, and they are moreover bound by an obligation of detailed reporting, including final audit reports/opinions.

Finally, the SRSS ensured appropriate supervision of the entrusted tasks by applying operational and ex-ante financial controls similar to the controls over the expenditure under direct management. The SRSS controls include a thorough examination and approval of the progress and final reports, the entrusted entities' management declarations and, if any, the audit or control opinions provided under the relevant agreements.

The SRSS has reasonable assurance about the legality and regularities of the transactions processed under indirect management. Based on these elements, the SRSS best conservative estimate of the error rate under indirect management is set at 0.5%.

### **a.3 CROSS-SUB-DELEGATIONS**

Under the terms of the Service Level Agreement (SLA) signed with DG NEAR, in 2018, the SRSS continued the implementation of the logistic and financial arrangements provided to the Turkish Cypriot community (TCc) through the Technical Assistance and Information Exchange (TAIEX). EUR 0.86 million of the payment credits were used through a **sub-delegation** to DG NEAR. DG NEAR reported that the sub-delegated resources were managed in the same manner as all other financial resources allocated to them. The SRSS deems the information reported by DG NEAR to be reliable and sufficient to draw conclusions on the use of the resources for their intended purpose, and in accordance with the principle of sound financial management. The control procedures established by DG NEAR give the necessary guarantee concerning the legality and regularity of the underlying transactions. No irregularity, audit finding or other issue was raised in the context of the report on the implementation of the entrusted funds.

Based on the elements above, a best conservative estimate of the error rate on the cross-sub-delegated resources is set at 0.5%.

Finally, it should be noted that the Service Level Agreement (SLA), established in 2017 with DG NEAR for implementing the 2017-2020 SRSP in the Member States through the TAIEX-SRSP Peer to Peer Programme, was amended in August 2018 to change the

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<sup>33</sup> For the Scholarship Programme 2016-20 for the TCc.

<sup>34</sup> For the Support to the Committee on Missing Persons in Cyprus (phase 10) and the support to Cultural Heritage Monuments.

nature of the financing from a cross sub-delegation to a co-delegation. The SLA was further amended before the end of the year to allow for an additional sum of EUR 1.15 million to be transferred in commitment appropriations to DG NEAR on the co-delegated budget line 13.08 02.

#### **a.4 EXCEPTIONS AND NON-COMPLIANCE EVENTS**

In accordance with the established procedure on **exceptions and non-compliance events recording**, the SRSS ensured regular reports and analysis to the AOD on the exceptions and control weaknesses recorded during the year.

The SRSS recorded an increased number of exceptions (15) and non-compliance events (6) compared to the last two years. While it can be expected that the likelihood of deviations and overrides rises with the increased number of SRSS operations, in terms of operations (e.g. visits to Member States, projects and contracts), the significance of the majority of exceptions authorised has been assessed as high in quantitative and qualitative terms (cf.2.1.3 Assessment of the effectiveness of the internal control systems). Such exceptions, referring to deviations from the SRSP Financing Decisions, the Financial Regulation or DEVCO Companion and PRAG Guidance, were authorised having considered the needs of the Service and the unavailability of other viable alternative solutions for implementing the SRSS expenditure efficiently. Such instances did not undermine the principle of sound financial management.

Nonetheless, in 2018, the Service took some corrective actions to prevent future similar exceptions to the regulatory framework on the awarding of (non-pillar-assessed) direct grants by inserting specific conditions for direct grants already in the 2019 SRSP Financing Decision. The next SRSP Financing Decision includes, for instance, names of direct grant beneficiaries and specifies that private entities can become beneficiaries of direct grants if they have the specific experience required under the relevant technical support. The Service has also issued guidance to staff on the selection of entrusted entities (indirect management) and the use of directly awarded grants (direct management) for the implementation of the SRSP projects.

In 2018, the SRSS recorded no case of:

- 'confirmation of instructions' related to irregularities or cases contrary to the principle of sound financial management to be reported to the Authorising Officer (art. 92.3 FR). The SRSS Authorising Officers by sub-delegation confirmed this, as part of their annual declaration on the operations authorised by them in 2018;
- 'financing not linked to costs' (Art.125.3 FR, *i.e. when contributions are based on the fulfilment of conditions or the achievement of results*);
- Financial Framework Partnership established and longer than 4 years (Art. 130.4 FR);
- flat rates above 7% for indirect costs (Art 181.6 FR) paid under grant management.

Having regard to the completeness and reliability of the factual information described under the above sections, the SRSS concludes on the overall effectiveness of its control results regarding the legality and regularity of its operations in 2018. **However**, considering:

- the error rate resulting from the external auditors' findings and referring to a limited area of non-pillar-assessed grants (13.8%) under the funds for Technical Support (SRSP and ESIF), and its impact on the amount at risk, although limited to non-pillar-assessed grants;
- the reservation that the SRSS made in the Annual Activity Report 2017, referring also to grant management (under the funds of Technical Support), and the corrective actions already started in 2018 (cf. grant direct management and Annex 10.4); and

- the planned external audits in 2019 including all the final payments under 4 grants agreements signed with non-pillar assessed beneficiaries,

the SRSS makes conservative conclusion on the need to maintain a reservation on direct grant management under the Technical Support funds, referring however only to the limited areas of non-pillar-assessed grants (cf. 2.1.4 – Conclusion on the impact as regards assurance).

✓ **Amount at risk at payment and at closure**

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

For the SRSS, the estimated overall amount at risk at payment<sup>35</sup> for the 2018 expenditure is EUR 0.74 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*<sup>36</sup> during the year (EUR 43.16 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made<sup>37</sup>.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections<sup>38</sup> for the 2018 expenditure are EUR 0. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure<sup>39</sup> for the 2018 expenditure of EUR 0.74 million.

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<sup>35</sup> Cf. note 6 in the table.

<sup>36</sup> Cf. note 5 in the table.

<sup>37</sup> Cf. note 2 in the table.

<sup>38</sup> Cf. note 8 in the table.

<sup>39</sup> For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

## Estimated overall amount at risk at closure

SRSS	"payments made" (FY; m€)	minus new prefinancing	plus cleared prefinancing	= "relevant expenditure" (for the FY; m€)	Average Error Rate (weighted AER; %)	estimated overall amount at risk at payment (FY; m€)	Average Recoveries and Corrections (adjusted ARC; %)	Estimated future corrections m€	estimated overall amount at risk at closure (m€)
(1)	(2)	(3) as per ABAC DWH BO report	(4) as per ABAC DWH BO report	(5) = (2) - (3) + (4)	(6)	(7) = (5) x (6)	(8) as per ABAC DWH BO report	(9) = (5) x (8)	(10) = (7) - (9)
<b>TECHNICAL SUPPORT</b>	<b>28,583,597.12</b>	<b>-22,662,285.8</b>	<b>10,060,348.44</b>	<b>15,981,659.76</b>					
Procurement	3,835,130.52	-452,647.85	73,108.42	3,455,591.09	1.99%	68,766.26	0%	0	68,766.26
Grant PA	17,437,933.31	-16,111,544.61	8,460,036.30	9,786,425	0.5%	48,932.13	0%	0	48,932.13
Grant non PA	5,725,671.67	-4,814,386.34	1,527,203.72	2,438,489.05	13.8%	336,511.49	0%	0	336,511.49
Administrative Arrangement	100,000	0	0	100,000	0.5%	500	0%	0	500
Support expenditure	201,154.62	0	0	201,154.62	0.5%	1,005.77	0%	0	1,005.77
Indirect Management	1,283,707	-1,283,707	0	0	0.5%	0	0%	0	0
<b>AID PROGRAMME</b>	<b>26,308,518.55</b>	<b>-16,582,002.46</b>	<b>17,461,683.59</b>	<b>27,188,199.68</b>					
Procurement	8,675,275.70	-715,886.39	2,132,407.02	10,091,796.33	1.99%	200,826.75	0%	0	200,826.75
Grants PA	2,400,000	-2,400,000	0	0	0.5%	0	0%	0	
Grant non PA	2,103,351.96	-1,450,251.07	3,291,474.74	3,944,575.63	0.5%	19,722.88	0%	0	19,722.88

Indirect management	12,245,397.81	-12,015,865	12,037,801.83	12,267,334.64	0.5%	61,336.67	0%	0	61,336.67
Support expenditure	18,029.90	0	0	18,029.90	0.5%	90.15	0%	0	90.15
Cross sub delegation	866,463.18	0	0	866,463.18	0.5%	4,332.31	0%	0	4,332.31
<b>Overall, total</b>	<b>54,892,115,67</b>	<b>-39,244,288.26</b>	<b>27,522,032.03</b>	<b>43,169,859.44</b>	<b>1,71%<sup>40</sup></b>	<b>742,024.41</b>	<b>0</b>	<b>0</b>	<b>742,024.41</b>

Notes to the table

(1) Differentiated for the relevant portfolio segments at a level which is lower than the DG total

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

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). "Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

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

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see *the ECA's 2017 AR methodological Annex 1.1 point 15*), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the residual error rate has been used.

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<sup>40</sup> 1,7188483%

For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (e.g. *administrative expenditure, operating subsidies to agencies*), it is recommended to use 0.5% nevertheless as a conservative estimate.

(8) Based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years.

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

## **B. Control effectiveness as regards fraud prevention, detection and correction**

The SRSS formally adopted its first Anti-fraud Strategy (AFS) covering the period 2017-2019 in July 2017. This Strategy was drafted on the basis of a dedicated assessment of the current controls in place and the potential fraud risks in our environment, budget and operations. Moreover, it was developed in accordance with the Commission's Anti-fraud Strategy (CAFS)<sup>41</sup> and the OLAF methodology and guidelines.

The SRSS AFS includes an action plan with a series of activities on fraud prevention, detection, reporting and correction, which is implemented and regularly reported to senior management.

Following many communication activities on fraud issues (presentations on preventing fraud in all Units; factsheets on fraud detection and reporting; red flags, fraud reports; fraud cases; presentations on ethical and integrity standards; review of staff training attendance, etc.), in 2018, the SRSS assessed the level of fraud awareness in the Service by launching an internal survey to all staff members.

The majority of the staff participated in the survey and the SRSS expected target ( $\geq 70\%$ ) of positive responses was achieved (90%). The number of online views of documents related to anti-fraud matters is also increasing. Such results show that the Service's awareness about fraud and channels of reporting has increased; this is considered to be a major improvement for the Service since the recent adoption of the AFS.

As part of the AFS action plan, in 2018, the Service has also carried out the following main activities:

- internal control reviews of: the staff 'Ethics and Integrity' training attendance; declarations on potential conflicts of interests;
- assessments of: fraud risks as part of the annual risk assessment exercise; sensitive functions in the Service; the results of the ex-post (desk reviews and external audit reports) control activities;
- regular updates of an online repository of information dedicated to preventing fraud and open to all staff.

Having regard to the following:

- lack of cases of alleged fraud in 2018 involving the SRSS operations and staff;
- a higher awareness in the Service about anti-fraud issues at the Commission;
- the results of the ex-ante and ex-post controls and the internal control activities carried out in 2018, which exclude cases of potential fraud,

the SRSS concludes that the controls in place, including the anti-fraud activities featuring in the SRSS anti-fraud strategy, are working effectively and that the risks linked to the legality and regularity of operations, also including the possible impact on the reputation of the Service, are adequately mitigated.

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<sup>41</sup> COM(2011)376 final.

### C. Control efficiency

The table below presents the most relevant indicators on the efficiency of controls and their values in 2018.

Most relevant 'Efficiency' indicators	Values in 2018
Average time taken <u>to inform</u> beneficiaries on grant award decisions (Art 194.2(a) FR), referring to grants under the Aid Programme	349 days
Average time taken <u>to sign</u> grant agreements (Art 194.2(b) FR), referring to grants under the Aid Programme	105 days
% of timely execution of payments (Financial Regulation Art. 116.1)	95.2%
Average number of days taken to make a payment	27 days
% of late payments	4.8%
Value of interest paid on late payments	EUR 3000

Major improvements are seen in respect of the timely execution of payments, which has risen from 78.5% in 2017 to 95.2% in 2018. The SRSS average number of days taken to make a payment has decreased from 37 days in 2017 to 27 days in 2018.

In 2018, the SRSS recorded only 4.8% of its payments as late. A decreasing amount of interest (EUR 3000 compared to EUR 10,600 in 2017) was paid on late payments.

Under the Aid Programme, on average, it took more than 6 months **to inform beneficiaries** on grant award decisions. The time taken **to sign grant agreements** was slightly longer than 3 months. Although the value of both indicators have increased compared to last year<sup>42</sup> and show some areas for improvement, it should be considered that the 'time taken to inform beneficiaries' and the 'time taken to sign grants' have not been respected only in the case of one of the two calls for proposals finally awarded in 2018<sup>43</sup>. The reasons of such delays are to be found in the complexity of the relevant call for proposals and the simultaneous management of six other procurement and grant procedures. At that time, the Service also lacked sufficient and alternate financial agents - available in Nicosia - to finalise the evaluation process leading to the award of the relevant grants.

Despite such events, in 2018, the SRSS finally managed to absorb the backlog of its files under the Aid Programme and ensured - through prioritisation - the implementation of the credits, referring to the 2015 work programme, which were coming to expiration at the end of 2018.

The SRSS has no elements for reporting on time-to-inform or time-to-grant as required under Art. 194.2 of the Financial Regulation in respect of the beneficiaries of the grants awarded under the SRSP, because no calls for proposals were organised in 2018.

<sup>42</sup> Average time taken to notify grant beneficiaries was 165 days and the average time taken to sign grant agreements was 32 days (AAR 2017).

<sup>43</sup> Two calls for proposals were awarded in 2018: Innovation and change in Education VII (Open call for proposals dated 2016) and Cypriot Civil Society in Action VI (Restricted call for proposals dated 2017).

Further to the **implementation of the projects under the SRSP**, the SRSS made considerable progress over the past year in providing technical support rapidly to Member States. However, the efficiency of the Service, in terms of rapid processing of financial files, has been affected by the increasing number of projects, the diversity of contract files and related, and the necessary contracting procedures to go through, which inevitably affect the speed in awarding contracts.

Considering the increasing volume of technical support operations and with a view to shortening the delay for providing the technical support interventions, the Service analysed the current timelines under each step in all the contracting (procurement and grant) procedures and has already established in early 2019 shorter indicative timelines for processing them. For 2019, the SRSS is also exploring a review of its financial circuits to ease management of workload and is developing a system to automatise the contracting process by going paperless. The SRSS has introduced the recording of deadlines - by step - under each procurement/grant procedure in the IT tool (JIRA), which tracks MS requests and the project/contract implementation from beginning to end. Guidelines on the new indicative timelines have already been established and include, for instance, a shorter period for carrying out evaluations of tenders.

Other efficiency initiatives refer to the prioritisation of files and a systematic update of the information (on the date of submission of file ready for procurement/grant management) related to projects and contracts in JIRA. Such information anticipates the expected workload, which may affect the capacity of the financial unit to deal with several new requests for budget implementation.

Despite these initiatives on efficiency, which, in the future, may also be further improved by means of automatized procedures, the SRSS cannot reduce much further the duration of procurement procedures since these still require mandatory “regulatory” checks connected with the award decisions, the budgetary and legal commitments, etc.

Having regard to the completeness and reliability of the factual information described above and to the initiatives on efficiency already started in 2018, the Service concludes positively overall on the efficiency of its controls.

#### D. Control economy: the cost of controls

The SRSS conforms with Art. 74.9 of the Financial Regulation by quantifying and assessing the resources and the input required for carrying out its controls.

In accordance with the corporate methodology developed in 2018, the SRSS has made **estimates of the costs of controls for all its relevant control systems distinguished by ex-ante and ex-post controls**. The estimates of the costs of controls are made on the basis of the number and cost of the staff (full-time equivalent) intervening in financial management and in the operational dimensions of controls for the execution of the programmes, budget planning and monitoring, legal support, internal control, strategic planning and programming and anti-fraud activities. Other costs, such as the cost of external audits and IT tools used for the implementation of the expenditure, are also included in the estimates of costs of controls. The estimates (%) of the costs of controls are proportionate to the volume of operations and the risks of the different control stages as compared to the funds managed.

The SRSS overall cost of controls is estimated to be EUR 3.6 million, that is 6.7% of the payments executed in 2018<sup>44</sup>. The following table shows the estimated total costs of controls performed on payments.

<b>Relevant control systems: Direct management (Procurement and Grant) and Indirect management</b>	<b>Totals of costs of controls (ex-ante and ex-post appropriate- Cf. annex 10)</b>	<b>Ratio (%) over relevant payments made</b>
1. Direct management/ Procurement	EUR 0.27 million	2.1%
2. Direct management/Grants	EUR 0.61 million	2.2%
3. Indirect management	EUR 0.28 million	2.1%

The SRSS overall cost of controls referring to indirect management is estimated to be EUR 1.6 million, that is 12,5% of the payments under indirect management. Since 2018, the overall estimated costs of controls performed on indirect management operations include the remuneration fees<sup>45</sup> referring to 2018 and paid to the entrusted entities under the Technical Support and the Aid Programme delegation agreements. Annexes 10.1 and 10.2 include details of the estimated costs of controls under the relevant control systems.

The corporate methodology for the estimation, assessment and reporting on the cost-effectiveness of controls was revisited in September 2018 and applied for the first time in the 2018 annual reporting. The difference in the estimated cost of controls as compared to previous years<sup>46</sup> derives in part from this new

<sup>44</sup> Excluding the cross-sub-delegated credits.

<sup>45</sup> These fees cover broader elements than only controls in the strict sense.

<sup>46</sup> 4.9% in direct management and 1.28% indirect management in 2017.

methodology and the updated SRSS control strategy (Annex 5).

The SRSS reaches a positive conclusion as to the proportionality and economy of its controls considering the mitigation of risks under the relevant operations, the frequency and depth of the checks performed under the control strategy and the level of funds managed in 2018. The efficiency of the SRSS ex-ante controls is demonstrated particularly by the high gains in terms of better value for money, deterrence of error/irregularity or fraud, and regulatory compliance. The efficiency of the ex-post controls is demonstrated particularly by the low costs of the external audits, which have allowed the SRSS to notify future financial recoveries, and to reinforce future controls where material errors have emerged.

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

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

Overall, the SRSS controls of budget appropriations in 2018 remains cost-effective, considering:

- *the updated control strategy and the overall cost of controls reviewed, which increased as a result of the application of the new corporate methodology;*
- *the number and complexity of technical support/assistance activities and those carried out under the Aid Programme (part I of this report);*
- *the type of controls over the high diversity of operations/files managed;*
- *that controls on procurement and grant management are mandatory and a significant proportion of the appropriations concerned would be at risk if they were not in place;*
- *the non-financial benefits of control, including better value for money, deterrence, efficiency gains and regulatory compliance;*
- *the low value of late interest payments and the overall relatively low average time taken to make payments;*
- *the lack of complaints filed or litigation cases filed with the SRSS in respect of the procurements and grants managed in 2018;*
- *the good rate of implementation of the operational budget in respect of the actual duration of operations of the Service since its full establishment in 2016;*
- *the error rates detected and referring only to a limited area of grant direct management (non-pillar-assessed grant agreements) and the corrective actions already commenced in 2018;*
- *the value of cost-claim errors under grants and the credit notes received, providing evidence of effective functioning of the ex-ante controls; and*
- *the positive progress and final reports from the entrusted entities on the use of the received funds and the activities carried out.*

## 2.1.2 Audit observations and recommendations

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

### **European Court of Auditors (ECA)**

#### Declaration of assurance 2017 and 2018

In February 2018, the European Court of Auditors (ECA) sampled one (1) financial transaction (i.e. a pre-financing payment) for substantive testing in respect of accountancy standards and cut-off calculations in the context of the DAS<sup>47</sup> 2017. The Court of Auditors reviewed the evidence related to the financial file selected and closed the review with no comments.

In February 2019, the ECA sampled another transaction (i.e. a pre-financing payment) for substantive testing within the DAS 2018. This review is currently ongoing.

#### ECA's Special Reports

In 2018, the SRSS completed the implementation of the audit recommendations made by the auditors in 2015 as part of the Special Report no. 19/2015 'More attention to results needed to improve the delivery of technical assistance to Greece'<sup>48</sup>.

In December 2018, the ECA started a limited review of the audit recommendations below as implemented by the SRSS. The ECA has submitted the preliminary results of this review and concluded that all recommendations were fully implemented.

The SRSS implemented the ECA's recommendations mainly by establishing the Structural Reform Support Programme taking into account the lessons learned from the Task Force Greece. The adoption of the new Structural Reform Support Programme in May 2017 addresses the Court's concerns by:

a) setting out general and specific objectives for the provision of technical support for structural reforms; and

b) establishing a framework for the provision of support (policy areas, eligible activities, providers) and related process for selection of support activities. Furthermore, the annual work programme provided for by the SRSP Regulation establishes a framework for planning and selecting actions. The SRSP Regulation provides for Cooperation and Support Plans (CSPs) agreed between the

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<sup>47</sup> Reliability of the Annual Accounts of the European Union.

<sup>48</sup> This audit focused on the assistance provided to Greece and analysed the Task Force for Greece' (TFGR) organisational and financial arrangements for delivering and monitoring technical assistance and contributing to the progress of reforms.

Commission and the MS for setting the priority areas for support, the objectives, an indicative timeline, the scope of the support measures to be provided and the estimated global financial contribution. The specific objectives outlined in the CSPs also contribute to strengthening the capacity of the Member States to design and implement reforms policies and strategies, while ensuring business continuity and the sustainability of reforms.

The SRSP has facilitated the development of a clear framework for the provision of technical assistance to the MS. Amongst others, this framework streamlines the provision of technical assistance by external experts through the use of:

- TAIEX (Technical Assistance and Information Exchange instrument of the European Commission) to pool the expertise of Member States experts (MS officials); and
- a list of experts from the private sector generated from a Call for Expression of Interest ( 'External experts to support the implementation of structural reforms in Member States').

The ECA's recommendation for **streamlining the complexity of technical support actions and the number of partners involved was addressed by:**

- fostering coordination and synergies amongst different Union programmes and setting up several coordination channels with other services; and
- ensuring coordination with and ownership by the beneficiary (the MS agrees a cooperation and support plan with the SRSS) and coordination with the providers (in particular with international organisations and MS agencies) and with MS potentially acting as reform partners.

The technical support actions are prioritised by applying the assessment criteria established in Article 7(2) of the SRSP Regulation; the provision of most appropriate support mechanism is ensured by assessing various delivery options during the internal assessment procedure, amongst those provided for in Article 13(2) of the SRSP. The SRSS has developed its methods for the selection of technical assistance providers based on a comparative analysis of working with international organisations or other implementing partners, such as Member-State national agencies. In addition, deliverables and performance indicators are elaborated in the logical framework, which is attached to the agreement signed between the Commission and the provider.

The SRSS has addressed the ECA's recommendation on the collection of feedback from beneficiary Member States, by developing a feedback system based on questionnaires to be completed by the beneficiary authorities, providers and policy officers involved in the relevant project for technical support.

Finally, in accordance with the Commission Better Regulation requirements, the SRSS also carried out an ex-post evaluation of the activities carried out by the TFGR. A Staff Working Document will be published by the Commission to summarise the main findings of the evaluation and to highlight the lessons learned in view of designing more efficient and effective future interventions, and building the capacity for monitoring and evaluating the impact of its technical assistance projects in any Member State (cf. 2.2.2 Better Regulation).

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

In 2018, the IAS did not carry any new audit at the SRSS. The audit on 'the performance measurement of the SRSS and its coordination with other Commission Services', originally scheduled to start in the second half of the year 2018, has been reassessed and postponed in the context of the IAS draft strategic audit plan 2019-2021.

In the course of the year, the SRSS implemented the audit recommendations emerging from the IAS audit on 'Financial management of the SRSS', which was finalised by the IAS in 2017.

Since early 2018, the SRSS has addressed, in a timely manner and within the agreed action plan, the main risks and the 'very important' recommendations in the audit report by strengthening the:

a. design and application of its internal control system:

The SRSS developed its ex-post control strategy with priority for the purpose of obtaining quantifiable data and results contributing to the reasonable assurance on the legality and regularity and sound financial management of the SRSS operational expenditure. This strategy includes comprehensive control activities, such as financial audits of grants agreements performed by external auditors, and desk reviews of procurement procedures performed by the SRSS ex-post control officer. Accordingly, the results of the ex-post audits have contributed to establishing the SRSS detected error rate in 2018 and ensuring appropriate recovery of funds unduly paid out. Likewise, the results of the internal ex-post control checks have contributed to addressing any systemic ex-ante control weaknesses and overall to increasing the awareness of all contracting parties about the applicable financial and regulatory framework.

The SRSS revised its financial circuits and workflows, and the related delegations of authority and deputising arrangements, to ensure compliance with the principle of segregation of duties between the actors requesting the implementation of the expenditure and those responsible for their authorisation.

In order to ensure adequate financial training of the financial actors intervening in the workflows of financial operations, the SRSS established a monitoring system to track staff attendance at the main financial training courses on public procurement, grant management, and the central financial information systems.

b. internal control arrangements in the area of public procurement under the Aid Programme:

The SRSS developed guidance and templates to facilitate a robust assessment of needs by management. The Service also reinforced its planning and monitoring tools to follow up on the procurement procedures and the use of other procedures carried out under the Aid Programme. Control processes were designed to ensure systematic ex-post publication of contracts awarded (procurement management and indirect management) under the Aid Programme.

Additional improvements were also made in the area of budget monitoring and the principles of transparency and equal treatment applicable to procurement management and indirect management (e.g. control processes were designed to ensure systematic ex-post publication of contracts awarded under the Aid Programme).

### IAS limited conclusion

Based on all the work undertaken by the IAS in the period 2016-2018, namely,

- Audit of the financial management of the SRSS (2017) and taking into account that:
  - Management has accepted all the recommendations issued in 2016-2018;
  - Management has adopted action plans to implement all the accepted recommendations. The IAS considers that these action plans are adequate to address the residual risks identified by the auditors;
  - The implementation of these action plans is monitored through reports by management and follow-up audits by the IAS; and
  - Management has assessed a number of action plans as implemented, which have not yet been followed up by the IAS;

the IAS concluded that the internal control systems in place for the audited processes are effective.

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

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

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

The SRSS activities for establishing and explaining to staff members the new Commission's internal control framework<sup>49</sup> started already in 2017. By January 2018, the SRSS had established - as part of its annual Management Plan - its principles-based control monitoring criteria to be used for the overall assessment of its internal control system.

Business owners, as the first control line of defence for the organisation, ensure functioning and supervision of the internal control systems applying to their operations. On such a basis, they determine whether such controls work as intended or if there are control weaknesses in the system that need to be reported for improvement. In addition, management performs specific assessments during the year to ascertain whether the internal control systems and their components are present and functioning. The purpose of these management assessments is to provide reasonable assurance that the internal control principles adopted by the Commission are implemented and functioning in the Service; that the assessment findings are evaluated; and that any deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

The SRSS performed mid-term reviews on the Service performance, in respect of the indicators in the Management Plan and on some of the established internal-control monitoring criteria, followed by other control reviews and self-assessment exercises carried out at the end of the year. The mid-term review allowed the identification of areas for improvement and the remedial actions to take as a matter of priority. The overall assessment exercise at the end of the year is aimed at confirming compliance and effectiveness of the internal-control systems or at identifying further actions, in case of partial effectiveness.

The 2018 overall assessment of the internal control system included the following main assessments exercises performed on:

- *the results of the internal-control monitoring criteria established in the context of the Management Plan 2018. These results stem from internal-control mid-term and annual checks, reviews and surveys;*
- *the non-compliance events reported and exceptions requested during the year;*
- *the SRSS implementation of the audit recommendations in 2018, the limited conclusion of the Internal Auditor on the state of internal control in*

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<sup>49</sup> Communication to the Commission from Commissioner Oettinger: Revision of the Internal Control Framework (C(2017)2373).

*the Service and the European Court of Auditor's conclusions reported as part of the follow-up audits performed (cf. section 2.1.2); and*

- *the state of implementation of the mitigating actions to address the reservation made on grant direct management (under ESIF and SRSP funds) in the Annual Activity Report 2017 (cf. annex 10.4).*

The SRSS has followed the methodology established in the "Implementation Guide of the Internal Control Framework of the Commission" for carrying out the internal control assessment process.

Based on the assessment of the above-mentioned results, the SRSS has assessed its internal control system during the reporting year and has concluded that it is integrated, effective and that the components and principles are present and functioning as intended, with some improvements needed.

#### I. Control environment

- *Principle 4 (The Commission demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives).*
- *Principle 5 (The Commission holds individuals accountable for their internal control responsibilities in the pursuit of objectives).*

The deficiencies (e.g. a lower % of women in management positions compared to the EC target<sup>50</sup>; non-systematic preparation/recording of handover files) identified under principles 4 and 5 are compensated by the other positive control results (control indicators targets achieved or even surpassed) under these principles and under principles 1, 2 and 3. These deficiencies have no major impact on the IC objective - sound financial management.

Overall, the SRSS controls under the control environment are present and function effectively; nonetheless, some improvements (e.g. further reminders to staff and monitoring of implemented controls) should be made in the areas specified above.

#### II. Risk assessment

- *Principle 6 (The Commission specifies objectives with sufficient clarity to enable the identification and assessment of risks related to objectives).*

The deficiencies (e.g. number and significance of the majority of exceptions and non-compliance events signed in a year, and the increased % of error rate on the financial transactions) identified under principle 6 are compensated by the other positive control results (control indicators targets achieved or even surpasses) under principles 7, 8 and 9. In addition, the Service has demonstrated that it has started mitigating such deficiencies already in 2018, by taking initiatives to reduce the recurrence and significance of exceptions and non-compliance events<sup>51</sup>. Moreover, in the context of this report, the SRSS maintains a conservative reservation on grant direct management, although the error rate above 2% affects only a limited area of the SRSS expenditure<sup>52</sup> and has developed a remedial action plan in the area of grant direct management.

The impact of these deficiencies on the IC objective – legality and regularity - is

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<sup>50</sup> cf. 2.2.1 Human resources management.

<sup>51</sup> Cf. 2.1.1, point a.4 Exceptions and non-compliance events.

<sup>52</sup> Cf. 2.1.1, point on Grant direct management - Ex-post controls.

considered to be mitigated by the corrective actions already taken by the Service in 2018.

Therefore, the SRSS controls under the risk assessment component are present and function effectively. Nonetheless, the SRSS will ensure a continuation of the monitoring of the improvements started in 2018.

### III. Control activities

- *Principle 10 (The Commission selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels).*

The deficiencies (e.g. the average time taken to notify beneficiaries and to sign grant agreements<sup>53</sup> compared to the targets in the Financial Regulation) identified under principle 10 are compensated by the other positive control results (control indicators targets achieved or even surpassed) under this principle and those under principles 11 and 12. The impact of these deficiencies on the IC objective – legality and regularity - is considered to be mitigated by the corrective actions already taken by the Service in 2018 (i.e. an increased number of financial staff sent to Nicosia as necessary to chair and supervise the works of the evaluation committees).

Therefore, the SRSS controls under the control activities component are present and function effectively. Nonetheless, the SRSS will ensure a continuation of the monitoring of the mitigating actions started in 2018.

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<sup>53</sup> Cf. 2.1.1.1, part on C. Control efficiency.

## 2.1.4 Conclusions on the impact as regards assurance

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

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

The SRSS has systematically examined the available control results and indicators, including the results of the ex-post controller and the external auditors, as well as the conclusions issued by the internal auditors and the European Court of Auditors. These elements, referring to the relevant internal control objectives, contribute to determining their impact on the management's assurance.

### **Legality and Regularity**

The SRSS concludes positively on the effectiveness of its control results regarding the legality and regularity of its operations in 2018. However, having regard to:

- the error rate resulting from the external audits and referring to a limited area of non-pillar assessed grants (13,8%) under the funds of Technical Support (SRSP and ESIF), despite its low impact in terms of amount at risk;
- the reservation that the SRSS made in the Annual Activity Report 2017, referring also to grant management (under the funds of Technical Support), and the corrective actions already started in 2018 (cf. grant direct management and annex 10.4);
- the exceptions granted in 2018 referring to grant direct management, and the corrective actions already started in 2018 to ensure alignment with the future Financing Decisions (cf. 2.1.1, section a.4 exceptions and non-compliance events); and
- the expected corrective capacity of the controls, included the planned external audits in 2019 on all grants agreements signed with non-pillar-assessed beneficiaries and closed in 2018,

the SRSS concludes conservatively on the need to maintain the 2017 reservation on direct grant management referring to the Technical Support funds (ESIF and SRSP), however with a revised scope to reflect that the error rate is targeted only to the limited areas of non-pillar-assessed grants (cf. section on grant direct management and reservation (Cf. 2.1.1)).

### **Sound financial management**

Considering the ex-ante and ex-post controls in place, the key indicators and the 2018 control results on effectiveness, efficiency and economy, plus the initiatives to further improve the efficiency of the Service, as already started in 2018, the SRSS can conclude positively on the cost-effectiveness of its controls and overall on the achievement of the objective on sound financial management. (Cf. 2.1.1)

### **Fraud prevention, detection and correction**

No instances of alleged fraud occurred in 2018. This demonstrates that adequate controls were implemented to prevent, detect and correct fraud and irregularities, and there is an increased awareness among staff about the EC policy and procedures on reporting and countering fraud (Cf. 2.1.1).

### **Audit results**

In 2018, no critical audit recommendations were received from the auditing bodies (the European Court of Auditors and the Internal Audit Service) and all audit recommendations received in the context of the past audits have been implemented in a timely and effective manner. The IAS concluded that the internal control systems in place for the audited processes are effective (Cf.2.1.2).

### **Effectiveness of the Internal control systems**

Finally, the SRSS has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended, with some improvements needed. The deficiencies identified do not lead to assurance-related concerns, because some of the expected improvements have already started in 2018 (Cf.2.1.3).

### **Overall Conclusion**

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation on grant direct management (agreements signed with non-pillar-assessed beneficiaries) under the following programmes/budget lines:

01.027701 Preparatory actions

04.026301 and 04.026302: European Social Fund

13.036501 and 13.036502 European Regional and Development Funds

13.046101 and 13.046102 Cohesion Fund

13.080100 and 13.080200 Structural Reform Support Programme

## 2.1.5 Declaration of Assurance and reservations

*"I, the undersigned,*

*Director-General of the SRSS,*

*In my capacity as Authorising Officer by Delegation,*

*Declare that the information contained in this report gives a true and fair view<sup>54</sup>;*

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

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

*Confirm that I am not aware of anything not reported here which could harm the interests of the institution or those of the Commission".*

*However, a reservation on direct management grants signed with non-pillar assessed organisations should be noted for the following ABB activities:*

01.027701 Preparatory actions

04.026301 and 04.026302: European Social Fund

13.036501 and 13.036502 European Regional and Development Funds

13.046101 and 13.046102 Cohesion Fund

13.080100 and 13.080200 Structural Reform Support Programme.

*In Brussels, 29 March 2019*

*(signed)*

**Maarten Verwey**

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<sup>54</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the Directorate-General.

## Reservation 1

<b>DG</b>	SRSS
<b>Title of the reservation, including its scope</b>	Reservation concerning the rate of residual error under direct management- grants signed with non-pillar assessed organisations for Technical Support programmes (ESIF and SRSP)
<b>Domain</b>	Direct Management Grants with non-pillar assessed organisations for the funds managed under the following programmes/budget lines: 01.027701 Preparatory actions 04.026301 and 04.026302: European Social Fund 13.036501 and 13.036502 European Regional and Development Funds 13.046101 and 13.046102 Cohesion Fund 13.080100 and 13.080200 Structural Reform Support Programme
<b>Programme in which the reservation is made and total (annual) amount of this programme</b>	The programmes concerned by the reservation are the ESIF and the SRSP programme for the following budget lines: 01.027701 Preparatory actions 04.026301 and 04.026302: European Social Fund 13.036501 and 13.036502 European Regional and Development Funds 13.046101 and 13.046102 Cohesion Fund 13.080100 and 13.080200 Structural Reform Support Programme The corresponding total amount of authorised operations (payments made) during the reporting year is EUR 28.38 million (operational expenditure as in Annex 3)
<b>Reason for the reservation</b>	The residual error rate above 2%. The error rate was calculated on the basis of ex-post controls performed on grant agreements closed in 2017. The results used to draw the conclusion are the results indicated in the final audit report received by the external auditors.
<b>Materiality criterion/criteria</b>	The legality and regularity-related criterion of 2% was breached
<b>Quantification of the impact (= actual "exposure")</b>	The maximum impact is calculated by multiplying the residual error rate in favour of the Commission, i.e. 13.8 % by the relevant expenditure (payments and clearings) under Technical Support (non-PA grants) based the relevant expenditure in 2018, i.e. EUR 2,438,489.05. This yields EUR 336,511.49 as maximum potential impact on payments for non-PA grants under Technical Support during 2018.
<b>Impact on the assurance</b>	The legality and regularity of financial transactions is at stake. Nevertheless, considering the limited impact in terms of amount

	at risks (EUR 336,511.49), the assurance is still possible.
<b>Responsibility for the weakness</b>	The responsibilities lie both on SRSS and the grant beneficiaries.
<b>Responsibility for the corrective action</b>	<p>The SRSS intends to put in place the following remedial actions in order to correct the weaknesses reported:</p> <ul style="list-style-type: none"> <li>-Continue to apply the ex-ante desk checks strategy for grant payments under Technical Support.</li> <li>-Continue to ensure training for all financial actors.</li> <li>-Set out an audit plan for 2019, which will cover all 4 grants to non-pillar-assessed organisations closed in 2018 in order to maximise the corrective capacity.</li> </ul>

**For an extensive reporting on all components below, please refer to Annex 2.**

## **2.2 Other organisational management dimensions**

### **2.2.1 Human resource management**

The SRSS is structured primarily according to support policy areas, rather than by department dealing with specific Member States. In line with its mandate, the SRSS continues to ensure a strong country focus through the appointment country coordinators for all Member States<sup>55</sup> of its operations.

The SRSS grew from 130 staff in December 2016 to 184 in December 2018. Forty-seven staff members were recruited in 2018, as a result of the increased number of operations and the budget allocated in 2018 to the SRSP. A majority of the SRSS staff is based in Brussels; while some colleagues work in offices based in Athens and Nicosia.

The SRSS continues to be administratively part of the Commission's Secretariat General (SG). In accordance with the Memorandum of Understanding signed in 2017 with the SG, the SRSS and the SG manage their respective responsibilities in the following main areas: a) Budget, financial management, communication and data protection; b) Management of human and logistic resources, including IT; c) Document management; and d) Decision-making processes, briefings and parliamentary questions. With respect to human resources (HR) management, the SRSS remains responsible for the day-to-day management of its personnel. To this end, in 2018, the SRSS streamlined and documented its HR procedures and processes to ensure consistent knowledge and implementation across the Service.

In 2018, the SRSS continued to promote a more efficient and effective way of collaborating across units by establishing project teams responsible, for instance, for improving the SRSS' country knowledge, the analysis of the technical support requests, and the identification of instruments enabling the SRSS to mobilise technical support more efficiently.

In the field of equal opportunities, in 2018 the SRSS pursued its efforts to increase the number of women in management positions by recruiting an additional female manager. Overall, the SRSS is comprised of a majority of female<sup>56</sup> staff.

The results of the Commission Staff Opinion Survey reveal a strong engagement from the SRSS staff<sup>57</sup>. The SRSS results under the 14 survey themes<sup>58</sup> show overall positive scores (%) which are in line or above the EC average (%). Based

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<sup>55</sup> Except for UK.

<sup>56</sup> 57% as of 31 December 2018.

<sup>57</sup> Staff engagement measures staff's emotional, cognitive and physical connection to the job, organisation and the people within it (Source: European Commission 'Speak up Staff Survey' – Team Analysis).

<sup>58</sup> Commission as a workplace; organisational objective and purpose; inclusion and fairness; well-being and work-life balance; job clarity and job content; professional future; feedback and recognition; teamwork and colleagues; resources; learning and development; middle management; senior management; change and innovation; collaboration and communication.

on staff perceptions, 'the Commission as a workplace', 'the teamwork and colleagues', 'organisational objective and purpose', 'the job clarity and job content' are clear strengths for the SRSS. The last three strengths of the SRSS coincide with the strengths recorded by the other Services in the Commission.

In line with the results for the whole Commission, Professional Future is also the lowest positive scoring theme for the SRSS. The results of the Staff Opinion Survey will be followed-up in 2019 with a view to making improvements where necessary.

A permanent 'Sounding Board', reporting to Senior Management, has already been established to monitor and find ways to increase staff satisfaction. Among other areas of improvements, the Sounding Board emphasised the importance of ensuring the visibility of staff by clearly acknowledging their work. The annual appraisal exercise provides a good opportunity to focus and encourage further the professional development and future career aspirations of SRSS staff.

## 2.2.2 Better regulation

The outputs planned in the Management Plan 2018 were delivered with some delays.

### **Interim Evaluation of Aid Programme for the Turkish Cypriot community**

The interim evaluation<sup>59</sup> of the Aid Programme for the Turkish Cypriot community was launched before the end of the year. The delayed publication of this interim evaluation is due to the priority given in the first quarter of the year to the Impact Assessment accompanying the Proposal for a Regulation on the new Reform Support Programme for the period 2021-2027 (see below).

The SRSS is currently making arrangements for outsourcing the evaluation to consultants within EC established Framework Contracts.

The final results of this interim evaluation are expected to be published by the end of 2019.

### **Impact Assessment on the Proposal for a Regulation on the establishment of the Reform Support Programme for the period 2021-2027**

In accordance with the Commission's provisions on Better Regulation, in the first quarter of 2018, the SRSS prepared the Impact Assessment<sup>60</sup> accompanying the Proposal for the Regulation on the new Reform Support Programme (SRSP) for the period 2021-2027 – in the context of the Multiannual Financial Framework post-2020.

In May 2018, the European Commission adopted the proposal on the establishment of the Reform Support Programme (RSP) with an overall budget of EUR 25 billion, as part of the package for the upcoming multiannual financial framework for 2021-2027. The programme will provide financial and technical support to Member States for the purpose of incentivising the implementation of

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<sup>59</sup> Art. 34 (3) of the Financial Regulation requires that programmes and activities shall be evaluated at least once during the term of every multiannual financial framework (MFF).

<sup>60</sup> Commission Staff Working Document – Impact assessment accompanying the Proposal for a Regulation of the European Parliament and of the Council on the establishment of the Reform Support Programme SWD/2018/310 final - 2018/0213 (COD).

reforms aimed at increasing the resilience of and modernising their economies, including priority reforms identified in the European Semester.

The RSP includes: a) the Reform Delivery Tool (financial support); b) the Technical Support Instrument (technical expertise, building on the current Structural Reform Support Programme 2017-2020); and c) a Convergence Facility (preparation for adopting the euro).

### **Feedback mechanism on the support delivered**

The SRSS established a monitoring system consisting of a database of all projects of technical support and including a feedback mechanism aimed at collecting evidence on the achievement of the expected results, and based on questionnaires (to beneficiary authorities, providers of the services and policy officers in charge of the projects), which were tested in 2018. Based on the feedback received, the SRSS will also carry out some qualitative interviews and establish focus groups with the stakeholders in order to complement the quantitative data with qualitative data.

### **Ex-post evaluation of the activities of the Task Force for Greece (TFGR)**

In 2018, the SRSS performed an ex-post evaluation of the activities of the Task Force for Greece (TFGR)<sup>61</sup>. Despite some initial delays in launching the procedure for outsourcing this evaluation, the study<sup>62</sup> supporting the final evaluation was approved before the end of 2018 and it has been published on the website of the EU bookshop<sup>63</sup> of the European Institutions.

The main conclusions of the evaluation are that the Task Force Greece was highly responsive to the Greek authorities' requests, flexible in organising activities and proactive in proposing further support, as needed.

Moreover, there is evidence about the success of the TFGR in detailing the needs and identifying the appropriate actions for reform implementation. However, in assessing the effectiveness of the actions, there is evidence of a lack of a pre-defined set of indicators that could provide information on the outputs and results to be achieved.

In terms of acceleration of funds absorption, the Task Force for Greece played an important role in coordinating and facilitating the cooperation between the Greek government and the European Commission. However, some other factors, such as the increased European Union financing rate, had a more direct contribution in this respect.

The size of the budget available to the Task Force was generally appropriate and proportional to that which the intervention set out to achieve.

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<sup>61</sup> Cf. 2.1.2 (ECA's audits)

<sup>62</sup> ISBN 978-92-79-98400-6. See the Executive Summary: <https://publications.europa.eu/en/publication-detail/-/publication/77443b10-2055-11e9-8d04-01aa75ed71a1/language-en>

<sup>63</sup> <https://publications.europa.eu/en/home>

There is a wide agreement among the stakeholders that without the Task Force, the outcomes in the framework of the adjustment programmes would have been considerably less favourable.

Finally, there is also a wide consensus on the significant **EU added value** provided by achieving better results than what could have been achieved solely by the actions of the supported Member State. The Task Force contributed to the development and implementation of solutions that address national challenges that have an impact on cross-border or Union-wide challenges.

Some important lessons have already been drawn from the activities coordinated by the TFGR, such as the need for clearly framing from the outset future similar interventions based on a detailed problems analysis and the need to establish a set of indicators with baselines and targets in order to monitor the progress towards the objectives. As a follow-up actions to the findings above, the SRSS has put in place a pre-defined set of indicators to be used for the projects to be implemented as technical support under the SRSP. Those indicators refer to output and results and they are linked to the specific objectives set during the planning phase. Baselines and targets are set in the description of each project of technical support.

A Staff Working Document, summarising the main conclusions and lessons learned, will be published in 2019.

### **Annual Monitoring Report of the SRSP 2017**

In 2018, the SRSS has also submitted a report<sup>64</sup> to the EU Parliament and Council on the implementation of the SRSP in 2017<sup>65</sup>. The main finding of the report is that, after the first year of implementation of the SRSP, the Programme has proven its ability "to significantly contribute to the continued efforts of the national authorities of the Member States to identify and overcome certain structural weaknesses and bottlenecks in the design or implementation of reforms, and in the reform prioritization".

Moreover, the Programme represent a significant tool for enhancing Member States' capacities to define more efficient processes and methodologies and/or to make progress towards more effective human resource management.

The report underlined that while the results of the support actions are related to the specific projects, however, the effective follow-up on such actions in terms of implementation of concrete reforms remains the prerogative of the recipient Member State. Therefore, the effectiveness of the Programme cannot be strictly linked to the actual implementation of reforms, although the Commission will keep on monitoring the uptake of the support measures, as well as the implementation of institutional, administrative and growth-enhancing reforms alongside the Programme implementation.

## **2.2.3 Information management aspects**

Following the entry into force in May 2018 of the **General Data Protection**

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<sup>64</sup> Required under art.16 of the SRSP Regulation EC/2017/825.

<sup>65</sup> SWD(2018) 465 final.

**Regulation**<sup>66</sup>, the SRSS took the following steps to ensure compliance with the new rules:

- The SRSS established an inventory of its data processing operations (e.g. organisations of events, obligation of transparency towards third parties, contractual procedures, human resources management, monitoring and evaluation, controls applying to IT tools) and ensured that an existing notification of the Data Protection Officer was available for each activity; and
- For the majority of SRSS activities, appropriate information was provided to the relevant data subjects through notifications, including clear privacy statements.

The SRSS is currently developing its internal rules on the operational implementation of the provisions in the notifications and privacy statements. This exercise is expected to be completed in the first semester of 2019.

In 2018, the SRSS continued the **development of IT tools** to further facilitate the management and delivery of support to Member States by:

- updating the existing Module 1 (of JIRA) on the management of the MS requests, further developing Module 2 (of JIRA) on the implementation of the projects in the MS; and
- starting the development of the newly Module 3 (of JIRA) on the evaluation of projects.

In 2018, the submission of requests for technical support from the Member States was carried out for the first time via a newly developed web-based Portal, which allowed the Member States not only to submit requests but also to monitor their workflow through the analysis process.

This faster and more transparent way of submitting requests contributed to reducing the number of errors during the submission phase, and, overall produced substantial efficiency gains across the Service.

Furthermore, the SRSS made further developments to the Module 2, aimed at facilitate the monitoring and reporting on the implementation of technical support projects managed by the Service. Additional workflows were added covering new procedures (e.g.: implementation of the list of experts under the Call of Expression of Interest: and new files were created in order to facilitate a better, more complete implementation of the projects in the Member States). A process of weekly quality checks was also put in place to ensure monitoring, completeness and correction of data in terms of quantity and quality.

Module 3 will cover the evaluation exercise, closing the cycle of the implementation of the projects in compliance with the Better Regulation Guidelines and Toolbox. A complete set of questionnaires was developed and the IT tool includes technical features allowing the feedback to be encoded directly in the system as part of the whole project implementation process.

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<sup>66</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

While continuing to promote the corporate **document management** rules to facilitate easier exchange and retrieval of information, in 2018, the SRSS started to elaborate the conception of electronic practices aimed at contributing to further economy and efficiencies in the workplace.

In 2018, the SRSS ensured internal information and communication mainly through *Connected* on which the number of active users has been increasing over the years.

## 2.2.4 External communication activities

In 2018, the external communication activities of the Structural Reform Support Service (SRSS) focused on raising awareness about the **SRSP Programme** and demonstrating the added value of the technical support offered by the Service to Member States.

The SRSS published a brochure on the SRSS's first three years of activity<sup>67</sup> and its first achievements were also highlighted in the official State of the Union 2018<sup>68</sup> brochure. The visibility of the Service increased during the presentation of the SRSP annual work programme for 2018, the first Annual Monitoring Report<sup>69</sup> on the implementation of SRSP projects and the Commission's legislative proposal for the period after 2020.

Throughout 2018, the SRSS continued to develop specific case studies<sup>70</sup> illustrating the support that the SRSS provides to Member States. Communication activities around kick-off and closing events of SRSP projects helped to illustrate the support measures provided by the Service, as well as its added value.

Finally, the SRSS developed closer collaboration with Commission Representations in 24 EU Member States to enhance the visibility of the Programme in Member States.

With respect to the **Aid Programme for the Turkish Cypriot community**, the SRSS published a report on selected stories on the implementation of the Aid Programme<sup>71</sup>. In addition, overall, 330 visibility and communication actions took place in 2018.

There is a high demand for information on the EU in the Turkish Cypriot community. The EU Infopoint, which is managed by the EUPSO office together with the Representation of the European Commission in Cyprus, started functioning in early 2015 and is financed through a total budget of EUR 3 million for a 60-month period (with the extension of the contract).

The EU Infopoint has generated a high level of visibility for the EU, its policies and

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67 [https://ec.europa.eu/info/sites/info/files/report-on-the\\_3-years-of-the-srss\\_en.pdf](https://ec.europa.eu/info/sites/info/files/report-on-the_3-years-of-the-srss_en.pdf)

68 [https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-brochure\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-brochure_en.pdf)

69 [https://ec.europa.eu/info/publications/annual-monitoring-reports\\_en](https://ec.europa.eu/info/publications/annual-monitoring-reports_en)

70 [https://ec.europa.eu/info/examples-reform-support-provided-srss\\_en](https://ec.europa.eu/info/examples-reform-support-provided-srss_en)

71 [https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/aid-programme-turkish-cypriot-community\\_en](https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/aid-programme-turkish-cypriot-community_en)

the Aid Programme. Until now, it has covered more than 25 EU-related themes, including for instance environment (water, energy, recycling, biodiversity and waste management), organic agriculture, health & safety at work, food safety, animal welfare and animal health. It has also covered topics like fundamental rights, human rights, disability rights, children's rights, gender equality, LGBTI rights and consumer rights. The EU Infopoint has also organized various events on the Priorities of the Union, the State of the Union, etc.

Furthermore, in 2018, the EU Infopoint organised 50 events (34 in Nicosia and 16 outside of Nicosia), including Europe Day, European Week Against Racism, European Youth Week & International Youth Day, European Night of Researchers, EU Anti-Trafficking Day, school visits to EU-funded Waste Water Treatment Plants, Food Safety, Traffic Safety, SMEs, etc. These events attracted over 5,144 participants in 2018. The number of events with schools was increased to ensure outreach to a wider section of the Turkish Cypriot community.

During 2018, 5,151 information products and 12 newsletters were distributed (which brings the total since the opening of the Infopoint to 18,835 and 42 respectively). In addition, 493 news articles and 45 TV spots appeared on local media organs during 2018 (1,759 and 160, respectively, since inception of the project in January 2015). Traffic on the Facebook page "Abbilgi" also confirms the popularity of the activities (2,982 new likes in 2018, bringing the total number of likes since its opening to 13,998). It is important to note the reach of the Facebook posts as well. In 2018, the Facebook page had a reach of 291,829.

The EU Infopoint has been supporting the promotion of all EU Aid Programme and EC Representation initiatives, Calls for Proposals, EU-funded projects and events since the beginning of the project via Facebook posts/reminders, front-shop poster displays, and hosting of events and project launches at its public space. It has established strategic partnerships during the implementation of the project with other EU-funded grant projects and technical assistance projects, such as Civic Space, Private Sector, Animal Disease Eradication, Waste Management, etc., as well as with relevant departments and Civil Society Organisations in the Turkish Cypriot community.