



Annual
Management
and Performance
Report for
the EU Budget

**#EUBUDGET** 

FINANCIAL YEAR

2019

INTEGRATED FINANCIAL AND ACCOUNTABILITY REPORTING 2019

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#### REPORT FROM THE COMMISSION

### TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS

2019 Annual Management and Performance Report for the EU budget

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#### **Foreword**



It is my pleasure to present the Annual Management and Performance Report for the EU Budget – Financial year 2019. The report provides an overview of the performance, management

and protection of the EU budget, and is part of the Commission's integrated financial and accountability reporting package. It fulfils the Commission's obligations under the Treaty on the Functioning of the European Union (1) and the financial regulation (2), and is an essential part of a highly developed system of financial accountability.

2019 was the final year of the 2014-2019 legislature, thus the focus was on completing work on the priorities of the Juncker Commission and preparing the transition to a new Commission led by President von der Leyen.

The EU budget contributes to strengthening the European economy and making it more resilient. Around half of the budget is allocated to smart and inclusive growth. It is also used for investing in the future, in particular in the transition to a greener and more digital Europe. In 2019 the EU budget again demonstrated that it can make a tangible difference in the life of EU citizens in many areas, be it through improved transport offers, better connectivity at home and while travelling, or improving the environment by delivering on its promise to spend at least 20% on combating climate change. The EU budget also supported the common European response in the fields of migration and security.

The EU budget will continue to play a key role in supporting the ambitious European Green Deal. At the same time, it remains on the frontline when tackling new challenges: in the current crisis, we have used all the flexibility in the budget to channel funding swiftly to where the crisis repair needs are greatest.

The current coronavirus crisis has also shown once more how important it is for the EU to be able to rely on a well-dimensioned and flexible multiannual financial framework. Within the established limits of its capacity and its

regulatory flexibility, it offers the means to act and to react quickly to unforeseen and unprecedented crises. Boosted by Next Generation EU, the EU's long-term budget will also be at the heart of the recovery, having demonstrated its capacity to act as a catalyst for solidarity, responsibility and innovation, while ensuring sound financial management throughout the life cycle of the programmes it funds.

The Commission attaches great importance to ensuring that the EU budget is spent responsibly and correctly, and to working with all parties involved to make sure that it delivers tangible results on the ground. This report sets out the steps that are being taken to ensure that the EU budget is managed in accordance with the highest standards of sound financial management.

Commission carefully monitors implementation of the EU budget on the ground. If Member States, intermediaries or final beneficiaries are found to have spent EU money incorrectly, the Commission takes immediate steps to correct these errors, and recover the funds as necessary. The Commission estimates that, after corrections and recoveries over the coming year(s), the remaining level of error for the 2019 expenditure will be under 1% – well below the materiality threshold of 2%. Through this report, the Commission takes overall political responsibility for the management of the EU budget in 2019.

For the Commission, reporting consistently and improving the various control instruments are instrumental to protecting the EU budget. I can assure you that we will continue working to make sure that every euro contributed by EU taxpayers is well spent in the interests of the citizens.

Johannes Hahn, Commissioner for Budget and Administration

Article 318 of the Treaty on the Functioning of the European Union.

<sup>(2)</sup> Article 247 of the financial regulation.

#### Introduction

The Annual Management and Performance Report for the EU Budget – Financial year 2019 is the Commission's main contribution to the annual discharge procedure (3) by which the European Parliament and the Council scrutinise the implementation of the EU budget. The report covers both the performance of the programmes financed by the EU budget and the Commission's management of the EU budget in the reporting year.

This report is part of the broader integrated financial and accountability reporting package (4), which also includes the annual accounts (5), a long-term forecast of future inflows and outflows covering the next 5 years (6), the report on internal audits (7) and the report on the follow-up to the discharge (8).

**Section 1** provides a high-level overview of the performance of the EU budget in 2019, focusing on the key programmes. This section presents the latest information, from a variety of sources including programme monitoring, evaluations and audits, on the results achieved with the EU budget up until the end of 2019. This section is structured according to the headings of the current multiannual financial framework.

This reporting is supplemented by more detailed programme-by-programme performance information in the 'Programme performance overview' (Annex 1). The overview summarises the key performance messages from the programme statements accompanying the 2021 draft budget proposal.

**Section 2,** on internal control and financial management, reports on the steps the Commission took in 2019 to ensure the sound financial management of the EU budget. Based on the control results reported by the Commission departments accountable for managing the budget, it confirms that the EU budget is well protected. Through this report the Commission takes overall political responsibility for the management of the EU budget.

<sup>(3)</sup> The annual discharge procedure is the procedure through which the European Parliament and the Council give their final approval of the budget implementation for a specific year and hold the Commission politically accountable for the implementation of the EU budget (https://ec.europa.eu/info/about-european-commission/eu-budget/how-it-works/annual-lifecycle/assessment/parliamentsapproval\_en).

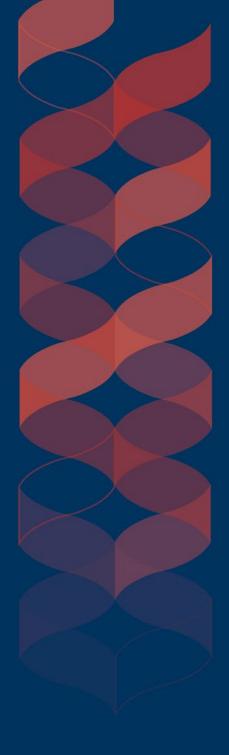
<sup>(4)</sup> Article 247 of the financial regulation.

<sup>(5)</sup> Article 246 of the financial regulation.

<sup>(6)</sup> Article 247(2) of the financial regulation.

 $<sup>(^{7})</sup>$  Article 118(8) of the financial regulation.

<sup>(8)</sup> Article 261(3) of the financial regulation.



Section 1 – Performance and results

#### 1.1. A result-oriented EU budget

The EU budget helps turn the Union's priorities into results that make a difference to people's lives. It is primarily an investment budget that helps to match the EU's shared ambitions with the resources to make them a reality. The budget focuses on areas in which pooling resources to tackle common challenges can deliver results that could not be achieved as effectively or efficiently by Member States acting alone. This is the case in areas as diverse as cross-border infrastructure, external border management, large-scale space projects and pan-European research.

#### 1.1.1. The EU budget is well managed with a strong focus on results

The EU budget is primarily an **investment budget**. Amounting to roughly 1% of the EU's gross national income, and representing around 2% of all public spending in the EU, it aims to complement national budgets and to implement commonly agreed priorities. Unlike national budgets, the EU budget is mainly focused on supporting strategic investments over the medium to longer term, and on using its leverage to catalyse investment from other public and private sources. The EU's financial programmes are managed either directly by the Commission, for example in the area of research, or together with the Member States, such as in relation to cohesion policy. Some two thirds of the EU budget is managed together with Member States through shared management.

The EU budget is adopted annually based on a 7-year financial framework. Structured into five headings, it brings together 60 financial programmes of varying size and scope. In some policy areas the EU budget is the main delivery tool, such as in the common agricultural policy. In other areas the EU budget is complemented by regulatory instruments that contribute to the achievement of EU policy goals.

The EU budget has a robust and integrated **performance framework**, leading to well-managed and result-oriented EU programmes. This framework includes clear and measurable objectives for each programme, together with indicators providing the basis for monitoring, reporting and evaluation. This indicator information, combined with other sources of qualitative and quantitative performance information such as evaluations, allows programme performance and the progress towards the agreed objectives to be assessed. This allows programme managers to anticipate and address weaknesses in programme implementation and is an important input into budgetary decision-making.

Annex 1 to this report, the 'Programme performance overview', presents the latest available performance information for each programme. It provides an overview of the objectives of each programme together with the state of its budgetary implementation and the latest available performance data.

Some financial programmes have embedded performance assessment even more deeply into their design. For example, a **performance reserve** was created for the current European Structural and Investment Funds. This reserve was released in 2019 to programmes that had achieved their predefined milestones by the end of 2018. In the case of programmes and priorities that had not achieved their milestones, resources were reallocated.

The performance framework for the EU budget and related reporting is being strengthened over time. Audits conducted by **internal and external auditors** have helped in this respect. Recent recommendations from the European Court of Auditors have led to more balanced reporting on performance, with more attention given to challenges encountered, a stronger focus on the reliability and quality of data, and clearer explanations of how data on performance have been used to improve performance.

Improvements will continue with the **Commission's proposals for the 2021-2027 Multiannual Financial Framework**. Based on the findings of a comprehensive spending review, the Commission has included a smaller number of higher-quality indicators linked closely to programme objectives in the proposals for the financial programmes. The Commission is now working with the European Parliament and the Council to ensure that these improvements, together with the other changes to programme design that will contribute to improved performance, are reflected in the final versions of the future programmes.

#### 1.1.2. The EU budget in 2019

With the European elections in May, 2019 was a year of transition for the European Union. The focus was on completing work on the political priorities of the Juncker Commission and preparing for the arrival of a new European Parliament and a new Commission led by President Ursula von der Leyen. The strategic agenda of the European Council (9) and the political guidelines (10) of the von der Leyen Commission set out the political framework for the coming period.

2019 was also the penultimate year of implementation of the financial programmes under the 2014-2020 multiannual financial framework. These programmes are now operating at cruising speed and contributing strongly to the delivery of the EU's priorities. There was a particular focus in 2019 on investment in growth and job creation, and on supporting the EU's priorities in the areas of migration and security.

During 2019 the EU budget contributed to strengthening the economy of the European Union and making it more resilient. The budget also supported investment in the twin transitions to a greener and more digital Europe, and financed programmes promoting solidarity and security both within and beyond the EU's borders.

The total amount of commitments implemented from the EU budget in 2019 amounted to EUR 161 billion (11). Around half of this (EUR 81 billion) was allocated to Heading 1 'Smart and inclusive growth', split between Heading 1a 'Competitiveness for growth and jobs' (14%) and Heading 1b 'Economic, social and territorial cohesion' (35%). Heading 2 'Sustainable growth: natural resources' was the second-largest area of the budget, with EUR 59 billion (37%). EUR 4 billion was allocated to Heading 3 'Security and citizenship', including for reinforcing the external borders of the EU and addressing the refugee crisis and irregular migration. EUR 12 billion was allocated to Heading 4 'Global Europe', and EUR 6 billion was spent on the 'Commission's administrative expenditure' under Heading 5.



The 2019 EU budget, commitment appropriations, per budget heading. All amounts in million EUR. Source: European Commission.

As regards the **performance of the EU budget**, the available reporting information at the end of 2019 presented in the 'Programme performance overview' in Annex 1 shows that most programmes are progressing well towards the targets set at the beginning of the programming period. Despite the delays in starting up the 2014-2020 cohesion programmes, progress is now accelerating. Where there were specific issues in relation to the implementation of particular programmes, the 'Programme performance overview' provides further explanation on how this has affected performance and the mitigating measures that have been taken. Definitive conclusions on programme performance, however, will only be possible on the basis of detailed evaluations after the closure of the current programmes. The impact of the COVID-19 pandemic and the steps that are being taken to redirect the EU budget to support crisis repair and recovery will need to be given due consideration in any such assessment.

<sup>(9)</sup> https://www.consilium.europa.eu/en/press/press-releases/2019/06/20/a-new-strategic-agenda-2019-2024/

<sup>(10)</sup> https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission\_en.pdf

<sup>(11)</sup> Commitment appropriations from 2019, including amending budgets, excluding carry-overs and assigned revenues, as well as the amounts for the European Globalisation Adjustment Fund and the EU Solidarity Fund. Implemented commitment appropriations amounted to EUR 173 billion (see consolidated annual accounts).

The performance of the EU budget is a responsibility shared among the many actors involved in its implementation. As the manager of the EU budget with ultimate responsibility for the implementation under the Treaty, the Commission plays a full part by working to ensure that the EU's financial programmes are managed efficiently and effectively, and that they deliver their intended results on the ground.

The administrative budget under Heading 5, which supports both budgetary management and the full spectrum of activities of the European Union institutions, accounts for a small share of the EU budget. Together with the other institutions, the Commission has taken steps to improve the efficiency of all of its operations and has delivered significant savings under the current financial framework, including by implementing a 5% staff reduction between 2013 and 2017 (12). The European Court of Auditors has confirmed these savings, while noting the negative consequences they have had for staff (13). These savings have been made at a time when there are ever-increasing expectations on the Commission to deliver in areas such as the green and digital transitions, industrial policy, economic and social recovery, migration, the rule of law and defence cooperation. These pressures have been heightened by the workload involved in developing and deploying a comprehensive EU response to the COVID-19 pandemic and its aftermath. Stability in the administrative budget under the future financial framework will therefore be essential for the EU institutions to continue to deliver for the EU in all the priority areas.

<sup>(12)</sup> Further details on the steps the Commission is continuing to take to improve efficiency in budgetary management are provided in Section 2 of this report.

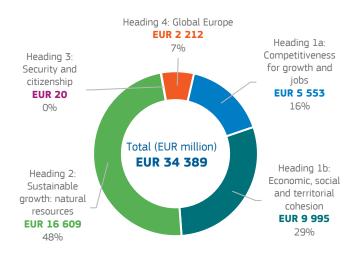
<sup>(13)</sup> European Court of Auditors, Special Report No 15/2019 – Implementation of the 2014 staff reform package at the Commission – Big savings but not without consequences for staff.

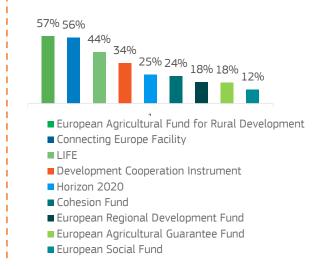
### Horizontal priorities in the EU budget

The EU budget addresses specific policy needs through one or several programmes. The horizontal nature of some policy objectives, however, requires deeper integration throughout the budget. This is particularly true for climate-related expenditure, protecting biodiversity and pursuing the sustainable development goals.

## 1.2.1. The EU budget provides strong support for its climate and biodiversity goals

The **climate mainstreaming** approach entails the deep integration of climate-related expenditure throughout the long-term budget. The current overall target is to dedicate 20% of EU expenditure to climate objectives. In 2019, climate-related expenditure exceeded this target and amounted to some EUR 35 billion, or 21% of the EU budget. Cumulatively over the 2014-2020 period the EU budget will contribute EUR 211 billion, or 19.8%, to climate objectives. While this falls slightly short of the target, annual climate-related expenditure has consistently been above 20% in recent years, catching up after relatively low levels earlier in the period.





Left: 2019 contribution of climate-related expenditure by budget heading. Right: Climate-relevant share of the main contributing programmes in 2019.

Source: European Commission.

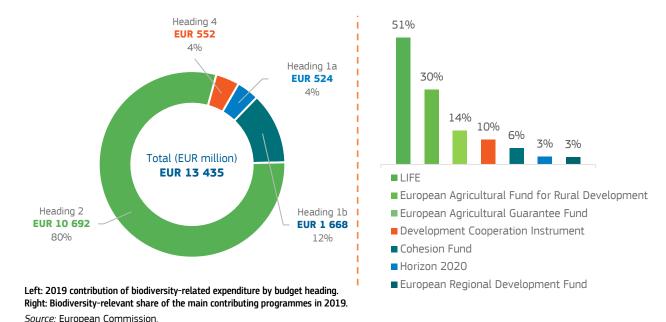
Thanks to the mainstreaming approach, all headings contribute to the achievement of this overarching priority. More than **90%** of climate-related expenditure is financed under the headings 'Sustainable growth: natural resources' (Heading 2), 'Economic, social and territorial cohesion' (Heading 1b) and 'Competitiveness for growth and jobs' (Heading 1a).

The degree to which an individual programme is climate related varies in accordance with its field of operation and the nature of the investment. In 2019, 28%, or EUR 16 billion, of the funding for the **common agricultural policy** and 21% of the European Regional Development Fund and Cohesion Fund contributed to climate objectives. Thanks to careful programming, the share of climate expenditure is rising in other areas: for example, the **European Social Fund** increased its contribution from 0% in 2014 to 12%, or EUR 1.6 billion, in 2019.

To fight climate change and environmental degradation and become the **world's first climate-neutral economy by 2050**, the EU needs to accelerate the transition to a more sustainable economy. In line with the

Paris Agreement on climate change and the United Nations sustainable development goals, for the next long-term budget the Commission has proposed an even more ambitious goal for climate mainstreaming across all EU programmes, with a target of at least 25% of EU expenditure contributing to climate objectives. This will make an important contribution to delivering the European Green Deal proposed by the Commission.

The EU is also making a concerted effort to support **biodiversity**. Between 2014 and 2020 the EU budget contributed EUR 85 billion (8% of total expenditure) to support biodiversity. Throughout the period the contribution of the budget has been stable, with the exception of the first 2 years of implementation.



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While the majority of expenditure on biodiversity is linked to the heading 'Sustainable growth: natural resources' (Heading 2), many other programmes contribute to tackling biodiversity loss.

In 2019 the contribution from the EU budget to the fight against biodiversity loss amounted to almost **13.4 billion**, or **8.3%** of the budget. More than **75%** of the expenditure comes from the common agricultural policy.

As an integral element of the European Green Deal, the **new biodiversity strategy for 2030** will include a transformative plan to further protect and restore nature, with resulting benefits for both halting biodiversity loss and mitigating the effects of climate change. The EU budget will play an important role in delivering this strategy.

Further information on how the EU budget is used to support climate and biodiversity is provided in Annex 2 to this report.

### 1.2.2. The EU budget and the 2030 agenda for sustainable development

The EU, together with its Member States, is fully committed to being at the forefront of implementing the **2030 agenda for sustainable development**. The 2030 agenda is the shared roadmap adopted under the auspices of the United Nations for a peaceful and prosperous world, of paramount importance to the values of the EU and the future of Europe. The EU has committed to implementing the sustainable development goals in both its internal and its external policies. Since the adoption of the agenda in 2015 the EU has made significant progress in delivering on the sustainable development goals, and is continuing to strengthen its efforts.

The EU has embarked on a transition towards a low-carbon, climate-neutral, resource-efficient and circular economy that goes hand in hand with increased security, prosperity, equality and inclusion. In this light, the design and implementation of EU spending programmes aims at delivering on the objectives in each policy field while promoting sustainability through the actions and interventions of the relevant programmes. Through the **European consensus on development**, the EU has also aligned its approach to international cooperation and development policy with the 2030 agenda, placing the sustainable development goals and the Paris Agreement at the heart of its external action.

In light of the interlinked nature of these goals, most of the EU's budgetary programmes are designed to address multiple sustainable development goals. Currently, 75% of the EU budget programmes (45 out of 60) contribute towards these goals. The following infographic illustrates, in a non-exhaustive manner, the many examples of how EU programmes contribute to the sustainable development goals. The EU's coherent approach supports a variety of initiatives in a wide range of policy fields across the globe, with the aim of promoting sustainable development for all.



In 2018 the **Asylum, Migration** and Integration Fund awarded over EUR 194 million for a cash assistance and accommodation scheme in Greece, providing approximately 25 000 places in apartments and suitable shelters to the most vulnerable migrants.



The **Spotlight Initiative**'s 'safe and fair' programme (EUR 25 million), aims at ensuring that labour migration is safe and fair for all women in the region covered by the Association of Southeast Asian Nations.



Food assistance reached 12.6 million people in 2018 through the Fund for European Aid to the Most Deprived.



By the end of 2018, the **European Regional Development Fund and Cohesion Fund** financing had resulted in an increase in waste-recycling capacity to 765 000 tonnes per year, compared to 48 000 tonnes per year at the end of 2017.



27.5 million people had benefited from improved health services financed by the **European Regional Development Fund** by the end of 2018.



With financing from the **Development Cooperation Instrument**, Switch Africa Green provides funding to green business projects in Africa. In its first phase, it supported 3 000 micro, small and medium-sized enterprises and contributed to creating or securing 10 000 green jobs.



In 2019, under the Africa–Europe Alliance, over 8 000 African students and staff were granted scholarships in EU universities by **Erasmus+**, bringing the total to over 26 000 since 2014.



**Humanitarian aid** provided financing to 24 countries and for six regional interventions in 2019 to strengthen the disaster preparedness of national response systems and mitigate the impact of climate-induced disasters on humanitarian needs.



EUR 2.4 billion were committed by the **European Social Fund** to projects targeting gender equality by the end of 2019. For example, the 'nidi gratis' project in Lombardy, Italy has provided 30 000 low-income families with free access to nursery schools for their children.



To date, the **European Maritime and Fisheries Fund** has funded nearly
15 000 projects on preserving the
marine environment and ensuring
better resource efficiency.



Since 2014, over 3 million people have been provided access to high-quality drinking water and wastewater treatment under the **European Regional Development Fund** and the **Cohesion Fund**.



The diversifood project, financed by **Horizon 2020**, aims at achieving organic and low-input agriculture by enriching the diversity of cultivated plants within diverse agroecosystems.



The European Fund for Strategic Investments has helped provide renewable energy to approximately 10 million households and save over 5 000 gigawatt hours of energy per year.



The **justice** programme supported the participation of 1 358 participants in judicial training programmes in 2018, thereby fostering a common legal and judicial culture.



Innovation management capacity assessments and guidance are provided to more than 4 000 SMEs per year under the competitiveness of enterprises and small and medium-sized enterprises programme.



Free, full and open data access resulting from the **Copernicus** international cooperation arrangements is expected to reach approximately 50% of the world's population via a local data hub.



**Galileo**'s search and rescue service allows the time required to detect emergency distress beacons to be reduced to 10 minutes.

#### 1.2.3. The EU budget: a powerful crisis response tool

The EU budget can be mobilised quickly and flexibly as part of a coordinated European response to crises. This has been illustrated vividly by the ongoing response to the COVID-19 pandemic. The Commission has proposed to use all of the remaining flexibility in the current financial framework to get funding quickly to where it is most needed. This has included the following examples.

- The Coronavirus Response Investment Initiative mobilised all available cohesion funds to provide immediate support to Member States' crisis response measures. This includes meeting the most pressing needs for medical supplies and equipment as well as addressing the effects of the economic crisis through short-term work schemes, financial support to SMEs and an immediate liquidity injection. The measures are accompanied by a number of flexibility arrangements, including on co-financing rules. Overall, the initiative could mobilise up to EUR 54 billion from the European Structural and Investment Funds to address immediate crisis needs in Member States.
- The scope of the EU Solidarity Fund was extended as of 1 April 2020 to encompass major public-health emergencies. Up to EUR 800 million could be made available to Member States and candidate countries that are seriously affected by the COVID-19 crisis to finance assistance to the population (medical, health-sector and civil-protection-type measures) and measures taken to contain the spread of the disease.
- The Emergency Support Instrument was reactivated in April 2020 with a budget of EUR 2.7 billion
  to support Member States, and the Union Civil Protection Mechanism/rescEU budget was increased by
  EUR 380 million. This money is being used to help Member States rapidly procure and distribute the
  supplies needed to fight the coronavirus through measures that include creating a strategic rescEU
  stockpile of medical equipment, including ventilators and personal protective equipment such
  as masks.

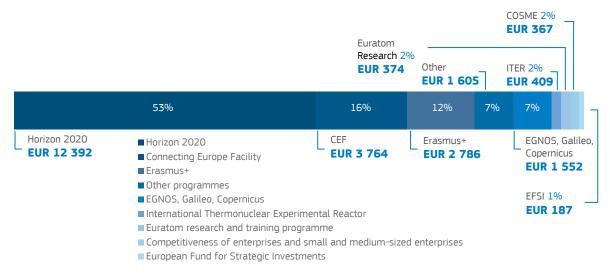
- Under the Horizon 2020 programme for research and innovation, the Commission launched a special call for expressions of interest to support research on COVID-19 with funding mobilised from the special fund for emergency research. Examples include a first call in January 2020 on health research on COVID-19 which targeted the development of vaccines, alternative diagnostic tests, new treatments and improving public health measures. As a result, 136 research teams will work with an overall budget of EUR 47.5 million in 17 projects. A further EUR 45 million will be made available through the Innovative Medicines Initiative Two Joint Undertaking, as well as EUR 164 million through a call launched by the European Innovation Council pilot.
- The **EU**, **as global actor**, **and in collective action as Team Europe** (EU, Member States, financial institutions) secured financial support to partner countries for a total of more than EUR 23 billion, focusing on addressing the immediate health crisis and resulting humanitarian needs, strengthening partner countries' health, water and sanitation systems and their research and preparedness capacities to deal with the pandemic, as well as mitigating the socioeconomic impact. In addition, the **EU promotes a Coronavirus Global Response with multilateral partners**; an international pledging conference collected pledges of more than EUR 9.8 billion made by more than 40 Heads of State or Government and ministers to support the collaborative development and universal deployment of diagnostics, treatments and vaccines against coronavirus.

Beyond this response that will bring rapid support, the Commission proposed also to harness the full potential of the EU budget to build a lasting and prosperous recovery. As part of the European Union's Recovery Plan (14), on 27 May 2020 the Commission proposed a reinforced multiannual financial framework for 2021-2027, together with a new European Recovery Instrument ('Next Generation EU') to boost and frontload funding. These proposals support crisis repair and provide a framework for long-term investment in the EU's resilience and the green and digital transitions. Increasing the flexibility of the EU budget and investing in crisis preparedness and resilience will be priorities for the future financial framework.

The funding raised for Next Generation EU will be invested across three pillars: support to Member States with investments and reforms; kick-starting the EU economy by incentivising private investments; and addressing the lessons of the crisis. An example of addressing the lessons from the crisis is the proposal for the EU4Health programme 2021-2027: the overall budget of EUR 9.4 billion marks a step change in the EU's contribution to the health sector.

<sup>(14)</sup> COM(2020) 442 final, 27.5.2020, The EU Budget Powering The Recovery Plan For Europe, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions.

### 1.3. Competitiveness for growth and jobs



All amounts in million EUR. Source: European Commission.

In 2019, EUR 23 billion was allocated to competitiveness for growth and jobs, representing almost 15% of the EU budget. Under this budget heading significant economic investment has been triggered in infrastructure, in research and innovation and in support of small and medium-sized enterprises. This type of investment is key for the dual transitions to a **climate-neutral and digital economy**, and is fundamental for sustainable long-term growth in Europe.

This heading also illustrates the power of the EU budget to mobilise investment from other sources. For example, by the end of 2019 the **European Fund for Strategic Investments** had triggered more than EUR 458 billion in investment and supported over 8.5 million jobs (<sup>15</sup>). It has played an important role in supporting the economy by financing key infrastructure investments in areas such as energy and transport and supporting small and medium-sized enterprises.

A significant share of the investment under this budget heading is designed to ensure that the EU retains its competitive edge in today's global markets. Developing state-of-the-art technology and supporting its deployment in the EU are fundamental to ensuring the uptake of such technology by market participants and citizens. These programmes also provide investment in essential infrastructure, be it through providing direct financing in areas where existing financing is insufficient or through investment in the development or maintenance of infrastructure that are fundamental for the functioning of the internal market. In addition, this budget heading, together with other parts of the EU budget, invests in human capital, in particular by providing opportunities for mobility.

## 1.3.1. The EU budget enables the green transition by supporting innovation and investing in clean energy and transport

In order to enable the green transition, the EU budget finances relevant infrastructure, such as for the generation of renewable energy, and focuses on smart solutions by developing innovative technologies and combining them with investment in essential infrastructure.

The **Horizon 2020** programme for research and innovation is one of the largest single integrated research and innovation programmes of its type in the world. It is particularly important for and emblematic of the wider drive to support innovation and technological development through the EU budget. Horizon 2020

<sup>(15)</sup> See Annex 1 – Programme performance overview for European Fund for Structural Investments.

supports the entire chain of research and development from the lab to the market. The goal is to ensure the EU produces world-class science and technology, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering solutions to major challenges facing society. By the end of 2019 the programme had supported more than 23 000 organisations in accessing risk finance, along with 5 522 high-quality research projects under the European Research Council and 44 000 innovations that include prototypes and testing activities ( $^{16}$ ). Nonetheless, the share of climate-related expenditure under Horizon 2020 remained below the expected level, at 27%, due to the difficulty of assessing in advance the extent to which certain research projects will contribute to climate-related objectives. The Commission is addressing this situation with the launch of a call dedicated to the European Green Deal in 2020, with a budget of EUR 1 billion. This will considerably raise the level of climate-related expenditure.

Horizon 2020 released a cross-cutting call for proposals for 'Building a low-carbon, climate-resilient future: next-generation batteries', which for the first time brought together all battery-related topics into one 'Battery alliance' call, including seven topics addressing transport and stationary applications, materials and production. Sixteen proposals were funded, with a total EU contribution of EUR 97 million (<sup>17</sup>).

The Flow Induced Phase Transitions project supports innovations replacing plastic with the creation of a sustainable and resistant fibre. The project allows the testing and development of a novel form of polymer processing via controlled solidification derived from natural materials with reduced use of water and energy. It takes inspiration from spiders and silkworms to create a high-performance natural fibre (sustainable, degradable and elastic) in a way that is over 1 000 times more energy efficient than industrially manufactured fibres. Thanks to the very low CO<sub>2</sub> emissions engendered, and the use of natural resources, this new form of polymer processing will reduce energy consumption and the production of plastic. The project is now part of the Enhanced European Innovation Council pilot project.

Another important contribution in this area is made by the EU space programmes. The **Copernicus** programme is the world leader in **Earth observation**, **currently operating seven satellites with preparations for an eighth completed in 2019**. It is essential to the understanding of climate systems, offering a wide range of services to all EU stakeholders free of charge. In 2019 the number of active users surpassed 300 000 (<sup>18</sup>) for the first time – a much larger number than originally expected. Copernicus services support both accurate weather forecasting and the monitoring of climate change and pollution effects. A key component of Copernicus is its **Emergency Management Service**, which assists civil protection authorities in the immediate response to disasters such as the forest fires in Greece and Italy in 2019, but also the wildfires in Australia, among others.

Direct investment in infrastructure is made under the **Connecting Europe Facility**, which finances essential transport, energy and telecommunications infrastructure, integrating networks across the EU. The Connecting Europe Facility focuses on smart solutions, bringing together digitalisation and infrastructure to create safe and efficient integrated networks to support decarbonisation through sustainable solutions in the transport, energy and digital sectors. For instance, the facility has co-funded projects in the transport sector which will lead to the electrification of more than 2 000 km of railways, the upgrade of almost 3 000 km of inland waterways and the deployment of around 13 000 supply points for alternative fuels all over Europe, hence fostering the greening of the transport sector. The energy component of the Connecting Europe Facility has amongst other things contributed to ending the energy isolation of the Baltic States, improving the interconnectivity of the Iberian Peninsula with the rest of Europe and linking Ireland with continental Europe, all of which has helped significantly with the integration of a larger share of renewable energy in the electricity system. Moreover, in line with the goal of climate neutrality, the Commission is evaluating the existing Trans-European Network Regulation to further align its large infrastructure investments.

<sup>(16)</sup> See Annex 1 – Programme performance overview for Horizon 2020.

<sup>(17)</sup> Directorate-General for Research and Innovation, *Annual Activity Report 2019*, pp. 18-19.

<sup>(18)</sup> See Annex 1 – Programme performance overview for Copernicus.

With regard to transport infrastructure, progress has been made in the Baltic Sea region, and on rail infrastructure across the German-Polish border, leading to an estimated 95 million citizens benefiting from it.

#### Maritime: zero-emission ferries — a green link across the Oresund

The action covered the introduction of new and innovative concepts and technology by converting two existing complex passenger ships – originally fuelled by heavy oil – to plug-in all-electric-powered operation exclusively using batteries. The action has brought a more environmentally friendly solution to a very busy maritime link, connecting the comprehensive trans-European transport network ports of Helsingør (Denmark) and Helsingborg (Sweden). Moreover, the power-provision and charging installations required in the ports/ferry terminals were put in place. The project supported the development of clean motorways of the sea by testing and deploying new technological solutions in real operational conditions.

### 1.3.2. The EU budget supports the digital transition by investing in key digital infrastructure, research and services

Support for the digital transition plays a major role in investments from the EU budget. Beyond providing access to the digital realm, a key underlying consideration is the safety and the well-being of citizens and enterprises, be it to protect them from issues such as cybercrime or to directly improve the safety of citizens and the resilience and safety of essential infrastructure. The vision is to create an ecosystem of interoperable digital services available to citizens, businesses and administrations across the EU so they can fully benefit from the digital single market.

To support the digital transition, **Horizon 2020** resources were targeted at projects to build new capabilities in the area of artificial intelligence and to tackle cybercrime. Key projects in 2019 include Formobile, a complete end-to-end forensic investigation chain targeting mobile devices used by criminal offenders (<sup>19</sup>), and Spider, a research project to investigate the security of 5G telecommunications networks.

The **Connecting Europe Facility** supports the digital transition by providing necessary basic broadband infrastructure and promoting connectivity, and by integrating digital innovation into the design of supported transport and energy infrastructure projects. In the telecommunications sector, the EU budget is enabling EU-wide interoperability of specific services in areas such as health, justice, social security information, eGovernment, disinformation, digital skills, and cybersecurity. By the end of 2019, the uptake of these services in the Member States and European Economic Area participating countries reached a portfolio of 500 projects. Through the WiFi4EU initiative, CEF Telecom also supported 7 980 European municipalities to install free-of-charge Wi-Fi based connectivity in public spaces, and created an equity instrument, the Connecting Europe Broadband Fund, for the deployment of very high capacity networks.

The eHealth Digital Service Infrastructure facilitates continuity of care and patient safety for citizens seeking cross-border healthcare, allowing health data to be exchanged across national borders. Cross-border ePrescriptions/eDispensations (eP) allow patients abroad to receive the equivalent medication that they would receive in their home country. The Patient Summary (PS) services provide health professionals with access to the verified key health data of a patient needing unplanned cross-border healthcare. The cross-border exchanges of electronic Patient Summaries and ePrescriptions takes place since January 2019, with almost 8 000 ePrescriptions already dispensed between Finland, Portugal, Estonia and Croatia. In 2019, Czechia, Luxembourg, Croatia and Malta enabled the exchange of patient summaries and Portugal joined them in early 2020.

<sup>(19)</sup> Project call for Formobile – also https://formobile-project.eu/

Another area is geolocation. The **Galileo** programme with 26 satellites in orbit (<sup>20</sup>), helps improving the accuracy and reliability of location services in the smartphones of more than 1 billion users worldwide. In addition, the **European Geostationary Navigation Overlay Service is playing a key role** in safety critical services such as aviation safety. At the end of 2019, 350 airports equipped with this service were operating in 23 countries in Europe, with the number increasing for a fifth consecutive year from 129 in 2014 (<sup>21</sup>).

**Galileo**'s three initial services (the open service, the public regulated service and the search and rescue service) were provided continuously in 2019, with the exception of a 6-day interruption in July 2019 of the Galileo initial navigation and timing services due to a technical incident. During this period, the Galileo search and rescue service was unaffected. The independent inquiry board set up by the Commission analysed the root causes of the incident and provided recommendations. The Commission has put in place a process to implement the recommendations to ensure that Galileo is a stable, robust and resilient system.

Many of these investments and infrastructures take time to build, and investment cycles are very long, which means it is often difficult to point to direct progress and concrete results. At the same time, such financing from the EU budget has a real impact on the lives of citizens. For instance, one third of all EU municipalities are implementing WiFi4EU under the Connecting Europe Facility, providing EU-supported Wi-Fi connectivity to citizens free of charge. Galileo-improved location services are saving lives by making the location available to emergency services when calling 112 from mobile phones.

## 1.3.3. The EU budget provides essential support to small businesses and entrepreneurs

Beyond the specific focus on the green transition, the EU budget more broadly supports the investments necessary for the EU to have a long-term sustainable economy with a focus on people. While research and development and infrastructure remain important in this area, there are other important angles such as support for small and medium-sized enterprises and for entrepreneurship and social innovation.

Small and medium-sized enterprises are the backbone of the EU's economy, representing 99% of all businesses. They produce 56% of economic output and provide 67% of overall employment (22). In spite of their importance to the economy, small and medium-sized enterprises still face challenges such as finding financing in various segments of the internal market. The EU budget provides support and opportunities throughout their life cycle, from starting up, through commercialisation, to long-term investment and sustainability. The main budget programme assisting small and medium-sized enterprises is the EU programme for the competitiveness of enterprises and small and medium-sized enterprises, which promotes entrepreneurship, helping these businesses to gain access to finance and markets and improve their competitiveness.

In April 2020, one of its components, the Loan Guarantee Facility, has been boosted with additional resources from the European Fund for Strategic Investments to enable banks to offer bridge financing for small and medium-sized enterprises. Through the facility, the programme had provided financing to more than 500 000 small and medium-sized enterprises operating in 32 countries (23) by the end of 2019. It has also helped businesses hit by the economic impact of the coronavirus pandemic. The financial support is in the form of working capital loans (of 12 months or more), along with credit holidays allowing for the delayed repayment of existing loans. The Enterprise Europe Network is also helping small and medium-sized enterprises through innovation partnerships on areas linked to COVID-19 (such as protective or medical equipment) and advice on accessing dedicated European and national financial support.

<sup>(20)</sup> In 2019, 22 Galileo satellites are fully operational for all services.

<sup>(21)</sup> A major step in enhancing the market uptake of the European Geostationary Navigation Overlay Service was the adoption of airspace usage requirements and procedures for performance-based navigation in 2018.

<sup>(22)</sup> Annual Report on European SMEs 2018/2019, study carried out on behalf of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review\_en#annual-report).

<sup>(23)</sup> See Annex 1 – Programme performance overview for the programme for the competitiveness of enterprises and small and mediumsized enterprises.

More targeted start-up financing is provided to innovative start-ups from the **European Innovation Council** under Horizon 2020 and to micro and social enterprises from the **Employment and Social Innovation Programme**. The focus in this regard is to target specific segments of the market – highly innovative small and medium-sized enterprises and social enterprises – that historically have had specific difficulties in accessing financing. The numbers are encouraging, and show a significant increase in breakthrough innovations and high-growth companies. Every euro invested from the European Innovation Council triggers follow-on investments of EUR 2.4 (<sup>24</sup>). Moreover, more than EUR 2.7 billion of financing is expected to be unlocked under the Employment and Social Innovation Programme, as a result of guarantee agreements worth EUR 236 million concluded by the Commission with financial intermediaries.

Support for entrepreneurship is also provided in non-financial form under **Erasmus for Young Entrepreneurs**, which fosters exchanges between newer and more experienced entrepreneurs. In 2019, 2 100 exchanges took place, and the programme has been considered successful by over 90% of participating entrepreneurs.

Another important contribution from the EU budget is made by providing financing under the small and medium-sized enterprises window of the **European Fund for Strategic Investments**. In the area of risk financing for innovative micro, small and medium-sized and social enterprises, along with those operating in cultural and creative sectors, the fund is expected to support more than 1.1 million such enterprises.

## 1.3.4. The EU budget invests in EU citizenship and values by promoting cross-border mobility

Beyond direct investment in economic infrastructure and enterprises, the EU budget also invests in people and institutions promoting shared European values under the EU motto 'United in diversity'.

**Erasmus+** offers opportunities for young people, learners and staff of all ages to study, train and volunteer within Europe and beyond. In 2019 more than 900 000 people had a chance to go abroad and experience life differently, in higher education, in vocational training and through various other exchange possibilities (<sup>25</sup>). The sometimes life-changing effects of these experiences are making an important contribution to improving employment prospects and promoting the idea of EU citizenship.

**The Employment and Social Innovation** programme backed the mobility of workers through cross-border partnerships and targeted mobility schemes. The support to mobile workers was further enhanced in 2019 with the establishment of the European Labour Authority (<sup>26</sup>), an entity aiming to ensure that EU rules on labour mobility and social security coordination are enforced in a fair and effective way, making it easier for citizens and businesses to benefit from the internal market.

In addition to promoting intra-EU linkages and exchanges, cross-border cooperation has also been shown to foster successful and impactful research. **Horizon 2020** continued to support cross-border networks of researchers. Under its strand of the **Marie Skłodowska-Curie actions**, Horizon 2020 continued investing in European researchers to enable them to work and collaborate in other countries, at all stages of their career, supporting initiatives that break down barriers between academia, industry and business.

Finally, the **European Solidarity Corps** is promoting solidarity activities, mainly through volunteering, traineeships and jobs, to enhance the engagement of young people and organisations in accessible and high-quality solidarity activities. Young people aged between 18 and 30 undertook volunteering activities or solidarity projects managed by organisations, institutions, bodies or groups. By the end of 2019 more than 12 000 participants had been involved in volunteering actions.

<sup>(&</sup>lt;sup>24</sup>) Directorate-General for Research and Innovation, *Annual Activity Report 2019*, p. 7.

<sup>(25)</sup> See Annex 1 – Programme performance overview for Erasmus.

<sup>(26)</sup> Regulation (EU) 2019/1149 of the European Parliament and of the Council of 20 June 2019 establishing a European Labour Authority.

# 1.4. Economic, social and territorial cohesion



All amounts in million EUR.

Source: European Commission.

**In 2019, EUR 57 billion was allocated to the programmes under this heading,** representing 35% of the total EU budget for the year. Cohesion policy programmes are implemented through shared management. Member States are responsible for allocating funding to specific thematic areas under the funds, which are planned via operational programmes.

Geared towards achieving socioeconomic convergence, resilience and territorial cohesion, cohesion funding helps address both current and emerging challenges, laying the foundation for the EU's sustainable future. Cohesion policy contributes to the delivery of the EU's key priorities by supporting growth and job creation at EU level and structural reforms at national level. The funding plays a key role in preparing for the green and digital transitions and contributing to a fairer and more social Europe by supporting measures to tackle youth unemployment and poverty and to promote social inclusion.

This heading covers the following funds.

- The **European Regional Development Fund**, which strengthens economic and social cohesion in the European Union by reducing imbalances between its regions. Actions are concentrated on innovation and research, the digital agenda, support for small and medium-sized enterprises and the low-carbon economy and transport.
- The **Cohesion Fund**, which helps the Member States with the biggest development needs (those with a gross national income per inhabitant of less than 90% of the EU average). It aims to reduce economic and social disparities and to promote sustainable development.
- The European Social Fund, which aims to boost employment and education opportunities in the EU
  and to improve the situation of the most vulnerable people. It works by investing in the EU's human
  capital its workers, its young people and all those seeking a job through education and upskilling.
- The Fund for European Aid to the Most Deprived, which supports actions to provide food and basic material assistance to the most deprived.
- The **Youth Employment Initiative**, which supports young people who are not in education, employment or training to integrate them into the labour market.

## 1.4.1. Cohesion programmes improve living standards, create jobs and boost growth and convergence across the EU

The main objective of these programmes is to reduce the economic and social disparities between EU regions. In order to achieve this, Member States have a large amount of flexibility and a responsibility to identify the most important policy areas where action is required, which can then be implemented and co-financed from the EU programmes. Depending on the level of development, Member States have to concentrate more or less financing on a limited number of chosen policy areas. Significant amounts are spent on small and medium-sized enterprises, transport, environment and human capital.

Support for small and medium-sized enterprises is a key focus. The European Regional Development Fund has supported investment in over 400 000 small and medium-sized enterprises, which has helped to create an additional 109 000 jobs (<sup>27</sup>) and has made an important contribution to economic growth. The forecast rate of job creation by the end of 2019, based on the selected projects, has reached 83% of the overall expectations for total job creation by the end of 2023.

Living standards and cohesion are further enhanced by linking EU regions together through new and improved transportation infrastructure. Transport projects are essential to allow the continued economic development of disadvantaged regions, to provide their populations with further opportunities for travel and employment and to strengthen the EU's single market. The **Cohesion Fund** and **European Regional Development Fund** have financed 4 259 km of new or upgraded roads and 938 km of new or upgraded railway lines (<sup>28</sup>).

An additional aspect of cohesion policy is the structural improvements that are financed, which serve to lift people's living standards and safety. The **European Regional Development Fund** has so far allowed 27.5 million people to benefit from improved health services. Along with the **Cohesion Fund** it is also financing the construction of improved water supply facilities, waste-water treatment plants and waste recycling facilities, with projects currently under way expected to exceed the targets set for 2023.

These and other projects financed under cohesion policy have made an important contribution to assisting less-developed Member States and regions in catching up with the rest of the EU in terms of gross domestic product (<sup>29</sup>). It has been estimated that every euro spent through cohesion policy has generated a return of close to EUR 3 in additional gross domestic product (<sup>30</sup>). The ensuing development is beneficial to the entire EU, for both cohesion and non-cohesion Member States. The latter benefit from spillovers generated by investment in less-developed areas both directly, through increasing sales of investment goods, and indirectly, due to increased demand from households in cohesion areas generating additional trade (<sup>31</sup>).

Beyond the structural investments from the European Regional Development Fund and the Cohesion Fund, cohesion policy supports people directly by providing them with opportunities for further education and the acquisition of necessary skills in order to become and remain competitive in the job market.

The **European Social Fund** has so far helped 26 million people through various projects by the end of 2019 (<sup>32</sup>). From these, 3.1 million people had found jobs and 3.7 million gained a qualification as a result of the ESF intervention. Youth unemployment is of particular concern to the EU. Through the **Youth Employment Initiative**, the EU budget has managed to significantly reduce unemployment by providing education and training to 2.7 million young participants. The European Social Fund also caters for disadvantaged groups; and supported, for instance, 1.9 million people with disabilities; as well as 3.9 million migrants and people with a foreign background through access to education and training; boosting their employability. Overall, 40% of those benefiting from projects financed by the European Social Fund, finding employment and receiving training, belong to disadvantaged groups.

<sup>(27)</sup> See Annex 1 – Programme performance overview for the European Regional Development Fund.

<sup>(28)</sup> See Annex 1 – Programme performance overview for the Cohesion Fund.

<sup>(29)</sup> Directorate-General for Regional and Urban Policy, Annual Activity Report 2019.

<sup>(30)</sup> Source: SWD(2016) 318, 'Ex-post evaluation of the ERDF and CF 2007-13', 19.9.2016.

<sup>(31)</sup> Directorate-General for Regional and Urban Policy, *Annual Activity Report 2019. Source:* Eurostat and DG Regional and Urban Policy calculations.

<sup>(32)</sup> See Annex 1 – Programme performance overview for the European Social Fund.

## 1.4.2. Cohesion spending supports the green transition through investments in sustainability and workforce

Cohesion spending provides strong support for the EU's ambitious energy and climate policies, and helps regions and cities to reach the target of climate neutrality by 2050 and contribute to a socially fair transition. The 2014-2020 programmes will invest over EUR 47.5 billion (<sup>33</sup>) in the low-carbon economy and climate-change adaptation by the end of 2023.

While fighting climate change is a common endeavour, not all regions and Member States are starting from the same point. Often there is an inverse link between the level of economic development and the sustainability of the economy. This is recognised in cohesion policy through the fact that one of the two major strands of the **Cohesion Fund** is geared towards environmental objectives in economically less developed Member States, and that the **European Regional Development Fund** supports the shift towards a climateneutral economy mostly in less developed regions.

Sustainable green investment focuses on addressing climate change through both mitigation and adaptation actions. Here, climate mitigation actions put together those projects that address the underlying causes of climate change so as to slow it down or halt it. Climate-adaptation actions are projects that increase the resilience of the EU's economy and infrastructure to the expected or actual changes in the climate. Major projects in this regard have improved flood-protection systems, with projects being financed that cover 4 million people, and forest-fire-protection systems, with projects covering 10.8 million people (<sup>34</sup>).

So far, accomplishments with regard to climate mitigation have included the conservation of habitats corresponding to an area of almost 3 million hectares, with the conservation of almost 9 million more hectares already planned (35). Cohesion policy projects have also been successful in implementing large numbers of projects to reduce greenhouse gas emissions. These projects have already resulted in a reduction in greenhouse gas emissions equivalent to 1.3 million tonnes of carbon dioxide per year, with further projects already selected that will result in an additional reduction of almost 10.3 million tonnes of carbon dioxide equivalent annually (36) (37). This has been achieved through projects such as promoting renewable energy sources and providing financing for the construction of over 1 000 MW of additional electricity capacity powered by these renewable sources (38).

In addition, the Commission is actively engaged in the **Coal Regions in Transition Initiative**, which provides tailor-made support for the clean-energy transition in 13 pilot coal- and carbon-intensive industrial regions. These efforts will continue under the future financial framework with the proposal for a **Just Transition Fund**, which aims at alleviating the social and economic impacts of the energy transition, such as those arising from the closure of coal mines.

A fair transition can only be accomplished if the human capital stands at its heart. Through the **European Social Fund**, the EU directs funding to support the upskilling and reskilling of workers and hence prepare them for the future.

<sup>(33)</sup> This amount reaches EUR 66 billion when including national cofinancing.

<sup>(34)</sup> Regional Development Open Data Platform (https://cohesiondata.ec.europa.eu/themes/4#). Data retrieved in March 2020.

<sup>(35)</sup> Regional Development Open Data Platform (https://cohesiondata.ec.europa.eu/themes/6#). Data retrieved in March 2020.

<sup>(36)</sup> Carbon dioxide equivalent shows how much global warming a given type and amount of greenhouse gas may cause, using the functionally equivalent amount or concentration of carbon dioxide as the reference.

<sup>(37)</sup> Regional Development Open Data Platform (https://cohesiondata.ec.europa.eu/themes/6#). Data retrieved in March 2020.

<sup>(&</sup>lt;sup>38</sup>) See Annex 1 – Programme performance overview for the Cohesion Fund.

## 1.4.3. Implementation has caught up but payment levels still need to be raised following the performance review

The implementation of the 2014-2020 cohesion policy programmes remained at cruising speed in 2019 (<sup>39</sup>). More than EUR 322 billion, representing 92% of the total financing available for the period, has already been allocated on the ground to concrete projects. By December 2019 the European Regional Development Fund, the Cohesion Fund, the European Social Fund and the Youth Employment Initiative had selected more than 1 million projects from all over the EU that were eligible for support. By the end of 2019 the level of project selection was comparable to the same time frame from the 2007-2013 period. The difficulties relating to implementation, such as the late start of operational programmes at the beginning of the period, have overall been addressed but significant disparities between and within Member States remain.

A high level of project selection does not automatically translate into prompt expenditure. **The amount of payments made continued to increase in 2019, but the cumulative level of payments is lower than at this stage of the previous period.** Compared to the 2007-2013 programming period, the share of interim payments for 2014-2020 at the end of the sixth year of implementation is still lagging behind by 7 percentage points. Expenditure is slower to materialise for projects that are still in the planning or procurement stage, projects with a multiannual character or projects that are otherwise immature.

As an initial step towards **strengthening budget performance**, the 2014-2020 multiannual financial framework included a performance reserve of 6% of the envelopes of cohesion policy programmes, which was set aside at the start of the period. The definitive allocation of this performance reserve was conditional on whether the programmes reached the 2018 performance milestones (<sup>40</sup>). This was assessed as part of the **performance review** in 2019, also taking into account all available results on the reliability of performance data reported. The performance reserve was consequently released to the performing priorities.

Overall, the performing priorities accounted for 82% of the total performance reserve. The review resulted in the definitive release of EUR 16.5 billion ( $^{41}$ ) out of a total of EUR 20.2 billion ( $^{42}$ ) of the performance reserve. This amount can now be spent as initially planned. The remaining EUR 3.7 billion in the performance reserve in the priorities that did not achieve their 2018 performance milestones will be reallocated towards priorities that did, thereby optimising investments and strengthening the focus on getting measurable and effective results from the EU's Cohesion policy funding. At the end of 2019, the performance review could not be carried out for some programmes due to deficiencies linked to reliability of monitoring systems and data. These deficiencies were however resolved in early 2020, which resulted in completing the performance review.

As a result of the assessment of performance of programmes and regular monitoring of their financial progress, a number of them (14% for regional development and 17% for the European Social Fund) were identified as being 'in difficulty / poor / critical'. These were closely monitored, putting in place corrective actions tailored to the needs of each operational programme and following up on the specific issues identified by means of high-level meetings, technical exchanges, targeted advice and dialogue with national authorities.

The Commission has proposed to further strengthen the role of performance in the budgeting process for the European Structural and Investment Funds for the 2021-2027 multiannual financial framework. Rather than putting parts of the envelopes of the programmes in a reserve based on performance, the Commission has proposed to allocate funding for the first 5 years only. Allocations for the final 2 years will be made based on a substantial and in-depth midterm review, leading to corresponding reprogramming in 2025 based on

<sup>(39)</sup> Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Strategic report 2019 on the implementation of the European Structural and Investment Funds (COM(2019) 627). This summary report of the programme's annual implementation reports and progress reports covering implementation up to the end of 2018 was published on 17 December 2019. For all funds taken together, project selection (financing decided) has more than doubled since 2017, amounting to EUR 464 billion (72% of total planned investment).

<sup>(40)</sup> If the results at the end of 2018 had achieved at least 85% of the milestone value, the performance was deemed to be satisfactory.

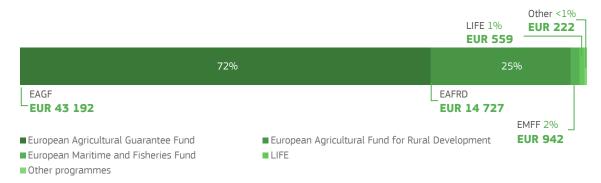
<sup>(41)</sup> See Annex 1, Programme Performance Overview for European Regional Development Fund, Cohesion Fund and European Social Fund

<sup>(42)</sup> https://cohesiondata.ec.europa.eu/stories/s/A-guide-to-the-ESIF-performance-framework/szxz-5m2d

progress achieved up to the end of 2024. This allows not only the performance of programme strands but also changed socioeconomic situations and new unforeseen challenges to be taken into account.

For the future cohesion policy, the Commission has proposed a number of measures to accelerate implementation. These include gradually reintroducing the rule that Member States only have 2 years to send in payment claims against commitments made before the allocated funding is decommitted automatically, and setting the level of pre-financing at a lower annual payment of 0.5% of the total support for each fund. Other proposed measures aim at simplifying procedures and rules, so as to speed up implementation and improve the monitoring of flows of programme funding.

#### 1.5. Sustainable growth: natural resources



All amounts in million EUR.

Source: European Commission.

In 2019, EUR 59 billion was allocated to Heading 2, supporting sustainable growth in the area of natural resources. This represents 37% of total annual budget expenditure. The funding for the agricultural policy remained stable compared to last year. Heading 2 finances the two pillars of the common agricultural policy: Pillar I, consisting of **market support measures and direct payments** financed by the European Agricultural Guarantee Fund; and Pillar II, the **rural development programmes** financed by the European Agricultural Fund for Rural Development. The heading also includes the European Maritime and Fisheries Fund and the international aspects of the common fisheries policy, along with the environment and climate action programme (LIFE).

Funding provided under this heading is crucial for the green transition and the quality, quantity and sustainability of food supplies, and also for the economic development of rural and maritime communities.

## 1.5.1. Spending on natural resources on land and in water safeguards the environment and helps tackle the climate emergency

All programmes under this budget heading make important contributions to achieving the EU's climate ambitions and combating the loss of biodiversity, and will remain important going forward in the context of the **European Green Deal**.

The most important in terms of contribution under this budget heading is the **common agricultural policy**. The fundamental objectives of the policy are twofold, namely providing fair income to farmers and developing rural regions in the EU. Almost all farmers who benefit from EU-level support systematically implement cross-compliance and greening measures that are beneficial for the environment and climate: crop diversification, maintenance of permanent grassland and dedication of 5% of arable land to ecologically beneficial areas. Rural development policy continues to support various types of area-related payments linked with specific management requirements. These are often accompanied by support for dedicated investments, training and advice, having a combined positive impact on biodiversity, soil, water and air in both the farm and forest sectors.

As of 2018 (43), 79% of the total EU agricultural area was subject to at least one 'greening' obligation, increasing the environmental impact of this measure, although Member States have required derogations from certain greening rules in order to alleviate the situation of farmers affected by exceptional weather conditions over the last 3 years. Progress has also been made with respect to management contracts, contributing to carbon sequestration or conservation, or to the reduction of greenhouse gas or ammonia emissions. At present, over 85% of the targets for climate actions in the agricultural sector have already been reached in the management of biodiversity, soil and water.

<sup>(43)</sup> Source: Member States' 2018 implementation reports submitted to the Commission in June 2019. 2019 data will only become available in mid July 2020.



An EU cofunded contract for land management, protecting biodiversity. Source: European Commission.

In spite of that progress, substantial challenges remain in relation to the environmental performance of the EU's agricultural sector, in particular in the context of the European Green Deal, where the EU has committed itself to further deep cuts in greenhouse gas emissions. The key natural resources of soil, air and water are still under pressure in many areas, and there is scope for further progress to be made. The Commission has factored this into the proposals for the future common agricultural policy, through the 'new green architecture'.

To address environmental challenges more specifically, the **LIFE programme** contributes to implementing the seventh environmental action programme in the form of integrated projects that improve citizens' quality of life by helping Member States comply with EU legislation in five areas: nature, water, air, climate-change mitigation and climate-change adaptation. The attractiveness of the LIFE programme is very high, financing a large number of different projects. The quality of the projects selected and the added value of the programme is demonstrated, for example, by the number of people benefiting from improved air quality (1.5 million) and the percentage of targeted species that are progressing towards conservation status (42%). Projects selected have had a wider impact than originally expected, and have been shown to have important catalytic effects: for every euro spent through LIFE, EUR 45 is spent by other partners (<sup>44</sup>).

The LIFE metamorphosis project proposes to demonstrate, at the industrial scale, two innovative waste-treatment systems: one for urban waste plants and the other for agro-industrial and other organic waste-treatment plants. In addition, the project tests the use of bio-methane derived from waste streams produced by the automotive sector. If successful, the two prototypes could produce over 176 million kilowatt hours of renewable energy annually (close to the annual electricity consumption of 50 000 homes), 5 years after the start of the project.

Under the next multiannual financial framework, LIFE will be an important part of the European Green Deal supporting the transition to climate neutrality by 2050, the implementation of the **new biodiversity strategy for 2030, the climate pact, the revised climate adaptation strategy** and deploying a new strand dedicated to the clean-energy transition.

<sup>(44)</sup> More data are provided in Annex 1.

## 1.5.2. Innovative agricultural practices sustain farming and jobs and ensure food security and safety

While the agricultural sector's share of the economy has decreased over time, the sector remains vital for our society as a whole in order to ensure viable food production in the EU. The common agricultural policy recognises this and the challenges deriving from it.

One of the main objectives of the common agricultural policy is to ensure a fair standard of living for the agricultural community. This objective is pursued by increasing the individual earnings of farmers and agricultural employees on the one hand, when necessary, and through direct market interventions to stabilise market prices on the other.

In 2019 about 6.2 million farmers benefited from **direct payments**, fewer than in 2018 (6.5 million), which reflects the average declining trend in the number of farms. On the other hand, agricultural factor income per full-time worker is increasing compared to 2013 levels, as is the total factor productivity in the agricultural sector. Direct payments have allowed farmers to cope better with the negative effects on income caused by decreasing agricultural prices, and **market measures** have helped to limit the domestic price volatility of most agricultural products. Market measures in particular were rather successful and less necessary overall during 2018 and 2019.

However, significant **challenges** remain to be addressed in the coming years. Agricultural income still lags behind salaries in the economy as a whole, and remains dependent on direct support. Moreover, a substantial proportion of the sector continues to face low profitability due, among other reasons, to high production standards and production costs, and the fragmented structure of the primary sector. Despite direct support from the common agricultural policy, a large proportion of farm labour does not reach the benchmark of average national labour productivity. Finally, the declining trend in agricultural employment has continued, in spite of the role played by various schemes and measures supported under the two pillars of the common agricultural policy allowing further targeting of the needs of certain categories of beneficiaries – in particular young farmers, small farmers and specific sectors or regions facing structural problems.

Some of these issues are linked to a development gap in rural areas, which are often less well served by essential infrastructure and services. This problem is addressed by the second pillar of the common agricultural policy, the **European Agricultural Fund for Rural Development**, which supports all entities operating in rural areas to foster sustainable and inclusive growth in the EU. By the end of 2019 total payments made under this fund to Member States since 2014 amounted to EUR 50.4 billion, placing the fund ahead of the other European Structural and Investment Funds in terms of the speed of disbursement.

Overall, the fund is making an important contribution to development. For example, broadband access in rural areas has improved considerably (59% of rural households had next-generation access in 2019). The overall coverage of EU households that had broadband access in 2019 was 86%. (45). The level of achievement of the targets relating to improving farm viability and competitiveness at the end of 2018 was relatively good, considering that implementation for investment operations normally takes several years. In general, investment support increases the economic performance and market participation of the supported farms. Assistance for skilled farmers, including young ones, can have positive effects on farm viability, especially in relation to farm productivity and competitiveness.

The **performance review** carried out in 2019 provides further evidence that the programme had been working reasonably well, including when compared with other European Structural and Investment Funds. Some 64% of the rural development programmes had achieved all their milestones by the end of 2018, whereas 13% had experienced serious failure in achieving at least one milestone. Such programmes were typically related to long-term investments, and corrective action was taken by the Member States concerned.

<sup>(45)</sup> Study on Broadband Coverage in Europe 2018 (https://ec.europa.eu/digital-single-market/en/news/study-broadband-coverage-europe-2018).

Taking stock of the various issues, the proposals for the **post-2020 common agricultural policy** introduce a new strategic plan covering both pillars and with a focus on supporting viable farm income and resilience across the EU to enhance food security.

Rural development support will also provide a decisive contribution to the new call for enhanced environmental and climate actions linked to the European Green Deal. The plans will put greater emphasis on research, technology and digitalisation, and focus specifically on attracting young people into farming while continuing to promote employment, growth, social inclusion and local development in rural areas.

### 1.5.3. Investment in sustainable fisheries is paying off in terms of higher and stable yields, fleet profitability and jobs

The challenges in the maritime sector are slightly different, and are linked to a large extent to the question of employment in coastal areas and the sustainable management of fishing stocks. Recent economic data show that sustainable fisheries pay off in terms of higher and stable yields, fleet profitability and jobs. The **EU's fisheries conservation policy**, as in previous years, aims to achieve maximum sustainable yield for fish stocks by 2020. When necessary, emergency measures are put in place, for example the eastern Baltic cod fishery was closed for the second half of 2019. Nevertheless, further efforts are still needed to reach maximum sustainable yield for all commercially exploited stocks by 2020.

As a member of several **regional fisheries management organisations**, the EU promotes better ocean governance, improved performance, a culture of compliance and science-based fisheries management, including the application of the ecosystem-based and precautionary approaches. The **fight against Illegal, unreported and unregulated fishing** remained a priority. The EU supported this fight in bilateral cooperation as well as in regional fisheries management organisations, sub-regional bodies and in global fora.

Several of the EU's actions under the maritime policy contributed to boosting investments in a **sustainable blue economy**. The capacity of offshore wind energy in the EU is growing compared to onshore wind energy. Ocean energy remains relatively small, but new technologies are expected to significantly increase deployed capacity in the near future. Member States have made progress in better integrating aquaculture in their spatial planning and reducing administrative burden, but more efforts are required to unlock the real potential of the sector.

Interventions from the budget are often linked to improving sustainability through investments in infrastructure and the digitalisation of operations. In 2019 over 8 700 fishing vessels, about 10% of the EU fleet, benefited from the **European Maritime and Fisheries Fund**. It is estimated that more than 80 000 fishers, their spouses or partners, 18 000 members of producer organisations and 40 000 employees of processing companies benefit from the support (<sup>46</sup>).

The **performance review** carried out in 2019 showed that 70% of EU priorities under the European Maritime and Fisheries Fund had reached their milestones. A 20% share of all performance reserves, amounting to EUR 67 million, was made available for reallocation because the associated priority had not reached its milestone. The reallocation of the reserve allowed most Member States to make a more comprehensive review of their operational programmes. Only one Member State (Slovakia) has lost the performance reserve.

<sup>(&</sup>lt;sup>46</sup>) See Annex 1 – Programme performance overview for the European Maritime and Fisheries Fund.

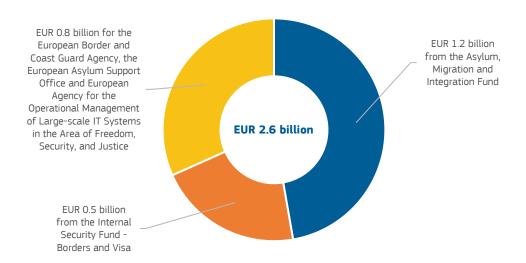
#### 1.6. Security and citizenship

In 2019, EUR 4 billion (2%) of commitment appropriations were allocated to 'Security and citizenship' (Heading 3). These programmes deal with key political challenges such as migration, border management, law enforcement, security-related risks, and health and consumer protection, along with culture, combatting all forms of intolerance and promoting the rights of vulnerable groups.



## 1.6.1. The EU budget provides support and solidarity to EU Member States for migration and border management

The EU budget supported the continued comprehensive response in the European Union to migration challenges and the effective management of its external borders. Work on the European agenda on migration made a positive contribution to replacing unsafe and uncontrolled migration with **safe, orderly and regular migration**. A breakdown of the 2019 funding under Heading 3 (EU internal) is shown below. Funding from external instruments (Heading 4) also contributes to the external dimension of migration policy, in particular by addressing the root causes of migration.



Support (<sup>47</sup>) to respond to migration challenges, provided in 2019 to Member States and EU agencies. Source: European Commission.

<sup>(47)</sup> Values as per 2019 Migration Report reflecting C1 credits, excluding Internal Security Fund and security-related decentralised agencies.

The EU budget has supported Member States and EU agencies with funding of almost EUR 11 billion since 2015 to respond to the immediate challenges on the ground, investing in stronger and more efficient asylum systems, more efficient return procedures and integration measures, and better management of the EU's external borders. The Asylum, Migration and Integration Fund and the Internal Security Fund play an important role in the immediate response to migration issues and to support the integration of non-EU country nationals in EU societies, while the European Social Fund supports the integration in the labour market and social inclusion of migrants. Since 2015 (<sup>48</sup>) the following has been achieved.

#### The Asylum, Migration and Integration Fund has helped:

- over 2 million people to receive asylum or accommodation support, and has funded nearly 30 000 accommodation places;
- nearly 6 million people to receive integration assistance, and over 70 000 people have taken part in pre-departure
- almost 159 000 people to return voluntarily, and nearly 115 000 people to receive return and reintegration assistance:
- more than 62 000 people in need of international protection have been offered safe and legal pathways to the EU via resettlement schemes with the support of the Fund;
- providing, together with the United Nations Refugee Agency, 25 000 accommodation places on an annual basis on the Greek mainland and the islands, as well as cash assistance to more than 90 000 asylum seekers;
- providing, together with international partner organisations, 1 100 places in shelters for unaccompanied children in mainland Greece, and ensuring access to education to more than 12 000 children at public schools.

#### The Internal Security Fund has contributed to:

- improving the infrastructure of 1 987 Member State consulates;
- providing visa-policy training to 3 629 staff, including 424 immigration liaison officers posted in EU embassies around the world;
- supporting the training of over 15 500 officials in border management work and crime prevention work
- financing of 202 joint investigative teams and the European Multidisplinary Platform against Criminal Threats.

Source: European Commission.

Based on its existing mandate, in 2019 the **European Border and Coast Guard Agency** deployed around 7 000 border guards and other experts to assist Member States in protecting the EU borders and implementing the EU return policy. Frontex organised the return of almost 16 000 persons and contributed to the rescue over 28 600 migrants at sea. (<sup>49</sup>) Apart from curbing irregular immigration, the European Border and Coast Guard Agency joint operations have helped seize 390 stolen vehicles and more than 125 tonnes of drugs at the external borders.

2019 was a landmark year for EU border management, with new rules strengthening the European Border and Coast Guard Agency entering into law in December (50). These rules allow the agency to support the Member States in their border management activities and to jointly implement integrated border management at the EU level. This wide-ranging new regulation strengthens the EU's management of its external borders and provides for the creation of a standing corps of 10 000 operational staff in the agency. This standing corps will have executive powers and its own equipment to enable it to intervene wherever needed along the EU's external borders, or when requested by non-neighbouring countries. The reinforced mandate requires a substantial annual increase in the EU's contribution to the agency over the course of the next financial framework, as proposed by the Commission, in line with the gradual increase in staff and equipment.

<sup>(48)</sup> Based on the Member States' clearance of accounts for the financial years 2015-2019.

<sup>(49)</sup> Data source: the European Border and Coast Guard Agency. The Agency can only assist Member States to implement enforceable return decisions issued by competent national authorities.

<sup>(50)</sup> Regulation (EU) 2019/1896 of the European Parliament and of the Council of 13 November 2019 on the European Border and Coast Guard.

### 1.6.2. The EU budget protects citizens through enhanced EU civil protection capabilities

Disasters know no borders. A well-coordinated response at the EU level avoids duplication of relief efforts and ensures that assistance meets the real needs of the affected region. Civil protection assistance consists of governmental aid delivered in the immediate aftermath of a disaster aiming to reduce the loss of human life and the environmental, economic and material damage caused by disasters. For a coherent, predictable, cost-effective and more visible EU response to disasters, the European Response Capacity was set up, ready to help anywhere in the Member States and in non-EU countries, as needed. The EU's Civil Protection Mechanism is funded partly under Heading 3 and partly under Heading 4.

In March 2019 the EU reinforced and strengthened disaster risk management by upgrading the Civil Protection Mechanism. The result was rescEU, and the objective is to improve both the protection of citizens from disasters and the management of emerging risks. rescEU entails a new European Union reserve of capacities (the 'rescEU reserve'), which initially includes a fleet of firefighting planes and helicopters. rescEU's scope goes beyond forest fires, however, and is expected to include responding to other threats such as medical emergencies or chemical, biological, radiological and nuclear incidents. Before it was upgraded, the Civil Protection Mechanism had been activated 20 times in 2019, with three requests for assistance from within the EU and 17 from outside the participant states. Later in 2019 the rescEU programme was also activated to contribute to the aerial forest-fire capacities in Greece, and some further preparatory work was performed to implement the new rescEU mechanism. Now, due to the COVID-19 outbreak, all efforts are focused on the stockpiling of medical equipment, with an initial budget of EUR 50 million.

### 1.6.3. The EU budget supports the single market by promoting the safety of consumers and citizens

Consumers need to be confident that unsafe products have no place on the EU market and that the relevant rules are effectively and efficiently enforced, both domestically and across borders. This is why the EU supports a coordinated and coherent approach to the enforcement of safety and market-surveillance rules across the Member States. Through the **consumer** programme, in 2019 Member States' authorities communicated more than 2 000 notifications of dangerous products through the Rapid Alert System for dangerous non-food products.

Safety is equally important when it comes to food. The **food and feed** programme contributes to a high level of health for humans, animals and plants throughout the food chain by preventing and eradicating diseases and pests and by ensuring that consumers and the environment are well protected. While increasing the overall level of safety, these actions also enhance the competitiveness of the EU's food and feed industry, favouring the creation of jobs. In 2019 approximately 13 500 public officials in Member States and non-EU countries in charge of official controls were trained to improve their effectiveness, efficiency and reliability.

The **justice** programme promotes judicial cooperation between Member States' authorities and contributes to the effective and coherent application and enforcement of EU law in the areas of civil and criminal law, the rights of persons suspected or accused of crime and the rights of victims of crime. The justice programme supports the application of many EU legal instruments in judicial cooperation in criminal matters, such as the European Arrest Warrant, which is the most successful EU instrument in criminal matters with over 10 000 cases per year. The electronic criminal records information system, which is an information technology system used by the central authorities of the Member States, has registered a large increase in the number of exchanges of information: by the end of 2019 the number of exchanges of information in the system exceeded 3.5 million.

#### 1.7. Global Europe

In 2019, EUR 12 billion of commitment appropriations (7% of the total budget) were allocated to 'Global Europe' (Heading 4), distributed among the main programmes as follows.



#### All amounts in million EUR.

Source: European Commission.

The programmes under this heading contribute to forging a stronger Europe in the world. They finance geographic and thematic actions that **help the poorest in the world and ensure that the EU promotes democracy, peace, solidarity, stability, poverty reduction, prosperity and natural resource preservation**, both in the EU's immediate neighbourhood and across the world. The development, neighbourhood and other external policies of the EU share key objectives, such as fostering a sustainable economy that is not in contradiction with achieving social and environmental development, human rights, and promoting democracy, good governance and the rule of law. The EU has maintained its efforts on crisis prevention in order to preserve peace and strengthen international security.

### 1.7.1. External cooperation tackles global challenges, promotes EU values and contributes to peace and prosperity in the world

Within the framework of the EU's external action, the primary objective of **Development Cooperation** is the reduction and, in the long term, eradication of poverty. EU effort and contribution has notably been instrumental in securing food and nutrition security, in developing sustainable agriculture as well as in supporting health and education programmes, including by promoting gender equality and women's empowerment, the rights of children and culture. Economic growth and job creation have been supported via trade and private sector development, particularly concerning local entrepreneurs, by enhancing the digital economy and by providing training and education to the local workforce.

The **European Green Deal** has a **strong external dimension** aiming to reinforce the EU's role as a global leader on environmental, climate and energy matters. In 2019, the EU enhanced the integration of environment and climate change across all instruments and sectors of EU international cooperation and development, for an effective implementation of the 2030 Agenda and Paris Agreement.

The ambitious **External Investment Plan** has offered innovative ways of mobilising public and private sources of financing for development. Through initiatives like the Digital Energy Facility, the EU has set the foundations to modernise and digitalise the energy sector, promote innovative business models and establish the necessary preconditions for increased access to sustainable energy worldwide, with a specific focus on Africa.

In a context of shrinking civic and democratic space, the EU has reaffirmed its unconditional support for these values worldwide, while confirming its central role in international fora. According to the World Bank's 'rule-of-law' score, the situation has been steadily deteriorating since 2014. For example, for the proportion of seats held by women in national parliaments, the little progress made between 2015 and 2018 was undone in 2019. The EU has continued to promote democracy, the rule of law, good governance human rights and international law principles, especially through the **European Instrument of Human Rights and Democracy (EIDHR**).

In 2019, projects and programmes achieved important results in **Latin America**, in key sectors such as water and climate change, the private sector and investment, economic development, security, the rule of law and governance. With regard to regional cooperation, successful initiatives in strategic sectors were launched and further developed during the year. With regard to security, two actions were agreed to foster intra-Latin American cooperation in the area of integrated border management, with the selection of four land-border-crossing posts involving seven countries, and to support the fight against human trafficking.

Development cooperation in **Asia and the Middle East/the Gulf** continued to focus in 2019 on the least-developed and most-fragile countries, with a particular emphasis on good governance and sustainable sector reforms. An enhanced focus was put on job creation and sustainable and inclusive growth via the promotion of investments. The development of the private sector was key, as it has a major role to play in sustainable economic development and growth.

The **Instrument contributing to Stability and Peace** has been of great importance in the EU's efforts to promote peace in a variety of circumstances in Afghanistan, the Central African Republic, Colombia, Libya, Syria, Ukraine and Yemen. Strengthening dialogue with civil society, conflict prevention and peacebuilding has been essential in order to prevent the worsening of humanitarian crises. The protection of civilian communities has been enhanced through support for security and defence forces in volatile regions.

**Humanitarian aid** works alongside development cooperation, with a specific needs-based perspective addressing the impact of conflicts and natural or man-made disasters. It provides assistance in line with humanitarian principles of humanity, neutrality, impartiality and independence. In total, 177 million people received humanitarian aid in 2019. The largest share of the 2019 humanitarian aid budget went to refugees from and people internally displaced by the Syrian and Yemeni conflicts, while 23% between 2014 and 2019 went to '**forgotten crises**' (crises with little media attention and poor coverage), such as the Burundi regional refugee crisis, the conflict in Ukraine and the conflict involving the FARC guerrilla movement in Colombia. The EU maintained its efforts in relation to crisis prevention in order to preserve peace and strengthen international security. The EU was present in every significant humanitarian crisis in 2019. In larger crises, the EU consistently responded to situations in which other donors were not present, and often played the role of coordinator and catalyst. The programme also contributed to **building the capacity and resilience of vulnerable or disaster-affected communities**. The disaster-preparedness actions benefited 38 million people in disaster-prone regions. A crucial aspect underpinning the EU's positive results in fostering resilience is the progressive move towards cash-based assistance, as the Commission maintained its commitment to delivering 35% of humanitarian assistance through cash transfers.

### 1.7.2. The EU is addressing migration challenges in cooperation with its international partners

Since the start of the migration crisis in 2015 the EU has provided vital support and protection to millions of people in need, helping to address the root causes of irregular migration and forced displacement through economic and employment opportunities and as well as by strengthening resilience. It has also helped to create the conditions for legal migration, including through resettlement, and effective migration management. Work to prevent irregular migration continued, in collaboration with partner countries, among others by fighting migrant smuggling networks in the Sahel. Work has continued to improve the rate of

effective return for people without a right of residence in the EU or in other countries. By the end of 2019, irregular EU border crossings were 92% (51) below the peak levels of 2015.

Moreover, the EU continued to **cooperate with partners all over the world to address challenges related to forced displacement**. Every year, 80% of the EU humanitarian aid budget (EUR 1.6 billion in 2019) goes to projects helping the forcibly displaced and their host communities to meet their immediate basic needs in situations of conflict, crisis or protracted displacement.

In 2019, the **EU Emergency Trust Fund for Africa** (EUTF) contributed to facilitating political dialogue with African partner countries, applied innovative approaches, and produced remarkable and visible results across the three operational windows of the Fund (North Africa/Horn of Africa/Sahel and Lake Chad) by pooling funding and expertise from a wide range of stakeholders. The Fund further consolidated its achievements, bringing the total number of approved programmes to 224, for a total of EUR 4.4 billion.

The Facility for Refugees in Turkey continues to deliver much-needed assistance to refugees and host communities in Turkey in all the priority areas it covers, i.e. basic needs, education, healthcare, protection, socioeconomic support and municipal infrastructure. The first tranche of EUR 3 billion has been fully contracted, with 72 projects rolled out. The full operational budget of the second tranche of EUR 3 billion was committed at the end of 2019. The Facility Steering Committee meets on a regular basis to monitor and steer the implementation of the facility. Six-monthly monitoring reports, which are publicly available, confirm that the facility is continuing to achieve its goals.

Thanks to the facility, over 1.7 million refugees continue to benefit from a monthly cash allowance called the emergency social safety net to help them meet their basic needs. By the end of 2019 humanitarian assistance had helped 1.7 million of the most vulnerable refugees. A total of 684 919 Syrian children were enrolled in the 2019-2020 school year – corresponding to 63% of the total population of Syrian school-age children in Turkey. Over 3 900 educational facilities (including Early Childhood Education centres) have been upgraded through the provision of equipment since the start of the facility and 40 new schools have been constructed. A further 320 are in the process of being built. Moreover, 179 healthcare centres are now operational. Since the start of facility funding, 11.9 million primary healthcare consultations have been provided to refugees, while 3.5 million vaccination doses have been provided to Syrian infants and pregnant women.

As of June 2019 the **EU Trust Fund in response to the Syrian Crisis** had provided education, health, water-management, livelihood and other services to 4.3 million people in the countries impacted by the Syrian crisis. A total of 92 health centres were upgraded, refurbished and equipped.

### 1.7.3. The EU budget helps neighbouring countries to develop and maintain stable democratic institutions

The **Instrument for Pre-Accession Assistance** supports candidate and potential candidate countries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with EU values. It also helps them to progressively align themselves with EU rules, standards, policies and practices with a view to EU membership. Financial assistance is provided to the beneficiary countries (52) in five policy areas: (a) reforms in preparation for EU membership and related institution and capacity building; (b) socioeconomic and regional development; (c) employment, social policies, education, promotion of gender equality and human-resources development; (d) agriculture and rural development; and (e) regional and territorial cooperation. The box below provides a specific example of this instrument in action.

<sup>(51)</sup> Decrease from 1 822 177 in 2015 to 141 741 in 2019.

<sup>(52)</sup> Current beneficiaries are: Albania, Bosnia and Herzegovina, North Macedonia, Kosovo (this designation is without prejudice to positions on status, and is in line with the United Nations Security Council resolution 1244/1999 and the International Court of Justice Opinion on the Kosovo declaration of independence), Montenegro, Serbia and Turkey.

In North Macedonia, the quality of both surface waters and ground waters is deteriorating as a result of the discharge of untreated or inadequately treated sewage. With the waste-water treatment plant that has been constructed in the Eastern part of the country, the whole population of that region, totalling 54 676 people, is benefiting directly from properly treated waste water. All agricultural holdings also benefit from better environmental conditions for their products. The health of both citizens and nature is improved. The volume of untreated municipal waste water discharged into the Strumica River has been reduced, minimising negative impacts on the quality of water resources, nature and health in Strumica region.

The **rule of law** will become even more central to accession negotiations, for example by anti-corruption work being mainstreamed and by applying a stronger focus on the fundamentals of functioning democratic institutions, public administration reform and supporting economic reforms. There have been improvements in the fulfilment of these fundamental areas of the political criteria for enlargement countries. At the end of 2019 only Turkey was experiencing backsliding in the areas of the rule of law and fundamental rights, public administration reform and the functioning market economy. This led to the adoption of a revised indicative strategy paper in August 2018. Initial indicative allocations for pre-accession funds in Turkey for the 2018-2020 period were reduced by 40%. The emphasis in the selection of projects under the new Instrument for Pre-Accession Assistance will be put on the fundamental areas of the *acquis*, notably the rule of law, while only technically mature projects will be selected for support.

The **European Neighbourhood Instrument** is the main financial instrument for implementing the European neighbourhood policy (<sup>53</sup>), which supports political and economic reforms with the aim to promote stability, security and prosperity in the EU's direct neighbourhood. There are notably positive developments in the eastern neighbourhood, with strong achievements in the priority areas of economy, connectivity and stronger society. Progress is nevertheless still needed in the areas of rule of law, fighting corruption, spaces for civil society and media independence. In the southern neighbourhood, external factors such as political instability and the security situation are hampering progress. Cooperation with the partner countries in North Africa is challenging, and depends on evolving parameters, particularly in Libya. Nevertheless, efforts in Tunisia for democratic and economic reforms and the resumption of cooperation with Morocco make continued support relevant and promising. Across the Middle East region, the impact of ongoing conflicts, insecurity and poor governance destabilises the EU's partners, disrupts trade and investment and limits opportunities for the population. The large number of refugees and displaced persons exacerbates these structural deficiencies.

### 1.7.4. Increasing the effectiveness, flexibility and coherence of the EU's external instruments

The Commission has proposed to create a new integrated **Neighbourhood, Development and International Cooperation Instrument** under the future multiannual financial framework. This will be the EU's main tool to contribute to eradicating poverty and promoting sustainable development, prosperity, peace and stability. The new long-term budget will lead to the significant modernisation of the external dimension of the EU budget. Drawing on lessons from the current instruments, it will increase the effectiveness and visibility of the EU's external policies, strengthen coordination with internal policies and give the EU the flexibility to respond more quickly to new crises and challenges.

<sup>(53)</sup> Through its European neighbourhood policy, which was revised in November 2015, the EU works with its southern and eastern neighbours to foster stabilisation, security and prosperity, in line with the global strategy for the EU's foreign and security policy.

#### 1.8. Special instruments

### 1.8.1. The EU budget has shown solidarity within the EU by financing disaster-relief efforts and mitigating globalisation effects

#### The European Globalisation Adjustment Fund

The **European Globalisation Adjustment Fund** provides support to workers made redundant and persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation, or as a result of the negative effects of the global financial and economic crisis. Between 2014 and 2019 funding from the European Globalisation Adjustment Fund supported 45 047 targeted workers and 4 099 young people not in employment, education or training in 27 different economic sectors. In 2019 only one application was submitted (but not approved), possibly because of fewer massive layoffs due to globalisation and the overall improvement of the economic situation in the Member States prior to the crisis, which facilitated the reintegration of workers into the labour market.

According to the final reports received between 2017 and 2019, on average 61% of the workers who have been assisted have taken up new employment following an intervention from the European Globalisation Adjustment Fund. However, the reintegration rate in individual cases varied from 40% to 92%, depending on the economic sector and the area concerned, as it is influenced by the absorption capacities of local and regional labour markets.

Areas for improvement identified in the 2014-2020 midterm evaluation include the lengthy mobilisation procedure and the difficulties that Member States face in providing the extensive background analysis of the triggering event (globalisation or crises) that is required for the mobilisation of financing. These concerns are addressed in the Commission's proposal for the next long-term budget, in accordance with which the European Globalisation Adjustment Fund will base support solely on the significant impact criterion, set at a minimum of 250 displaced workers.

#### The EU Solidarity Fund

The **EU Solidarity Fund** is activated at the request of an eligible Member State when major or regional natural disasters occur, such as earthquakes, floods, droughts, forest fires, storms or major public-health emergencies. It helps to increase the resilience and preparedness of Member States and regions in addressing the adverse effects of climate change and other natural and human-made disasters.

Support to finance emergency and recovery operations amounting to EUR 293 million was awarded in 2019 following applications from three Member States relating to natural disasters that occurred in 2018: flooding in Romania and severe weather in Italy and in Austria. In 2019 the Commission received four applications for aid: from Austria, relating to the extreme weather conditions of 2018; from Greece, relating to storms in Crete in 2019; from Portugal, relating to Hurricane Lorenzo in the Azores in 2019; and from Spain, relating to extreme weather at the end of 2019.

In May 2019, the Commission **published the first** *ex post* **evaluation** (<sup>54</sup>) **of the EU Solidarity Fund's** interventions between 2002 and 2016, which confirmed the EU added value of the instrument. The evaluation concluded that the fund is a valuable instrument in the EU toolkit for interventions in disaster situations. At the same time, further consideration needs to be given to policy actions that increase the potential for the fund to intervene.

<sup>(54)</sup> Directorate-General for Regional and Urban Policy, Ex Post Evaluation of the European Union Solidarity Fund 2002-2016 (https://ec.europa.eu/regional\_policy/en/information/publications/evaluations/2019/ex-post-evaluation-of-the-european-union-solidarity-fund-2002-2016).



Section 2 – Internal control and financial management

## 2.1. The Commission manages the EU budget in a complex environment

The Commission attaches great importance to the sound financial management of the EU budget, as well as of the European Development Fund and the EU Trust Funds. It is the Commission's duty to make the best possible use of taxpayers' money to support the achievement of the EU's policy objectives. It is therefore essential to ensure both a high level of compliance with the applicable rules and that funding reaches the intended beneficiaries in an effective, efficient and economical manner. Consequently, the Commission strives to achieve the highest standards in financial management while striking the right balance between a low level of errors, fast payments and reasonable costs of controls.

### 2.1.1. The EU budget: a wide variety of areas, beneficiaries and spending

In 2019, the expenditure (55) from the EU budget amounted to **EUR 147 billion** (see chart below), corresponding to 240 000 payments ranging from a few hundred euros (Erasmus scholarships) to hundreds of millions of euros (large projects such as ITER or Galileo and Copernicus, as well as budgetary support to developing countries). These payments are made to support activities as varied as farming and the development of rural and urban areas, the improvement of transport and digital infrastructure, research, aid to small and medium-sized enterprises, protection of the environment, training for unemployed people, the integration of migrants and border protection, support to countries wishing to join the EU and aid to neighbouring and developing countries. The recipients of EU funds are very diverse and numerous.

Natural resources	Cohesion	Research, industry, space, energy and transport	External relations	Other internal policies	ation
EUR 59 billion (40%)	EUR 47 billion (32%)	EUR 15 billion (10%)	EUR 12 billion (8%)	EUR 7 billion (5%)	dministra (5%)
	公口製		<b>P</b>		<b>and a</b> v billion
<b>6.2 million farms</b> supported out of 10.5 million	Regions and cities  Almost <b>500 000 enterprises</b> supported since 2014	More than 12 000 small and medium-sized enterprises supported, as well as researchers, laboratories and large organisations	90 non-EU countries and territories receiving direct support, as well as numerous international and non-governmental organisations	Erasmus+: almost 360 000 students supported in 2019 (more than 4.6 million participants since 2014)	Other services EUR 7

Relevant expenditure of the EU budget implemented by the Commission in 2019, per policy area, in % and billion EUR Source: European Commission annual activity reports.

More than two thirds of the budget is implemented under shared management. Member States or bodies assigned by them distribute funds and manage expenditure in accordance with EU and national law (e.g. in the case of expenditure on cohesion and natural resources). The rest of the budget is spent either directly by

<sup>(55)</sup> The amount of the Commission's relevant expenditure corresponds to the payments made in 2019 minus the prefinancing paid out in 2019 plus the prefinancing paid out in previous years and cleared in 2019 (see Annex 3 for definitions and more details).

the Commission or indirectly in cooperation with entrusted entities. The table below describes the three management modes.

Management mode	Description	% of 2019 relevant expenditure	Examples of programmes/ spending	Other actors involved, in cooperation with the Commission
Direct management	Funds are implemented by the Commission	22%	Horizon 2020; Connecting Europe Facility; administrative expenditure	n/a (funding goes directly to the beneficiaries)
Indirect management	Funds are implemented in cooperation with external entities	7%	Erasmus+; part of development and humanitarian aid; pre-accession assistance	Agencies, joint undertakings, United Nations, World Bank, European Investment Bank, European Bank for Reconstruction and Development, non-EU countries
Shared management	Funds are implemented in cooperation with Member States' national and/or regional authorities, which have a first level of responsibility	71%	Agricultural funds; Maritime and Fisheries Fund; European Regional Development Fund; European Social Fund; migration and security funds	Paying agencies for common agricultural policy: 76; managing authorities for cohesion funds: 492, in all Member States

Given that the EU budget is implemented in many different ways, involving different actors, the associated risks vary from one programme and management mode to another (see Annex 3). This is taken into account when developing the control strategies (see Section 2.2).

#### 2.1.2. Governance, accountability and transparency

#### The chain of accountability

The governance system used by the European Commission is tailored to its unique structure and role. The Commission's governance arrangements have been strengthened over time and adapted to changing circumstances. Recent work by the internal and external auditors has confirmed that these arrangements are robust. The von der Leyen Commission, which took office in December 2019, has continued to put accountability and transparency at the core of its work, as confirmed in the updated working methods (<sup>56</sup>) and mission letters addressed to all Members of the Commission. The latest developments are reflected in the updated communication on governance in the Commission, published alongside this report (<sup>57</sup>).

The **College of Commissioners is politically responsible** for the management of the **EU budget**. The main building blocks of the EU budget's governance, underpinned by a clear division of responsibilities between the political and the management levels, lead to a solid chain of assurance building and

<sup>(56)</sup> Communication from the President to the Commission: The Working Methods of the European Commission, 1.12.2019, p. 3.

<sup>(57)</sup> Communication to the Commission: Governance in the European Commission, 24.6.2020, C(2020) 4240.

accountability. They are presented in the chart below. At Commission level, the accountability framework is based on well-defined management responsibilities and reporting (see below).

These robust governance arrangements help the College of Commissioners to deliver on the Commission's objectives, to use resources efficiently and effectively and to ensure that the EU budget is implemented in accordance with the principles of sound financial management.

Annual Report Statement of Assurance I reports related to budget Parliament and Council Discharge of year n European Discharge year n + 2 Discharge Integrated Financial and Accountability Court of Auditors European **External audit** Reporting \* Consolidated annual accounts of the European Union Commission Accounting European Accountant Officer year n + 1 **College of Commissioners Authorising Officer** Political responsibility 1 Audit Progress Committee Commission European Internal Audit 1 Management Board Internal Audit Commission European Service Corporate Oversight Annual Activity Reports Directors-General
Authorising Officers
by Delegation
Management
responsibility and accountability Management and internal control Units / Directorates Commission Central Services and internal control Management control Risk management European Directors year n Assurance Packages **Entrusted Entities** Shared and indirect management from Member States and Assurance

Commission's assurance building and accountability for the EU budget: clear roles and responsibilities

- Report on the follow-up to the discharge

- Annual management and performance report

\* Integrated Financial and Accountability Reporting: - Consolidated annual accounts of the European Union

The Commission's assurance building and accountability: clear roles and responsibilities

Source: European Commission.

<sup>-</sup> Long-term forecast of future inflows and outflows - Annual internal audit report

#### Accountability and reporting at department level

The College of Commissioners delegates the day-to-day operational management to the 50 Directors-General (58) or equivalent (59) (hereafter the Directors-General), who lead the administrative structures of the Commission. In accordance with the Commission's corporate rules and standards, they manage and shape their departments in order to deliver on their objectives as defined in their strategic plans and taking into account available resources. They are accountable for the share of the EU budget implemented in their departments.

In their annual activity reports, they report in a transparent way on the performance and results achieved, on the functioning of their internal control systems and on the financial management of their share of the EU budget – taking account of the assurance provided by Member States under shared management. In the declaration of assurance, which is part of the annual activity report, they declare whether they have reasonable assurance that:

- the information contained in their report presents a 'true and fair view' (i.e. reliable, complete and correct) on the state of affairs in their department;
- the resources assigned to their department have been used for their intended purpose and in accordance with the principle of sound financial management;
- the control procedures put in place in their department give the necessary guarantees concerning the legality and regularity of the underlying transactions.

In order to obtain this assurance, the Directors-General use all available information (summarised in their annual activity reports), namely:

- the results of the controls carried out by their own services or on their behalf;
- the management and control information reported by Member States and other entrusted entities based on their own control systems, in the case of shared and indirect management;
- the work done by the Internal Audit Service (see Annex 6):
- audits by the European Court of Auditors, the EU's independent external auditor.

If they identify weaknesses with a significant impact, they are required to qualify their declaration of assurance with a reservation. In parallel, they put in place action plans to mitigate future risks and to strengthen their control systems (see Section 2.3.5 and Annex 4).

#### Accountability and reporting at corporate level

The annual management and performance report for the EU budget presents the situation at Commission level. This report is part of the Commission's integrated financial and accountability reporting package (<sup>60</sup>) which is adopted by the College and is based on the assurance and reservations contained in all the annual activity reports.

The ensuing annual discharge procedure allows the European Parliament and the Council to hold the Commission politically responsible for the implementation of the EU budget. The European Parliament's decision on the discharge is based on:

<sup>(58)</sup> They are formally named authorising officers by delegation. Article 74(1) of the financial regulation states that: 'The authorising officer shall be responsible in the Union institution concerned for implementing revenue and expenditure in accordance with the principle of sound financial management, including through ensuring reporting on performance, and for ensuring compliance with the requirements of legality and regularity and equal treatment of recipients.'

<sup>(59)</sup> Heads of executive agencies, offices, services, task forces, etc.

<sup>(60)</sup> As required by Article 247 of the financial regulation, the integrated financial and accountability reporting package also includes: the consolidated annual accounts of the European Union; the report on the follow-up to the discharge for the previous financial year; the annual report to the discharge authority on internal audits carried out; and the long-term forecast of future inflows and outflows of the EU budget.

- the European Court of Auditors' reports in which it gives an opinion on the reliability of the annual accounts and an opinion on the regularity of revenue and expenditure, and presents the results of its audits of specific spending or policy areas, or budgetary or management issues;
- the Commission's integrated financial and accountability reporting;
- hearings of Commissioners and Directors-General and replies to written questions;
- a recommendation from the Council.

The Commission reports each year on its follow-up of requests addressed by the European Parliament and the Council to the Commission during the discharge procedure.

# 2.2. The Commission relies on various instruments to ensure that the taxpayers' money is well managed

In order to ensure that the budget is well implemented and protected from weaknesses and irregularities within this complex environment, the Commission has several instruments at its disposal.

#### 2.2.1. A strong internal control framework

The Commission has in place a **strong corporate internal control framework** based on the highest international standards (<sup>61</sup>).

The Directors-General implement this corporate framework within their departments through tailored internal control systems, taking into account their specific operating environments, risks and needs. They are supported in this task by the central services (<sup>62</sup>), which provide instructions, guidance and advice and facilitate the sharing of good practice. Each year, they assess the functioning of their internal control systems according to a common methodology and summarise their conclusions in their annual activity reports.

In addition, the Internal Audit Service may conduct audit engagements on the functioning of the internal control systems and the assessment by the Commission departments of these systems (see Annex 6).

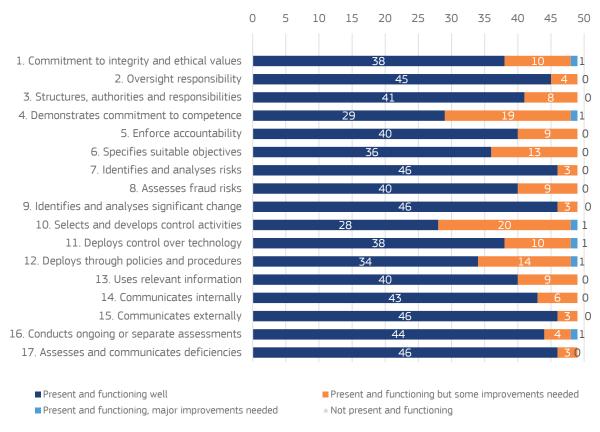
**For 2019**, the 2nd year of the full implementation of the current internal control framework, the assessments by the Commission departments indicate that their **internal control systems remain effective**. The overall situation is presented in the chart below.

The assessment confirms the improvements made in relation to control activities, the positive impact from the reinforced corporate oversight on risk identification and risk management, and improvements in the field of information technology.

These results demonstrate that the Commission has reached an advanced level of internal control. The central services will continue to provide guidance and facilitate the sharing of good practice in order to further promote the internal control framework as a management tool that helps the organisation to achieve its objectives.

<sup>(61)</sup> Committee of Sponsoring Organizations of the Treadway Commission.

<sup>(62)</sup> DG Budget, in cooperation with the Secretariat-General, DG Human Resources and Security, DG Communication and the European Anti-Fraud Office.



Assessment of the functioning of the 17 internal control principles

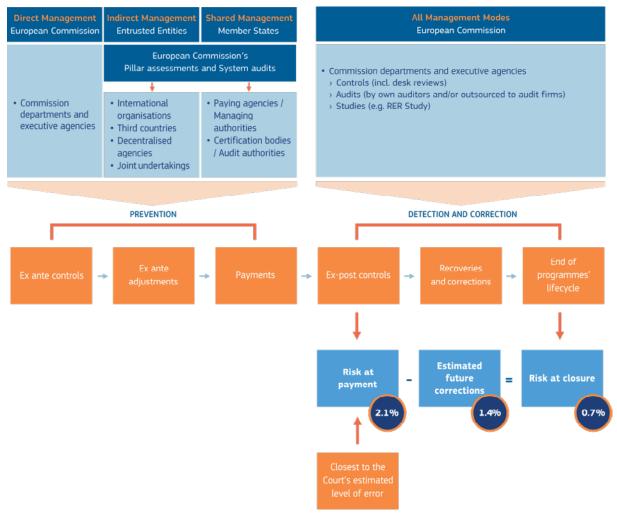
Source: European Commission annual activity reports.

### 2.2.2. Multiannual control strategies ensure that the taxpayers' money is well spent

Within the Commission's corporate framework, the Directors-General, as managers of the EU budget, put in place multiannual control strategies designed to prevent errors and, if it is not possible to prevent errors, to detect and correct them. To do so, they need to build their assurance from the bottom up and to assess the errors affecting EU spending at a detailed level, i.e. by programme or other relevant segment of expenditure. This allows the Commission to detect the weaknesses and correct them, and also to identify the root causes of systemic errors (e.g. complexity of rules), take targeted corrective actions and ensure that any lessons learned are factored into the design of future financial programmes.

#### From prevention to detection and correction

As EU spending programmes are **multiannual** by design, the related control systems and management cycles also cover multiple years. This means that while errors may be detected in a given year, they are corrected in the current or in subsequent years after the payment was made – up until the moment of closure at the end of the programmes' life cycle. Moreover, the control strategies are **risk differentiated**, i.e. they are adjusted to the different management modes, policy areas and/or funding arrangements and their associated risks.



The Commission's multiannual control cycle (for the 2019 results mentioned inside the circles see Section 2.3.1 below) Source: European Commission

#### **Prevention of errors**

Prevention is the first line of defence against errors. The Commission's key preventive mechanisms include verifications by Member States' managing authorities (under shared management), *ex ante* controls leading to the rejection of ineligible amounts before the Commission accepts expenditure and makes payments, systems audits to detect weaknesses in the implementing partners' management and control systems (preventive for future expenditure) and the interruption and suspension of payments until the deficiencies in the systems are fixed.

These measures also serve as incentives for Member States to correct payments before they submit their cost claims to the Commission. This explains why, under shared management, the risk at payment is relatively low as regards the payments made by the Commission to the Member States, as errors have already been corrected by the Member States at their level before they submit their payment claims or annual accounts for clearance to the Commission.

In 2019, the preventive measures confirmed amounted to EUR 416 million. These include deductions and other adjustments before payment/acceptance of accounts by the Commission, Member State deductions from new expenditure declared to the Commission (at-source deductions) and other *ex ante* adjustments.

Furthermore, for cohesion policy funds, the Member States have applied corrections totalling EUR 670 million for the 2014-2020 period. This is a result of the strengthened regulatory provisions that increase managing authorities' accountability and significantly strengthen the Commission's position in protecting the EU budget from irregular expenditure.

In addition to these mechanisms, the guidance provided to implementing partners also help to prevent errors.

#### Detection and correction of errors affecting EU expenditure

Where preventive mechanisms have not been effective, it is important that errors affecting EU expenditure are **detected** a posteriori, through controls on amounts the Commission has accepted and paid out (*ex post* controls).

These errors are **corrected** by the Commission during the same or in subsequent years, by way of financial corrections or replacement of ineligible expenditure in shared management, and recoveries from final recipients in direct and indirect management.

In 2019, the corrective measures confirmed amounted to EUR 1.5 billion (25% higher than in 2018). These relate mainly to errors affecting payments made in previous years.

In parallel, weaknesses in control systems, detected through risk-based system audits, are subsequently addressed and systems corrected to avoid recurrence of the same errors in the future. In the context of shared and indirect management, this is done in the first place by the implementing Member States and partners.

For more information on the protection of the EU budget, see Annex 5.

#### A reliance on implementing partners' control systems

Almost 80% of the budget is implemented in **cooperation with the Member States and entrusted entities as implementing partners** (see second table in Section 2.1.1). It is thus important to check that these partners demonstrate a level of protection of the EU financial interests equivalent to that achieved when the Commission manages the budget itself. To this end, the Commission carries out an assessment of the systems, rules and procedures of the persons or entities implementing EU funds. This concerns in particular the assessment of the Member States' and entrusted entities' management and control systems through system audits accompanied by substantive testing on expenditure and other types of verifications called pillar assessments or designation procedures before the partner is entrusted with implementing the EU budget on behalf of the Commission.

In **indirect management**, each year the partners report on the sound financial management of the entrusted budget through a management declaration. This is the basis upon which the related Commission departments are able to build their assurance in this management and control environment.

The Commission is currently working on setting up an automated workflow for the different verifications, encompassing the whole process. Such a tool would ensure that all the necessary phases allowing an entity to qualify for working with the Commission in indirect management take place in a centralised, coherent and coordinated manner.

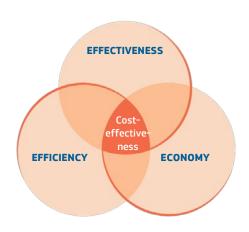
In the area of **shared management**, Member States report each year on their controls on the use of EU funds at national level and on the sound financial management of their respective programmes through an assurance package, containing a management declaration, an annual summary of the verifications carried out and an annual control report containing an error rate based on representative samples and an audit opinion on the legality and regularity of the expenditure. This reporting is the basis for the Commission's acceptance of programme accounts and for enabling the related Commission departments to build their assurance. It is also used for determining the potential risks to the EU budget, as well as for identifying weaknesses and the areas where further checks are needed.

Best practice on internal control matters is shared with and among Member States in the framework of the networks for structural and agricultural funds as well as the public internal control network, led by the Commission.

Furthermore, the Commission has put forward a proposal (63) to protect the EU budget in case of generalised deficiencies as regards the rule of law in the Member States. This proposal, an integral part of the future multiannual financial framework, is subject to ongoing negotiations in the European Parliament and the Council.

The Commission is also working with the Member States to facilitate the understanding and implementation of the reinforced rules on conflict of interest in force since the entry into application of the revised financial regulation on 2 August 2018. It is also monitoring all the allegations brought to its attention in this context.

#### The cost-effectiveness of controls



All Commission departments apply the common control **features** described above, by which preventive and corrective measures are applied on a multiannual basis at the level of specific programmes or other expenditure segments. However, as seen in Section 2.1.1, individual spending programmes may be very diverse and therefore control strategies need to be adapted to different management modes, policy areas and/or funding modalities and their associated risks. differentiation of the control strategies is needed to ensure that the controls remain cost-effective, i.e. that they strike the right balance between a low level of errors (effectiveness), fast payments (efficiency) and reasonable costs (economy). Riskier areas will trigger a higher level of scrutiny and/or frequency of controls, whereas low-risk areas should lead to less intensive, costly or burdensome controls. Also, the actual recovery potential of unduly spent EU funds will be considered when setting up the control strategy (e.g. the cost-benefit analysis of on-site audits).

### The Commission and the Court of Auditors: different roles lead to different control approaches

The Commission and the Court of Auditors play different roles in the control chain of the EU budget and therefore their control approaches differ considerably. The Commission's duty as manager of the EU budget is to prevent and, if necessary, to correct errors and recover unduly spent funds. This requires a detailed bottom-up assessment of the control systems to identify where the weaknesses are, so that targeted corrective measures can be taken at programme level or even at the level of the implementing partners. On the other hand, the role of the Court of Auditors is to provide an annual audit opinion on the legality and regularity of EU spending as a whole, which may be supplemented by specific assessments of major areas of the EU budget (see comparative table on the next page). Therefore, although both institutions converge on several concepts, the Commission's methodology differs duly from that of the Court.

These approaches can lead to differences between the error rates reported by the Court of Auditors and by the Commission. In particular, when the Court of Auditors detects procurement errors and/or the late availability of supporting documents for grants, in a (few) sampled transaction(s), it extrapolates the impact to the whole heading or to the whole EU budget, which often amplifies the importance of such errors. Given its more detailed segmentation of expenditure according to risk profiles and control systems, the Commission, when detecting such errors, is able to extrapolate them more precisely to the population that is most likely to be affected. It is thus able to give a more nuanced view of the level of error across the payments made and to clearly identify the areas where improvements are needed.

<sup>(63)</sup> COM(2018) 324 final

Some examples of these differences are given in the box below.

#### Natural resources

In 2018, the Court of Auditors found errors in three of the six transactions sampled related to the **European Maritime and Fisheries Fund**. This fund being covered by the 'Natural resources' heading, the Court of Auditors extrapolated the errors to the entire heading, even though fisheries account for only **1.3%** of the spending under this heading, and despite the fact that their **management and control systems differ from those for spending on the common agricultural policy**. The Commission applies a higher level of granularity to the extrapolation of errors.

Indeed, the European Maritime and Fisheries Fund is part of the Structural Funds and follows an identical management and control cycle to that of spending in the context of cohesion. For cohesion, the Court of Auditors assesses the legality and regularity of transactions after the annual clearing of accounts, i.e. once all ex ante controls have been completed. This is in line with the Commission's methodology for all expenditure under the Structural Funds, whereas for the audited transactions under fisheries the Court of Auditors' findings were made before the completion of all ex ante controls and could still have been corrected before the Commission's payments.

#### Cohesion

Whilst the Court of Auditors and the Commission share the same view on the main causes of errors in spending under cohesion, in some cases **the Court of Auditors has diverging and more restrictive interpretations** of applicable national or EU rules. This has an impact on the calculated error rate, which once extrapolated amplifies the error rate for the whole heading.

Beyond the interpretation of applicable rules, the Court of Auditors' **quantification of errors 'may differ** from that used by the Commission or Member States when deciding how to respond to the misapplication of the public procurement rules' (<sup>64</sup>). The Court of Auditors systematically quantifies errors in public procurement procedures at 100%. The Commission, however, will assess the actual financial impact based on its legal interpretations and guidance (<sup>65</sup>), i.e. a financial correction of 100% would not be considered proportionate by the Commission for such a breach. Likewise, the Commission's applicable guidelines can provide for a quantification of public procurement errors of 5%, 10% or 25% when the Court of Auditors would consider an error to be only a compliance issue, with no impact on its calculation of the error rate.

#### **External relations**

In previous years, the (timely) access to supporting documents from entrusted entities, including international organisations, was a source of irregularities. This was also a reason for the Court of Auditors' relatively high estimated level of error for the European Development Funds (5.2% for 2018). However, that **estimated level of error was calculated before all** *ex ante* **controls had been implemented** and especially before supporting documents had been provided. The Court of Auditors acknowledged that '[o]f the 39 payment transactions containing *quantifiable errors*, 9 (23%) were final transactions authorised once all *ex ante* checks had been carried out' (66). Therefore, for the other 30 transactions the level of error might have been lower if the Court of Auditors had audited them once all *ex ante* controls had been performed.

<sup>(64)</sup> European Court of Auditors' 2018 annual report, Methodological Annex 1.1, paragraphs 18-19.

<sup>(65)</sup> Commission's 2019 guidelines on financial corrections in case of public procurement irregularities in the annex to the Commission decision of 14.5.2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement, C(2019) 3452.

<sup>(66)</sup> European Court of Auditors' 2018 annual report, section on European Development Funds, paragraph 17.

	European Commission management perspective	European Court of Auditors audit perspective
Roles	<ul> <li>Provide annual management assurance</li> <li>Identify weaknesses and take action on a multiannual basis</li> <li>Protect the EU budget</li> </ul>	<ul> <li>Provide an audit opinion on the legality and regularity of financial transactions of a specific year</li> </ul>
Level of granularity	<ul> <li>Error rate for the EU budget as a whole and individual error rates for each department and policy area under Headings 1 to 5, plus for revenue</li> <li>Error rates calculated per policy area, programme and/or relevant (sub)segments</li> <li>Expenditure and revenue of the year (or 2 years for research) with a multiannual perspective</li> </ul>	<ul> <li>Error rate for EU budget as a whole and individual error rates for Headings 1a, 1b, 2 and 5, plus for revenue</li> <li>Expenditure and revenues of the year</li> </ul>
Multiannuality	• Two error rates (risk at payment and risk at closure ( <sup>67</sup> )); multiannuality prospectively taken into account for the risk at closure through estimated future corrections for all programmes	<ul> <li>One error rate (most likely error)</li> <li>Multiannuality retroactively taken into account, only through financial corrections implemented for closed programmes</li> </ul>
Materiality threshold	<ul> <li>2%</li> <li>Except for revenue (1%) and for Horizon 2020 (between 2% and 5%)</li> </ul>	• 2%
More information	• Annex 3 to this report	Annex 1.1 to the Court of Auditors' annual report

Comparison between perspectives of the Commission and the European Court of Auditors

<sup>(67)</sup> For the spending related to the common agricultural policy, the term 'final amount at risk' is used, as the measures under the European Agricultural Guarantee Fund are not 'closed'.

### 2.2.3. Fraud to the taxpayers' detriment is prevented through multilayered strategies and controls

It should be underlined that fraud represents a very limited part of illegal or irregular spending, most of which relates to errors. The Commission has zero tolerance for fraud.

#### The Commission's anti-fraud strategy is taking hold

Pursuant to Article 325 of the Treaty on the Functioning of the European Union, the Commission and the Member States protect the EU's budget from fraud and other illegal activities. To this end, the Commission and its departments and executive agencies have each developed an anti-fraud strategy, which identifies vulnerabilities to fraud and priorities in the fight against fraud.

On the European Anti-Fraud Office's initiative, the Commission adopted a new corporate anti-fraud strategy in April 2019 with the following main objectives:

- to enhance the Commission's knowledge about fraud and its analytical capability to steer anti-fraud action;
- to ensure close cooperation among Commission departments and executive agencies in fighting fraud;
- to strengthen the Commission's corporate oversight of the fight against fraud.

The European Anti-Fraud Office and the other Commission departments have started implementing the new Commission anti-fraud strategy (<sup>68</sup>).

The flagship of **strategic anti-fraud analysis** is the report on the protection of the EU's financial interests. On the occasion of its 30th edition, issued on 11 October 2019, the European Anti-Fraud Office published a brochure containing the main highlights in the fight against fraud and corruption over the past 30 years (<sup>69</sup>).

The irregularity management system, through which the Member States, candidate countries and potential candidate countries report detected fraud and other irregularities in the implementation of EU funds to the Commission, has been further developed as provided for in the anti-fraud strategy action plan. The data collected in the system will enable users to perform some predefined real-time analyses. The tool gives users the possibility to exploit data easily and intuitively in order to build evidence-based policies, thus strengthening their motivation to report in an accurate and timely way.

To promote **cooperation and supervision**, a structure has been set up to facilitate hands-on exchange of views and good practice between Commission departments, including the peer review of their anti-fraud strategies. Strengthening corporate oversight currently focuses on the monitoring of the follow-up given to European Anti-Fraud Office recommendations by the Commission and its executive agencies. The heads of the Commission's central services (<sup>70</sup>) will regularly discuss the conclusions of this ongoing exercise.

The European Anti-Fraud Office (71) is essential to the fight against fraud, not only as a policymaking department but, crucially, as an independent investigatory body. The European Anti-Fraud Office's administrative investigations into fraud, corruption and other crimes and irregularities help to bring fraudsters to account and repair damage done to the EU budget. In 2019, the European Anti-Fraud Office closed 181 investigations and completed 1 174 selections (72).

<sup>(68)</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the Court of Auditors (COM(2019) 196).

<sup>(69)</sup> https://ec.europa.eu/anti-fraud/sites/antifraud/files/pif\_2018\_30\_years\_brochure\_en.pdf

<sup>(&</sup>lt;sup>70</sup>) The Secretariat-General, the Legal Service, DG Human Resources and Security and DG Budget.

<sup>(71)</sup> For more information, see the European Anti-Fraud Office's annual reports at: https://ec.europa.eu/anti-fraud/about-us/reports/olaf-report en

<sup>(72)</sup> Selection is the process of examining incoming information and preparing the decision of the European Anti-Fraud Office's Director-General on whether to open an investigation or not.

#### Fighting fraud in practice

#### Example: Investigating alleged misuse of EU research funds

The basis of this investigation was allegations of, among others, the possible embezzlement and misuse of several million euros of EU research funds by a company that did not pay out, as contractually required, amounts due to its partners in the research project, while also fraudulently avoiding insolvency proceedings.

As part of the operations, and in close cooperation with the European Anti-Fraud Office from the outset, German authorities conducted searches of commercial premises and private homes of persons concerned in various locations in Germany. French police also carried out simultaneous searches in France, based on a request for mutual legal assistance by the German judicial authorities. The European Anti-Fraud Office participated in the searches, which had been coordinated in advance with the help of the EU judicial authority, the European Union Agency for Criminal Justice Cooperation.

As a result of the coordinated searches, the German authorities seized huge amounts of evidence essential for the development of the investigation, which is ongoing.

#### Example: Joint customs operation 'Hygiea'

Approximately 200 000 counterfeit perfumes, toothpastes and cosmetic items, 120 tonnes of counterfeit detergents, shampoos and diapers, more than 4.2 million other counterfeit goods (battery cells, footwear, toys, tennis balls, shavers, electronic devices, etc.), 77 million cigarettes and 44 tonnes of counterfeit waterpipe tobacco were seized by Asian and EU customs authorities in an operation coordinated by the European Anti-Fraud Office.

During this operation, the customs authorities carried out targeted physical or X-ray controls on several hundred selected shipments transported in sea containers. The European Anti-Fraud Office facilitated the cooperation between the participant countries with the support of a team of 10 liaison officers from Bangladesh, China, Japan, Lithuania, Malaysia, Malta, Portugal, Spain, Vietnam and the European Union Agency for Law Enforcement Cooperation, all working together in Brussels. A Virtual Operational Coordination Unit – a secure communications channel for such joint customs operations – was used to channel the flow of incoming information. This exchange of information in real time allowed all the experts involved to identify the suspect flows of counterfeit goods out of ordinary commercial transactions.

In parallel, and to a large extent on the basis of information collected through the European Anti-Fraud Office's investigations, fraud prevention and sanctioning take place through the **early detection and exclusion system**, which allows for the early detection and exclusion of unreliable economic operators from EU funds in direct and indirect management implementation. In 2019, awareness raising across the Commission departments was stepped up and the year was marked by a substantial increase in cases registered in early detection and in cases submitted for possible administrative sanctions (i.e. exclusion and/or financial penalties and, where applicable, the publication thereof). These are determined in line with the proportionality principle (cf. seriousness of the situation, including the impact on the EU's financial interests and image; time that has elapsed since the relevant conduct; duration and recurrence; intention or degree of negligence; and amount at stake).

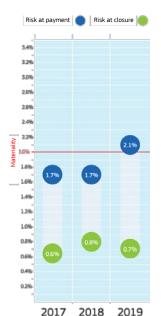
# 2.3. The Commission's control results confirm that the EU budget is well protected

The Commission considers that the budget is effectively protected when the risk at closure is below 2% of the relevant expenditure, which is the materiality threshold also used by the Court of Auditors.

If weaknesses or errors are detected during the life cycle of the programme, the Commission takes all the necessary actions.

By the closure of the programme at the latest – i.e. when all controls, corrections, recoveries, etc. have been made – the risk at closure should be and is estimated to be below 2%.

### 2.3.1. At the end of the programmes' life cycles, the risk is below 2%



Risks at payment and at closure, for the entire Commission, for 2017-2019

Source: European Commission annual activity reports. On the basis of the audits and controls carried out as described above, every year each Commission department estimates the risk to the legality and regularity of EU spending at two stages in the multiannual control cycle: at payment and at closure.

The **risk at payment** is an estimate of the errors that have not been prevented and may still affect the payments (made to Member States, intermediary organisations, beneficiaries, etc.) despite the *ex ante* controls. They are detected through *ex post* controls and audits on the payments made.

The **risk at closure** is an estimate of the errors that will remain at the end of the programmes' life cycle, once all *ex post* controls and corrections have been made. It is equal to the risk at payment less a conservative estimate of the **future corrections** under the multiannual corrective mechanisms – those that will take place between the time of the reporting and the end of the programme's life cycle.

For more details on these concepts and the methodology used to determine these estimates, as well as the rates per policy area and per Commission department, see Annex 3.

For **2019**, **the overall risk at closure is estimated at 0.7%** of the Commission's relevant expenditure (see graph).

Due to the higher risk at payment in cohesion spending during this year, the overall risk at payment is 2.1% for 2019 (1.7% in 2018). However, as the related estimated future corrections are also higher (1.4%, compared to 0.9% in 2018) this results in a stable and low risk at closure of 0.7% (0.8% in 2018).

As this is estimated to be **less than 2%**, taking into account the future corrections, this means that, overall, the Commission's multiannual control systems ensured the effective **protection of the EU budget** in 2019.

The situation regarding risks at payment and at closure, per policy area, is described below for 2019, and their evolution for the period 2017-2019 is shown in graph format. For more details, including about the departments covered in each policy area, see Annex 3.

#### Natural resources



For **natural resources**, the risk at payment is continuing its downward trend, with a further decrease from 2.1% in 2018 to 1.9% in 2019, which is below the materiality threshold. This corresponds to the risk at payment for agriculture expenditure given that this represents the bulk of the expenditure under this policy area (98%) – compared to the maritime and fisheries (73), environment and climate expenditures.

In the **common agricultural policy**, first, the risk at payment is lowest in the Guarantee Fund's direct aid payments (1.6%) and below the materiality threshold for the 3rd consecutive year. This expenditure, which belongs to the common agricultural policy's pillar 1, is inherently low risk due to the 'entitlement-based' reimbursement mechanism (see Section 2.3.2). Second, still under the common agricultural policy's pillar 1, the risk at payment remains higher in the Guarantee Fund's market interventions (2.8%). Third, in the common agricultural policy's pillar 2, the risk at payment in rural development is higher as well (2.7%), but has constantly declined over recent years.

For both pillars, the continuous decrease in error rates is due to the efficient management and control systems applied, in particular the Integrated Administration and Control System, including the Land Parcel Identification

System, and the successful cooperation between the Commission and the Member States, in which action plans by Member States have proven to be an effective tool to remedy the weaknesses identified in certain paying agencies.

Owing to the design of the management and control systems in this policy area, nearly all errors affecting payments not detected at the year end are expected to be covered by subsequent recoveries (by Member States) or financial corrections. This explains the high level of estimated future corrections (1.8%). Thus the estimated risk at closure  $(7^4)$  remains very low at 0.1%.

At the end of 2019, there were five reservations for segments of expenditure or programmes where control weaknesses and/or error rates above 2% had been identified (see Section 2.3.5 and more details in Annex 4), namely:

- three reservations for agriculture: the European Agricultural Guarantee Fund market measures and direct payments, and the European Agricultural Fund for Rural Development measures, corresponding to those Member States and paying agencies that (temporarily) face control weaknesses and/or high error rates;
- one recurrent non-quantified reservation for the EU emissions trading system registry;

<sup>(73)</sup> The European Maritime and Fisheries Fund expenditure, although included under the 'Natural resources' heading, follows the same delivery mechanism as cohesion expenditure.

<sup>(74)</sup> As there is no closure of the European Agricultural Guarantee Fund measures, in the area of agricultural expenditure the risk at closure is replaced by the final amount at risk.

• one new reservation in 2019 for the European Maritime and Fisheries Fund, corresponding to one Member State and operational programme with a material error rate.

#### Cohesion



For **cohesion**, implementation of the current programmes is fully up to speed. The risk at closure is estimated at 1.1%, which is in line with 2018 (1.3%). Even though the risk at payment has increased from 1.7% in 2018 to a range between 2.2% and 3.1% in 2019, the estimated future corrections have increased as well (1.1% to 2%)

The estimation of the future corrective capacity derives from the control system itself: indeed, under cohesion policy (75), errors detected by the Member States, the Commission or the Court of Auditors in their respective audits are systematically subject to financial corrections. Individual programmes concerned are disclosed with full transparency in the annual activity reports, which also contain reporting on the subsequent steps taken to implement the required corrections. Under shared management, the Commission annually applies further financial corrections when the level of error (reported or recalculated) remains above 2% in annual programme accounts. At the end of the programme life cycle under cohesion policy, programmes are not closed until all required financial corrections have been implemented.

In cohesion, a number of operational programmes in Member States proceeded to their first payments in 2018 and 2019. This means that auditors had the possibility

to examine the full process for a higher number of programmes and a higher number of payments. This resulted in an increased number of errors found, as well as a higher error rate. For the **European Regional Development Fund**, in particular, which has the largest share of expenditure under this policy area, the risk at payment has increased from 2% in 2018 to a level in the range of, taking into account all possible risks, 2.7%-3.8% in 2019. For the **European Social Fund**, the risk at payment is in the range of 1.7%-2.4%.

In 2019, the Member States' audit authorities reported irregularities under a common typology agreed with and recommended by the Commission. Ineligible expenditure, public procurement irregularities and audit trail issues are the main sources of audit findings and irregularities identified by both the audit authorities and the Commission through their audits.

In order to tackle the most frequent errors, besides financial corrections for past expenditure and corrective measures for the system in the future in all cases, the Member States' audit authorities are encouraged by the Commission to report back to their managing and certifying authorities on the main sources of identified irregularities. This allows these programme authorities to adjust their internal controls, reinforce their checklists and further train their staff and beneficiaries. The Commission also organises capacity-building events and joint workshops with the programme authorities, in particular managing and audit authorities. It provides detailed audit recommendations and requires detailed remedial action plans where system deficiencies are found.

Given the importance of public procurement for cohesion policy, the Commission is continuing to implement its updated public procurement action plan to improve the compliance of public procurement procedures in this policy area. Particular emphasis is being given to actions helping Member States to further professionalise procurers, in line with the public procurement package adopted by the Commission in October 2017. The Commission is making extensive guidance, examples of good practices and explanations available online. Peer-to-peer exchanges are being promoted to support contracting and programme authorities in dealing with these issues and reducing errors.

The two cohesion departments have issued reservations for the 2014-2020 operational programmes with errors above the materiality level in 2019. In addition, for 2007-2013, there are still a few operational programmes with a non-quantified reservation (see Section 2.3.5 and more details in Annex 4).

<sup>(75)</sup> The European Maritime and Fisheries Fund shares cohesion policy's management and control systems.

#### **External relations**



For **external relations**, both the risks at payment (1%) and at closure (0.7%) remained stable and are well below 2%.

In 2019, the Commission continued its efforts to improve the risk-differentiated control strategies for its development and neighbourhood expenditure, thereby better focusing specific actions on the higher-risk segments. The two departments responsible have also further enhanced the transparency of their residual error rate studies (see Annex 3). For example, for development expenditure, the overall rate (1.13%) is now split into one for the EU budget (1.14%) and one for the European Development Fund (1.13%), clearly showing their similar risk profiles.

Among the non-compliance issues, the (timely) access to supporting documents from entrusted entities, including international organisations, remains a source of irregularities. This is also a reason for the Court's relatively high estimated level of error for the European Development Fund (5.2% for 2018), which is determined before all controls have been implemented (corrective capacity of 0.3%) and especially before supporting documents have been provided. Therefore, an action plan has been put in place aiming at a more fluid flow of information between the entrusted entities, the Commission and/or the Court of Auditors.

At the end of 2019, DG Neighbourhood and Enlargement Negotiations has maintained its two reservations: one for 'grants under direct management' (level of error at 2.65%) and one for 'projects in Libya and Syria' (assurance building not possible for safety reasons) (see Section 2.3.5 and more details in Annex 4).

#### Research, industry, space, energy and transport



For the broad **research, industry, space, energy and transport** policy area as a whole, the risks at payment (2%) and at closure (1.5%) remained stable.

Within this policy area, the risk at payment for the **Horizon 2020** research programmes (3.3%) remains above 2%. This higher risk is inherent in grants based on the reimbursement of actual eligible costs (see Section 2.3.2) that are used in Horizon 2020 and the competiveness of small and medium-sized enterprise programmes, as per the related legal bases. Complexities in determining the exact costs that can be charged to projects lead to errors in cost claims and the related payments.

In order to mitigate this situation, the well-established *ex post* control strategy for the Horizon 2020 programme, common to all departments involved in its implementation, has led to significant *ex post* corrections over the years, which are also used as the basis for the estimated future corrections.

Nevertheless, the research departments continuously strive to reduce the risk at payment: for example, through further simplification of the model grant agreement, clearer communication on eligibility rules and further extending lumpsum financing. In addition, the Commission's proposal for the next research programme (Horizon Europe from 2021) further expands the use of simplified cost options.

Regarding the other programmes, the risks at payment and closure for the **Connecting Europe Facility** (transport, energy and telecommunications), implemented by the Innovation and Networks Executive Agency, are globally below 2%. The EU **space** programmes (<sup>76</sup>), implemented by the European Space Agency and the European Global Navigation Satellite Systems Agency, also have inherently lower risks at payment and

<sup>(76)</sup> Such as Galileo and the European Geostationary Navigation Overlay Service (the European satellite navigation systems) and Copernicus (the EU earth-observation system).

closure thanks to the type of funding and the level of auditing carried out. They have nevertheless been set, conservatively, at 0.5%.

As in previous years, the **research** departments and executive agencies have not qualified their declarations of assurance with any reservations in relation to the **Horizon 2020 programme** despite a current level of error at 2.3%. This is because they apply the programme's specific 2%-5% materiality threshold to take into account its inherent risks and the control limitations (<sup>77</sup>).

For 2019, there is only one reservation related to the previous seventh framework programme for research and technological development (see Section 2.3.5 and more details in Annex 4).

#### Other internal policies



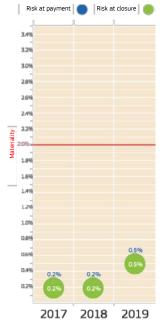
For **other internal policies**, comprising mainly education and culture, migration and home affairs, and economic and financial affairs, the risks at payment and at closure remained stable, at 1.0% and 0.8% respectively, and are well below 2%.

Even if some education and culture programmes have a higher risk profile, which is also related to the complexity of the reimbursement programmes, their control systems mitigate those risks.

DG Justice and Consumers has maintained its reservation for a material error rate in grants under direct management. DG Migration and Home Affairs has maintained two reservations in shared management (for the Asylum, Migration and Integration Fund and the Internal Security Fund, and for the solidarity and management of migration flows programmes, under reservation in a few Member States) and one reservation in direct management grants because of a material level of error (see also Section 2.3.5 and more details in Annex 4).

<sup>(77)</sup> The legislative financial statement accompanying the Commission's proposal for the Horizon 2020 regulation states: 'The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5%, is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research projects. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, corrections and recovery measures will have been taken into account is to achieve a level as close as possible to 2%.'

#### Other services and administration



Finally, the Commission's **other services and administration** departments cover mostly low-risk types of expenditure, such as the administrative expenditures by the paymaster's office. Nevertheless, the risk at payment is prudently set at 0.5%. As most of the corresponding control systems involve predominantly *ex ante* controls, the estimated future corrections are often set at a conservative 0.0%. Thus, the risk at closure is almost equal to the risk at payment and remains very low at 0.5%.

In this policy area, DG Structural Reform Support has maintained its reservation for a material level of error in one segment of grants under direct management (see Section 2.3.5 and more details in Annex 4).

#### 2.3.2. Relatively lower- and higher-risk programmes

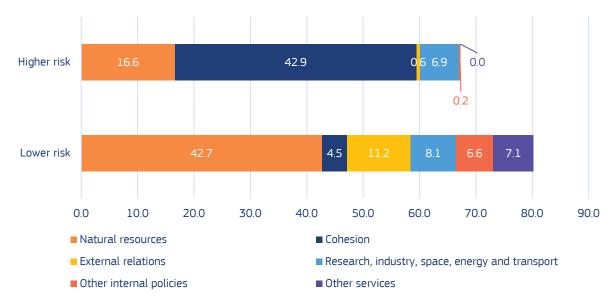
From the above, it appears that there are programmes or segments of expenditure with fairly low levels of error and others with relatively higher ones. This is closely related to the nature of the funding, notably the difference between rather complex reimbursement-based schemes on the one hand and fairly straightforward entitlement-based payments (78) on the other hand.

On this basis, the Commission's portfolio can be subdivided into lower-risk and higher-risk strata (see chart below), as explained in the following.

- **Lower risk.** Expenditure with risk at payment below 2% stands at EUR 80 billion (54%); this includes: agriculture direct payments; the Maritime and Fisheries Fund; Marie Skłodowska-Curie actions; Research Council grants; the European Space Agency and Global Navigation Satellite Systems Agency; the Connecting Europe Facility; Erasmus+; the Asylum, Migration and Integration Fund; budget support, subsidies, administrative expenditure, etc.
- **Higher risk.** Expenditure with risk at payment above 2% stands at EUR 67 billion (46%); this includes: agriculture market measures and rural development; the Regional Development Fund; the Social Fund; Horizon 2020 research grants; other departments' complex grants, etc.

Furthermore, taking into account the multiannual character of the control systems, if this split were based on the risk at closure instead, then the difference would be even more pronounced. For example, the European Social Fund expenditure (EUR 11.2 billion; risk at closure of 1.3%) would then be classified in the lower-risk stratum.

 $<sup>(^{78})</sup>$  This is also recognised by the European Court of Auditors (in its 2018 annual report, paragraphs 1.16-32).



The Commission's relevant expenditure for 2019, higher- and lower-risk segments, per policy area, in billion EUR *Source:* European Commission annual activity reports.

It is important to highlight that this estimation results from an analysis of the error rates at the level of programmes and other relevant expenditure segments. This split is different from that of the Court of Auditors, which is based on the type of reimbursements made – i.e. entitlements being considered inherently low risk and reimbursements being considered inherently high risk – regardless of the level of error rate actually found. From a management perspective, thanks to the results of the controls in place, the actual level of error can be lower than the materiality threshold and programmes that are considered high risk by the Court of Auditors can actually be quite low risk in reality.

Therefore, the issue of complexity and of whether something is considered as having a higher risk and/or higher error rate has also been considered in the context of the Commission's proposals for simplification embedded in the next multiannual financial framework programmes (see Section 2.4.2 below).

### 2.3.3. The Commission is further improving the efficiency of its operations

In a context of tight budgetary constraints, the Commission is striving to improve efficiency in all areas of its activity while maintaining a high level of delivery. The Corporate Management Board steers work across the Commission in domains such as human resources management, financial management, information technology and management, communication, logistics and events management. Working methods and processes are being streamlined to ensure the most efficient use of limited resources. This work will continue in order to ensure an optimal allocation of resources and a high level of performance faced with an increasing workload in many areas, including most recently in relation to the response to the COVID-19 pandemic.

In its communication 'The synergies and efficiencies initiative: stock-taking and way forward' (March 2019), the Commission established DG Budget as the domain leader for financial management and the internal control framework. The objective is to continuously improve sound financial management through further professionalisation of the domain, taking better account of recent evolutions in the way the EU budget is managed. Within the current decentralised system, actions are taken in two directions: improving centralised governance and oversight, and strengthening the coordination and modernisation of financial management across the Commission. In 2019, further steps were taken to harmonise, standardise and simplify financial management across the Commission, in addition to promoting sound financial management. The focus was on setting up more interoperable and flexible post-2020 funding programmes.

**Simplification** can be achieved through the simplification of rules; harmonised and, as far as possible, standardised corporate models of legal instruments and modern corporate financial information technology tools; and ensuring consistency in relations with partners implementing EU funds under indirect management.

Actions undertaken **at corporate level** during 2019 include developing more efficient corporate workflows (for grants, procurement, financial instruments) through simplified corporate models and procedures (building on the single electronic data interchange area). In addition, the Commission has stepped up guidance and coordination vis-à-vis both Member States and other Commission departments in areas that are relevant to the implementation of the EU budget (e.g. internal control systems in Member States, conflicts of interest, rule of law, anti-fraud measures). Other information technology initiatives are e-cohesion in shared management and the geospatial system used for agriculture.

Initiatives to further increase efficiency in financial management were also taken at the level of the Commission departments.

- Firstly, a number of Commission departments have further digitalised their financial processes. This contributes to a leaner, less bureaucratic, better integrated and more flexible Commission. As a result, resources are increasingly focused on frontline activities. Moreover, automated dashboarding tools enhance the monitoring process and facilitate improved management and better use of data, while reducing the chances of missed opportunities for early reaction.
- Secondly, several Commission departments also reported that they have reviewed their control strategies and/or their financial workflows, with a view to simplifying procedures and further aligning the control frequency and intensity with the risk of the transactions.

The abovementioned initiatives ensure the effective protection of the EU budget, while reducing the time needed to complete the financial processes. In particular, the 'time-to-pay' indicators continued their very favourable downward trend. In 2019, the Commission's average net **payment time** was 16 days (down from 20 and 18 in the 2 previous years), well below the statutory ceiling of 30 days. The Commission made 95% of its **payments on time** (the number of payments affected by delays was down from 10% and 8% in the 2 previous years). Nevertheless, the aim is still to meet the statutory payment time for every payment. See details in Annex 8.

### 2.3.4. The cost of controls remains proportionate to the associated risks

Overall, the estimated costs of control are **reasonable** in view of the nature of the programmes and/or the control environments. Furthermore, they remain **stable** due to the unchanged control environments and strategies in place for the current programmes.

Direct comparison between programmes is often not possible because of their different features and cost drivers, examples of which are given in the box below.

#### **Examples of common cost drivers**

- The degree of complexity of the programmes managed.
- The volumes and amounts to be processed: i.e. processing a high number of low-value transactions is more labour-intensive than processing a low number of high-value transactions.
- The specific risk profiles of the programmes managed: for instance programmes in external relations where funds are mostly spent in non-EU countries.
- Possible diseconomies of scale for certain smaller programmes, in terms of amount of funding, as well
  as programmes that are being phased out, or funds managed by smaller entrusted entities, or
  Commission departments managing smaller amounts of funds, as there is always an irreducible number
  of controls to be carried out regardless of the amounts of funding involved.

• The type of management: indirect and shared management imply that the costs of controls are shared between the Commission and its implementing partners, national authorities or entrusted entities, and so the costs at Commission level may be much lower for such programmes compared to others that are directly managed by the Commission.

For the sake of transparency and completeness, those departments dealing with shared and/or indirect management have also reported in their annual activity reports on the cost of controls in Member States and entrusted entities, separately from the Commission's own cost of controls. For example, for the common agricultural policy, the costs reported by Member States for delivery represented 3.5% of the expenditure for 2019.

In a recent audit about the cost of implementation of Cohesion Funds (<sup>79</sup>), the Court of Auditors found that the overall cost of implementing the cohesion policy funds presented by the Commission in its annual activity reports is comparatively low compared to other EU funds and internationally funded programmes. These costs represented, as a percentage of the payments made in 2018, 2.87% for the European Social Fund, 2.45% for the European Regional Development Fund and 2.03% for the Cohesion Fund, respectively.

In 2019, following the combined assessment of their effectiveness, efficiency and economy, **all** Commission departments concluded that, overall, their **controls were cost-effective**.

### 2.3.5. Management assurance, audit opinions and discharge authority

#### Director-Generals' assessments, assurance and reservations

In their 2019 declarations of assurance (<sup>80</sup>), **all 50 Directors-General (or equivalent) declared they had reasonable assurance** that: (i) the information contained in their report presents a 'true and fair view' (i.e. reliable, complete and correct) on the state of affairs in their department; (ii) the resources assigned to their activities have been used for their intended purpose and in accordance with the principle of sound financial management; and (iii) the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

Within the context of their overall assurance-building process and from their management perspective, the Directors-General also perform a more detailed analysis for each programme or segment of their portfolio. They use all available information, especially the results of their controls, to spot any potential significant weakness in quantitative or qualitative terms. At the end of each financial year, they determine whether the financial impact from such a weakness is likely to be above the materiality threshold of 2% and/or whether the reputational impact is significant. If so, they qualify their declaration of assurance with a reservation for the specific portfolio segment affected.

<sup>(79)</sup> European Court of Auditors, Special Report No 7/2020, Implementing Cohesion Policy: comparatively low costs, but insufficient information to assess simplification savings, 16.4.2020.

<sup>(80)</sup> https://ec.europa.eu/info/publications/annual-activity-reports\_en

For 2019, 11 of the 50 Directors-General issued a qualified declaration with a total of 18 reservations. This significant decrease in number, compared to 2018 (when 40 reservations were reported by 20 departments), is explained as follows.

- Six reservations were **lifted** because the underlying weaknesses have been resolved.
- For 17 reservations, the 'de minimis' rule was applied, whereby reservations are no longer considered meaningful under certain conditions, namely the limited expenditure involved (less than 5% of the department's payments) and low resulting financial impact (less than EUR 5 million). These were mostly related to 2007-2013 legacy programmes in research, competitiveness, education and culture, and external relations.
- A total of 17 reservations are **recurrent** from previous year(s), and only one is **new** in 2019, mainly because the root causes of the material level of error can be partially mitigated but not fully eradicated under the current programmes' legal frameworks. See details in Section 2.3.1 and concepts in Annex 4.

The total financial impact from all reservations (EUR 1 053 million for 2019; i.e. 2% lower than the EUR 1 078 million in 2018) is comparable to the level in the previous 2 years. For each reservation, the Directors-General concerned put in place mitigating actions to address the underlying weaknesses and mitigate the resulting risks.

Annex 4 provides the complete list of reservations for 2019 as well as further explanations and details.

#### Work of the Internal Audit Service and overall opinion

The Commission departments also based their assurance on the work done by the Internal Audit Service. The Internal Audit Service audits the management and control systems within the Commission and the executive agencies, providing independent and objective assurance on their adequacy and effectiveness.

As required by its mission charter (81), the Internal Audit Service issued an **annual overall opinion on the Commission's financial management**, based on the audit work it had carried out in the area of financial management in the Commission during the previous 3 years (2017--2019). The overall opinion also takes into account information from other sources, namely the reports from the European Court of Auditors. Based on this audit information, the internal auditor considered that, in **2019**, the Commission had put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance on the achievement of its financial objectives. However, the overall opinion is qualified with regard to the reservations the authorising officers by delegation made in their declarations of assurance issued in their respective annual activity reports.

In arriving at the overall opinion, the internal auditor also considered the combined impact of (i) all amounts estimated to be at risk at payment as these go beyond the amounts put under reservation and (ii) the financial corrections and recoveries related to deficiencies and errors the Commission departments will detect and correct in coming years due to the multiannual corrective mechanisms built into the Commission's internal control systems. Given these elements, the Internal Audit Service considers that the EU budget is adequately protected in total and over time.

The COVID-19 outbreak and the Commission's response did not affect the Commission's ability to protect the EU budget during 2019. It may however do so in 2020 and the following years as *ex post* corrective measures that have so far led to corrections may become less effective (affecting corrective capacity). This may result from lightening certain procedures governing expenditure and issues concerning recovery of illegal or irregular expenditure from final beneficiaries facing financial and economic difficulties as a consequence of the coronavirus crisis Without further qualifying the opinion, the internal auditor added two 'emphases of matter', which are described in Annex 6 to this report, regarding:

<sup>(81)</sup> Latest version: C(2020) 1760 final.

- the implementation of the EU budget in the context of the current crisis related to the COVID-19 pandemic, notably the need for a detailed assessment of emerging risks and defining and implementing related mitigating measures; and
- supervision strategies for third parties implementing policies and programmes.

With a view to contributing to the Commission's performance-based culture and greater focus on value for money, the Internal Audit Service also carried out **performance audits** in 2019 as part of its 2019-2021 strategic audit plan. These audits resulted in recommendations, all accepted by the auditees, concerning: supervision strategies regarding the implementation of programmes by third parties; control strategies of selected departments; human resources and information technology management processes; and performance-related aspects of the implementation of operations and programmes by the departments. For all recommendations, the auditees drafted action plans, which were submitted to and assessed as satisfactory by the Internal Audit Service.

Finally, in line with its strict **follow-up policy**, the Internal Audit Service assessed on a regular basis the actual implementation of its recommendations by the Commission's departments and executive agencies. The work confirmed that 98% of the recommendations issued during 2015-2019 and followed up were adequately and effectively implemented by the auditees. This result indicates that the Commission services are diligent in implementing the recommendations and mitigating the risks identified by the Internal Audit Service.

Annex 6 includes more information on the assurance provided by the Internal Audit Service. In addition, a report of the internal auditor's work is forwarded by the Commission to the discharge authority in accordance with Article 118(8) of the financial regulation, as part of the integrated financial and accountability reporting package.

#### The work of the Audit Progress Committee

The Audit Progress Committee (82) oversees audit matters within the Commission and reports annually to the College. It does this by ensuring the independence of the Internal Audit Service, monitoring the quality of internal audit work and ensuring that internal (i.e. from the Internal Audit Service) and external (i.e. from the European Court of Auditors) audit recommendations are properly taken into account by the Commission departments and that they receive appropriate follow-up.

During the reporting year, the Audit Progress Committee continued to play its important role in enhancing governance, organisational performance and accountability across the entire organisation. It held three rounds of meetings while focusing its work on the four key objectives set out in the 2019 and 2020 work programmes. The Audit Progress Committee was satisfied about the independence and quality of the internal audit work and found that the internal auditor's planning adequately covers the audit universe and continues to cover the key risk areas. The committee considered it encouraging that the effective implementation rate of the internal auditor's recommendations remained high (i.e. 98% for recommendations issued in 2015-2019) and that only six very important audit recommendations were overdue by more than 6 months as of January 2020. The progress in implementing the European Court of Auditors' recommendations was also satisfactory. Only one recommendation issued in 2001-2014 remained outstanding as of February 2020. Finally, the Audit Progress Committee was satisfied that for the 12th consecutive time the Court of Auditors gave a clean opinion about the reliability of the EU consolidated accounts.

Annex 7 includes more information on the committee's work and conclusions.

### The Court of Auditor's opinions on the 2018 accounts and on the legality and regularity of transactions

In 2019, the European Court of Auditors gave a **positive (clean) opinion** on the 2018 **EU annual accounts**, for the 12th consecutive year.

<sup>(82)</sup> The Audit Progress Committee comprises nine members. A maximum of six are Members of the Commission, and at least three are external members with proven professional expertise in audit and related matters. Half of the Commission membership of the Audit Progress Committee is renewed halfway through the term. Contracts with external members are drawn up each year.

#### Validation of local systems

The accounting officer is required to sign off on the annual accounts, certifying that he/she has reasonable assurance that they present a true and fair view of the financial situation of the Commission. The validation of local systems consists of a number of monitoring and supervisory controls aimed at providing assurance that he/she can rely on the information entered by the various Commission departments in the accounting systems. This is in addition to the departments' own management assessments of the internal control systems in place.

The work carried out in 2019 has identified strengths as well as a number of weaknesses and issues, resulting in recommendations intended to improve the control environment and accounting quality in the departments ( $^{83}$ ) – mitigating risks to the accuracy of the financial and regulatory management reporting ( $^{84}$ ). None of the weaknesses identified is likely to have a material impact on the annual accounts.

For the **legality and regularity of the underlying transactions**, the Court of Auditors gave a **qualified (favourable, but with observations) opinion** for the **EU budget**, but an adverse (negative) opinion for the European Development Fund.

The Commission follows up on the Court of Auditors' recommendations, and reports on the measures taken in the annual activity reports. Moreover, the Commission reports on a regular basis on the implementation of recommendations to the Audit Progress Committee, which performs certain monitoring activities in this respect under its updated mandate (85).

The Court of Auditors monitors the Commission's **implementation of its recommendations** and provides feedback, helping the Commission to enhance its follow-up activities. In its 2018 annual report, the Court of Auditors assessed the quality of the Commission's follow-up of 184 audit recommendations from 25 special reports published in 2015. The Court of Auditors noted that the Commission had implemented around three quarters of the recommendations fully or in most respects, and slightly less than one fifth in some respects. The remaining recommendations were not accepted by the Commission and therefore not implemented. This is broadly in line with previous years.

#### Discharge 2018

The European Parliament granted discharge to the Commission for the financial year 2018 by a clear majority on 14 May 2020 after having examined the reports of the European Court of Auditors, the Commission's integrated financial reporting package and the Council's discharge recommendation. The European Parliament's Committee on Budgetary Control also invited selected Commissioners and Directors-General for exchanges of views during the discharge procedure. The European Parliament's discharge resolution for 2018 includes recommendations for improving budget implementation, as well as recommendations linked to specific policy areas and situations concerning, for example, rule of law and alleged conflicts of interest. As usual, the Commission is taking the action to implement these recommendations and will follow up on them in a specific report (86).

<sup>(83)</sup> Mainly concerning six departments (DG Agriculture and Rural Development, DG European Civil Protection and Humanitarian Aid Operations, DG Human Resources and Security, DG Neighbourhood and Enlargement Negotiations, DG Research and Innovation and the Research Executive Agency).

<sup>(84)</sup> The main risks concerned various issues with the accounting control environment, the registration of reflows from financial instruments, the timely clearing of pre-financing, the timely issuance of recovery orders and issues related to the synchronisation of accrual-based accounting with local information technology systems.

<sup>(85)</sup> Communication to the Commission: Update of the charter of the Audit Progress Committee of the European Commission, 27.2.2020, C(2020)1165.

<sup>(86)</sup> Report on the follow-up to the discharge for the 2018 financial year, which will also be part of the Integrated Financial and Accountability Reporting package.

## 2.4. Further developments: outlook for 2020 and the 2021-2027 period

### 2.4.1. Effect of the coronavirus health crisis on sound financial management in 2020

The Commission has taken a range of measures to respond to the crisis caused by the COVID-19 outbreak, such as the coronavirus response investment initiatives to mitigate the socio-economic impact. The pandemic itself, through its massive impact on EU beneficiaries, national authorities and Commission services, and the measures taken will have an impact on the performance of the EU budget but will also present potential challenges for the assurance building of the Commission.

For instance, the specific context of the crisis required adjustments to the control procedures and more flexibility in the management of funds (e.g. the European Structural and Investment Funds) to allow funds to be rapidly deployed where they are most needed. These specific adjustments have been embedded in modified legislation, against which compliance will be measured for the period affected by the crisis.

The Commission is currently working on a detailed identification of these new risks and challenges, on assessing their impact and on establishing mitigating measures to strike a balance between the required flexibility to make funds available to Member States and other implementing partners and beneficiaries to fight the crisis, and the need to respect the principle of sound financial management.

### 2.4.2. Efforts to ensure sound financial management are maintained in the next multiannual financial framework

The Commission is constantly striving to ensure that the EU budget is managed in accordance with the highest standards of sound financial management. In the current circumstances, this remains as necessary as ever. In May, the Commission adopted its revamped proposals for the 2021-2027 multiannual financial framework. These proposals reconfirm the Commission's commitment to sound financial management, with particular attention given to maximising **simplification**, **synergies and efficiencies**, as well as to implementing **risk-differentiated and cost-effective control systems**.

The aim is to achieve both the policy/programme and the internal control objectives, i.e. fast payments, a low level of errors and economical costs of control. Examples that can contribute to these three goals are the increased use of lump-sum grants (which furthermore reduces the need for detailed record-keeping) and the possibility of funding based on outputs or results (which, for example, eliminates the need to track working hours through time sheets or to submit detailed invoices for the incurred costs).

Sound financial management of the EU budget will also be facilitated by providing templates for the establishment act and delegation instruments for the **future delegations of programmes to the executive agencies** during the next multiannual financial framework, as well as guidelines for the establishment and operation of executive agencies.

# 2.4.3. Further enhancing and strengthening collaboration with Member States

As part of the overall initiative from the Commission to enhance and **strengthen its collaboration with Member States**, the Better Spending Network (comprising representatives of Member States and of the Commission) should help with the exchange of good practices, sharing of knowledge and information, identifying weaknesses and finding solutions at an early stage on issues related to public spending, including areas such as conflict of interest, rule of law and fraud and corruption. Interactions with Member States will take place at a high level (annual conference of the High Level Group of the Better Spending Network) and at the technical level, with the organisation of workshops on specific topics.

The issue of conflicts of interest is high on the Commission's agenda and has frequently been the subject of discussions and calls for action, in particular from the Committee for Budgetary Control of the European Parliament. As a response, and following the revision of rules on avoidance of conflicts of interest in the 2018 financial regulation that explicitly extended their application to shared management, the Commission is preparing a **guidance note on avoidance of conflicts of interest** covering all management modes (direct/indirect/shared management). Its purpose is to facilitate understanding and to raise awareness among the various stakeholders using EU funds, within the EU institutions and in the Member States, of the rules on conflicts of interest. Its publication is scheduled for the end of the year.

The Commission is also considering other actions to address specific concerns raised by the European Parliament and potential issues or loopholes identified in the past year. These actions may include proposals to improve the quality and interoperability of the data on EU beneficiaries that is made available to the Commission and ensure enforcement of recoveries of EU funds.

On the basis of the assurances and reservations in the annual activity reports (87), the College adopts this *Annual Management and Performance Report for the EU Budget – Financial year 2019* and takes overall political responsibility for the management of the EU budget.

<sup>(87)</sup> Article 74(9) of the financial regulation.



Annexes

# Annex 1: Programme performance overview

## Introduction

The Commission is continuing to improve the presentation of performance information relating to EU spending programmes, in order to provide accurate, reliable and understandable information on programme performance. This annex contains the programme performance overview. This overview is a summary of the programme statements attached to the 2021 draft budget. It presents all EU spending programmes for the 2014-2020 period in a concise and uniform way. For each programme, the overview provides information on:

- what the programme is about;
- why it is necessary;
- a selection of key performance indicators;
- where we are in the implementation;
- performance assessment;
- concrete examples of achievements.

This year the programme performance overview includes a new 'Performance assessment' section, which presents a summary of the overall progress towards achieving the programme objectives now that the end of the 2014-2020 programming period is approaching. However, it is important to note that the implementation of certain programmes will continue for a number of years beyond the end of the period, as provided for in their legal bases. This applies in particular to the European Structural and Investment Funds.

The information summarised and presented in this overview for each individual programme does not replace the full set of data and performance information as required by Article 41(3)(h) of the financial regulation. A complete overview of all 60 EU spending programmes is presented in the *Working Document Part I – Programme statements of operational expenditure* of the 2021 draft budget.

## Presentation of financial data

The financial data presented in this report relate to the implementation of budget appropriations authorised by the European Parliament and the Council in the annual budget procedures under the 2014-2020 multiannual financial framework. Consequently, expenditure relating to amounts carried over and to assigned revenues are not taken into account in the financial data. Similarly, payments made in the course of the 2014-2020 period on the outstanding commitments from the 2007-2013 period are not included in the calculation.

## Methodological note

## **Selection of indicators**

The performance framework for the 2014-2020 spending programmes includes more than 700 indicators measuring performance against more than 60 general objectives and more than 220 specific objectives. The programme performance overview presents the most relevant indicators from the programme statements.

It is crucial to bear in mind that the information contained in the indicators provides only an indication of the overall performance and achievements of each specific programme. It is only possible to make fully substantiated statements about the ultimate performance of programmes by taking into account the specific implementation context, including qualitative as well as quantitative elements. The Commission does this in the context of regular evaluations of its spending programmes.

The selection of indicators for the programme performance overview was made based on the following criteria, aiming to present a balanced or representative picture of programme performance:

- availability of data: quantitative target, results available for either 2019 or 2018, and results available for at least 3 years of the 2014-2019 period;
- professional judgement taking into account the relevance of the indicator, aiming to present a
  balanced or representative picture of programme performance in relation to the specific objectives of
  the programme and to what extent the indicator reflects the results of EU budget intervention.

## **Definition of targets**

Targets are defined at the beginning of the programmes and come in various forms (e.g. quotas, benchmarks, numerical goals). In most cases, the final target is set for 2020, the end of the programming period. However, account should be taken of the specific nature of the shared management programmes (in particular in the areas of agriculture and cohesion), which are characterised by a long start-up phase (e.g. planning, programming, authorisations) followed by a long implementation cycle. As such, the appropriations for the European Structural and Investment Funds can be implemented in the 3 years following the commitment of the funding, therefore the final target is set for 2023, in accordance with the 'n + 3' rule.

## **Definition of baselines**

A baseline is a measurement taken prior to a specific intervention, which allows the results before and after (i.e. with and without) the intervention to be compared. In the context of the EU budget, the baseline is the measurement of the indicator before the start of EU budget funding for the current programming period.

Because of its nature, a baseline is not always available for all the indicators, whereas in other cases the baseline should be considered to be zero. This is the case, for example, for the 'output indicators' relating to the specific deliverables of the intervention, such as the number of projects funded by the EU budget. In the case of output indicators, the measurement prior to the EU budget intervention (baseline) is considered to be zero.

It is important to make a distinction between a baseline and a historic benchmark or reference. The measurement of an indicator before the 2014-2020 period should not automatically be considered as a baseline, since its measurement could have been influenced by the EU budget actions from the previous period (2007-2013).

The baseline of an indicator is used when the indicator meets the following three conditions.

- A quantitative baseline is available in the programme statements.
- The baseline meets the definition of measurement before EU budget intervention.
- The target represents an improvement (i.e. a better result) compared to the baseline otherwise the progress could not be calculated. Depending on the indicator, an improvement can be an increase or a decrease compared to the baseline.

## **Definition of 'progress towards the target' charts**

The 'progress towards the target' charts present a snapshot of selected indicators providing a consistent presentation of performance information across programmes.

## General formula

The general formula to calculate the 'progress towards the target' percentage is as follows:

Progress % = (last year result – baseline) / (target – baseline)

## **Example**

Programme: Implementation and exploitation of European satellite navigation systems (Galileo and EGNOS) (88)

**Specific objective 1:** To develop and provide global satellite-based radio navigation infrastructures and services (Galileo) by 2020

**Indicator 1:** Galileo infrastructure – cumulative number of operational satellites

Baseline Actual results							Target	
2013	2014	2015	2016	2017	2018	2019	2020	2020
4	3	9	18	22	26	26		30

Progress % = (26 - 4) / (30 - 4) = 85%

## **Adaptations**

Specific adaptions, if any, are noted in the footnote at the bottom of the respective figures. Examples of such adaptations are as follows.

(a) In cases where the progress should be expressed in a cumulative way from the beginning of the 2014-2020 period, and the annual results are not cumulative, then the 'last year result' is replaced in the formula by the 'sum of the annual results from the beginning of the period':

Progress % = (sum (results 2014:2019) - baseline) / (target - baseline)

(b) In cases where the progress cannot be expressed in a cumulative way, and the 'last year result' does not reflect the progress of the programme during the period as a whole, then the 'last year result' is replaced in the formula by the 'average of the annual results from the beginning of the period':

Progress % = (average (results 2014:2019) – baseline) / (target – baseline)

<sup>(88)</sup> Information presented in the Working Document Part I – Programme statements of operational expenditure attached to the 2021 draft budget.

(c) Whenever the target is not expressed in a cumulative way for the 2014-2020 period, and the annual milestones are available for all the years, in cases where the progress of the programme is better reflected comparing the results to the annual milestones, then targets are replaced in the formula by annual milestones (sum or average of the annual milestones, depending on the formula selected for the annual results). For example:

```
Progress % = (sum (results 2014:2019) – baseline) / (sum (milestones 2014:2020) – baseline)

Progress % = (average (results 2014:2019) – baseline) / (sum (milestones 2014:2020) – baseline)
```

## **Cut-off date of performance information**

The most recent performance information available is used. For the programmes that are directly managed by the Commission, this mostly concerns reported achievements measured at the end of 2019. The programmes under shared management present values recorded and reported by Member States of the situation at the end of 2018. The programmes under indirect management present a mixed picture: some have achievements reported up to 2019, while others depend on the data sources provided by the international organisations that implement the actions (e.g. the UN family) and may therefore be delayed.

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Regulation (EU) No 1285/2013 of the European Parliament and of the Council

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https://europa.eu/!TP38Kh

#### FINANCIAL PROGRAMMING

(million EUR) 2014 1 326.2 1 060.6 2015 2016 851.6 2017 897.5 807.9 2018 2019 690.7 2020 1 207.0 Total 6 841.4

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm review of the programmes was carried out in 2017: http://europa.eu/!KF39Uq The impact assessment on the EU space programme and the European Union Agency for the Space Programme was adopted in 2018: https://europa.eu/!XF34px An impact assessment on the use of Galileo for critical infrastructures is ongoing.

## How is it implemented?

The Directorate-General for Defence, Industry and Space is the lead DG for the implementation of the programme. Both Galileo and EGNOS are implemented mainly through indirect management by the European GNSS Agency and the European Space Agency, though part of the budget is implemented through direct management by the Commission (grants and procurement).

# **GALILEO AND EGNOS**

# IMPLEMENTATION AND EXPLOITATION OF EUROPEAN SATELLITE NAVIGATION SYSTEMS

#### What are Galileo and EGNOS?

Galileo is a European large-infrastructure project and is entirely financed by the EU budget. It is Europe's Global Satellite Navigation System, and will ensure the continent's autonomy in an area that is of strategic importance to both its economy and its security. Galileo will be used for a large number of purposes, including critical business processes that require uninterrupted navigation and timing services needed, for example, for critical applications such as the synchronisation of electricity grids and telecommunication networks. The Galileo system consists of a satellite constellation and the necessary ground infrastructure to control the satellites and enable the provision of positioning, navigation and timing services. EGNOS (the European Geostationary Navigation Overlay Service) is a fully operational regional satellite navigation system monitoring and correcting open signals emitted by the US Global Positioning System (GPS), and in the future of Galileo. It consists of several transponders installed on geostationary satellites and a network of ground stations. By improving the accuracy and reliability of the GPS signal across the territory of Europe, EGNOS allows users to use GPS signals for safety-critical applications such as aircraft operations, and allow users in Europe and beyond to determine their position to an accuracy of around 1 metre.



## **Specific objectives**

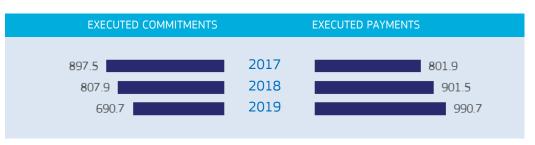
- To develop and provide global satellite-based radio navigation infrastructures and services by 2020 (Galileo).
- To provide satellite-based services improving the performance of GPS to gradually cover the whole of the European Civil Aviation Conference region and neighbouring European countries by 2020 (EGNOS).

## Why is it necessary?

About 11% of the EU's gross domestic product, i.e. about EUR 1 300 billion, relies on satellite navigation signals, often controlled by non-EU countries. EGNOS and Galileo ensure Europe's autonomy and provide additional benefits in combination with other GNSSs (global navigation satellite systems), resulting from the additional services of the systems and the increased performance provided by additional satellites. Galileo is also the only GNSS specifically designed for civil purposes, i.e. it aims to satisfy the requirements and the needs of the civil sector, in compliance with the most demanding security standards. Billions of users across the world are expected to use Galileo, and it will therefore achieve a level of outreach unequalled by any other EU infrastructure. Both programmes are complex projects that exceed the financial and technical capacities of a single Member State. As such, they fall fully within the competence of the EU. Considering their requirements in terms of security, all Member States must be involved in the programmes.

## Outlook for the 2021-2027 period

The Commission proposed to integrate all existing and new space activities under the umbrella of a single EU space programme.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Market share of the EU's GNSS industry – EGNOS	63%	23%	85%	68% compared to 85%
Market share of EU's GNSS industry – Galileo	35%	20%	70%	42% compared to 70%
Galileo infrastructure – satellites	4	85%	30	26 out of 30 operational satellites
Galileo services provision implemented		60%	5	3 out of 5 services implemented
EGNOS service availability index (1)		> 100%	99.0%	99.1% compared to a target of 99.0%

% of target achieved by the end of 2019

(1) Average of results for 2014-2018.

## Where are we in the implementation?

#### Galileo

- The deployment of the Galileo space infrastructure continued with the aim of reaching full operational capability. By the end of 2019 there were 26 Galileo satellites in orbit and providing services, 22 of which are fully operational for all services. The two satellites launched in the wrong orbit in 2014 are used for the search and rescue service, and underwent in-depth tests and modifications of their on-board software between 2016 and 2017 to allow their operational use for the open service by the end of 2020. The production of additional first-generation satellites is ongoing with the procurement of batch 3 (12 satellites), the contract for which was signed in June 2017. The first of these satellites are scheduled to be delivered by August 2020. In order to initiate the transition between the first and second generations of Galileo satellites and to ensure the maintenance of the Galileo constellation in the future, a procurement process for transition satellites was launched in 2018 and is expected to be finalised in 2020.
- A contract for the development of a dispenser for carrying Galileo satellites was signed with the Ariane Group in the summer of 2019. The first Ariane 6 dispenser flight model for Galileo will be delivered by early 2021.
- Regarding the Galileo ground infrastructure, the ground-mission and ground-control segment continued Galileo satellite operations. In February 2019 a major
  upgrade of the Galileo ground infrastructure began in order to improve the robustness of the system and its compliance with security requirements. The European
  GNSS Service Centre in Madrid (Spain) continued to provide a single interface between the Galileo system and Galileo users. To ensure the independent monitoring
  of the Galileo services, the Galileo Reference Centre began operations in Noordwijk (Netherlands) in May 2018, supporting the GNSS performance monitoring
  needs of the European Union Aviation Safety Agency and providing support to Eurocontrol. The Galileo Security Monitoring Centre back-up site was transferred
  from the United Kingdom to Spain in 2019.
- Regarding security, key actions included measures to improve cybersecurity; to obtain and maintain security accreditation for operations and for site infrastructure; and to develop operational concepts and procedures for the public regulated service. This is an encrypted navigation service for authorised government users and sensitive applications that require a high level of continuity. The public regulated service will ensure a better continuity of service for authorised users when access to other navigation services may be degraded, while in cases of malicious interference it increases the likelihood of the continuous availability of the signal in space.
- To ensure the continuity of services beyond 2020, the future Galileo services and high-level objectives for security were defined in the evolution of the high-level definition document. In parallel, preparatory activities have begun for the definition of new Galileo services to be developed as of 2021, such as an emergency service to broadcast warnings related to natural disasters.
- Galileo's three initial services (the open service, the public regulated service and the search and rescue service) were continuously provided in 2019, with the exception of a 6-day interruption in July of the Galileo initial navigation and timing services due to a technical incident. Nevertheless, the Galileo search and rescue service was unaffected. The independent inquiry board set up by the Commission analysed the root causes of the incident and provided recommendations. The Commission has put in place a process to implement the recommendations to ensure that Galileo is a stable, robust and resilient system.
- In 2019 several activities aiming to support the market uptake of Galileo were undertaken, including Galileo acceleration; hackathon initiatives for the development of applications using Galileo signals; and standardisation activities.

#### **EGNOS**

- The continuity and quality of all EGNOS services beyond 2020 were ensured in 2019 through the ongoing development of a major EGNOS release version and the completion of the study phase for an additional version, which will improve the coverage of European territories. Procurement relating to the latter's implementation phase was carried out in 2019 and is expected to start delivering its services around 2023.
- The EGNOS service area was extended up to latitude 72 degrees north. To that end, an update of the EGNOS Safety of Life Service definition document was published in 2019. Activities for the development of EGNOS version 3 continued. In October 2019 a satellite hosting the GEO-3 payload for EGNOS version 3 was successfully launched.
- The 2018 regulation laying down airspace usage requirements and operating procedures for performance-based navigation aimed at enhancing EGNOS's market uptake by requiring the publication of localizer performance with vertical guidance procedures delivered by EGNOS in all European instrument runway ends before January 2024.
- In the field of international cooperation, negotiations continued with Norway and the United States for access to the Galileo public regulated service. Progress was made with the extension of EGNOS to European neighbourhood policy south countries with the approval of EUR 9 million in funding for infrastructure needed to provide them with the EGNOS safety-of-life signal.
- The Commission has: (1) granted extended licences to Galileo-related intellectual property rights, thus enabling industry to make use of knowledge and assets generated under the EU space programme; and (2) licensed patents from industry and sublicensed them subsequently for free use by the general public.

## Performance assessment

Galileo progressed towards its target of developing and providing global satellite-based radio navigation infrastructures and services by 2020. Its progress was, however, impacted by the service incident of July 2019. The recommendations of the independent inquiry board aim at ensuring uninterrupted service provision and focus mainly on the review of Galileo's operational management, including interactions between the Commission, the European GNSS Agency and the European Space Agency. The implementation of the recommendations is ongoing, and its completion is a priority for 2020: measures establishing a unique end-toend maintenance and configuration management system are being introduced and operational procedures and processes have been updated.

- Regarding the ground infrastructure, deployment of the new system release Galileo system build 1.5.1 progressed significantly despite delays due to the Galileo incident. This release includes improvements to the infrastructure in order to support increased availability in the provision of services. Following the last launch of Galileo satellites in 2018 and the in-orbit test review in early 2019, the total number of operational satellites in orbit increased to 26, in line with the milestone set for this specific objective. The manufacturing of additional satellites to complete the constellation and to provide sufficient spare capacity to ensure its continuity has continued in accordance with the planned schedule. In particular, in preparation for the Galileo second generation, the procurement of transition satellites launched in 2018 is expected to result in a contract award in the second half of 2020. The main challenges encountered were linked to the consolidation of the satellites' technical specifications, as work to define the requirements for the Galileo second generation is not yet complete.
- Gradual improvements have been made in the provision of Galileo services: a new service-definition document for Galileo's open service was published in 2019, providing minimum performances levels in positioning and timing; and a new search and rescue functionality, the return link service, became operational in the same year. The performance levels of the Galileo open service and the Galileo search and rescue service in terms of availability and accuracy continuously exceeded the minimum-performance-level targets defined in the service-definition documents.
- The deployment of the Galileo ground and space infrastructure is directly linked to the implementation schedule for the provision of the high accuracy service (20 cm positioning accuracy) by the end of 2021. It is thus significant for the delivery on the programme's objectives.
- Concerning security, key actions for 2020 include measures to ensure the accreditation of the system, in particular cybersecurity issues. Concerning Galileo's security governance, the midterm review recommended reassessing the allocation of responsibilities between the Commission and the European GNSS Agency; the role of the Member States; the role of the Council, the High Representative of the EU for Foreign Affairs and Security Policy and the European External Action Service; and the independence and autonomy of the Security Accreditation Board with respect to the European GNSS Agency and the choice of legal instruments for technical security matters (delegated acts versus implementing acts).
- EGNOS's performance in relation to its objective of providing satellite-based services that improve the performance of GPS to gradually cover the whole territory of the EU Member States has steadily got better. Currently, the only territories not covered are the Azores (Portugal), Cyprus and northern Norway, due to the limitations of the current technology and the Ranging and Monitoring Stations network. Cyprus is expected to be covered in 2020 and Northern Norway in 2023, with the deployment of a future version of EGNOS. The Azores will be covered around 2025, once the ground segment is upgraded to EGNOS V3.
- The objective of continuous delivery of EGNOS services was successfully achieved through the efficient implementation of recurring activities and the preparation of system updates. In terms of service availability, at the end of 2019 there were approximately 350 EGNOS-enabled airports in 23 countries in Europe. Thus, the objective of an annual increase in the number of airports has been achieved annually since 2014. In the agriculture sector, more than 80% of European farmers using satellite navigation for tractor guidance rely on EGNOS.
- In terms of performance in relation to the market share of the EU GNSS industry in the worldwide GNSS downstream market, Galileo has achieved steady progress. In 2019 Galileo was present in 42% of receiver models worldwide. Exceeding the expectations at the time when the 2020 target was set, in 2019 there were more than 1 billion Galileo-enabled smartphones on the market. However, in other market segments (e.g. rail, maritime) its market penetration is lower. This is due to various reasons: the long lifetime of receivers on the market; missing certification or standardisation; the energy consumption constraints of the connected objects; optimisation costs (there are still many GPS-only models available); and receiver models serving only regional markets (e.g. Chinese or US manufacturers). The market share is expected to increase in the coming years, mainly due to the phasing out of old models, the increasing use of Galileo in the United States and the use of Galileo signals in safety-critical applications in the aviation or rail sectors.
- With regard to EGNOS, in 2018 and 2019 the presence of EGNOS in receiver models stabilised at 68% of the total number of receiver models worldwide. The market penetration of EGNOS is lower than expected, in particular in location-based services. This is because the early uptake of dual frequency in receiver models greatly outperformed the benefits of EGNOS. Also, the rapid development of many GNSS constellations and the commercial augmentation of the signals increased GNSS performance to the level where the benefits of EGNOS are less competitive than assumed in 2014. Therefore, with regard to the 2020 target, it can be assumed that the number of EGNOS-enabled receivers will not grow beyond 70% of receiver models worldwide.
- In 2020 market-uptake activities will continue with the implantation of actions stemming from the space strategy for Europe, with a focus on:
  - pursuing market uptake, standardisation, and research and development activities, notably in the three priority domains of intelligent transport, intelligent infrastructures and intelligent interconnectivity;
  - strengthening Europe's role as a global actor in space by promoting the worldwide use of Galileo and EGNOS, fostering cooperation with strategic
    partners and ensuring interoperability with other systems, pursuing economic diplomacy and outreach activities and continuing international
    negotiations on access to the public regulated service and the extension of EGNOS coverage, notably to partner countries of the European
    Neighbourhood Instrument South and East;
  - o pursuing radio spectrum coordination and frequency protection activities.
- For the next programming period, the Commission proposed to make EUR 16 billion available to help maintain and further enhance the EU's leadership in space. The proposal would bring all existing and new space activities under the umbrella of a single EU space programme. The latter would maintain the existing infrastructure and services and introduce a number of new features, such as a unified system of governance.

10 minutes	1 billion	16-metre	7
is the amount of time required by Galileo's search and rescue service to detect emergency distress beacons, compared to up to 3 hours previously.	Galileo-enabled smartphones are in use.	accuracy of Galileo's location information, compared to the 2-10 km accuracy displayed by the current Cell ID technology.	Member States have had support from the Help 112 II project.

Council Decision 2013/791/Euratom

#### MORE INFORMATION

http://fusionforenergy.europa.eu/ https://www.iter.org/

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	729.8
2015	391.9
2016	329.9
2017	322.5
2018	376.4
2019	409.1
2020	364.8
Total	2 924.3

#### **OVERALL EXECUTION** (2014-2019)



## **Evaluations/** studies conducted

The midterm progress report for ITER and the development of fusion energy was adopted on 21 March 2019

https://europa.eu/!Hq99Nh

## How is it implemented?

The Directorate-General for Energy is the lead DG for the implementation of the programme. Programme implementation is entrusted to the Fusion for Energy Joint Undertaking.

## ITER

#### INTERNATIONAL THERMONUCLEAR EXPERIMENTAL REACTOR

#### What is ITER?

ITER ('The Way' in Latin) aims to demonstrate that fusion is a viable and sustainable source of energy. The ITER project, which is part of the strategic energy technology plan, aims at building and operating an experimental fusion reactor. It is a major step towards demonstrating that fusion is a sustainable energy source. Due to its significant advantages, such as the availability of large fuel reserves and the lack of CO2 emissions, fusion could contribute greatly to the European Green Deal in a safe, efficient and secure way. The magnetic fusion device is being built in Saint-Paul-lès-Durance (France) with the support of seven international partners that represent half of the world's population (Euratom, China, India, Japan, Russia, South Korea and the United States). The programme covers the EU's contribution to the ITER Organisation for the construction of the ITER facility, which includes the procurement of equipment, installation and general technical and administrative support for the construction phase, along with participation in commissioning and operations. The programme also covers other activities, such as the Broader Approach activities with Japan, consisting of activities that aim to complement the ITER project and to accelerate the realisation of fusion energy through R & D and advanced technologies. These contributions are channelled through an EU agency, the Fusion for Energy Joint Undertaking, located in Barcelona (Spain).



## **Specific objectives**

- To provide Euratom's contribution to ITER and ITER-related activities.
- To support EU industry and research through the construction of ITER and ITER-related activities.

## Why is it necessary?

ITER will achieve what no single country can do on its own. The risk, the costs and the long-term nature of a large research project such as ITER put it beyond the reach of individual Member States, and even of the EU itself. Thus, the establishment of a global framework through an international agreement between Euratom and six other parties was essential in order to undertake this large-scale scientific experiment. The construction of ITER started in 2007, and Euratom provides about 45% of all components through the Fusion for Energy Joint Undertaking.

The EU's support for ITER and its activities contributes to the European Green Deal. ITER is stimulating the EU's industrial investment in new advanced technologies for the components of the facility and in advanced civil engineering for its construction. Fusion has enormous potential, and represents almost incalculable value as an environmentally acceptable and virtually unlimited source of energy. In addition, thanks to its leadership in fusion research and the construction of ITER, the EU will

be in a privileged position to reap the benefits of constructing and operating the first generation of fusion power plants in the future. Regarding ITER's place in energy policy and decarbonisation, the project remains an important part of the EU's energy and innovation policy, and although it does not contribute directly to energy and climate targets in the short to medium term, its potential role in the decarbonisation of the energy landscape post-2050 is very significant.

### Outlook for the 2021-2027 period

The Commission proposed the continuation of this longterm project for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Euratom's obligations discharged	6%	65%	63%	41% compared to 63% of obligations discharged through the Fusion for Energy Joint Undertaking
Budget committed to industry and laboratories		78%	100%	78% compared to 100% budget committed

% of target achieved by the end of 2019

## Where are we in the implementation?

- Preliminary operations will begin in 2025 with the 'first plasma phase'. The construction of ITER will continue until 2035, when testing will end and experimental operation will commence. Currently, 51.8% of all construction activities that will be required by the end of construction work in 2035 have been completed. The EU's in-kind contribution to the ITER project grew from around 34% in December 2018 to almost 42% in December 2019, and its cash contribution to the ITER Organization by the end of 2019 amounted to some EUR 1 140 million (committed amounts). This represents an equivalent value of about one third of the overall cash contribution for the construction phase. ITER is continuing to move towards its assembly phase.
- Concerning the progress at the ITER site, in November 2019 the walls and floors of the Tokamak building were finished. This marked the successful completion of an important construction milestone, about 5 years from the first pouring of concrete for the basement slab. Construction is well advanced on the Crane Hall, which will enlarge the Tokamak building to accommodate the cranes that will move the components during assembly. The first and second modules of its roof were lifted into place by the Fusion for Energy Joint Undertaking on 4 December 2019.
- As of the end of November 2019, the work up to the 'first plasma' milestone (2025) was 65.9% complete. This progress corresponds to an average rate of 0.68% per month over the last 21 months. To reach first plasma, all components from the ITER members need to be available and delivered on time to the ITER Organization, and assembled and installed in the Tokamak complex.
- The Fusion for Energy Joint Undertaking plans to commit more than EUR 550 million to procurement contracts in 2020.

## Performance assessment

- The ITER project is performing well, now that the deficiencies identified at the beginning of the 2014-2020 period (such as the immaturity of the design; manufacturing challenges; management deficiencies; a lack of cooperation between domestic agencies and the ITER Organization; and schedule and cost estimates being perceived to be unreliable) have been addressed. This has improved the overall effectiveness of the project, and has thus allowed the reactor's assembly phase to begin.
- The ITER parties launched a major overhaul of the project in 2015, which included the appointment of new senior management personnel in the ITER Organization, along with an action plan. The action plan envisaged the complete reorganisation of the ITER Organization; close cooperation with domestic agencies; the freezing of the design to allow the construction of buildings and other components; and the establishment of a reserve fund as an incentive for the ITER Organization to minimise changes as much as possible. A new, reliable baseline was approved in November 2016, stabilising the project and providing a realistic basis for its completion.
- Stringent supervision and proactive management by the Commission has been put in place, in line with the supervision strategy that has been adopted. This includes the nomination of prominent experts for management roles and for the decision-making bodies of the ITER Organization, and rigorous monitoring of the implementation of the recommendations of the annual management assessment reports.

## **Concrete examples of achievements**

10	80 000	18
types of concrete have been developed for use in the Tokamak building.	embedded plates have been anchored into the Tokamak building.	heavy doors weighing 70 tonnes have been installed in the Tokamak building.

• The pouring in November 2019 of the final concrete at the Tokamak building marked the successful completion of an important construction milestone, around 5 years on from the first pouring of concrete for the basement slab. This first-of-its-kind infrastructure for a fusion device was new territory for all involved, and needed to comply with the extremely strict standards set by the French Nuclear Safety Authority. Around 10 types of concrete were developed to be used in the construction of different parts of the structure. The building has more than 80 000 embedded plates, anchored deep into the concrete and accurately positioned to match the location of the ITER equipment that will be installed. Moreover, 18 of the 46 heavy doors have been installed, weighing 70 tonnes each, to ensure that the radiation resulting from the fusion reaction is kept inside.

Regulation (EU) No 377/2014 of the European Parliament and of the Council and repealing Regulation (EU) No 911/2010

#### **MORE INFORMATION**

http://www.copernicus.eu

#### FINANCIAL PROGRAMMING

(million EUR)

2014	362.9
2015	556.4
2016	586.2
2017	607.4
2018	630.2
2019	861.5
2020	646.9
Total	4 251.5

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The interim evaluation of Copernicus was carried out in 2017: http://europa.eu/!GJ34Xr

The impact assessment of the space programme of the EU and the European Union Agency for the Space Programme was adopted in 2018: https://europa.eu/!XF34px The assessment of Copernicus ex ante benefits was adopted in 2017: https://www.copernicus.eu/sites/default/files/2018-10/Copernicus-Ex-Ante-Final-Report 0 0.pdf

## **How is it implemented?**

The Directorate-General for Defence, Industry and Space is the lead DG for the implementation of the programme through indirect management as well as direct action (89).

# **COPERNICUS**

### THE EUROPEAN EARTH OBSERVATION PROGRAMME

## What is Copernicus?

Copernicus is the European system for monitoring the Earth. It is a user-driven programme offering six free-of-charge services to EU, national and regional institutions, as well as to the private sector: atmosphere monitoring, marine environment monitoring, land monitoring, climate change, emergency management and security. The programme builds on the initiative on global monitoring for the environment and security launched in 1998. It aims at filling the gaps in European earth observation capacities. Data is provided from space infrastructures, particularly the sentinel missions developed under the programme, other missions and in situ infrastructure supported by the Member States. Copernicus services are operated by EU bodies and agencies.

The Copernicus services transform this wealth of satellite and in situ data into value-added information by processing and analysing the data. Datasets stretching back for years and decades are made comparable and searchable, thus ensuring the monitoring of changes and their impact; patterns are examined and models are used to create better forecasts, for example of the ocean and the atmosphere. Maps are created from imagery, features and anomalies are identified and statistical information is extracted.



## **Specific objectives**

- Delivering accurate and reliable data and information to Copernicus users, supplied on a long-term and sustainable basis enabling the services connected to the programme's general objectives referred to in Article 4(1) of Regulation (EU) No 377/2014 and responding to the requirements of Copernicus core users.
- Providing sustainable and reliable access to spaceborne data and information from an autonomous European Earth observation capacity.
- Providing a sustainable and reliable access to in situ data, relying, in particular, on existing capacities operated
  at European and national levels, and on global observation systems and networks.

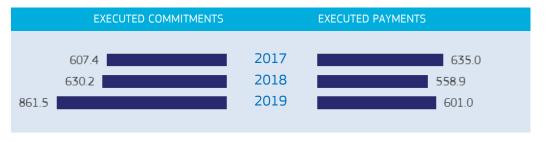
## Why is it necessary?

The Copernicus programme has a pan-European capacity and depends on the coordinated provision of data and services throughout all the Member States, which needs to be coordinated at EU level. From an economic point of view, action at EU level also allows for economies of scale, which benefits public spending. Copernicus (the former Global Monitoring for Environment and Security) explicitly refers to many areas of EU legislation in the areas of environment, civil protection, security, climate change, the internal market, transport, energy, cooperation with non-EU countries and humanitarian aid, and also covers aspects of space debris surveillance and tracking. Copernicus data and information benefit

several EU policies, from agriculture to coastal surveillance, climate change adaptation, the information technology sector and education.

## Outlook for the 2021-2027 period

The Commission proposed to integrate all existing and new space activities under the umbrella of a single European space programme.



Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
6	100%	14	14 out of 14 service components
100	> 100%	140	195 compared to 140 index
10 000	> 100%	20 000	300 000 compared to 20 000 engaged users
	88%	8	7 out of 8 satellites deployed
	100%	6	6 out of 6 services
	6	6 100% 100 > 100% 10 000 > 100%	6 100% 14 100 > 100% 140 10 000 > 100% 20 000 88% 8

% of target achieved by the end of 2018

## Where are we in the implementation?

- In 2017, the Sentinel 2-B and Sentinel-5p satellites were launched. The addition of Sentinel-5p is significant, as it increased Copernicus's own capacity to monitor atmospheric composition, especially for polluting gases. In 2018, Sentinel 3-B was launched. In response to a great surge in registered users' uptake (their number exceeded 200 000), five new data and information access service platforms were launched and have been operational since June 2018. In 2019, all the programme's priorities were met. Preparations for Sentinel 6A, i.e. the eighth satellite, were completed. Construction and preparations for the launch and operations of the first Sentinel C and D units have proceeded as planned. All six core services and the seven satellites are fully operational. The stronger dissemination of Copernicus data and information means that the user base has further increased.
- International activities were pursued with old and new agreements. These aim at: (1) promoting the uptake of Copernicus data to maximise its value in addressing global challenges; (2) creating the conditions based on reciprocity for the integration of data and information acquired by international partners into the European Earth Observation data management system; and (3) facilitating international cooperation and access to international markets for European researchers and industry. As of the end of 2018, Copernicus cooperation arrangements had been signed with Australia, Brazil, Chile, Colombia, India, Serbia, Ukraine and the United States, and with the African Union Commission. In 2019, discussions were held on cooperation arrangements with Argentina, Canada, the Holy See, Japan, Panama, Thailand and Vietnam and with the Food and Agriculture Organization, the Indonesian Space Agency, the United Nations Environment Programme and the World Meteorological Organization. As a result, Copernicus's free, full and open data access is expected to reach about 50% of the world's population via a local data hub.

### **Performance assessment**

- Copernicus is delivering on its objectives. Its monitoring capacities have been successfully deployed, thus providing autonomous EU access to environmental knowledge and giving the EU a major role at the international level. The six core services are all operational and provide the accurate and reliable level of geoinformation that was expected. The quality of the outputs is confirmed by the consistently growing uptake by registered users. In response to this surge, capabilities have been enlarged through the data and information access services.
- The 2019 Copernicus market report found that the programme's estimated benefits in the downstream market were between EUR 125 and 150 million in 2018, up from EUR 54 million in 2015. They are expected to grow by an average annual increase of 15% up to the end of 2020, with a progressive adoption of Earth observation-based solutions in some industries, such as renewable energies. Furthermore, 72% of downstream Earth observation sector enterprises use Copernicus data (an additional 6 percentage points compared to 2016).
- Regarding the objective of a competitive European space and services industry, the baseline scenario assumed a 5% annual growth rate between 2013 and 2020 in the European Earth observation sector due to Copernicus. Instead, the rate achieved in 2016-2018 was 14%, demonstrating Copernicus's positive effect.
- The international dimension has been reinforced through international agreements. With the conventional data access infrastructure (e.g. the European Space Agency open hub) and the creation of the Copernicus data and information access services, the entire Copernicus database is available on a free, full and open data basis to Global Earth Observation Systems members among others.
- The main challenge concerns the continuity of the operation. New satellites will have to be launched, to replace those that have reached the end of their life. Services may need to expand in response to user requirements in new areas such as agriculture, the development of coastal areas and the monitoring of polar regions.

200 million GB	18 million	81	23	32 million	3 972
of data has been downloaded by more than 300 000 registered users and the amount is growing.	Sentinel 2 products are available online for download.	activations of the Copernicus emergency management service's rapid mapping component were recorded in 2019 for events including wild fires in Australia and forest fires in Greece and Italy.	biophysical parameters for products were delivered by the Copernicus land monitoring service to support the monitoring of vegetation, agriculture, energy, the cryosphere and the water cycle.	television viewers on different platforms watched daily air quality bulletins from around Europe based on the Copernicus atmosphere monitoring service in 2019.	Earth observation services were delivered in 2019, at the request of Copernicus maritime surveillance service users.

<sup>(89)</sup> A number of delegation agreements were signed with the European Organisation for the Exploitation of Meteorological Satellites and the European Space Agency for the space infrastructure, and six delegation agreements were signed with the European Border and Coast Guard Agency, the European Environment Agency, the European Maritime Safety Agency, the European Union Satellite Centre, the European Medium-Range Weather Forecasting Centre and Mercator-Océan for the services.

Regulation (EU) 2017/2396 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!kD37xn http://www.eib.org/efsi/index.htm

#### FINANCIAL PROGRAMMING

(million EUR)

2015	1 360.5
2016	2 128.9
2017	2 661.1
2018	2 038.3
2019	186.9
2020	172.9
Total	8 548.5

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

An independent evaluation of the EFSI was carried out in 2018. For further information please consult: https://europa.eu/!YK63VR

## How is it implemented?

DG Economic and Financial Affairs is the lead DG. The EFSI is implemented by the European Investment Bank Group and projects supported by it are subject to standard European Investment Bank procedures.

## **EFSI**

#### EUROPEAN FUND FOR STRATEGIC INVESTMENTS

#### What is EFSI?

The European Fund for Strategic Investments (EFSI) is an initiative to help overcome the current investment gap in the EU. Jointly launched by the European Investment Bank Group and the European Commission, it aims to mobilise private investment in projects which are strategically important.

The EFSI is one of the three pillars of the investment plan for Europe that aims to revive investment in strategic projects around the continent to ensure that money reaches the real economy. The Juncker plan also includes the European Investment Advisory Hub and the European Investment Project Portal. The European Investment Advisory Hub offers a single access point to a 360-degree offer of advisory and technical assistance services to identify, prepare and develop investment projects across the European Union. The European Investment Project Portal is a meeting place for project promoters and investors providing visibility for investment projects. With EFSI support, the European Investment Bank Group is providing funding for economically viable projects, especially for projects with a higher risk profile than usually taken on by the Bank. The focus is on sectors of key importance for the European economy, including:

- · strategic infrastructure, including digital, transport and energy;
- education, research, development and innovation;
- renewable energy and resource efficiency;
- support for small to medium-sized enterprises.

The EFSI started as a EUR 16 billion guarantee from the EU budget, complemented by a EUR 5 billion allocation of the European Investment Bank's own capital. These amounts were increased to EUR 26 billion and EUR 7.5 billion, respectively, by the EFSI 2.0 regulation. The total amount of EUR 33.5 billion aims to unlock an additional investment of at least EUR 500 billion by the end of 2020.



## **Specific objectives**

- To increase the volume of European Investment Bank Group financing and investment operations in priority areas
- To provide advisory support for investment project identification, preparation and development to public and private counterparts, not necessarily linked to EFSI operations, through the European Investment Advisory Hub.
- To create a publicly available web portal where EU-based project promoters will be given the opportunity to boost the visibility of their projects to potential international investors.

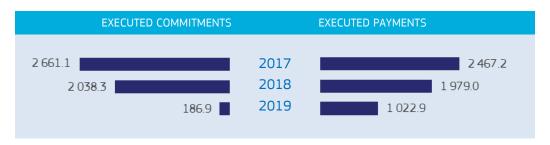
## Why is it necessary?

The investment plan for Europe focuses on removing obstacles to investment, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources. The EFSI aims to overcome current market failures by addressing market gaps and mobilising private investment. Action at the EU level will allow for economies of scale in the use of the EU budget funds in combination with the European Investment Bank Group financing by catalysing private investment in the whole of the EU and making best use of the European institutions and their expertise and knowledge for that purpose. The multiplier effect and the impact on the ground will thus be much higher

than could be achieved by an investment offensive in a single Member State or a group of Member States. In the past years, the EFSI has effectively increased access to financing and mobilised private capital: as of the end of December 2019, more than two thirds of investments came from private sources.

### Outlook for the 2021-2027 period

Based on the positive experiences and successes of the EFSI, the Commission proposed a new investment support programme, called InvestEU. It will aim to address investment gaps for the next multiannual financial framework



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Cumulative volume of investment mobilised under the EFSI (in billion EUR)		92%	500 b	458 out of EUR 500 billion
Number of projects to receive support under EFSI initiative		> 100%	1 000	1 269 projects compared to a target of 1 000
Cumulative number of Member States receiving European Investment Bank Group financing under EFSI	_	100%	28	28 out of 28 Member States
Multiplier effect		> 100%	15	16 compared to a target of 15
Share of EFSI financing under the infrastructure and innovation window (project components that contribute to climate action)		> 100%	40%	40% out of 40%
Projects for which European Investment Advisory Hub support has been requested has been requested (¹)		> 100%	1 000	1 547 projects compared to a target of 1 000
Number of projects receiving European Investment Advisory Hub support (¹)		> 100%	395	482 projects compared to a target of 395
Number of projects published on the European Investment Project Portal		> 100%	500	956 projects compared to a target of 500
Member States represented on the European Investment Project Portal		100%	28	28 out of 28 Member States

% of target achieved by the end of 2019

## Where are we in the implementation?

- On 30 December 2017 the regulation to extend and enhance the EFSI (EFSI 2.0) entered in force, extending the EFSI's lifetime to the end of 2020 and raising its investment target to EUR 500 billion.
- As of 31 December 2019, 1 269 EFSI projects have been approved by the European Investment Bank Group for a total investment value of EUR 458 billion.
   Therefore, of the target investment volume of EUR 500 billion by the end of 2020, 92% had already been mobilised by the end of 2019.
- Under the EFSI, the EU provides funding support through an EU guarantee of EUR 26 billion covering potential losses to the European Investment Bank.
   Cumulative provisioning amounts to EUR 8.4 billion at the end of 2019 with new commitments of EUR 187 million in 2019, which is low compared to previous years because the portfolio is now largely established.
- The EFSI is now coming close to the end of its investment period for approvals of operations that will end by 31 December 2020. Given the long-term nature of support under the EFSI, EU guarantee coverage and operational monitoring will continue until repayment of all supported financing and investment operations is complete.

## **Performance assessment**

- The EFSI has supported investments by providing additional risk-bearing capacity to increase the volume of European Investment Bank financing and investment operations in priority areas, and for small to medium-sized enterprises. The EFSI is fully on track to meet the end-of-2020 target of unlocking additional investment of at least EUR 500 billion, and about 1 125 000 small to medium-sized enterprises are expected to benefit from it.
- The EFSI is providing EU added value by addressing market failures and by supporting riskier operations, which could not have not been carried out otherwise, or not to the same extent, by the European Investment Bank or under existing EU financial instruments. While financial market conditions have improved over the last few years, evidence suggests that significant market gaps and suboptimal investment situations remain. In particular, there are substantial market gaps for financing of small to medium-sized enterprises in terms of cost of finance and collateral requirements, and in areas related to climate action and sustainability. In addition, EFSI intervention in 2020 and beyond will be crucial due to the devastating economic impact of the COVID-19 crisis.
- The EFSI has achieved its objectives using a limited amount of resources. The EFSI effective multiplier ratio until 2019 is around 16: EUR 1 of the EU guarantee under this initiative generates approximately EUR 16 of investment in projects.
- The EFSI has slightly surpassed the 40% objective for climate action under the infrastructure and innovation window: as of the end of 2019, 40.2% of operations signed under the infrastructure and innovation window in 2019 contributed to climate action, providing focused support for climate-related projects like renewable energy and energy efficiency.
- One of the recommendations of the performance audit published by the European Court of Auditors in January 2019 was to improve the assessment of whether potential EFSI projects could be financed by other sources, in order to ensure that investment mobilised by EFSI is additional. The EFSI 2.0 regulation strengthens the criteria for ensuring the investment is additional by including a qualitative assessment of additionality by the European Investment Bank.
- In terms of geographical spread, as of 31 December 2019, the share of the top three Member States (France, Italy and Spain) accounted for 48% of signed EFSI financing and for 46% of investment mobilised by approvals. Both metrics are slightly above the indicative limit of 45% set out in the strategic orientation. A set of actions will be implemented until the end of 2020 to improve this situation, including the analysis of the specific situation of underrepresented Member States, and more targeted awareness-raising activities.

8.5 million	531 000	10 million	31 million	95 million	15 million
jobs sustained and supported by help from the EFSI.	affordable flats built or renovated through EFSI investments.	additional households being powered by renewable energy through investments in generation.	people receiving better healthcare through improved health facilities and support for medical research.	passengers benefiting from improved transport through infrastructure investments.	additional households with high-speed internet.

<sup>(1)</sup> Cumulative results for 2014-2019 compared to cumulative milestones for 2014-2020.

**LEGAL BASIS**Council Regulation (Euratom)
No 1368/2013

#### MORE INFORMATION

https://europa.eu/!bC66CU

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	69.7
2015	71.1
2016	72.6
2017	74.0
2018	75.5
2019	77.0
2020	78.5
Total	518.4

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation was carried out in 2018. For further information, please consult: https://europa.eu/!TN67UQ

## How is it implemented?

The Directorate-General for Energy is the lead DG for the implementation of the programme.

The programme is managed through the European Bank for Reconstruction and Development and the Member State national agencies.

# NUCLEAR DECOMMISSIONING (BG AND SK)

NUCLEAR DECOMMISSIONING ASSISTANCE PROGRAMMES IN BULGARIA AND SLOVAKIA

### What is nuclear decommissioning in Bulgaria and Slovakia?

When Bulgaria and Slovakia were candidates to join the European Union, the closure and subsequent decommissioning of six Soviet-designed, first-generation nuclear reactors at two nuclear power plant sites was made a condition for their accession. As part of the agreements, the EU declared its willingness to provide financial aid. The nuclear decommissioning assistance programmes were established to assist the Member States concerned in implementing the decommissioning of Kozloduy units 1 to 4 (Bulgaria) and Bohunice V1 units 1 and 2 (Slovakia) in accordance with their respective decommissioning plans, while maintaining the highest level of safety.



## **Specific objectives**

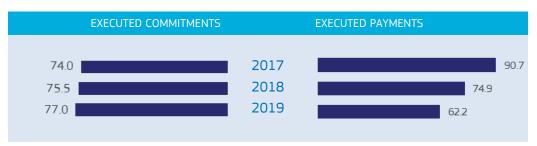
- Kozloduy. Performing dismantling in the turbine halls of units 1 to 4 and in auxiliary buildings.
- Kozloduy. Dismantling of large components and equipment in the reactor buildings of units 1 to 4.
- Kozloduy. Safely managing the decommissioning waste in accordance with a detailed waste management plan.
- Bohunice. Performing dismantling in the turbine hall and auxiliary buildings of reactor V1.
- Bohunice. Dismantling of large components and equipment in the V1 reactor buildings.
- Bohunice. Safely managing the decommissioning waste in accordance with a detailed waste management plan.

### Why is it necessary?

Due to the early closure of their plants, it was not possible for Bulgaria and Slovakia to accumulate sufficient funds from operation of the plants. It is therefore in the interests of the EU to provide financial support for the seamless continuation of decommissioning in order to progress towards the decommissioning end state, in accordance with approved plans, while keeping the highest level of safety. This will contribute to providing substantial and sustained support for the health of workers and the general public, preventing environmental degradation and providing for real progress in nuclear safety and security.

#### Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Kozloduy – metal from dismantling in reactor buildings (in tonnes)		60%	1 200	723 out of 1 200
Kozloduy – quantity and type of safely conditioned waste (in tonnes)		79%	43 860	34 678 out of 43 860
Bohunice – quantity and type of safely conditioned waste (in tonnes)		88%	149 297	131 736 out of 149 297

% of target achieved by the end of 2019

## Where are we in the implementation?

- EUR 77 million was made available in 2019 for the implementation of the actions in Bulgaria and Slovakia.
- In total, EUR 364.4 million was allocated from 2014 to 2019.

#### Performance assessment

- The overall progress of the nuclear decommissioning objectives is satisfactory so far, and shows an ongoing upward trend based on indicator results.
- Synergy effects and knowledge dissemination between the two decommissioning sites have become more important, leading to increased efficiencies and savings. For example, in 2019 the feasibility of decontaminating the primary circuits at Kozloduy was confirmed on the basis of experience from Bohunice. The transportation to Kozloduy of decontamination equipment used at Bohunice was then prepared with a view to decontaminating the primary circuits in 2020.
- Decommissioning of the Kozloduy power plant in Bulgaria has shown largely satisfactory progress.
  - The dismantling of equipment in the turbine hall, a major milestone of the first specific objective, was completed in August 2019, a year earlier than scheduled.
  - The plasma melting facility, a first-of-its-kind facility for the high-performance volume reduction of radioactive waste, began operations in November 2018, and continued with the support of the system provider until the end of 2019.
  - The dismantling of large components in the reactor building, where the nuclear core was housed, remains behind schedule due to the delay in the 2015-2017 period. This impacts the corresponding indicator, but progress as measured by recent results in 2018 and 2019 is showing a positive trend.
- The Bohunice programme in Slovakia progressed very well.
  - An important milestone was reached in the decommissioning programme as the dismantling of large components in the reactor building began in 2019.
  - Dismantling in the turbine halls and auxiliary buildings was completed under budget.
  - Far-reaching mitigating measures were taken to maintain the programme's end date at 2025, overcoming a 10-month delay in starting major contracts caused by difficulties in developing specifications suited to a concentrated decommissioning market. The most important measure consists of further optimising the planning of the demolition of the buildings on-site, which is the final stage in the decommissioning process.
- Technical challenges remain for both locations, for example due to physical interfaces between concurrent projects imposed by the limited space available in the reactor hall. Further, delays had increased during regulatory approval processes in both countries (Bulgaria and Slovakia). However, the programmes' critical path is monitored with the highest level of attention. When risks are identified, mitigating actions like the parallel execution of tasks or working in several shifts are proposed, so that at this point in time the end dates for both locations (Kozloduy 2030, Bohunice 2025) remain the same.

At Kozloduy	At Bohunice
the dismantling of the turbine hall was completed in August 2019, a year earlier than expected.  The operator finalised the first operational campaign of the plasma melting facility, a first-of-its-kind facility for the high-performance volume reduction of radioactive waste.	all 12 steam generators, weighing 145 tonnes each, have been removed from the reactor building and prepared for dismantling, with the pressurisers cut up by the end of 2019. With the exception of the nuclear reactor vessel itself, they are the biggest pieces of equipment present in the plant. Disposal capacity for low-level waste, representing over 90% of total radioactive waste by volume, was extended by around 30%.

Council Regulation (EU) No 1369/2013 and repealing Regulation (EC) No 1990/2006

#### **MORE INFORMATION**

http://europa.eu/!jw46Rk

#### FINANCIAL PROGRAMMING

(million EUR)

60.6
61.9
63.1
64.4
65.6
67.0
68.3
450.8

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The mid-term evaluation was carried out in 2018. For further information, please consult: https://europa.eu/!TN67UQ

## How is it implemented?

The Directorate-General for Energy is the lead DG for the implementation of the programme.

The programme is managed through the European Bank for Reconstruction and Development and the Member State's national agency.

# **NUCLEAR DECOMMISSIONING LT**

### NUCLEAR DECOMMISSIONING ASSISTANCE PROGRAMME IN LITHUANIA

## What is nuclear decommissioning in Lithuania?

When Lithuania was a candidate country to join the EU, the closure and subsequent decommissioning of two Soviet-designed, first generation nuclear reactors at Ignalina was made a condition for its accession. As part of the agreement, the EU declared its willingness to continue to provide adequate additional Community assistance to Lithuania's decommissioning efforts. The nuclear decommissioning assistance programme was established to assist Lithuania in implementing the decommissioning of Ignalina units 1 and 2 in accordance with an approved decommissioning plan, whilst maintaining the highest level of safety.

# **O**

## **Specific objectives**

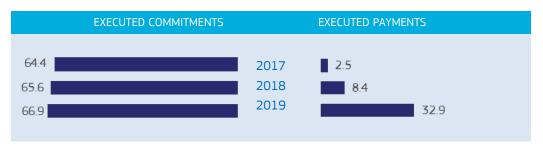
- Defueling of the reactor core of unit 2 and the reactor fuel ponds of units 1 and 2 into the dry spent fuel storage facility.
- · Safely maintaining the reactor units.
- Performing dismantling in the turbine hall and other auxiliary buildings and safely managing the
  decommissioning waste in accordance with a detailed waste management plan.

## Why is it necessary?

Due to the early closure of its plants, it was not possible for Lithuania to accumulate sufficient funds from the operation of the plant. It is therefore in the EU's interests to provide further financial support for the seamless continuation of decommissioning in order to progress towards the so-called decommissioning end state, in accordance with approved plans, while maintaining the highest level of safety. This will help to provide substantial and sustained support for the health of workers and the general public, prevent environmental degradation and enable real progress in nuclear safety and security.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Fuel assemblies transported to dry interim storage (in tonnes)		88%	13 984	12 255 out of 13 984 number of assemblies
Unloaded fuel assemblies from reactor core of unit 2		100%	1 134	1 134 out of 1 134 number of assemblies
Registered incidents		100%	0	0 incidents
Auxiliary system dismantled and safely conditioned waste - dismantled equipment (in tonnes)	_	98%	40 454	39 767 out of 40 454 tonnes
Auxiliary system dismantled and safely conditioned waste - Primary processed waste (in tonnes/m³)		80%	42 314	33 894 out of 42 314 tonnes/m <sup>3</sup>

% of target achieved by the end of 2019

## Where are we in the implementation?

- In total, EUR 381 million was allocated in 2014-2019.
- EUR 66.9 million was available in 2019 for the implementation of the actions in Lithuania. Decommissioning programmes are characteristically long term by nature and the preparation time for individual projects is also typically several years and this is reflected in the implementation rate.

#### **Performance assessment**

- The programme's performance is satisfactory, as confirmed by the objectives' indicator results.
- The cores of both reactor units 1 and 2 are now completely defueled a result achieved in 2018, ahead of schedule.
- The removal of spent fuel assemblies from unit 1 and 2 spent fuel ponds is also ahead of schedule. The removal of spent fuel assemblies has reached up to 12 255 assemblies i.e. 87% of the cumulative planned amount in 2020 and 78% of the total amount planned for 2022 (15 555 assemblies). Spent-fuel assemblies were safely stored in the new dedicated interim spent fuel storage facility.
- No incidents were reported during the decommissioning works, demonstrating the programme's effective safety measures.
- The overall performance concerning the dismantling of auxiliary systems was satisfactory. The amounts of equipment dismantled and the overall quantity of radioactive waste processed and stored were slightly below the planned amounts of 2019 and reached respectively 84% and 80% of the cumulative planned amounts in 2020.
- Output material flow and waste processing is slightly behind its expected value for 2019, but shows a continuous positive trend and remains within what was planned.
- Appeals against the results of tendering procedures, even if eventually rejected, have led to delays in several non-critical projects. This does not affect the programme's projected end date (2038), which is maintained.

50 000	Waste management	78%
tonnes of material were dismantled in the turbine hall, a task completed in August 2019.The large hall is now used to store and process materials from other buildings.	has seen improvements: the construction of the landfill facility for very low level waste was completed in 2019, and the first loading campaign is scheduled for the second half of 2020.	of spent fuel assemblies had been safely transferred by the end of 2019. Preparations were ongoing for the handling of heavily damaged fuel elements and the cleaning up, emptying and decontamination of the spent fuel pools.

Regulation (EU) No 1291/2013 of the European Parliament and of the Council and repealing Decision No 1982/2006/EC Council Decision 2013/743/EU

#### MORE INFORMATION

http://europa.eu/!gW68pY

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	9 023.1
2015	9 539.4
2016	9 542.5
2017	10 423.9
2018	11 217.2
2019	12 391.5
2020	13 485.9
Total	75 623.6

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The interim evaluation of Horizon 2020 was carried out in 2017. For further information please consult: http://europa.eu/!pm48VY

#### How is it implemented?

The Directorate-General for Research and Innovation is the lead DG for the implementation of the programme, and 10 other DGs are also involved. The programme is implemented through direct grants, procurements, prizes, direct actions of the Joint Research Centre, delegation agreements (eight public-private partnerships, five public-public partnerships, four executive agencies), financial instruments (European Investment Bank, European Investment Fund) and through the European Institute of Innovation and Technology.

# **HORIZON 2020**

## THE FRAMEWORK PROGRAMME FOR RESEARCH AND INNOVATION

#### What is Horizon 2020?

Horizon 2020 is the largest EU research and innovation programme ever. It aims to help bring about more breakthroughs, discoveries and world firsts by taking great ideas from the laboratory to the market. Investment in research and innovation is essential for Europe's future. The goal is to ensure that Europe produces world-class science and technology, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering solutions to big challenges facing our society.

Horizon 2020 consists of three main pillars:

- excellent science producing and promoting world-class science in Europe;
- industrial leadership boosting the EU's economic competitiveness;
- societal challenges finding solutions to the big challenges facing our society.



## **Specific objectives**

- Excellent science.
- Industrial leadership.
- Societal challenges.
- Spreading excellence and widening participation.
- Science with and for society.
- Non-nuclear direct actions of the Joint Research Centre.
- The European Institute of Innovation and Technology.

## Why is it necessary?

Research and innovation are public goods with a strong European dimension. EU investments in these areas leverage additional funds at national level (without evidence of substitution). Due to their ambition, most of the EU-funded projects would not have gone ahead with national or regional funding alone. The main benefits of EU investments are:

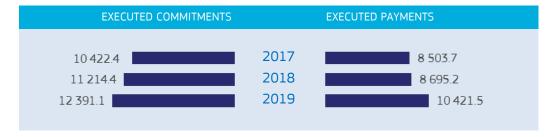
- boosting EU competitiveness through the creation of transnational and multidisciplinary networks and markets, with positive knowledge spill-overs and technology transfer across the EU:
- pooling public and private resources and knowledge to achieve a critical mass for tackling global challenges and for assuming leadership;
- strengthening scientific excellence through EUwide competition and cooperation;
- increasing the EU's attractiveness as a place for education, research, innovation and business (EU funding supports over 300 000 researchers and innovators;

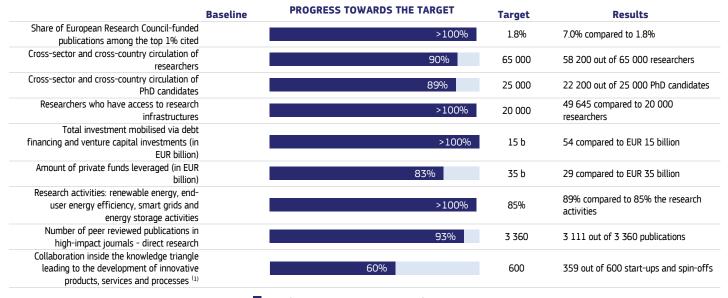
- leveraging private investment;
- having a positive structuring effect on national research and innovation ecosystems.

Horizon 2020 plays a central role in the delivery of Europe's political priorities, such as the European Green Deal. It provides a common strategic framework for the EU's research and innovation funding, thus acting as a vehicle for leveraging private investment, creating new job opportunities and ensuring Europe's long-term sustainable growth and competitiveness.

#### Outlook for the 2021-2027 period

Building on the success of Horizon 2020, the Commission proposed a new programme called Horizon Europe for the next multiannual financial framework.





% of target achieved by the end of 2019

(1) Latest results from 2018.

## Where are we in the implementation?

- By February 2020, 228 411 eligible proposals had been submitted for the period 2014-2020, requesting a total EU financial contribution of EUR 363.9 billion. Of these, 27 488 proposals were retained for funding, bringing the overall success rate of eligible full proposals in the first 5 years to 12%, with a total budget allocation of EUR 50.5 billion in EU funding.
- For the 2020 work programme, the five major priorities identified are: increased investment in sustainable development and climate-related research and innovation; integrating digitisation in all industrial technologies and societal challenges; strengthening international research and innovation cooperation; societal resilience; and market-creating innovation.
- Particular attention is given to initiatives in key areas like the digital single market (high-performance computing, information and communication technologies, small and medium-sized enterprises), the energy union, mobility (batteries), space and the circular economy, including work on plastics.
- Building on the additional funding allocated to climate objectives under Horizon 2020 in 2020, a total budget of around EUR 1 billion will be dedicated to European Green Deal-related calls. This amount is over and above the EUR 1.3 billion already envisaged for 2020, providing a total of around EUR 2.3 billion of Horizon 2020 funding allocated to clean-technology research and innovation in 2020.
- In addition, Horizon 2020 has shown its ability to react quickly to major events. In response to the COVID-19 pandemic, it mobilised more than EUR 1 billion in total (EUR 307 million in ongoing projects and EUR 715.5 million for new actions). The financing comes from the reprogramming of research and innovation activities across all Commission services. This enabled the immediate redeployment of significant resources for COVID-19 actions, while keeping the level of ambition for the European Green Deal call (EUR 1 billion).

#### Performance assessment

- In its 6th year of implementation, Horizon 2020 performed solidly. While in the early years of implementation it was only possible to observe its direct output (number of grants, excellence of proposals), the programme is now demonstrating its first outcomes and results (patents awarded, highly cited research). The very long policy cycle of research and innovation also means long procedures for papers to be published and actively cited, and for patents to be awarded. Therefore, only in recent years has the programme been able to show increasingly good results. Horizon 2020's synergies with other programmes (e.g. support for the development of applications of Copernicus) and its ability to direct funds to the most significant health crises (e.g. coronavirus, Ebola, Zika) and political priorities (the European Green Deal) make the programme's flexibility one of its positive features.
- The pillar of excellent science is likely to meet its targets. Horizon 2020 is succeeding in attracting and involving the best research institutions and researchers in the EU and in the world. Since 2014, 5 522 high-quality research projects have been funded by the European Research Council via Horizon 2020. The share of publications from these projects that feature among the top 1% of citations remains high, at about 7%, considerably exceeding the target of 1.8% (indicator 1). Thanks to Horizon 2020 support, researchers in the EU and beyond have obtained access to many national research infrastructures: 49 645 researchers have had access to e-research infrastructure and 8 534 researchers have had remote or physical access to research infrastructure (indicator 4).
- The actions under the industrial leadership pillar are progressing well. The projects in the 'leadership in enabling and industrial technologies' strand have already produced numerous outputs, such as patents (308 applications and 212 awarded); more than 5 700 public-private publications; and innovations by 15 434 firms with the potential to generate scientific breakthroughs. Under the access to risk finance programme, more than 23 000 organisations have been funded. This is above the target of 5 000, with EUR 29 billion of private funds leveraged. Total investments mobilised via debt financing and venture capital investments stand at EUR 54 billion (indicators 5 and 6), confirming the high quality of the projects selected and the market attractiveness.
- The progress of the societal challenges pillar is encouraging, having already generated more than 6 000 high impact peer-reviewed publications; about 5 200 public-private publications; 700 patent applications (not yet awarded) and 344 patents awarded; and 44 000 innovations that include prototypes and testing activities.
- In 2019, 303 tangible specific impacts on European policies resulting from technical and scientific support were reported by the Joint Research Centre, which generated 522 peer-reviewed publications in high-impact journals. This exceeds the target of 500 for peer-reviewed publications and almost reached the yearly target of 330 for specific impacts, while delivering successfully on EU priorities (indicator 8).
- The performance of the joint undertakings set up under Horizon 2020 is in general be considered to be positive, as reported by the European Court of Auditors in its annual report on EU joint undertakings for 2018. However, they were advised to improve the link between research and societal growth, and bring innovation closer to the market. The Court of Auditors confirmed that the joint undertakings' financial management is healthy, but said that in-kind contributions, internal control, grant management and staff turnover need to be improved.

#### Annual Management and Performance Report for the EU Budget - Financial year 2019

- As far as the European Institute of Innovation and Technology is concerned, 1 650 university, business and research organisations are integrated in the knowledge and innovation communities, above the target of 1 200. Collaboration within the knowledge triangle leading to the development of innovative products, services and processes is on track to achieve its innovation target and slightly behind in meeting the start-up and spin-off target (indicator 9).
- The tracking of expenditure for climate change shows that this had fallen below the expectations. This is due to the bottom-up parts of Horizon 2020, since their content is unpredictable in nature, and can be difficult to assess at the time of the research. However, a call with a budget of EUR 1 billion dedicated to the European Green Deal will be launched in 2020. This will considerably raise the level of expenditure on climate action.
- To reinforce and facilitate knowledge sharing and evidence-based policymaking, the programme's common support centre has developed a dashboard that provides reporting on 18 of the 23 Horizon 2020 indicators. The dashboard is open to all and provides more transparency in the spending of the EU's research and innovation budget (https://europa.eu/!DF83FM).
- The next programme, Horizon Europe, will tackle some of the known issues related to performance, such as the lack of interdisciplinarity and the need to increase the focus on innovation.
- The mission-driven approach will tackle the key societal challenges with a more holistic approach, linking these challenges to a broad range of stakeholders as well as to citizens, supporting wider outreach for the programme and creating synergies among the different sectors involved. The five mission areas are: adaptation to climate change including societal transformation; cancer; healthy oceans, seas and coastal and inland waters; climate-neutral and smart cities; and health, soil and food.
- The European Innovation Council is another key new feature of Horizon Europe, building on the experience gained with the pilot under Horizon 2020; it will be a one-stop shop for innovation to bring the most promising ideas and breakthrough innovations from the laboratory to real-world application and to help the most innovative start-ups and companies to scale up. An enhanced pilot phase was launched in March 2019. It introduces targeted calls for future and emerging technologies under the 'pathfinder pilot', employing external programme managers for the flexible management of the portfolio of projects, and the possibility of applying for blended finance (a combination of grant and equity) under the 'accelerator pilot'.

7	58 200	49 645	136 935	1 857	138 055	EUR 13 billion
Nobel Prizes have so far been funded by the European Research Council.	researchers supported by the Marie Sklodowska-Curie actions dedicated to cross-sector and cross- country mobility of researchers.	researchers have access to research e-infrastructures through the programme, and 8 325 researchers have access to research infrastructures.	publications in peer reviewed journals, of which 24 725 public- private publications; and 43 530 in peer reviewed high impact journals.	patents applications (not awarded) after receiving financing from the programme and 771 patents awarded.	prototypes, clinical trials and testing activities supported by the programme.	in private funds has been leveraged by the programme.

- With the support of the European Research Council, the National Observatory of Athens and the Greek government, a climate change superstation has been built on a remote island at the edge of the Aegean Sea and is increasingly serving as a main reference point for climate, energy and weather research in the eastern Mediterranean.
- The 2019 Nobel Prize in Physiology or Medicine was awarded to Professors Kaelin, Ratcliffe and Semenza 'for their discoveries of how cells sense and adapt to oxygen availability'. Sir Peter J. Ratcliffe is the seventh European Research Council-funded researcher to be awarded a Nobel Prize to date. The project provided a detailed structural and chemical characterisation of human hydroxylase enzymes, and also led to the development of inhibitors of these enzymes. Modulating how cells respond to hypoxia could in the future be of therapeutic use in ischaemic disease and cancer.
- On 10 April 2019, the Commission released the first ever image of a black hole taken by the Event Horizon Telescope, a global scientific collaboration involving EU-funded scientists. This major discovery provides visual evidence for the existence of black holes and pushes the boundaries of modern science, thanks to its state-of-the-art technique.
- The TAPP water project received a phase 2 grant from the European Innovation Council small and medium-sized enterprise instrument programme to further enhance tap water quality and potentially reduce plastic bottle waste by 2 billion bottles per year.
- The EU is committed to supporting research in the health sector. Through research related to the molecular characteristics of stem cells, the Brecastem project aims to develop new treatments and more targeted therapies related to breast cancer. EpiPredict has mapped the systems behaviour of breast cancer cells after hormone treatment. Meanwhile, the Inther project has developed an innovative device to deliver minimally invasive immunostimulating interstitial laser thermotherapy (imILT). The therapy works by attacking the tumour directly and stimulating the patient's own immune system to attack other (same-type cancer) tumours. The MammaPrint project, following on from two previous framework programme for research and technological development 6 and 7 projects, has analysed the entire genome of patients and further validated a molecular signature that could be associated with cancer recurrence.
- Horizon 2020 projects related to food highlight how our ecosystems contribute to sustainable production, food security, safety and healthy and sustainable
  nutrition in the EU (and globally) and how they deliver on the main EU policies. The Diversifood project has evaluated and enriched the diversity of cultivated
  plants within a range of agroecosystems to increase their performance, resilience, quality and use by studying underutilised and forgotten plant species for
  organic and low-input agriculture. The Sufisa project has identified sustainable practices and policies in the agricultural, fish and food sectors that support the
  sustainability of primary producers in a context of multidimensional policy requirements, market uncertainties and globalisation.
- Horizon 2020 projects address technology development and market barriers and accelerate the uptake of renewable energy technologies. On a regional basis,
  CoolHeating supported the implementation of small modular heating and cooling grids in south-eastern Europe using an improved business strategy and
  innovative financing schemes. The BestRES project explored the aggregation of various distributed renewable energy sources. The development of bioenergy
  villages requires investment stage bioenergy concepts. BioVill developed such villages in Croatia, North Macedonia, Serbia, Slovenia and Romania to a point
  where they could cooperate with established markets in Germany and Austria. LIFES 50plus focused on floating 5-10-MW wind turbines installed at water
  depths from 50 m to about 200 m.
- The Spider project (cyberSecurity Platform for virtualiseD 5G cybErRange services) aims to provide an innovative cyber-range platform with the latest 5G virtualisation, infrastructure management and orchestration technologies. It seeks to use state-of-the-art artificial intelligence and machine learning-based technologies capable of assessing the security of critical virtualised communication infrastructures, and to integrate improved risk analysis and econometric models that can support organisations in making optimal cybersecurity investment decisions. The Spider virtual environment will be also used to train information security professionals to deal with real-world 5G security incidents.

Council Regulation (Euratom) 2018/1563, and Council Regulation (Euratom) No 1314/2013

#### **MORE INFORMATION**

http://europa.eu/!nj69xp http://europa.eu/!HW64Gy

#### FINANCIAL PROGRAMMING

(million EUR)

2014	284.8
2015	302.1
2016	317.1
2017	340.8
2018	352.9
2019	373.6
2020	397.7
Total	2 368.9

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The interim evaluation of the 2014-2018 Euratom programme was carried out in 2017 (COM(2017) 697). For further information please consult: http://europa.eu/!pm48VY

## How is it implemented?

The Directorate-General for Research and Innovation is the lead DG for the implementation of the programme together with the Joint Research Centre.

# **EURATOM RESEARCH**

### EURATOM RESEARCH AND TRAINING PROGRAMME

## What is the Euratom research and training programme?

The objectives of the Euratom research and training programme are to pursue and support research on all aspects of nuclear safety and security, reducing risks associated with radiation exposure from medical or industrial applications and supporting emergency preparedness and response in relation to accidents involving radiation. The programme also aims to continue to support the development of fusion energy, a potentially inexhaustible and climate-friendly energy source in view of its potential major impact in contributing to the decarbonisation of the energy mix. The programme will work towards solutions for the management and disposal of spent fuel and radioactive waste, and for nuclear decommissioning. The Euratom programme provides scientific and technical support for the implementation of EU policy in the field of nuclear safeguards, non-proliferation and nuclear security. Funding is also provided for the basic research necessary for the development of reference measurements, materials and data.



## **Specific objectives**

#### **FOR INDIRECT ACTIONS:**

- To support the safety of nuclear systems.
- To contribute to the development of solutions for the management of ultimate nuclear waste.
- To support the development and sustainability of nuclear competences at EU level.
- To support radiation protection and the development of medical applications of radiation, including the secure and safe supply and use of radioisotopes.
- To move towards demonstrating the feasibility of fusion as a power source by exploiting existing and future fusion facilities.
- To lay the foundations for future fusion power plants by developing materials, technologies and conceptual designs.
- To promote innovation and industrial competitiveness.
- To ensure the availability and use of research infrastructures of pan-European relevance.

#### FOR DIRECT ACTIONS:

- To improve nuclear safety including: nuclear reactor and fuel safety, waste management, decommissioning and emergency preparedness.
- To improve nuclear security including: nuclear safeguards, non-proliferation, combating illicit trafficking and nuclear forensics.
- To increase excellence in the nuclear science base for standardisation.
- To foster knowledge management, education and training.
- To support the EU's policy on nuclear safety and security.

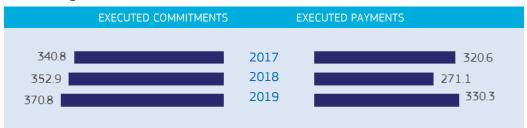
## Why is it necessary?

The Euratom programme's main added value is the mobilisation of a wider pool of excellence and multidisciplinary competencies in the nuclear field than is available at the level of individual Member States. Nuclear and ionising radiation technologies play an important role in the lives of EU citizens, whether this concerns energy and its security of supply or the use of radiation and radionuclides in medical and industrial applications. Safe and secure use of these technologies is of paramount importance and research programmes help to maintain the highest safety, security and safeguarding

standards in this field. The direct actions of the Euratom programme complement national research programmes; provide essential scientific and technical support to the Commission in the preparation, implementation and monitoring of EU policies and to fulfil its legal obligations and competences; support standardisation; and provide training in the fields of its objectives.

## Outlook for the 2021-2027 period

The Commission has proposed a continuation of the programme for the next multiannual financial framework.





(1) Latest results from 2018.

## Where are we in the implementation?

#### **Indirect actions**

- In fission research, four calls for proposals were concluded and 192 eligible proposals were submitted, requesting a Euratom financial contribution of EUR 726 million. Of these, 62 were selected for funding, with a Euratom contribution of EUR 271 million. A fifth call for proposals was closed in September 2019. A total of 62 eligible proposals were submitted, requesting a Euratom financial contribution of EUR 265 million. After evaluation, the Commission recommended 31 proposals for funding, with a Euratom contribution of EUR 133 million. The grants should be signed in 2020.
- For fusion research, following adoption by the Council of the regulation on the Euratom research and training programme for 2019-2020, the EUROfusion grant was extended until the end of 2022. The extension of the duration beyond 2020 will provide a smooth transition to the future Euratom programme.

#### **Direct actions**

• The work programme of the Joint Research Centre covered research and training in all the areas defined by the specific objectives of the programme.

#### Performance assessment

- The indirect actions in fission research are making progress towards achieving the objectives of supporting the safety of nuclear systems and developing solutions for nuclear waste, which are fundamental for the transition of the EU economy towards a sustainable future. This is confirmed by the number of projects likely to lead to an improvement in nuclear safety practices in Member States and in the management of nuclear waste (indicators 1 and 2).
- The Euratom programme has also made substantial scientific and technological progress in all roadmap missions aimed at demonstrating the feasibility of fusion as a future energy source. The first priority of the programme in this area was to provide scientific support for the ITER construction and its future exploitation. The new organisational structure established in 2014, involving all national fusion laboratories in Europe, has created the conditions for implementing a joint programme in line with the European fusion roadmap (indicators 3, 4 and 5). Delays were encountered in a few projects, due to the nature and unpredictability of cutting-edge scientific research.
- The results achieved by the direct actions of the Euratom programme are encouraging. The Joint Research Centre has been successfully supporting the Commission in its policymaking activities through research related to the overarching political priorities. However, due to the length of the approval cycle in peer-reviewed publications (indicator 5), the indicators for 2019 do not yet capture the whole picture and show fewer results than the consolidated numbers for the previous years (indicator 6).

1 350 researchers	822 articles	750 PhD students
had access to advanced research infrastructures through the EUROFusion consortium.	were published in 2019 in peer- reviewed high-impact journals thanks to the support of the Euratom programme.	were supported in fusion physics and technology through the EUROFusion consortium.

- Euratom's support for the new European joint programme on radioactive waste management represents a step change in European collaboration towards safe radioactive waste management, including disposal.
- The Harmonic (health effects of cardiac fluoroscopy and modern radiotherapy in paediatrics) project was launched in 2019 with 24 partners from 11 Member States, Switzerland and Ukraine in order to study the long-term health consequences of radiological and radiotherapeutic procedures on children and adolescents. The project will develop tools and guidelines to guide treatments towards a reduction of patient doses in paediatric cardiology and oncology.
- In 2019, under the direct actions, Joint Research Centre scientists published 98 articles and conference contributions in peer-reviewed periodicals, including 12 related to radioactivity in the environment and 16 related to medical applications of nuclear science, and 37 articles in monographs or other periodicals. The Joint Research Centre organised 25 training events for professionals and students from Member States and Commission services. In addition, it produced 106 technical reports, contributed to nine policy documents analysing the implementation of the nuclear waste directive and the radioactive waste shipment directive, and contributed to the impact assessment of dual-use export control measures. Eleven reference methods and measurements were delivered, as were 13 technical systems and six scientific databases including essential outputs for the Euratom nuclear safeguards system.

<sup>(</sup>²) Cumulative results for 2014-2019.

Regulation (EU) No 1287/2013 of the European Parliament and of the Council

#### MORE INFORMATION

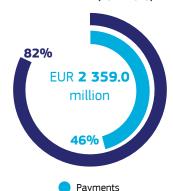
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#### FINANCIAL PROGRAMMING

(million EUR)

254.1
304.1
311.9
349.4
354.2
367.2
418.1
2 359.0

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

An interim evaluation of the programme for the competitiveness of enterprises and small and medium-sized enterprises (2014-2020) was carried out in 2017. For further information please consult: http://europa.eu/!RD83Xc

### How is it implemented?

The Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs is the lead DG for the implementation of the programme. The programme is implemented by means of direct (grants and procurement) and indirect management through the European Investment Fund.

# **COSME**

# PROGRAMME FOR THE COMPETITIVENESS OF ENTERPRISES AND SMALL AND MEDIUM-SIZED ENTERPRISES

#### What is COSME?

COSME is the EU programme for the competitiveness of enterprises and SMEs.

With a total budget of EUR 2.3 billion, COSME contributes to strengthening the competitiveness and growth of companies in the EU. Tailored principally to small and medium-sized enterprises, the programme eases access to finance; delivers business advisory services to support access to markets and internationalisation; and promotes a better business environment and entrepreneurship.

Thanks to an extensive network of intermediaries, it ensures proximity with SMEs, the target beneficiaries of the programme.

COSME is an essential tool to implement both the SME strategy for a sustainable and digital Europe and the new industrial strategy for Europe. It will also contribute to the Green Deal and the digitalisation agenda.



## **Specific objectives**

- To improve framework conditions for the competitiveness and sustainability of EU enterprises, particularly SMEs, including in the tourism sector.
- To promote entrepreneurship and an entrepreneurial culture.
- . To improve access to finance for SMEs in the form of equity and debt.
- To improve access to markets, particularly within the EU but also at the global level.

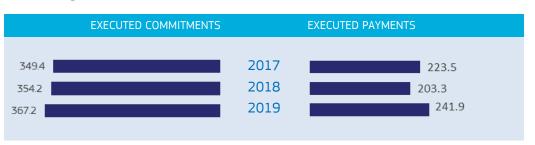
### Why is it necessary?

The additional value of action at the EU level relies on the following four main sources.

- Strengthening the single market by overcoming market fragmentation in areas such as venture capital investment, cross-border financing and credit enhancement, along with informational and organisational constraints that prevent SMEs from taking advantage of the opportunities that the single market offers.
- Demonstration and catalytic effects through the dissemination of industrial and policy best practices.
- Economies of scale in areas where it would be difficult for individual Member States to achieve the required critical mass.
- Coherence and consistency in national measures through benchmarking and the exchange of best practices at the EU level.

## Outlook for the 2021-2027 period

The Commission proposed to include this programme within the new single market programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Tourism – number of destinations adopting sustainable tourism development models promoted by the European Destination of Excellence (1)	98	59%	200	158 out of 200
Loan Guarantee Facility – volume of debt financing mobilised		> 100%	14.3 b	EUR 31.7 billion, compared to a target EUR 14.3 billion
Loan Guarantee Facility – number of firms benefiting from debt financing		> 100%	220 000	553 925, compared to a target of 220 000
Enterprise European Network – number of partnership agreements signed (²)	2 295	93%	17 500	16 214 out of 17 500

% of target achieved by the end of 2019

## Where are we in the implementation?

- The COSME Loan Guarantee Facility has been enhanced with support from the European Fund for Strategic Investments. By the end of 2019 an additional risk-bearing capacity of EUR 1.3 billion had been created, including for transactions related to a digitalisation pilot launched during that year.
- As of 31 December 2019, the European Investment Fund had invested in 17 funds through the Equity Facility for Growth, for a total investment amount of EUR 242 million. Of these funds, six were multi-stage funds combined with the InnovFin Equity Facility for early stage financing, which was set up under Horizon 2020.
- In 2019 the Enterprise Europe Network's services are expected to have reached 250 000 SMEs. With organisations from Kosovo (90) having joined the network, it now covers all 39 countries participating in COSME. The network is now present in 67 countries, including business cooperation centres in 28 non-EU countries.
- The Erasmus for young entrepreneurs mobility scheme has a broad geographical spread, implemented by a network of 194 local intermediary organisations in 37 countries (out of the 39 that participate). As of 2020, local intermediary organisations are expected to be in place for the first time in Kosovo and in Martinique.
- The European Cluster Collaboration Platform includes 1 112 industrial cluster organisations. They collaborate with approximately 120 000 SMEs, 8 000 large firms and 11 000 research organisations or technology centres. The platforms act as multipliers and bridge-builders to connect industrial ecosystem actors and serve as policy accelerators for the EU's industrial strategy. For instance, there are 400 digital clusters and 250 green-tech clusters registered on the platform that are ready to team up and help implement the European Green Deal.

#### **Performance assessment**

- The reinforcement of the COSME Loan Guarantee Facility resources from the SME window of the European Fund for Strategic Investments, which doubled the available resources, meant that it was already possible to achieve the targets set for the overall programming period (2014-2020) in 2018. In 2019 the Loan Guarantee Facility, as enhanced by the SME window of the European Fund for Strategic Investments, continues making financial support available to small and medium-sized enterprises with more than 88% of SMEs having less than 10 employees and almost 50% being start-ups with an operational history of less than 5 years. As of 31 December 2019 more than 553 000 SMEs in 32 countries had received financing of almost EUR 32 billion (indicators 2 and 3), confirming the attractiveness of the programme.
- The outreach of the Enterprise Europe Network is in line with its target (indicator 4). Earlier findings on the impact evaluation of the network concluded that the average net effect for participating SMEs was an increase of approximately 3 percentage points in annual turnover (compared to SMEs not receiving Enterprise Europe Network services).
- To enhance the coherence of the financial instruments available under the EU budget, the successor facilities to the COSME Loan Guarantee Facility and the Equity Facility for Growth will be established under the SME window of the new InvestEU programme.

250 000 SMEs	16 500 entrepreneurs	500 000 SMEs	200 stakeholders	1 039 organisations
received support from the Enterprise Europe Network in 2019.	were involved in the Erasmus for young entrepreneurs mobility scheme.	received support from the COSME Loan Guarantee Facility.	discussed the potential of digitalisation for the EU's tourism industry in the European Tourism Forum of Helsinki (October 2019).	were included in the European Cluster Collaboration Platform, which reaches out to around 120 000 SMEs, 8 000 large firms and 11 000 research organisations or technology centres.

- The Enterprise Europe Network's services range from information on EU matters, company visits and awareness-raising campaigns to specialist advisory services, company missions, and matchmaking and technology brokerage events. Some 3 000 network staff have been active at local events, providing advisory services to 70 000 SMEs on access to finance, intellectual property rights, business and technology, resource-efficiency services, individual partnering support, etc., and around 80 000 meetings between SMEs were organised at matchmaking events. The network's scale-up advisors are now active in all consortia, helping scale-ups develop their business outside their home country. The most requested services are business partnering, access to finance and investor relationship building.
- COSME funded capacity building amongst SMEs in the tourism sector (e.g. by increasing their ability to adapt to more sustainable business models, or to come

<sup>(1)</sup> Latest results from 2018. Since 2011 the selection of European Destinations of Excellence has taken place every second year, in alternation with a year dedicated to the promotion of the destinations that have received the award. For 2019, around 176 European Destinations of Excellence were expected to receive the award.
(2) Cumulative results for 2015-2019 are 14 695 under COSME. 16 214 includes those agreements signed in 2014 under the previous programme.

<sup>(90)</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## Annex 1: Programme performance overview

- up with more sustainable products). Exchanges of best practice also encouraged the EU's tourism industry to adapt to challenges and emerging global trends. In particular, six cross-border and cross-sectoral cooperation and capacity-building schemes will now work with SMEs on innovative solutions for sustainable tourism and foster the capacities and skills of companies (more than 300 SMEs) to improve their sustainable management practices and increase standards.
- By the end of 2019 approximately 8 300 exchanges had taken place under the Erasmus for young entrepreneurs mobility scheme. New entrepreneurs who participated in the programme between 2014 and 2016 have created 251 new companies so far, and over 1 000 new jobs. Host entrepreneurs also confirmed the positive effects: along with over 1 100 new jobs having been created on their side, 58% of experienced entrepreneurs have seen an increase in turnover and 41% have seen an increase in employment.

Regulation (EU) No 1288/2013 of the European Parliament and of the Council as amended by Regulation (EU) 2018/1475 and repealing Decisions No 1719/2006/EC, No 1720/2006/EC and No 1298/2008/EC

#### **MORE INFORMATION**

http://europa.eu/!tU79tW

#### FINANCIAL PROGRAMMING

(million EUR)

2014	1 558.8
2015	1 608.1
2016	1 734.7
2017	2 070.2
2018	2 314.5
2019	2 786.4
2020	2 885.4
Total	14 958.1

# OVERALL EXECUTION (2014-2019)



# **Evaluations/ studies conducted**

In 2019, the results of two new Erasmus+ impact studies were made available. https://europa.eu/!RH98bU https://europa.eu/!RD46kH

## How is it implemented?

The Directorate-General for Education and Culture is the lead DG for the implementation of the programme. It is implemented through a combination of direct and indirect management (through grants and procurements) and financial instruments.

# **ERASMUS+**

## THE EU PROGRAMME FOR EDUCATION, TRAINING, YOUTH AND SPORT

#### What is Erasmus+?

Erasmus+ is the EU's flagship programme to support and strengthen education, training, youth and sport. For the past three decades, Erasmus+ and its predecessors have offered opportunities for young people, learners and staff of all ages to study, train, gain experience and volunteer abroad, in Europe or beyond, and has fostered the sharing of knowledge and experience between institutions, organisations and policymakers in different countries. At the same time the programme fosters European identity and reinforces European values.



## **Specific objectives**

## Supporting education and training

• The programme contributes to the achievement of the objectives of the Europe 2020 strategy, notably the headline education target; the objectives of the strategic framework for European cooperation in education and training for sustainable development of higher education in partner countries; the objectives of the renewed framework for European cooperation in the youth field (2010-2018) for building best practices in education policy, gathering and disseminating knowledge and promoting educational policy reforms at national and regional levels; the objective of developing the European dimension in sport; and the promotion of European values in accordance with Article 2 of the Treaty on European Union.

## Why is it necessary?

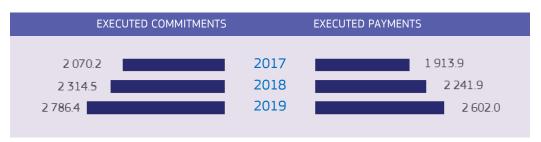
The Erasmus+ programme develops a European dimension to education. Erasmus+ offers young people, learners and staff of all ages opportunities to study, train, gain experience and volunteer abroad, in Europe or beyond. It has stimulated student and teacher mobility, cooperation between institutions and organisations, supported the harmonisation of university degree structures and helped make higher education systems more compatible.

Erasmus+ also promotes activities outside formal education – building the capacity of youth workers and enabling young people to develop their skills, intercultural awareness and active citizenship. It has also worked to make qualifications and skills for learners and workers more transparent.

Erasmus+ guarantees that schools, educational institutions at all levels, youth organisations and young people in all participating countries can benefit from mobility and the exchange of good practices. The EU is helping to build bridges between people and bring about a border-free Europe.

## Outlook for the 2021-2027 period

The Commission's proposal for the new Erasmus programme for 2021-2027 aims to make the programme more inclusive and accessible to people from all social backgrounds; more innovative; more international and more supportive of a European identity.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Higher education – learners (in thousands) (1)		80%	2 080	1 662 out of 2 080 thousand higher education learners
Vocational education and training – learners (in thousands)		> 100%	674	709 compared to 674 thousand vocational education and training learners
Higher education, vocational education and training, schools and adult staff supported (in thousands) (1)	I	> 100%	650	654 compared to 650 thousand staff supported
Participants declaring an increase in competencies	I	> 100%	88%	93% compared to 88% target
Participants who have received a certificate or diploma		> 100%	88%	90% compared to 88% target
Youth staff supported (in thousands) $(^1)$		> 100%	162	198 compared to 162 thousand staff supported
Long-term mobility – increased language skills (1)		97%	98%	95% compared to 98% participants
Partner country higher education institutions involved in mobility and cooperation actions $(^1)$		84%	1 300	1 096 out of 1 300 institutions

<sup>%</sup> of target achieved by the end of 2019

## Where are we in the implementation?

- In the field of higher education, the European universities initiative started in 2019, when the first 17 universities were selected. They include institutions from across the EU, ranging from the fields of applied sciences, technical studies and fine arts to comprehensive and research-intensive universities. The programme financed a record 163 new capacity-building projects in higher education. A total of 51 new Erasmus Mundus joint master's degrees and around 55 000 new short-term, academic credit mobilities were selected in 2019.
- In the area of adult education, in 2019 the Erasmus+ programme supported policy priorities such as the supply of high-quality learning opportunities and the development of the competences of educators, with a budgetary increase for both mobility and strategic partnership actions.
- Concerning vocational education and training, the programme supported more than 153 000 learner mobilities. Particular emphasis was placed on ErasmusPro, which supports the long-term mobility of vocational education and training learners and recent graduates. A new action was introduced to support the creation of transnational and national networks and partnerships of providers.
- The e-twinning community among schools has continued to grow, with some 125 000 new members registered in 2019. This represents a significant increase of more than 21 % in comparison to 2018. Overall, 764 000 registrations have been recorded since the programme started and a new record has been achieved for connecting teachers and classrooms across Europe, to step up support to teachers and foster exchanges.
- Regarding the EU's cooperation with other regions of the world, during its first 2 years of implementation, Erasmus+ virtual exchanges enabled young people living in Europe and the southern Mediterranean area to take part in moderated online debates that can form part of a higher education degree or a youth project. More than 17 000 higher education students and other stakeholders have taken part in a virtual exchange.
- In 2019, priority in the area of sport was given to grassroots activities and to increasing participation in sport to promote awareness of the importance of health-enhancing physical activity, in line with the Tartu call for a healthy lifestyle. The 2019 edition of the European Week of Sport saw a new record of over 14.6 million citizens participating in more than 23 000 events in 42 countries and regions. The third edition of the #Beinclusive EU spots awards recognised organisations using the power of sport to increase social inclusion for disadvantaged groups.

## Performance assessment

- The programme has demonstrated an outstanding track record not only in terms of numbers delivering results that are consistently in line with or above expectations across different areas and actions but also in terms of social impact. Over the last three decades, 10 million people have participated in what for many of them turned out to be life-changing experiences under Erasmus+ and its predecessors.
- After a learning exchange abroad, young people, adults, youth workers and teachers say they feel better prepared to take on new challenges, have better
  career prospects and are more aware of the benefits the EU brings to their daily lives. In 2019, 93% of the participants stated that they had increased their
  key competences.
- The Erasmus+ programme has built on the experience of previous programmes and has successfully adapted to new priorities. For example in 2019, it was an important instrument for inclusion: in the area of sport, the programme promoted and supported voluntary activities, together with social inclusion, including refugees and migrants; the role models initiative created a pool of positive role models to promote social inclusion, prevent exclusion and radicalisation and encourage active citizenship and commitment to European values; and two pilot projects in the area of social inclusion of refugees and the monitoring and coaching, through sports, of youngsters at risk of radicalisation are being implemented.

900 000	30	125 000	14.6 million	9 000	2
participants gained experience in one of the 34 programme countries in 2019. Among these participants there were close to 360 000 students, 153 000 learners in vocational education and training, 158 000 members of staff from educational institutions, 39 000 members from youth organisations, 113 000 young people and 55 000 mobilities to and from partner countries.	years of the Jean Monnet actions were marked in 2019. Currently more than 300 000 students benefit from the Jean Monnet Actions every year in more than 1 000 universities and almost 90 countries worldwide.	new members registered with the eTwinning community in 2019.	citizens participated in more than 23 000 events of the European Week of Sport, events in 42 countries and regions in Europe in 2019.	students from a variety of study area acquired forward-looking digital skills, under the Erasmus+ digital opportunity traineeships initiative	pilot projects focusing on social inclusion were implemented for social inclusion of refugees, and the monitoring and coaching of youngsters at risk of radicalisation.

<sup>(1)</sup> Cumulative results for 2014-2019 compared to cumulative targets for 2014-2020.

Regulation (EU) No 1296/2013 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!Qw97vT

#### FINANCIAL PROGRAMMING

(million EUR)

2014	123.0
2015	128.6
2016	127.1
2017	136.0
2018	131.7
2019	136.1
2020	117.1
Total	899.6

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The midterm evaluation of EaSI was carried out in 2017. For further information please consult: http://europa.eu/!wy63PW and http://europa.eu/!bx37TB

## How is it implemented?

The Directorate-General for Employment, Social Affairs and Inclusion is the lead DG for the implementation of the programme. The programme is implemented through direct (grants and procurement) and indirect management (European Fund for Strategic Investments equity instrument and delegation to financial intermediaries).

## **EaSI**

#### EUROPEAN UNION PROGRAMME FOR EMPLOYMENT AND SOCIAL INNOVATION

## What is EaSI?

The employment and social innovation (EaSI) programme is a financing instrument at EU level promoting a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. The three axes of EaSI support the modernisation of employment and social policies (PROGRESS axis), job mobility (EURES axis) and access to microfinance and social entrepreneurship (Microfinance / Social Entrepreneurship axis).



## **Specific objectives**

- Support the development, implementation, monitoring and evaluation of the EU's instruments, policies (promoting
  a high level of quality and sustainable employment, guaranteeing adequate and decent social protection,
  combating social exclusion and poverty and improving working conditions) and relevant law, and promote
  evidence-based policymaking, social innovation and social progress, in partnership with the social partners, civil
  society organisations and public and private bodies (PROGRESS axis).
- Promote workers' voluntary geographical mobility on a fair basis and boost employment opportunities by developing high-quality and inclusive European Union labour markets that are open and accessible to all, while respecting workers' rights throughout the EU, including freedom of movement (EURES axis).
- Promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable people who wish to start up a micro-enterprise and for existing micro-enterprises, and by increasing access to finance for social enterprises (Microfinance / Social Entrepreneurship axis).

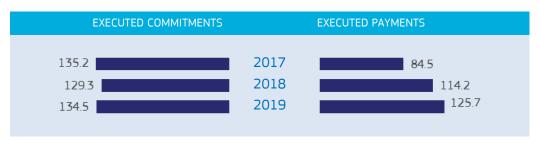
### Why is it necessary?

The EaSI programme provides EU funds to coordinate the implementation of the employment and social objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth. It focuses on key actions with high EU added value, such as:

- supporting EU policymaking;
- focusing on the transnational dimension of employment, social situation, working conditions, and health and safety at work;
- ensuring the development and proper application of EU laws in the fields of employment, working conditions, health and safety at work and social protection;
- promoting workers' geographical mobility within the EU by developing recruitment and placing services;
- increasing the availability and accessibility of microfinance, as additional funding is more likely to be attracted from third-party investors such as the European Investment Bank.

## Outlook for the 2021-2027 period

The Commission proposed to include this programme within the new European Social Fund+ for the next multiannual financial framework.





(1) Average of results for 2014-2018.

#### Where are we in the implementation?

- EUR 412 million was committed in 2017-2019, involving over 1 000 beneficiaries from all participating countries and over 540 organisations. In addition, the programme assisted 38 EU sector organisations. Almost 33% of the grants awarded following calls for proposals targeted public authorities, some 25% supported the Social Partners (trade union organisations and employers' organisations), and 24% went to foundations/non-governmental organisations.
- The PROGRESS axis gathered evidence to shape policy developments, fostered shared understanding through policy debates and provided financial support to some key EU-level non-governmental organisations. Much of EaSI-funded evidence fed directly into the key EU policy processes such as the European Semester, including its annual growth survey, country-specific recommendations, employment guidelines and joint employment reports. The 17 calls for proposals that were launched led to 83 agreements for action grants. Two calls for proposals for operating grants to 24 organisations led to two yearly contracts for each of them. They addressed issues such as administrative cooperation and information on the posting of workers.
- The EURES axis supported the European job mobility portal, training courses and horizontal support for the member organisations of the EURES network. The five EURES calls for proposals concerning general and targeted mobility schemes launched between 2017 and 2019 resulted in 48 contracts. In 2019, 'Your first EURES job' (YfEj), dedicated to jobseekers under 35, filled 1 724 job vacancies and provided support to 1 923 jobseekers. The cross-border partnerships supporting worker mobility handled 23 000 job vacancies matching at least 2 800 job seekers with jobs.
- In 2017-2018, under the Microfinance / Social Entrepreneurship axis, contracts worth EUR 57.4 million were signed with microfinance intermediaries, resulting in 47 684 microloans worth EUR 129.3 million. By October 2019 financial intermediaries from 27 countries were participating in the microfinance window. Under the social entrepreneurship window, 949 social enterprises had received funding by the end of 2018. Financial intermediaries from eight new countries joined in 2019. In addition, a framework contract was launched for the provision of technical assistance through training sessions tailored to capacity building and training sessions on the European Code of Good Conduct for microcredit provision to social enterprises finance providers. Under the EaSI capacity-building investments window, 11 contracts for transactions amounting to a total of EUR 23.2 million were signed in eight countries. As a result, the financial envelope available in 2019 increased to EUR 26 million. The EaSI-funded instrument was launched in 2019. The European Commission signed a first commitment to the fund of EUR 48 million as an equity investor.

## **Performance assessment**

- **PROGRESS**. The generated evidence contributed to the European semester and policy initiatives in the field of employment and social affairs, for example the new skills agenda for Europe. EaSI's stakeholders provided positive feedback on its deliverables. Furthermore, EaSI's financial assistance to EU and national organisations increased their policymaking capacity compared to the previous monitoring period.
- **EURES.** Its overall performance is positive, with increases in the number of youth job placements and direct contact with jobseekers. Regarding the former, since 2016 there has been a steady increase due to: (1) the large size and long duration of the 'Your first EURES job' projects; and (2) the experience and increased delivery capacity of the implementing organisations. Concerning the latter, the capacity increased thanks to the introduction of compulsory reporting on the part of EURES advisers by the new EURES regulation. Concerning the EURES Job Mobility Portal, there was a decrease in the number of unique visits in 2019, despite communication actions. This is due to the improved conditions in the EU labour market and the decrease in unemployment. That said, the number of registered users increased and the overall number of visitors is high, at around 1 million per month.
- **Microfinance / social entrepreneurship.** The number of final-recipient countries had increased significantly by the end of September 2019. The targets set have largely been reached in absolute numbers. However, the improvements in the labour market and the fall in unemployment have led to a lower-than-expected number of beneficiaries being unemployed or in a vulnerable situation. Therefore, the relevant indicator on the proportion of the said beneficiaries creating a business with EU microfinance saw a downward trend between 2016 and 2018.

1 000	540	5	1 923	2 800	EUR 200 million
beneficiaries were reached by EaSI projects between 2017 and 2019.	organisations were supported by EaSI between 2017 and 2019.	new projects on fair working conditions for posted workers began in 2019.	young jobseekers under the age of 35 received financial assistance under four 'Your first EURES job' projects in 2019.	jobseekers were successfully matched with jobs through the EURES cross-border partnerships in the first half of 2019.	was provided as the budget of the loan fund launched in 2019 by the EU, the European Investment Bank and the European Investment Fund to support lending under EaSI.

Regulation (EU) No 2018/1475 of the European Parliament and of the Council, amending Regulation (EU) No 1288/2013, Regulation (EU) No 1293/2013 and Decision No 1313/2013/EU

#### MORE INFORMATION

http://europa.eu/!GQ68Dy

#### FINANCIAL PROGRAMMING

(million EUR)

2018	42.8
2019	143.3
2020	166.1
Total	352.2

# OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

N/A

## How is it implemented?

The Directorate-General for Education, Youth, Sports and Culture is the lead DG for the implementation of the programme. European Solidarity Corps funding is provided in the form of grants, procurement and prizes.

# **EUROPEAN SOLIDARITY CORPS**

## What is the European Solidarity Corps?

The European Solidarity Corps regulation that entered into force on 4 October 2018 establishes the Corps as a fully fledged programme for the period 2018-2020. The aim of the corps is to give young people the chance to take part in a range of solidarity activities that address challenging situations across the EU, such as rebuilding communities following natural disasters and addressing social challenges such as social exclusion, poverty and health and demographic challenges. Taking part in solidarity activities not only helps young people's personal development, active involvement in society and employability, but also assists non-governmental organisations, public bodies and companies in their efforts to cope with societal and other challenges. The corps supports volunteering, traineeships and job placements in a wide range of sectors engaged in solidarity and will provide young people with opportunities to set up their own solidarity projects or volunteer as a group.

# **O**

## **Specific objectives**

- To provide young people, with the support of organisations, with easily accessible opportunities to engage in solidarity activities while improving their skills and competences for personal, educational, social, civic and professional development, as well as enhancing their employability and helping them move into regular employment.
- To contribute to European cooperation relevant to young people and to raise awareness of its positive impact.
- To ensure that particular efforts are made to promote social inclusion and equal opportunities, and in particular
  to enable the participation of young people with fewer opportunities, through a range of special measures such
  as appropriate forms of solidarity activities and personalised support.
- To ensure that the solidarity activities that are offered to the European Solidarity Corps participants contribute to addressing concrete societal challenges and strengthening communities, are of a high quality and are properly validated.

## Why is it necessary?

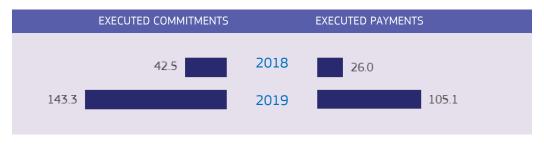
The European Solidarity Corps will enhance the European dimension of solidarity, complementing existing public and private policies, programmes and activities without creating competition or substitution effects. The corps will address unmet societal needs that cannot be addressed by the labour market, existing volunteering activities or other types of solidarity programmes.

The EU added value of the programme derives from the cross-border character of the activities, in addition to those developed at national or regional levels.

While actions to tackle socioeconomic problem areas are primarily the responsibility of the Member States and regions and have to be taken closest to the citizen at national and sub-national levels, the EU has a role to play in identifying shared challenges, stimulating cooperation and transnational mobility, encouraging synergies and promoting the sharing of good practices and mutual learning, and supporting a Europe-wide approach to social innovation, where there is clear added value for European solutions.

## Outlook for the 2021-2027 period

For the next long-term EU budget for 2021-2027, the Commission has proposed a new programme for the European Solidarity Corps, consolidating efforts to have one single entry point for young people ready to engage in solidarity.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Participants in volunteering		20%	61 900	12 421 out of 61 900 participants
Participants in traineeships and jobs		4%	11 200	416 out of 11 200 participants
Participants in solidarity projects		21%	18 900	4 003 out of 18 900 participants

% of target achieved by the end of 2019

#### Where are we in the implementation?

- The 2019 call for proposals provided opportunities for organisations and groups of young people to apply to national agencies for funding for volunteering projects, traineeships and jobs or solidarity projects.
- The programme is progressively reaching its 'cruising speed', after the late adoption of the regulation. Projects have been starting since 2018 as well as preparations for the implementation of the future reinforced European Solidarity Corps.
- In 2019, preparatory work was also carried out for the establishment of the European Voluntary Humanitarian Aid Corps, a new strand that will open up new opportunities for young people to participate in solidarity activities in the area of humanitarian aid.
- In March 2019, the European Youth Week was a major focus for the promotion of the programme and the opportunities that it offers; the Commission presented the EU's youth policy priorities such as solidarity, inclusion and participation involving a wide range of young people and youth stakeholders.
- In March 2019, the European Solidarity Network was successfully launched. The network supports the development and expansion of tools to help create a network of communities around the European Solidarity Corps.
- In 2019, the programme supported larger scale volunteering projects in the following priority areas: European cultural heritage; social inclusion of people with fewer opportunities and response to environmental challenges and climate challenges.
- In order to increase the benefits to young people, the Commission widened the training that is offered prior to and during placements and improved the measures for better recognition of learning outcomes. The first modules of the general online training scheme available for young people registering with the European Solidarity Corps will be made available in spring 2020.
- In 2019, the corps continued to support the EU's cooperation with the European neighbourhood region (western Balkans, Eastern Partnership and southern Mediterranean) through volunteering activities. Specific agreements were also signed with Iceland, North Macedonia and Turkey, enabling their full participation in the programme.

#### **Performance assessment**

- The European Solidarity Corps has existed as an independent funding programme since October 2018. The call in 2018 was an important achievement and after 1 year of implementation the number of opportunities made available has been steadily increasing, as has the number of participants in solidarity projects.
- The corps was particularly successful in helping to support the EU's political priorities: with more than 30% of participants being young people with fewer opportunities, the programme contributes to social inclusion and 13% of the projects being supported already contribute to addressing climate action, the environment and the protection of nature.
- The programme is also evolving: training is something completely new under the European Solidarity Corps; even if it is still being phased in, specific efforts are dedicated to promotion, ensuring understanding of the opportunities, reaching out to the relevant stakeholders and training potential applicants.
- The level of demand for quality labels for the occupational strand is satisfactory and indicates a positive future trend.

21 000	120 000	191 000	34 500	30%	13%
young people have been offered opportunities to engage in solidarity activities.	participants attended over 1 000 events in 35 different countries as part of the European Youth Week in March 2019.	young people have registered with the Corp's portal since 2016.	young people have been involved in the European Solidarity Network or have started activities since 2016.	of the projects supported by the programme involved people with fewer opportunities.	of the projects supported by the programme contributed to climate action, and to environment and nature protection.

Regulation (EU) No 1294/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!NQ39kG

#### FINANCIAL PROGRAMMING

(million EUR)

2014	66.4
2015	68.9
2016	71.8
2017	89.3
2018	82.4
2019	78.4
2020	75.3
Total	532.5

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The studies and evaluations financed under the Customs 2020 programme can be consulted on the 'Taxation and customs union' section of the Europa website: http://europa.eu/!tv44YW

#### How is it implemented?

The Directorate-General for Taxation and Customs Union is the lead DG for the implementation of the programme through direct management.

## **CUSTOMS 2020**

### ACTION PROGRAMME FOR CUSTOMS IN THE EUROPEAN UNION

#### What is Customs 2020?

Customs 2020 aims to improve the functioning and modernisation of the customs union. It supports customs authorities in protecting the financial and economic interests of the EU and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of the customs authorities and to strengthen the competitiveness of EU businesses. The majority of programme funding (approximately 80%) enables the development and operation of European information systems, followed by the organisation of joint actions, cooperation and collaboration (around 15%) and training activities (around 5%).

Strengthening the security and protection of citizens – while facilitating legitimate international trade, pursuing customs modernisation and developing and managing an effective and efficient customs union – has been part of the EU's priorities. The programme pursues these priorities mainly through the setting-up of a paperless customs environment. This environment facilitates trade and improves the effective enforcement of rules for protecting the financial, safety and security interests of the EU.

Regarding operational cooperation, the programme funds expert teams to structure forms of cooperation, pooling expertise to perform tasks in specific domains or carry out operational activities, possibly with the support of online collaboration services, administrative assistance and infrastructure and equipment facilities.



## **Specific objectives**

 To support customs authorities in protecting the financial and economic interests of the EU and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of customs authorities and to strengthen the competitiveness of EU businesses.

## Why is it necessary?

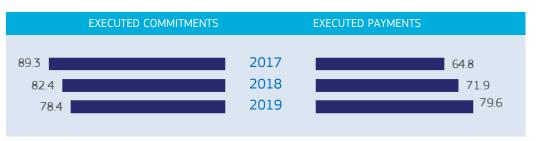
The customs union is an exclusive competence of the EU. The implementation of EU legislation is, however, a national competence. The EU's legal framework in itself does not sufficiently ensure the proper functioning of the customs union. It should be complemented by supporting measures, as provided for by the Customs 2020 programme, in order to ensure that EU customs legislation is applied in a convergent and harmonised way at national level.

Many of the activities in the customs area are of a cross-border nature, involving and affecting all Member States, and therefore they cannot be delivered effectively and efficiently by individual Member States. The Customs 2020 programme offers Member States an EU framework in which to develop activities through cooperation amongst national customs officials on the one hand, and cooperation on information technology on the other hand. This set-up is more cost-effective than if each Member State were to set up its own individual

cooperation framework on a bilateral or multilateral basis. From an economic point of view, action at EU level is much more efficient. The backbone of customs cooperation is a highly secure, dedicated communications network. It connects national customs administrations through approximately 5 000 connection points. This common IT network ensures that each national administration only needs to connect to this common infrastructure once to be able to exchange any kind of information. If no such infrastructure were available, each Member State would have to link individually to the national systems of each of the other Member States.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Feedback from participants – Network opportunity (¹)		>100%	90%	96% compared to 90% positive feedback
Feedback from participants – Lasting network effect (¹)		91%	80%	73% compared to 80% positive feedback
Feedback from participants – Number of face-to-face meetings (1)		>100%	380	476 compared to 380 meetings
Availability of the European information systems common communication network (1)		>100%	99.90%	99.95% compared to 99.90% availability
European information systems availability – business hours (1)		>100%	97.00%	98.68% compared to 97.00% availability
European information systems availability – other (¹)		>100%	95.00%	98.68% compared to 95.00% availability

<sup>%</sup> of target achieved by the end of 2019

### Where are we in the implementation?

- The core outcomes of the Customs programme are the European information systems, which need to be deployed in accordance with the legal deadlines set out in the Union Customs Code. Some of these deadlines were amended in 2019 to allow for the scope of some projects to be modified and for a shift from the Member State level to the EU level. Against this background, in 2018 and 2019, EUR 7.1 million in total was frontloaded for the Customs 2020 programme, in particular to deliver the specifications and software for the major trans-European information technology systems of the Union Customs Code. Moreover, EUR 3.9 million in additional funding was made available in 2019 for Brexit preparedness.
- The funding available for the information technology systems (which are shared with the Fiscalis programme) is mainly used for the maintenance and further development of the systems, so as to keep their availability at a high level. The availability rate in 2019 (99%) reflected the deployment of new releases and new applications on the platform, mostly in the customs area.

#### Performance assessment

- The data collected in the performance measurement of the programme, together with the results of the midterm review, show that the Customs 2020 programme plays an important role in facilitating the implementation and development of the EU's customs policy, and that it is on course to fulfil its objectives of protecting the financial and economic interests of the EU and of the Member States, improving the administrative capacity of the customs authorities and strengthening the competitiveness of EU businesses.
  - The programme has been effective in providing solutions for problems with a clear EU dimension through the use of common information technology systems, joint actions and networking between Member States. This has led to added EU value, efficiency gains and cost savings, in particular through the interoperability and interconnectivity provided by the central information technology systems.
  - o On average, over the 2014-2019 period, the availability rate of the systems surpassed the target level. This is with the exception of 2019, when the availability rate was below target due to planned new releases and applications.
  - The Commission has tried to increase the lasting network effect, which has remained below target since the launch of the programme, for instance by introducing improvements in the area of communication and to facilitate online collaboration and sharing between participants in programme activities after the events come to an end. In addition, there may be an unclear understanding of the different possibilities for remaining in contact beyond physical meetings and phone calls.
  - o The Customs 2020 programme remains central to the functioning of the customs union and the further integration of the national customs authorities, including through its networking functions and the strengthening of the administrative capacity of the national authorities.

54	6.9 billion	32 TB	4	30	2 000
European information systems were in operation in 2019.	messages were exchanged in 2019 on the Common Communication Network / Common Systems Interface (CCN/CSI, shared with Fiscalis).	of data was exchanged in 2019 (+ 11% compared to 2018).	expert teams were operational in the customs area in 2019.	e-learning courses in the customs area were available at the end of 2019.	guidelines and recommendations have been issued, including on the withdrawal of the United Kingdom.

<sup>(1)</sup> Average of results for 2014-2019.

Regulation (EU) No 1286/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!tp64hw

#### FINANCIAL PROGRAMMING

(million EUR)

2014	30.9
2015	31.1
2016	31.5
2017	31.9
2018	32.5
2019	32.7
2020	33.1
Total	223.7

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The studies and evaluations financed under the Fiscalis programme can be consulted on the 'Taxation and customs union' section of the Europa website: http://europa.eu/!tv44YW

#### How is it implemented?

The Directorate-General for Taxation and Customs Union is the lead DG for the implementation of the programme through direct management.

## **FISCALIS 2020**

### ACTION PROGRAMME FOR TAXATION IN THE EUROPEAN UNION

#### What is Fiscalis 2020?

Fiscalis 2020 is an EU cooperation programme enabling national tax administrations to create and exchange information and expertise. It allows major trans-European information technology systems to be developed and operated in partnership, and allows various person-to-person networks to be established by bringing together national officials from across the EU. The majority of the programme funding (approximately 80%) enables the development and operation of the European information systems for taxation, followed by the organisation of joint actions, cooperation and collaboration (around 15%) and training activities (around 5%).

It improves the proper functioning of the taxation systems in the internal market by enhancing cooperation between participating countries, their tax authorities and their officials. This includes the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of EU law in the field of taxation by ensuring the exchange of information, supporting administrative cooperation and, where necessary and appropriate, enhancing the administrative capacity of participating countries with a view to assisting in reducing the administrative burden on tax authorities and the compliance costs for taxpayers.

The Fiscalis 2020 programme supports a highly secure, dedicated communication network allowing the exchange of information in the framework of the fight against fraud, for both direct and indirect taxation.



### **Specific objectives**

To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of EU
law in the field of taxation by ensuring the exchange of information, by supporting administrative cooperation
and, where necessary and appropriate, by enhancing the administrative capacity of participating countries with
a view to assisting in reducing the administrative burden on tax authorities and the compliance costs for
taxpayers.

#### Why is it necessary?

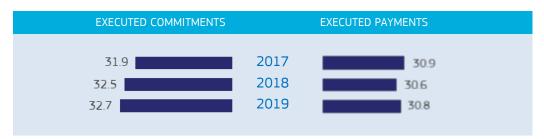
Without intense cooperation and coordination between Member States, unfair tax competition and tax shopping would increase, while fraudsters would exploit the lack of cooperation between national authorities. The added value of the Fiscalis programme, including for the protection of the financial interests of the EU Member States and of taxpayers, has been recognised by the tax administrations of the participating countries. The challenges identified for the next decade cannot be tackled if Member States do not look beyond the borders of their administrative territories or cooperate intensively with their counterparts. The Fiscalis programme, implemented by the Commission in cooperation with the participating countries, offers Member States an EU framework in which to develop activities through cooperation among national tax officials on the one hand, and cooperation on information technology on the other hand. This set-up is more cost-effective than if each Member State were to set up individual cooperation frameworks on a bilateral or multilateral basis.

The programme connects national tax administrations through approximately 5 000 (customs and taxation) connection points. This common information technology network ensures that each national administration only needs to connect to this common infrastructure once to be able to exchange any kind of information. If no such infrastructure were available, each Member State would have to link individually to the national systems of each of the other Member States.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework

#### Voted budget execution (in EUR million)



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
The common communication network for the European information systems (1)		> 100%	99.90%	99.95% compared to 99.90% availability
Network opportunity (1)		> 100%	90%	96% compared to 90% availability
Lasting networking effect (2)		91%	78%	71% compared to 78% availability
Face-to-face meetings (²)		> 100%	441	529 compared to 441 face-to-face meetings

% of target achieved by the end of 2019

#### Where are we in the implementation?

• The core outcomes of the Fiscalis programme are the European information systems, which allow for the electronic exchange of tax-related information between the Member States. The funding available for the information technology systems (which are shared with the Customs 2020 programme) is mainly used for the maintenance and further development of the systems, so as to keep their availability at a high level. The availability rate in 2019 (99%) reflected the deployment of new releases and new applications on the platform, mostly in the customs area.

#### **Performance assessment**

The data collected in the performance measurement of the programme, together with the results of the midterm review, show that the Fiscalis 2020 programme is on course to fulfil its objective of supporting the fight against tax evasion, tax fraud and aggressive tax planning.

- The programme has been effective in providing solutions for problems with a clear EU dimension through the use of common information technology systems, joint actions and networking between Member States. This has led to added EU value, economies of scale and improved coordination, in particular through the interoperability and interconnectivity provided by the central information technology systems.
- On average, over the 2014-2019 period, the availability rate of the systems surpassed the target level. This is with the exception of 2019, when the
  availability rate was below target due to planned new releases and applications.
- The Commission has tried to increase the lasting network effect, which has remained below target since the launch of the programme, for instance by introducing improvements in the area of communication and to facilitate online collaboration and sharing between participants in programme activities after the events come to an end. In addition, there may be an unclear understanding of the different possibilities for remaining in contact beyond physical meetings and phone calls.
- The Fiscalis 2020 programme provides valuable support to national tax administrations and economic operators, including through its networking functions and the reduction of administrative burdens

27	6.9 billion	32 TB	4	12	EUR 3.3 billion	EUR 4.5 billion
European information systems were in operation in 2019.	messages were exchanged in 2019 on the Common Communication Network / Common Systems Interface (CCN/CSI, shared with Customs).	of data was exchanged in 2019 (+ 11% compared to 2018).	expert teams were operational in the taxation area in 2019.	e-learning courses in the area of value added tax were available at the end of 2019.	in tax was identified through multilateral controls under Fiscalis 2013.	in value added tax was collected in 2018 under the mini one-stop-shop system, reducing cross-border administrative burden (+ 20% compared to 2017).

<sup>(1)</sup> Average of results for 2014-2019 compared to target.

<sup>(</sup>²) Average of results for 2014-2019 compared to average of milestones 2014-2020.

Regulation (EU) No 250/2014 of the European Parliament and of the Council and repealing Decision No 804/2004/EC

#### **MORE INFORMATION**

http://europa.eu/!ry89dk

#### FINANCIAL PROGRAMMING

#### (million EUR)

2014	13.7
2015	14.1
2016	14.5
2017	15.0
2018	15.3
2019	15.9
2020	16.4
Total	104.9

## OVERALL EXECUTION (2014-2019)



# Evaluations/

Commitments

The mid-term evaluation of the Hercule III programme was carried out in 2017. For further information please consult: http://europa.eu/!Jq37nB

### How is it implemented?

The European Anti-Fraud Office is the lead service for the implementation of the programme. The programme is implemented through direct management.

## **HERCULE III**

# PROGRAMME TO PROMOTE ACTIVITIES IN THE FIELD OF THE PROTECTION OF THE FINANCIAL INTERESTS OF THE EUROPEAN UNION

#### What is Hercule III?

Hercule III is the latest EU anti-fraud programme, following Hercule II (2007-2013). It helps Member States fight fraud, corruption and other illegal activities. It helps finance practical projects, such as the purchase by national authorities of sniffer dogs, X-ray scanners and other technical equipment, to stamp out smuggling and other criminal activities that are against the EU's financial interests.

The programme protects the EU's financial interests by supporting action to combat irregularities, fraud and corruption affecting the EU budget. This includes combating tobacco smuggling, which remains a major concern, accounting for estimated annual losses of at least EUR 10 billion to national and EU budgets. Helping to fund technical equipment in harbours and airports aims to boost national authorities' capacity to fight smuggling. Hercule III also finances training activities. It helps national authorities share best practices through seminars and conferences on issues such as preventing corruption in procurement procedures. Another facet is training to boost and update the digital forensic skills of law enforcement staff.

The programme contributes to:

- the development of activities at EU and Member State level to counter fraud, corruption and any other illegal
  activities affecting the financial interests of the EU, including the fight against cigarette smuggling and
  counterfeiting:
- increased transnational cooperation and coordination at EU level between Member State authorities, the Commission and the European Anti-Fraud Office, and in particular increased effectiveness and efficiency of cross-border operations;
- effective prevention of fraud, corruption and any other illegal activities affecting the financial interests of the EU, by offering joint specialised training for staff of national and regional administrations, and for other stakeholders.



## **Specific objectives**

To prevent and combat fraud, corruption and any other illegal activities affecting the EU's financial interests.

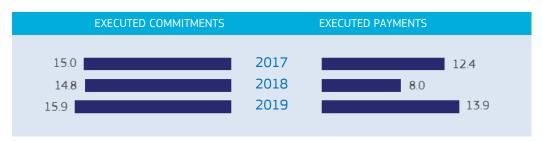
#### Why is it necessary?

From an EU perspective, the programme significantly contributes to the development of activities at EU level to counter fraud, corruption and any other illegal activities; to the creation of increased transnational cooperation and coordination between Member State authorities, the Commission and the European Anti-Fraud Office; and to the establishment of an effective system to prevent fraud, corruption and any other illegal activities affecting the financial interests of the EU.

The programme creates in particular savings deriving from the collective procurement of specialised equipment and databases to be used by stakeholders and those derived from the specialised training.

#### Outlook for the 2021-2027 period

The Commission has proposed a continuation of the programme for the next multiannual financial framework in the new anti-fraud programme, which will also include the financing of the Anti-Fraud Information System (AFIS) and the Irregularity Management System (IMS).



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Percentage of users that considered the use of Hercule-funded equipment added value to their activities		>100%	75%	96% compared to 75% of beneficiaries
Satisfaction rate for training activities funded, including specialised training events (1)	6/10/6	>100%	75%	90% compared to 75% of satisfaction rate

% of target achieved by the end of 2019

#### Where are we in the implementation?

- Between 2017 and 2019, the Commission awarded more than 100 grants to national and regional authorities, research institutes and NGOs for the purchase of technical equipment or the organisation of training events, conferences and seminars. It also concluded contracts for the purchase of goods and services such as access to commercial databases, the development of information technology tools and the organisation of training courses and conferences.
- The 2019 work programme was implemented according to plan, without any significant delays or problems. Grants were awarded for the purchase of investigation equipment (including forensic tools) and detection equipment (such as X-ray scanners), and to finance conferences, training events and studies targeting the improved protection of the EU's financial interests. The programme provided funds for access through procurement to commercial databases and the development of specific information technology tools for data analysis, to support law enforcement authorities in the Member States.

#### **Performance assessment**

- The programme has constantly achieved its objective of preventing and combating fraud through the organisation of specialised training events and the cofinanced purchase of technical equipment.
- The first indicator shows an overall satisfaction rate of 96%, as expressed by users of the equipment in their final technical reports. The rate is significantly higher than the 75% target.
- In 2019, the programme financed 63 events (39 conferences, 12 specialised training courses and 12 staff exchanges). These activities were very well received
  by the participants the first indicator shows that more than 1 000 participants, who replied to a survey, expressed a satisfaction rate of over 96%,
  confirming the added value of the programme.

100 grants	63 events
were awarded to national and regional authorities, research institutes and NGOs for the purchase of technical equipment and tools, as well as for training, conferences and research studies in 2017-2019.	comprising 39 conferences, 12 specialised training courses and 12 staff exchanges were organised in 2019.

- During 2017-2019, the programme provided Member States with access to commercial databases containing worldwide trade statistics, company information and vessel movements. The databases were used extensively by customs authorities to support both investigations and risk analysis activities, identifying potentially suspicious trade.
- A grant from the programme for the purchase of specialised equipment helped the Spanish Guardia Civil to improve the skills and technical capacity of its
  investigators, while enhancing the quality and results of investigations. The saving to the EU budget in 2017 has been estimated at EUR 103 million, and more
  than 200 people were investigated or arrested.
- The Latvian Ministry of Finance implemented a project aimed at strengthening the capacity of anti-fraud coordination service network members to develop strategic tools for the fight against fraud and corruption affecting the EU's financial interests. The event gathered more than 200 participants from five Member States as well as representatives of the relevant European institutions and led to sharing of best practices, improved cooperation and strengthening of the network
- Romania's Anti-corruption General Directorate organised a series of law-enforcement staff exchanges and workshops involving around 100 officials from Romania and three neighbouring countries (Bulgaria, Hungary and Ukraine). The project led to the sharing of best practices in preventing and combating fraud and illegal activities in south-eastern Europe, enhanced cooperation between anti-corruption agencies and the training of law-enforcement officers in using new methods of risk assessment applicable to investigation of crimes affecting the EU's financial interests.
- During 2019, following feedback and interest expressed by Member States concerning the data analysis tool, five pilot projects related to priority fraud issues were launched, two study visits were organised in Member States and a workshop was held with Member State experts.

<sup>(1)</sup> Cumulative results for 2014-2019 compared to cumulative milestones for 2014-2020.

Regulation (EU) No 331/2014 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!Uu48PC

#### FINANCIAL PROGRAMMING

(million EUR)

0.9
1.0
1.0
1.0
1.1
1.1
1.1
7.3

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the Pericles 2020 programme was carried out in 2017. For further information please consult: http://europa.eu/!kq94nP

### How is it implemented?

The Directorate-General for Economic and Financial Affairs is the lead DG for the implementation of the programme.

Projects financed under the programme are implemented either directly by the Commission (DG Economic and Financial Affairs) or in the form of grants awarded to national competent authorities in the EU (in both euroarea and non-euro-area Member States)

## **PERICLES 2020**

# EXCHANGE, ASSISTANCE AND TRAINING PROGRAMME FOR THE PROTECTION OF THE EURO AGAINST COUNTERFEITING

#### What is Pericles 2020?

The Pericles 2020 programme promotes actions for the protection and safeguarding of the euro against counterfeiting and related fraud.

The programme funds staff exchanges, seminars, training courses and studies for law enforcement and judicial authorities, banks and others involved in combating euro counterfeiting, along with the purchasing of equipment. Actions can take place in the euro area, in EU Member States outside the euro area and in non-EU countries. Since 2015 applications can be introduced by all 28 Member States' competent authorities to receive co-financing.

The programme's strategy focuses on four priority areas, namely:

- supporting EU Member States particularly affected by euro counterfeiting;
- fostering cooperation with non-EU countries where there is evidence or suspicion of counterfeit euro production;
- maintaining an efficient framework for the protection of the euro in south-eastern Europe; and
- addressing new developments and challenges.

The bodies eligible for funding under the programme shall be the competent national authorities. Pericles 2020 primarily provides assistance to national law enforcement agencies, national central banks, judicial authorities, mints, customs authorities, commercial banks, cash-operated industries and any other groups of specialists concerned.



## **Specific objectives**

To protect euro banknotes and coins against counterfeiting and related fraud, by supporting and supplementing
the measures undertaken by the Member States and assisting the competent national and EU authorities in
their efforts to develop, between themselves and with the European Commission, close and regular cooperation
and the exchange of best practices, also where appropriate, including for non-EU countries and international
organisations.

#### Why is it necessary?

The programme actively encourages and entails an increase in transnational cooperation for the protection of the euro inside and outside the EU and with the EU's trading partners, with attention being paid to those Member States or non-EU countries that have the highest rates of euro counterfeiting. This cooperation shall contribute to greater effectiveness in protecting the euro against counterfeiting through the sharing of best practices, common standards and joint specialised training.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Counterfeit euro banknotes detected in circulation (1)		> 100%	0.6 m	<ul><li>0.7 million compared to a target of</li><li>0.6 million</li></ul>
Counterfeit euro coins detected in circulation (1)		> 100%	0.2 m	0.2 million out of 0.2 million
Illegal workshops dismantled (1, 2)		61%	47	29 out of 47
Individuals arrested (1, 2)		> 100%	7 061	7 795 compared to a target of 7 061

% of target achieved by the end of 2019

### Where are we in the implementation?

- The commitments reached 99.3% of the overall budget for 2019, funding 13 actions in total. Altogether, 10 grants were successfully awarded from applications originating from the competent authorities of the Member States. Furthermore, three Commission actions were funded.
- The ten grants consisted of eight seminars/workshops and two staff exchanges with the objective of increasing knowledge and cooperation and sharing best practices on different aspects related to counterfeiting.
- The three Commission actions involved a meeting with euro-coin experts on the implementation of Regulation (EU) No 1210/2010 concerning authentication of
  euro coins and handling of euro coins unfit for circulation, hands-on training on the classification of counterfeit euro coins and technical training on the
  protection of euro coins.
- In 2019 the programme funded actions inside and outside the EU depending on the specific needs to protect the euro against counterfeiting. There was a specific focus on Latin America (the seminar organised by Spain in Chile and by Portugal involving Brazilian representatives), south-eastern Europe (actions organised by Bulgaria, Croatia, Italy and the Commission), newly covered geographical regions such as Africa and the Black Sea region, and China (a dedicated seminar organised by the Italian competent authority in Rome).

#### Performance assessment

- Pericles 2020 is achieving its objective of protecting euro banknotes and coins against counterfeiting and fraud by supporting the Member States and assisting the competent national and EU authorities. The programme has made a substantial contribution to the further improvement of coordination and cooperation at the international, EU and Member State levels, and has created more solid structures for the protection of the euro.
- The programme also contributed to the adoption of legislation aimed at improving euro protection and the establishment of national central offices.
- The midterm evaluation of the programme concluded that, in terms of effectiveness, Pericles 2020 actions were typically implemented as planned and achieved the intended outputs.
- Participant feedback provided immediately after events showed that 97% expressed a positive or highly positive view. More importantly, survey results show
  that a large proportion of participants claimed to have learned about best practices, acquired useful skills and established contacts with colleagues in other
  countries. The quality of actions was also judged positively by the authorities involved.
- One of the recommendations from the midterm evaluation was to encourage more competent national authorities to apply for the programme. This could be achieved by a more intense marketing strategy and by establishing contacts with high-level decision-makers to ensure the opportunities provided by the programme are well understood.
- Despite the fact that the counterfeiting phenomenon seems currently to be under control, it continues to be a major threat to the euro. The rise of 'sophisticated' counterfeits, the increasing availability of technology and the continued interest of organised crime groups in euro counterfeiting require continuous attention.

559 000	187 602	23	5 932	13	565
counterfeit euro banknotes were detected in 2019 (¹).	counterfeit euro coins were detected in 2019 (1).	illegal workshops (mints and print shops) were dismantled in 2019 (1).	individuals were arrested in 2019 (1).	seminars and exchange activities related to counterfeiting were funded in 2019.	people took part in the different activities funded in 2019 (estimated number).
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<sup>(1)</sup> These indicators, while linked to the protection of the euro, are not directly related to the implementation of the programme.

<sup>(1,)</sup> Average of results for 2014-2019.

<sup>(2)</sup> Latest results from 2018.

Regulation (EU) 2015/1525 of the European Parliament and of the Council and Council Decision 2009/917/JHA

#### **MORE INFORMATION**

http://europa.eu/!qh38yN

#### FINANCIAL PROGRAMMING

(million EUR)

2014	6.4
2015	6.9
2016	6.6
2017	7.2
2018	7.7
2019	7.2
2020	7.5
Total	49.4

## OVERALL EXECUTION (2014-2019)



#### How is it implemented?

The European Anti-Fraud Office is
the lead service for the
implementation of the programme.
The programme is managed
directly by the European AntiFraud Office through platform
development (information
technology systems).

## **AFIS**

## ANTI-FRAUD INFORMATION SYSTEM

#### What is AFIS?

The Anti-Fraud Information System (AFIS) is an umbrella term for a set of anti-fraud applications operated by the European Anti-Fraud Office under a common technical infrastructure aiming at the timely and secure exchange of fraud-related information between the competent national and EU administrations, along with storage and analysis of relevant data. The AFIS programme encompasses two major areas: mutual assistance in customs matters and irregularities management.

AFIS supports mutual assistance in customs matters with collaboration tools such as the Virtual Operations Coordination Unit used for joint customs operations, secure web mail (AFISMail), specific information exchange modules and databases like the Customs Information System and the Customs Investigation Files Identification Database, analysis tools like the Anti-Fraud Transit Information System and electronic workflow applications like the Tobacco Seizures Management Application.

AFIS also provides the Irregularities Management System, a secure electronic tool which allows the Member States to fulfil their obligation to report irregularities detected in agricultural, structural, cohesion and fisheries funds, the Asylum, Migration and Integration Fund, the Internal Security Fund Police, the Fund for European Aid to the Most Deprived and pre-accession aid. The tool supports the management and analysis of irregularities.

## **O**

## **Specific objectives**

## Supporting education and training

- To support mutual assistance in customs matters through the provision of secure information exchange tools
  for joint operations and specific customs anti-fraud information exchange modules and databases such as the
  Customs Information System.
- To facilitate secure electronic communication tools for the Member States that allow them to fulfil their
  obligation to report irregularities detected in agricultural, structural, cohesion and fisheries funds and preaccession aid.

#### Why is it necessary?

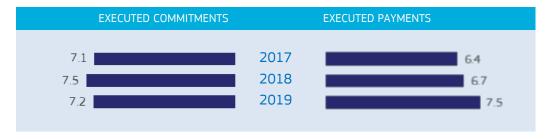
By the very nature of customs fraud, which occurs by definition in at least two countries, there is a continuing necessity for centralised action at the EU level. Effective sharing of information and a wide-scale fight against breaches of customs legislation cannot be conducted by national customs authorities alone at a reasonable cost. Systematic collection of the data required to analyse customs risks which pose a threat to the EU and its Member States would constitute a disproportionate effort for 27 individual Member States and can be achieved more effectively and efficiently through action at the EU level. Action at the EU level enables a significant improvement in risk management and the fight against customs-related fraud by increasing the

amount of evidence available, improving the possibilities for risk mitigation and detection and repression of fraud and rendering the action more efficient and effective.

Additionally, the AFIS Portal enables substantial economies of scale and synergies in the development, maintenance and operation of such a wide and diverse set of information technology services and tools.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework in the new anti-fraud programme, which will also include the Hercule III programme.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Mutual assistance – information exchange: number of active customs fraud cases		66%	24 000	18 639 out of 24 000 cases
Mutual assistance – number of joint customs operations (¹)	4	> 100%	7	9 operations achieved compared to a target of 7

% of target achieved by the end of 2019

### Where are we in the implementation?

- The development of a web service for the Customs Information System is planned for 2020. This interface will facilitate the automated import of cases from national systems and avoid the need for the same information to be entered multiple times in different systems by Member States' authorities. This will contribute towards increasing the number of active customs fraud cases which are available in the mutual assistance databases. In addition, it will also improve the completeness and quality of the available cases.
- New versions of the Container Status Messages Directory and the Import, Export and Transit Directory are planned for 2020, which will provide additional
  features such as enhanced search and data export capabilities, to improve the usability of the systems for analytical and investigative purposes. This will
  support the competent authorities in preventing, detecting and investigating customs fraud cases and, consequentially, lead to an increase in the number of
  active fraud cases in the mutual assistance databases.

#### Performance assessment

- The programme is well on track for the delivery of its objective of supporting the Member States and facilitating the exchange of information in relation to customs fraud.
- Since 2019, AFIS has offered a built-in online analytical tool which allows users to make use of and analyse data on reported irregularities.
- The interface with DG Taxation and Customs Union's Anti-Counterfeit and Anti-Piracy Information System went live in 2019. The development of this interface was originally supposed to start in 2014, but was delayed to 2017 due to the late go-live of the Anti-Counterfeit and Anti-Piracy Information System. As a consequence, the 2019 target for the number of customs fraud cases to be made available in the mutual assistance databases (indicator 1) has not been met and the corresponding 2020 target will most likely not be achieved.
- The programme is very much appreciated by its users. The 2019 satisfaction survey shows that the majority of users are satisfied with the AFIS applications. Of the respondents, 84% agreed or slightly agreed that the AFIS applications they use most frequently respond to their professional needs. As little as less than 5% of the respondents disagree to a certain extent (disagree: 1.5%; slightly disagree: 3.3%), while 10% of users remain neutral.

#### **Concrete examples of achievements**

EUR 12 million	EUR 4.2 million
of losses in customs duties and taxes	in counterfeit products was seized
was prevented by a single joint	during the joint customs operation
customs operation.	Hygiea.

• During one of the joint customs operations, Hygiea, which was carried out within the Asia-Europe Meeting, approximatively 200 000 items of counterfeit perfumes, toothpastes and cosmetics, 120 tonnes of counterfeit detergents, shampoos and nappies, more than 4.2 million other counterfeit goods (battery cells, footwear, toys, tennis balls, shavers, electronic devices, etc.) and 44 tonnes of counterfeit waterpipe tobacco were seized by the participating Asian and EU customs authorities.

<sup>(1)</sup> Average of results for 2014-2019.

Regulation (EU) No 1316/2013 of the European Parliament and of the Council and Regulation (EU) 2015/1017 of the European Parliament and of the Council

#### MORE INFORMATION

https://europa.eu/!Px98ju

#### FINANCIAL PROGRAMMING

(million EUR)

2014	1 976.2
2017	1 370.2
2015	1 435.0
2016	2 134.5
2017	2 469.7
2018	2 747.9
2019	3 764.0
2020	4 070.3
Total	18 597.6

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the CEF was carried out in 2017. For further information please consult: http://europa.eu/!Rc38MC

### How is it implemented?

The Directorate-General for Mobility and Transport is the lead DG for the implementation of the programme, in association with DG Energy and DG Communications Networks, Content and Technology. The CEF is implemented through direct management, mainly in the form of grants. In addition, it offers financial support to projects through innovative financial instruments such as guarantees and project bonds.

## CEF

#### CONNECTING EUROPE FACILITY

#### What is the CEF?

The Connecting Europe Facility (CEF) is a key EU funding instrument to promote jobs, growth and competitiveness through targeted infrastructure investment at the EU level. It supports the development of high-performance, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services. CEF investments fill in the missing links in the EU's energy, transport and digital backbone.



## **Specific objectives**

#### **CEF Transport**

- Removing bottlenecks, enhancing rail interoperability, bridging missing links and, in particular, improving crossborder sections.
- Ensuring sustainable and efficient transport systems in the long run, with a view to preparing for expected
  future transport flows, and enabling all modes of transport to be decarbonised through a transition to
  innovative low-carbon and energy-efficient transport technologies, while optimising safety.
- Optimising the integration and interconnection of transport modes and enhancing the interoperability of transport services, while ensuring the accessibility of transport infrastructures.

#### **CEF Energy**

- Increasing competitiveness by promoting the further integration of the internal energy market and the interoperability of electricity and gas networks across borders.
- Enhancing the security of the EU's energy supply.
- Contributing to sustainable development and the protection of the environment by integrating energy from renewable sources into the transmission network and by developing smart energy networks and carbon dioxide networks

#### **CEF Telecom**

- Contributing to the interoperability, connectivity, sustainable deployment, operation and upgrading of trans-European digital service infrastructures and coordination at the EU level.
- Contributing to the efficient flow of private and public investments to stimulate the deployment and modernisation of broadband networks.

#### Why is it necessary?

CEF Transport makes travel easier and more sustainable. It contributes to the decarbonisation of the European economy by investing heavily in environmentally friendly transport modes, including railway for around 70% of the funding. CEF focuses on cross-border projects, efficient traffic management systems and alternative fuels, thus increasing safety and sustainability.

CEF Energy enhances the EU's energy security and enables wider use of renewables. It promotes the further integration of the internal energy market and the interoperability of electricity and gas networks across borders, and ensures that no Member State is isolated. It enhances EU security of supply and contributes to sustainable development and protection of the

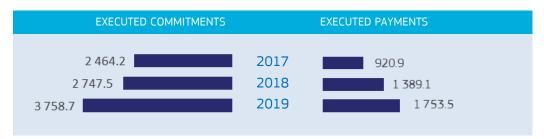
environment by fostering the integration of more renewable electricity.

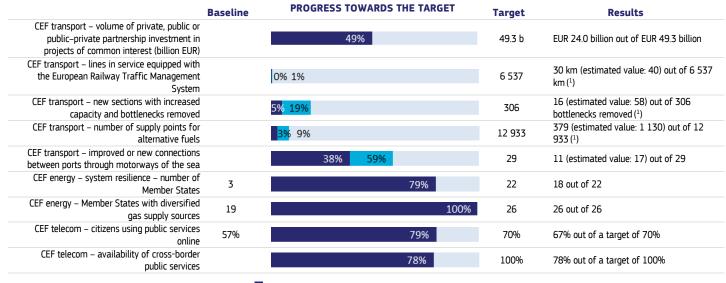
CEF Telecom facilitates cross-border interactions between public administrations, businesses and citizens. It supports the vision of public services being digital and cross-border. It also promotes free wireless connectivity in local communities and stimulates investment for deploying and modernising broadband networks, therefore sustaining the digital single market.

#### Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.

#### Voted budget execution (in EUR million)





2019 actual results, as a % of the target 2019 estimated values, as a % of the target (¹)

## Where are we in the implementation?

#### **CEF Transport**

- At the end of 2019, 794 projects were selected for co-financing under the CEF Transport calls, and individual grant agreements were signed for a total CEF contribution of EUR 21.4 billion. This amount represents around 95% of the total CEF Transport budget. In 2019, three calls under CEF Transport were launched (CEF Transport annual work programme, multiannual work programme and blending facility) for a total amount of EUR 1.7 billion.
- The financial progress of projects aiming at removing bottlenecks, enhancing rail interoperability, bridging missing links and improving cross-border sections is estimated to have been 47% by the end of 2019. Changes to the initial implementation plans have occurred for some projects, with 188 formal amendments signed for 160 projects. A total of 140 projects have been extended (on average for 18 months), and funding was reduced for 71 projects. As a consequence, thanks to the application of the use-it-or-lose-it principle, an overall available amount of EUR 2.3 billion is being reinjected via new calls for proposals.
- The financial progress of projects aiming at ensuring sustainable and efficient transport systems (including decarbonisation) is estimated to have been 44% by the end of 2019. Changes to the initial implementation plans have occurred for 55 projects. A total of 43 projects have been extended (on average for 13 months), and funding was reduced for 10 projects. As a consequence, an overall available amount of EUR 54 million is being reinjected via new calls for proposals.
- The financial progress of projects aiming at optimising the integration and interconnection of transport modes and enhancing the interoperability of transport services, while ensuring the accessibility of transport infrastructures, is estimated to have been 69% by the end of 2019. Changes to the initial implementation plans have occurred for a number of projects, with 123 formal amendments signed for 101 projects. A total of 75 projects have been extended (on average for 13 months), and funding was reduced for 30 projects. As a consequence, an overall available amount of EUR 175 million is being reinjected via new calls for proposals.

#### **CEF Energy**

• By the end of 2019 nearly 40 projects of common interest had been implemented. In the 2014-2019 period CEF Energy made available a total amount of EUR 3.8 billion in co-funding allocated to 139 actions contributing to 95 projects of common interest. At the end of 2019, 76 actions were ongoing amounting to EUR 3.57 billion in EU support distributed to projects of common interest linking the energy systems across the Member States and helping the EU achieve its energy policy and climate objectives. Nineteen actions contributing to the implementation of projects of common interest. Also in 2019, a total of EUR 556 million in CEF grants was allocated to eight projects of common interest. Of these grants, six were for projects in the electricity sector and two for projects in the gas sector. Six of the projects related to studies and two to construction works.

#### **CEF Telecom**

• With an overall investment of almost EUR 200 million in the core service platforms, the Commission is enabling the EU-wide interoperability of specific digital services such as eHealth, Public Open Data, eID and Cybersecurity. The uptake of these services with CEF support reached a portfolio of 500 projects in the Member States and participating countries in the European Economic Area by the end of 2019, most of which are still being implemented. With an EU contribution of almost EUR 300 million in generic services and an overall leveraged amount of more than EUR 400 million, CEF digital services support EU citizens, businesses and public administrations in interconnecting and adapting their systems to become interoperable across borders. As regards the connectivity actions, three calls for proposals were launched under the WiFi4EU initiative to allocate 7 980 vouchers to municipalities (EUR 120 million).

### **CEF financial instruments**

• A total of EUR 14.3 billion in investment has been raised by the instrument in the transport sector, including EUR 5.8 billion since 2014. In the energy sector, no projects have yet been selected under the instrument. EUR 89 million is still available for energy projects currently under appraisal by the European Investment Bank. Suitable projects are still to be selected under the CEF debt instrument in the telecom sector. The Connecting Europe broadband fund (CEF equity instrument) was launched in 2018 and has so far raised EUR 420 million. The three first projects were selected in 2019.

<sup>(1)</sup> Estimated values represent project results to be completed by 2019 based on the contractual delivery dates in the signed grant agreement – see explanation below under 'Performance assessment'.

#### Annual Management and Performance Report for the EU Budget - Financial year 2019

#### **Performance assessment**

- CEF Transport and CEF Energy are characterised by long implementation times for grants for construction works related to large and technically complex infrastructure projects. In addition, delays may occur for various reasons, including securing sufficient co-funding (national or other sources); public procurement issues, such as complaints and appeals during tender procedures; and legal and environmental issues, for instance permitting, spatial planning, other authorisations and land acquisition. In this context, the majority of CEF projects will be completed between 2021 and 2023 and their results (outputs) will be displayed beyond the end of the current programming period.
- As regards the assessment of results, CEF actions are considered closed, and are therefore reported on, only once the final report from the beneficiary has been received and assessed, the outputs verified and the final payment processed. Consequently, during the action-implementation period, the results achieved are not measured. The average period between the end date of the project and its closure is around 15 months, as project promoters have 12 months to prepare and submit the final report. The final payment must occur in principle within 90 days of the receipt of the payment request. The estimated values in the 'Key performance indicators' table reflect this gap between the end date of the project and the date of final payment.
- The targets presented in the 'Key performance indicators' graph are based on contracts signed: they represent the aggregation of contractually agreed targets for each project, rather than the overarching goals defined at the beginning of the programme. Accordingly, these targets are reviewed every year to integrate newly signed projects and changes occurred to ongoing projects as assessed by the Innovation and Networks Executive Agency.
- In this context, through the Innovation and Networks Executive Agency, the Commission closely monitors the progress on the ground. In particular, the agency assesses reports, performs on-site visits and follows up with CEF beneficiaries on the possible delays experienced. It provides a thorough assessment and identifies actions for which amendments are needed (the use-it-or-lose-it principle, as explained in the 'Where are we in the implementation?' section).
- The implementation of CEF Transport shows that CEF actions contribute to the overall EU policy goals supporting the completion of a high-performance and sustainable trans-European transport network with the aim of accomplishing the internal market, stimulating job creation and allowing the seamless mobility of passengers and freight around the EU. The CEF Transport strand strongly contributes to the overall objectives of the trans-European transport network policy, co-funding projects along the core and comprehensive transport networks through important investments tackling key missing links and bottlenecks and with a specific focus on the nine core network corridors. Within this framework, the programme concentrates its efforts on projects aiming at ensuring a decarbonised and digitalised transport sector in the EU.
- Moreover, important progress has been made in identifying new financing opportunities for transport infrastructure projects. Thanks to the new provisions of the financial regulation, as revised in 2018, and the good results achieved by the 2017 CEF Transport blending call in the course of 2019, the Commission launched the CEF Transport blending facility. The facility represented a new opportunity to boost the participation of private-sector investors and financial institutions in projects contributing to the environmental sustainability and efficiency of the transport sector in the EU. The facility remains open for applications over a longer period of time than classical calls for proposals, which allows for better predictability and mature projects. This increases the possibility of attracting co-financing from financial institutions and ensuring that projects are implemented within the planned time frame and budget. Since its launch in mid November 2019, nine public financial institutions have already joined the facility, nearly half of which are from cohesion countries or specialise in those countries. This gives the facility broader geographic coverage, allowing more projects to be signed.
- It should also be noted that in order to reach critical mass in the intended investment, finance bigger projects and exploit the economies of scale, the financial instruments under CEF Transport were transferred to the European Fund for Strategic Investments as from 2015.
- CEF Energy financially supports the realisation of projects of common interest that have a significant impact on energy markets and market integration (covering at least two Member States) and contribute to the EU's energy security. CEF Energy provides financial assistance to a number of energy infrastructure projects that aim at diversifying sources increasing competition in energy markets by offering alternatives to consumers and that are critical to delivering the European Green Deal and the climate-neutrality objective. It is a strong catalyst for bringing together project promoters, national regulatory authorities and government representatives to ensure that cross-border infrastructure projects can be realised. Its grant component promotes cooperation between Member States to develop and implement energy interconnection projects that otherwise would not happen. This is especially the case for cross-border projects located in Member States with smaller population sizes or in a more remote locations, where energy tariffs would need to be increased substantially to cover the investment needs. The Celtic Electricity Interconnector between Ireland and France is one of the examples of a project that could not have been funded in a purely national context and that enables the integration of additional renewable electricity.
- CEF Telecom supports the deployment of cross-border interoperable digital service infrastructures. In this context, CEF Telecom is proving its added value by supporting Member States, and in particular public administrations, to become interoperable in various areas such as health, justice, social security information, e-government, disinformation, digital skills and cybersecurity. The investment is two-sided: (1) 'core service platforms' are the central hubs that provide, for each digital service, trans-European interconnections (e.g. the Business Register Interconnection System), access (e.g. Cybersecurity) and interoperability (e.g. eID); (2) by means of grants, 'generic services' refer to the Member States' projects themselves, linking the nationally developed solutions to the core service platform. Together, they ensure the availability of interoperable solutions and contribute to reaching a sufficient number of participants in the Member States to ensure their actual use ('critical mass'). The benefits of this approach are already being felt on the ground: the Member States are experiencing the added value of co-investing in interoperability solutions thanks to the EU's support, and are starting to further invest in their deployment even without a CEF grant. The programme addresses a clear gap by enabling cross-border interoperability, and as such it is an enabler of the digital single market. That is why it is proposed that the sustainability of some of these solutions is retained in the next multiannual financial framework, as part of the new Digital Europe Programme. Also, as part of the WiFi4EU initiative, CEF Telecom supports the installation of free networks in 7 980 local communities in the EU to ensure free Wi-Fi connectivity. This local connectivity approach, focused on providing access rather than building bandwidth, has demonstrated itself to be a good complement to fibre technology, which is usually financed by European Structural Funds or financial instruments. It has also enabled the creat
- It has also enabled the creation of a European network of local communities dedicated to connectivity issues, on which other connectivity projects, based for instance on 5G, will build in the next programming period.
- Throughout the current programming period, the Commission has continued to work on the improvement of the programme's performance. In particular, following the midterm evaluation of the CEF and in line with the recommendations of the European Court of Auditors' reports, some areas for improvement were identified. Notably, due to differences in the sectoral legal frameworks, the programme faced limitations in achieving cross-sectoral synergies. In addition, as a follow-up to the finding that the programme would benefit from more transparency and predictability, the draft CEF 2021-2027 legal basis includes the possibility to adopt joint work programmes covering specific priorities from several sectors, and the removal of obstacles that have hampered synergies in the current period. It would also be possible to include in sector-specific funding synergetic elements pertaining to another sector. Moreover, with a view to increasing transparency and predictability, limiting the procedures and ensuring overall consistency, the common understanding reached on the draft CEF regulation in March 2019 also contains the requirement to adopt multiannual work programmes that include the timetable of the calls for proposals for the first 3 years of the programme, their topics and their indicative budget, along with a prospective framework covering the entire programming period.

- **Railway.** The 'Knappenrode-Horka-German/Polish border section: upgrade, electrification and European Train Control System planning' CEF action contributed to the double-track upgrade and the electrification of the railway line between Knappenrode and the German/Polish border, along the core trans-European transport network. The upgrade and electrification improved the rail freight transport connection between the German/Polish border and central Germany (Magdeburg), and further to Bremen/Bremerhaven and other destinations. It also contributed to reducing CO<sub>2</sub> emissions.
- **Inland Waterways.** The 'Enhancing the efficiency of Hungarian river information services operations' CEF action contributed to the enhancement of the river information services system in order to support efficient and safe inland navigation on the Danube. The works carried out through the action enhanced traffic management services, modernised on-shore river information services and improved the quality of fairway information services data.
- Maritime. The 'Zero emission ferries a green link across the Oresund' CEF action covered the introduction of new and innovative concepts and technology by converting two existing complex passenger ships originally fuelled by heavy oil to plug-in all-electric-powered operations that exclusively use batteries. The action has brought a more environmentally friendly solution to a very busy maritime link, connecting the comprehensive trans-European transport network ports of Helsingör (Denmark) and Helsingborg (Sweden). Moreover, the power-provision and charging installations required in the ports/ferry terminals were put in place. The project supported the development of clean motorways of the sea by testing and deploying new technological solutions in real operational conditions.
- Road. The 'Alternative fuels in Slovakia and Poland' CEF action was implemented in the two Member States along the North Sea-Baltic, Baltic-Adriatic, Orient/East-Med and Rhine-Danube core network corridors. It concerned a study with an integrated pilot scheme for the deployment of 10 multi-standard fast-charging stations for electric vehicles in Slovakia and 75 in Poland, three of them including battery storage to cover peak demand. Overall, the action contributed to decarbonisation and to the rolling-out of alternative fuels in the EU.
- Energy. In the energy sector, several projects of common interest supported by CEF grants for works and studies were completed in 2019: the 'Twinning of Scotland onshore system between Cluden and Brighouse Bay; the Balticonnector, aiming to interconnect the natural-gas-transmission networks between Estonia and Finland; the Internal electricity line in Latvia, part of the increase in the electricity capacity of the Latvia-Sweden cluster; the construction of an electricity interconnector between France and the United Kingdom; and the Trans-Anatolian Pipeline in Turkey, which will connect Turkey to the EU in 2020 via the Trans Adriatic Pipeline. Significant progress in construction works has also been made, notably regarding the internal electricity lines in Bulgaria and Romania; the Poland-Slovakia gas interconnector, the completion of which will be a significant step towards enhancing the resilience and diversification of the EU's gas supply; and the Trans Europa Naturgas Pipeline and its innovative deodorisation facility, removing odorants in gas which enters the pipeline and allowing the import of gas from France via Switzerland into Germany.
- **Cybersecurity.** The cybersecurity digital service infrastructure contributes to EU preparedness to deal with cyberthreats by increasing the cybersecurity capabilities of key cybersecurity players. In this context, 57 cybersecurity projects are being deployed in 22 Member States. The CyberExchange project, for example, brings together 10 Member States and strengthens their know-how, capabilities and cross-border cooperation.
- **Health.** The eHealth digital service infrastructure facilitates continuity of care and patient safety for citizens seeking cross-border healthcare, allowing health data to be exchanged across national borders. The cross-border 'ePrescriptions/eDispensations' service allows patients, while abroad, to receive the equivalent medication they would receive in their home country. The 'patient summary' services provide health professionals with access to the verified key health data of a patient needing unplanned cross-border healthcare.
- **WiFi4EU.** Some 8 000 municipalities started installing WiFi4EU networks in 2019. Wifi4EU encourages and supports local public authorities to offer free Wi-Fi connectivity by awarding each of them a voucher worth EUR 15 000 to install Wi-Fi networks. A third of all municipalities in the EU (26 500 registrations) participated to the first three Wifi4EU calls.

Decision (EU) 2015/2240 of the European Parliament and of the Council

#### **MORE INFORMATION**

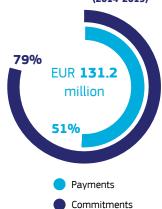
https://ec.europa.eu/isa2/home\_en

#### **FINANCIAL PROGRAMMING**

(million EUR)

Total	131.2
2020	27.5
2019	27.1
2018	26.2
2017	25.5
2016	24.8

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The report on the results of the interim evaluation of the programme was published in September 2019. For further information, please consult: https://europa.eu/!Hm94yh

## How is it implemented?

The Directorate-General for Informatics is the lead DG for the implementation of the programme. The programme is implemented through direct management, mainly through public procurement.

## ISA<sup>2</sup>

# INTEROPERABILITY SOLUTIONS AND COMMON FRAMEWORKS FOR EUROPEAN PUBLIC ADMINISTRATION, BUSINESSES AND CITIZENS

#### What is ISA<sup>2</sup>?

The ISA<sup>2</sup> programme is aimed at further facilitating efficient and effective electronic interactions, across borders or across sectors, between public administrations in the European Union and between them and citizens and businesses, in order to enable the delivery of electronic public services and to support the implementation of EU policies and activities. The programme develops interoperability solutions autonomously or to complement and support other EU initiatives.

ISA<sup>2</sup> supports 54 actions focused on the development of tools, services and frameworks in the area of digital government. The actions are organised into nine work packages defined by the annual rolling work programme.



### **Specific objectives**

To facilitate efficient and effective electronic cross-border or cross-sector interaction between European public
administrations and between them and citizens and businesses, in order to enable the delivery of electronic
public services supporting the implementation of European Union policies and activities.

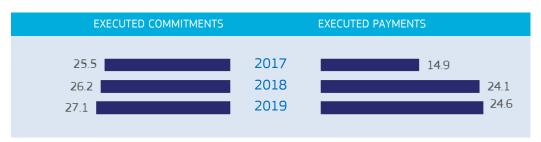
## Why is it necessary?

ISA<sup>2</sup> continues to capitalise on the results of the previous ISA programme, broadening its scope to the interactions between public administrations, citizens and businesses. Some important contributions from the ISA<sup>2</sup> programme include the following.

- Interoperability is a necessary condition for the modernisation of public administrations, in particular for one-stop shops, the once-only principle and end-to-end services.
- Actions identified as being fundamental to the digital single market initiative, such as the new European interoperability framework and the European catalogue of standards, are supported by the ISA<sup>2</sup> programme, preventing the emergence of electronic barriers.
- Almost all EU policies depend for their implementation on the availability of information and communications technology systems that support interconnection between Member States' administrations. ISA<sup>2</sup> supports the implementation of interoperable systems either through funding or by providing tools to help the interconnection and implementation of these systems.

## Outlook for the 2021-2027 period

The Commission proposed to include this programme within the new digital Europe programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Key interoperability enablers	3	> 100%	10	11 compared to a target of 10
Supporting instruments for public administration		100%	13	13 out of 13

% of target achieved by the end of 2018

#### Where are we in the implementation?

- The implementation of ISA<sup>2</sup> has been efficient. The 2019 work programme was carried out as planned and no delays or unforeseen events impacted the
  delivery of its objectives.
- ISA<sup>2</sup> funding was mainly channelled towards supporting instruments for:
  - o public administrations (EUR 6 million), such as the new interoperability academy action, which aims at supporting regional and local governments in the implementation of interoperability through alignment with the European interoperability framework and developing digital skills in interoperability to address users' different professional needs;
  - EU policies (EUR 8 million), such as the common information-sharing environment for the maritime domain action and systems for the implementation of the single digital gateway regulation.

#### **Performance assessment**

- The Commission's report on the results of the interim evaluation of the ISA<sup>2</sup> programme confirms that it performs well in relation to all evaluation criteria (relevance, effectiveness, efficiency, coherence, EU added value, utility and sustainability). The objectives pursued by ISA<sup>2</sup> are still pertinent, and the results achieved so far are aligned with these objectives. Stakeholders agree that ISA<sup>2</sup> plays a central role in improving the interoperability landscape in the EU and fostering the information and communications technology-based modernisation of the public sector in Europe.
- ISA<sup>2</sup>'s key performance indicators confirm that the programme has performed well. Concerning the number of key interoperability enablers, the programme outperformed the expected milestones. This is explained by rates of government interoperability acceptance and technological progress that have exceeded initial expectations. Indeed, Member States are creating an increasing level of demand for intensified common investment in interoperability enablers.
- Significant efforts were made in 2019 to address the following identified areas for possible improvement.
  - Awareness raising. ISA<sup>2</sup> actively engaged with stakeholders across 11 countries from all levels of public administration, businesses, small and medium-sized enterprises and start-ups at numerous events (e.g. Smart Cities, Regions Week, StartUp Europe and WebSummit). Furthermore, with a view to reaching a broader audience, ISA<sup>2</sup> intensified its cooperation with other EU programmes, such as the Connecting Europe Facility, the structural reforms programme and Horizon 2020, by jointly organising events, sharing results and providing advice and support.
  - User-centricity. User-centricity for existing and future users was a key consideration for the submission and assessment of proposals for the 2020 ISA<sup>2</sup> work programme. In this context, for some of the existing solutions such as JoinUp more agile support to better fit users' needs is now available. Other actions, such as the legal interoperability ISA<sup>2</sup> action, invite the potential users of their future solution to participate in the design phase.
  - Sustainability. To maintain the programme's uptake, synergies were identified with various national initiatives.
- The proposal for a regulation establishing the digital Europe programme for 2021-2027 (COM(2018) 434) covers the scope of ISA<sup>2</sup>, taking into account the recommendations from the interim evaluation. The funding for these ISA<sup>2</sup> solutions will thus be maintained after 2020.

30	2	4	203	4	54
events were participated in by ISA <sup>2</sup> in 2019 to increase its outreach.	EU-wide initiatives supported by ISA <sup>2</sup> aim at a holistic interoperability approach in the EU (i.e. the European interoperability framework and digital public administration).	of the pillars of the 'European location interoperability solutions for e-government' action (studies, frameworks and solutions, reports and events) benefit the EU through effective and usable public digital services, improved spatial awareness and analytical skills, and better support for the policy life cycle.	EU initiatives were screened for potential information and communications technology and interoperability impact using the legal interoperability screening methodology.	core vocabularies have been developed by ISA <sup>2</sup> to facilitate efficient and effective electronic cross-border or cross-sector interaction between (a) EU public administrations and (b) public administrations and businesses and citizens.	actions have been supported that focus on developing digital solutions in the interoperability area.

Regulation (EU) 2017/1951 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!PF77Td

#### FINANCIAL PROGRAMMING

(million EUR)

2014	56.3
2015	57.8
2016	59.4
2017	61.1
2018	61.7
2019	75.5
2020	77.3
Total	449.1

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

For further information on evaluations of the European statistical programmes please consult:

http://europa.eu/!uB67Wp

### How is it implemented?

The programme is implemented by Eurostat, the statistical office of the European Union.

## STATISTICAL PROGRAMME

#### **EUROPEAN STATISTICAL PROGRAMME**

## What is the statistical programme?

Political decision-makers and actors in the market constantly need statistics in order to make decisions and monitor and evaluate their implementation. Statistics provide an essential basis for democracies and modern economies to function soundly and efficiently. The EU needs a high-quality statistical information service in order to fulfil its mission. European statistics must be reliable, timely, independent of political influence and provided in a convenient form for users. Together with the national statistical authorities and other national authorities responsible in each Member State for the development, production and dissemination of European statistics, Eurostat has created a partnership called the European Statistical System. This partnership also includes the European Economic Area countries. Member States collect data and compile statistics for national and EU purposes.

The EU's strategic objectives rely on European statistical data in order to provide evidence-based EU policy definition, implementation, monitoring and evaluation. The European statistical programme is designed to provide high-quality statistical information in a timely manner, while maintaining a balance between economic, social and environmental fields, and to serve the needs of the wide range of users of European statistics, including other decision-makers, researchers, businesses and European citizens in general, in a cost-effective manner without unnecessary duplication of effort.

# **\***

## **Specific objectives**

- To provide statistical information, in a timely manner, to support the development, monitoring and evaluation of the policies of the EU, ensuring that they properly reflect priorities, while maintaining a balance between economic, social and environmental fields and serving the needs of the wide range of users of European statistics, including other decision-makers, researchers, businesses and European citizens in general, in a cost-effective manner and without unnecessary duplication of effort.
- To implement new methods of production of European statistics that aim to achieve gains in efficiency and improvements in quality.
- To strengthen the partnership within the European Statistical System and beyond in order to further enhance its
  productivity and its leading role in official statistics worldwide.
- To ensure that delivery of statistics is kept consistent throughout the whole duration of the programme, provided that this does not interfere with the priority-setting mechanisms of the European Statistical System.

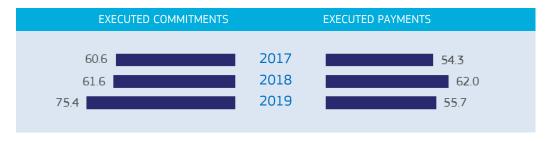
### Why is it necessary?

A coordinated approach to the development, production and dissemination of European statistics – as provided for in the European statistical programme – guarantees the coherence, comparability and common quality standards required for statistics that are relevant for EU activities. The European Statistical System facilitates the sharing of knowledge and best practices across Member States and the development of new technologies, common tools and collaborative networks with a view to taking advantage of possible synergies and avoiding duplication of effort, thus paving the way for a modern production system equipped to meet future challenges.

Efforts to harmonise, streamline and regulate can best be initiated at the EU level, where such projects can be carried out with optimal efficiency.

### Outlook for the 2021-2027 period

The Commission proposed the inclusion of this programme within the new single market programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of data extractions made from Eurostat reference database by external users	79 m	>100%	8.7 m	18.3 million data extractions made compared to a target of 8.7 million
Achievements of specific pbjective 1 as percentage of the outputs related to it (1)		94%	100%	94% out of 100%
Achievements of specific objective 2 as percentage of the outputs related to it (1)		89%	100%	89% out of 100%
Average punctuality of statistics (on foreign trade with countries outside the EU) sent by Member States to Eurostat (1)	,	100%	> 0	sent 2 days in advance of deadline
Achievements of specific objective 3 as percentage of the outputs related to it (1)		95%	100%	95% out of 100%

<sup>(1)</sup> Average of results for 2014-2019.

#### Where are we in the implementation?

- The extension of the programme to 2020 paved the way for a range of ambitious actions to give the European Statistical System greater capacity and flexibility. In addressing high-level requests from policymakers, the European statistical programme extension included measures for higher-quality, timelier statistics to support the Commission's political priorities and the European Parliament's political agenda.
- The 2019-2020 work programme aims at advancing towards the completion of the European Statistical System vision 2020 strategy. The strategy was adopted to cope with the challenges that the production of official statistics faces and identifies five key areas in which common action is needed in order for European statistics to be 'fit for the future': (1) user needs, (2) data sources, (3) quality assurance, (4) partnership and (5) dissemination and communication. The strategy is progressing with the implementation of common projects carried out in the European Statistical System, to be completed in 2020.

#### Performance assessment

- The implementation of the European statistical programme is progressing well, producing significant results under the programme's different objectives as indicated by the indicators of the 'Achievements of specific objective x as percentage of the outputs related to it' (indicators 2, 3 and 5). The performance indicators all show a positive trend.
- The statistical coverage, measured by the number of different statistics published on the Eurostat website, has increased by around 15%, with stable human resources. This shows a rise in efficiency in the production processes, which is necessary to cover new demands for statistics. At the same time, the share of statistics for which long-term series are available has also increased, allowing users to make comparisons with the past for their analysis of the phenomena described by such statistics.
- The indicators show also an increase in the quality of the data. The timeliness of the main quarterly and monthly statistics has improved: they are released more promptly. Even for those statistics for which the target for improving timeliness has not been reached, such as the principle European economic indicators, the situation has improved, with a reduced delay.

- Through new initiatives, Eurostat contributed towards implementing a resilient energy union with a forward-looking climate change policy. For the first time,
  Eurostat published energy footprint estimates for the EU. These data show the energy used throughout the production of goods and services right up to the
  final product, the final user and the type of final use (consumption, investment or export). The footprint data show the spillover effects of EU energy demand
  on the rest of the world. Eurostat also contributed to the development of harmonised risk indicators on the sustainable use of pesticides. It published
  methodological guidelines and tools for calculating the harmonised risk indicators, to assist Member States in fulfilling their obligations under Directive
  2009/128/EC.
- The preparation of Eurostat's Trusted Smart Statistics Centre advanced. It aims at sustaining the production of official statistics based on new data sources (such as sensors and the internet) and technologies (such as Trusted Smart Surveys), which will complement existing statistics or produce new statistics to support the Commission's main political priorities. This will provide added value to users through improved timeliness, fill in statistical data gaps and make statistical services more flexible in order to adapt to new challenges.

Regulation (EU) 2017/827 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!pN89Jp

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	6.8
2015	8.0
2016	8.1
2017	8.2
2018	8.2
2019	7.9
2020	8.8
Total	56.0

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The relevant findings of the implementation of the programme are submitted in the form of annual reports to the European Parliament and the Council. The most recent report on the activities of the IFRS Foundation, the European Financial Reporting Advisory Group and the Public Interest Oversight Board is available here: https://europa.eu/!GQ94fK

## How is it implemented?

DG Financial Stability, Financial Services and Capital Markets Union is the lead DG for the implementation of the programme. The programme is implemented through direct management (grants) and co-financing of operations of organisations (their annual work programmes).

## FINANCIAL REPORTING

#### SPECIFIC ACTIVITIES IN THE FIELD OF FINANCIAL REPORTING AND AUDITING

#### What is the financial reporting programme?

The programme involves co-financing the activities of three organisations operating in the field of financial reporting and auditing, namely the International Financial Reporting Standards Foundation (IFRS Foundation), the European Financial Reporting Advisory Group and the Public Interest Oversight Board. The IFRS Foundation develops international accounting standards via its International Accounting Standards Board, while the European Financial Reporting Advisory Group ensures that the EU is speaking with one voice and that the interests of the EU are adequately taken into consideration in that process. In addition, the European Financial Reporting Advisory Group provides the European Commission with endorsement advice on new or modified standards. The Public Interest Oversight Board is responsible for monitoring the international standard-setting process in the areas of audit and assurance, education and ethics.

## **Specific objectives**

 To improve the conditions for the efficient functioning of the internal market by supporting the transparent and independent development of international financial reporting and auditing standards.

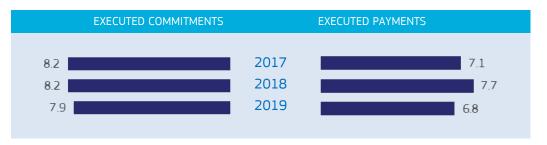
## Why is it necessary?

In a global economy, there is a need for a global accounting language. International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board are adopted and used in many jurisdictions around the world. The IFRS also play a major role in the functioning of the EU internal market. EU law requires companies with securities (shares and bonds) listed on European regulated markets to prepare their financial reports in accordance with the IFRS. Therefore, the EU has a direct interest in ensuring that the standards are developed through a transparent and democratically accountable process. To ensure that global standards are of high quality and compatible with EU law, it is also essential that the interests of the EU are adequately taken into account in the international

standard-setting process. Regarding auditing, it is important to ensure that the standard-setting activities of the International Federation of Accountants are properly responsive to the public interests. The funding programme contributes to ensuring highly reliable financial reporting by companies. This in turn facilitates the optimal allocation of savings and the reduction of the cost of capital for companies in the EU and elsewhere.

### Outlook for the 2021-2027 period

The Commission proposed the inclusion of this programme within the new single market programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of countries using IFRS	128	> 100%	150	156 countries compared to a target of 150
Number of standards endorsed in the EU compared to the number issued by the International Accounting Standards Board	89%	64%	100%	96% out of 100% of standards endorsed

% of target achieved by the end of 2018

#### Where are we in the implementation?

- The programme involves co-financing the activities of three organisations, namely the IFRS Foundation and its International Accounting Standards Board, the European Financial Reporting Advisory Group and the Public Interest Oversight Board.
- The IFRS Foundation continues to adhere to its 2017-2019 work programme and has issued four major standards through the International Accounting Standards Board: IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 17 Insurance Contracts.
- In 2019, the International Accounting Standards Board also revised its new standard, IFRS 17 Insurance Contracts, at the request of major stakeholders, including the EU. In addition, it continued to work on the project to enhance the presentation of primary financial statements.
- In 2019, as part of the Commission's 2018 action plan on financing sustainable growth, the scope of the European Financial Reporting Advisory Group's work was widened with the establishment of the European Corporate Reporting Lab, which became operational in February 2019 when the lab's Task Force on Climate-Related Reporting started its work.
- The Public Interest Oversight Board continued to carry out its function of oversight of the International Auditing and Assurance Standards Board and the International Ethics Standards Boards for Accountants, while the International Accounting Education Standards Board ceased to exist in 2019 with the completion of its work plan.

#### **Performance assessment**

- The European Commission published a report assessing the achievements of the funding programme in October 2019. The report confirmed the overall pertinence and coherence of the programme, the effectiveness of its execution and the overall and individual effectiveness of the beneficiaries' work programmes. It concluded that the EU funding programme remains fully justified in the context of the EU's efforts to establish a capital markets union and to safeguard financial stability.
- The programme's performance as measured by its indicators continues to meet expectations. More countries than expected are using the IFRS and EU endorsement of International Accounting Standards Board standards is maintained at a high level.
- The funding programme contributes to highly reliable corporate reporting by companies. This in turn facilitates the optimal allocation of savings and the reduction of the cost of capital for companies in the EU and elsewhere.
- The programme has contributed to the recognition of the IFRS Foundation as a global reference body for the development of high-quality accounting standards, thereby also increasing the EU's influence in this regard. IFRS are required for all or most domestic publicly accountable entities in 144 out of 166 analysed jurisdictions. The remaining jurisdictions permit the use of IFRS. The international acceptance ultimately indirectly fosters the ability of European companies to trade, raise capital and expand internationally while benefiting from administrative savings.
- Safeguarding of EU interests is further supported by the European Financial Reporting Advisory Group having provided qualitative endorsement advice on new or modified standards and monitoring the standard-setting activities undertaken by the International Accounting Standards Board. The programme has contributed to strengthening the capacity of the European Financial Reporting Advisory Group to carry out EU-wide impact assessments of the broader economic consequences of new IFRS.
- The programme's intention to secure national financing for the IFRS Foundation proportionate to a country's gross domestic product has not been successful. Funding diversification has, however, increased the credibility and technical capability of beneficiaries.
- In the future, the European action plan on financing sustainable growth will require stricter scrutiny of the sustainability impact of the European Financial Reporting Advisory Group activities, which has not been sufficiently taken into account yet, since IFRS setting does not take a broader impact into account.

IFRS Foundation	European Financial Reporting Advisory Group	Public Interest Oversight Board
experienced a number of achievements in 2019, the main ones including: (1) the publication by the International Accounting Standards Board of a summary report on its post-implementation review of IFRS 13 – Fair Value Measurement; (2) the International Accounting Standards Board's start of the comprehensive review of the IFRS for SMEs Standard; and (3) the publication of the IFRS Taxonomy 2019.	carried out important preliminary technical analyses on IFRS 17 and on the interest rate benchmark reform (Phase 1) and on their effects on financial reporting in 2019. It also completed its research work on the consequences of IFRS 9 on long-term investment and provided a final report to the Commission in January 2020.	actively supported the Monitoring Group during 2019 – of which the European Commission is a member – which is developing a comprehensive reform package in the field of standard setting in audits and ethics for accountants. In order to increase transparency, the Public Interest Oversight Board is now consistently publishing its recommendations and launched a new website on 13 December 2019.

Regulation (EU) 2017/826 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!pD79WW

#### **FINANCIAL PROGRAMMING**

(million EUR)

2017	1.1
2018	1.5
2019	1.5
2020	1.5
Total	5.6

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

A thorough assessment of the programme is currently ongoing and the results are expected in 2020.

#### How is it implemented?

DG Financial Stability, Financial
Services and Capital Markets Union
is the lead DG for the
implementation of the programme.
The programme is managed
through grants co-financing
actions proposed by the
organisations.

## **CONSUMER INVOLVEMENT**

# ENHANCING CONSUMER INVOLVEMENT IN EU POLICYMAKING IN THE FIELD OF FINANCIAL SERVICES

## What is the consumer involvement programme?

A well-functioning and trustworthy financial services sector is a key component of the internal market and its cross-border capabilities. It requires a solid framework for regulation and supervision, which simultaneously ensures financial stability and supports a sustainable economy. At the same time, a well-functioning and trustworthy financial services sector should provide a high level of protection to consumers and other end users of financial services, including retail investors, savers, insurance policy holders, pension fund members and beneficiaries, individual shareholders, borrowers and small to medium-sized enterprises.

The programme aims at involving consumers and other end users of financial services in EU and relevant multilateral policymaking in the area of financial services, along with informing them about issues at stake in the financial sector.

The following activities are co-financed by the programme:

- research activities, including production of own research and data, and development of expertise;
- engaging with consumers and other financial services end users, by liaising with existing consumer networks and helplines in Member States in order to identify issues relevant for EU policymaking for the protection of the interests of consumers in the area of financial services;
- activities for raising awareness, information dissemination activities and the provision of financial education and training, directly or through the national members, including to a wide audience of consumers, other financial services end users and non-experts;
- activities reinforcing the interactions between the members of the two beneficiary organisations (Better Finance
  and Finance Watch) along with advocacy and policy advice activities strengthening the positions of those
  members at EU level and fostering the public and general interest in financial and EU regulation.



### **Specific objectives**

- To further enhance the participation and involvement of consumers and other financial services end users in EU and relevant multilateral policymaking in the area of financial services.
- To contribute to the provision of information to consumers and other financial services end users about issues at stake in the financial sector.

#### Why is it necessary?

The new regulation establishing an EU programme for the period 2017-2020 follows on from a previous pilot project and preparatory action which were positively evaluated in 2015. In particular, the evaluation positively assessed the EU added value of the previous pilot project and preparatory action which filled a gap as national organisations dealing with all kinds of consumer issues lack technical expertise and cannot cover such a broad scope of policy areas related to financial services.

Since these policy areas tend to be highly technical and unintelligible to the general public, the broad expertise required to achieve the policy objectives is not yet available at the national level. In addition, no other similar organisations have been identified at EU level.

The regulation complies with the subsidiarity principle since its objectives cannot be sufficiently achieved by the Member States and can, by virtue of the scale and the effect of the envisaged action, be better achieved at EU level.

#### Outlook for the 2021-2027 period

The Commission proposed the inclusion of this programme within the new single market programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of position papers and responses to public consultations (1)		> 100%	60	77 position papers and responses compared to a target of 60
Number of Twitter followers (2)		> 100%	4 400	10 717 Twitter followers compared to a target of 4 400

% of target achieved by the end of 2019

- (1) Cumulative results for 2014-2020.
- (2) Average of results for 2014-2020.

## Where are we in the implementation?

- The programme is implemented through grants to two non-profit organisations specified in Regulation (EU) 2017/826: Better Finance, a European federation of investors, shareholders and financial services users, who are independent from the financial industry; and Finance Watch, a non-profit association intended to strengthen the voice of consumers and end users of financial services and to defend their interests in the financial sector.
- The two beneficiaries contributed effectively to the objectives of the programme by performing research, advocacy and awareness raising in relation to a comprehensive range of EU financial legislation.
- Finance Watch invested its efforts in 2019 in further specialising in sustainable finance and digital matters (namely Libra cryptocurrency).
- Better Finance continued in 2019 to work on its research on pensions, investment funds and algorithm-based investing (robo-investing).
- The programme's annual financial allocation remains at a modest budget of EUR 1.5 million.

#### Performance assessment

- An assessment of the programme's implementation and achievements is expected to be finalised in 2020. Preliminary results point towards a positive
  contribution by both beneficiaries towards producing research aimed at measuring the impact of policies on consumers and then using this research to
  advocate for policy options that benefit users of financial services. This indicates a positive contribution towards EU policymaking.
- The preliminary results of the assessment also indicate that ensuring the involvement of citizens in financial policy matters continues to be a challenge and that their involvement needs to receive continued support through the two beneficiaries.
- In the first half of 2019, both beneficiaries dedicated their efforts to awareness raising in view of the European Parliament electoral campaign and were seeking support from leading candidates in favour of consumers of financial services. These activities followed the EU policy and governance cycle as that was the right moment to plead for political commitment. On the other hand, because of the European Parliament's recess period (i.e. stalled legislative activities) there was a reduced need for advocacy and the effectiveness of these outreach actions was limited.
- Progress towards the programme's objectives as measured by the indicator results has exceeded expectations: more position papers than initially targeted
  were published and a positive trend was maintained. Outreach as measured by numbers of Twitter followers also maintained a positive trend and has reached
  more people than initially expected.
- Nevertheless, in terms of absolute numbers the effectiveness of outreach activities can certainly be improved, as the number of Twitter followers still remains at a comparatively low level.

Better Finance	Finance Watch
continued researching, publishing and lobbying on its main topics in 2019, such as the pan-European pension product, sustainable finance, packaged retail and insurance-based investment products, collective redress and the new deal for consumers. For instance, they published the reports 'Efficient Portfolio Management Techniques: Attribution of profits derived from securities lending by UCITS exchange-traded funds' and 'Study on the Correlation Between Cost and Performances in EU Equity Retail Funds'. On these topics, 27 responses to public consultations/feedback, own-initiative publications and open letters were produced.	published the third edition of the global green finance index in 2019, an index measuring the 'greenness' of financial centres even before the area became a priority under the von der Leyen Commission. Finance Watch has become well equipped, in terms of expertise, knowledge and strategic outlook, to advocate for sustainable finance and for a green deal in the financial sector to the benefit of the financial services end users and of the environment.

Regulation (EU) 2018/1092 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!pf68Qt

#### FINANCIAL PROGRAMMING

(million EUR)

2019	245.0
2020	255.0
Total	500.0

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The *ex ante* evaluation of the programme was carried out in 2017. For further information please consult https://europa.eu/!qN37UB

The ex post evaluation will be aligned with the interim evaluation of the European Defence Fund for 2021-2027 and will take place at least 4 years after the start of the implementation of the latter.

#### How is it implemented?

The programme is implemented by the Directorate-General for Defence Industry and Space.

## **DEFENCE PROGRAMME**

### EUROPEAN DEFENCE INDUSTRIAL DEVELOPMENT PROGRAMME

## What is the defence programme?

The European defence industrial development programme was adopted in July 2018 for a 2-year duration. It aims to support the competitiveness and innovative capacity of the EU defence industry, specifically in the development of prototypes, by supporting development projects jointly carried out by companies.

The programme will help create a collaborative approach between defence industry players in the Member States. The financial contribution of the EU will unlock development projects that otherwise would not have started due to their financing needs or the technological risks involved, leading to additional collaborative defence development projects.

Only collaborative projects will be eligible, and a proportion of the overall budget will be earmarked for projects involving cross-border cooperation between small and medium-sized enterprises.



## **Specific objectives**

- To foster the competitiveness, efficiency and innovation capacity of the EU defence industry by supporting
  actions in their development phase.
- To support and leverage cooperation between undertakings, including small and medium-sized enterprises and midcaps and collaboration between Member States, in the development of defence products and technologies.
- To foster better exploitation of the results of defence research and contribute to closing the gaps between research and development.

#### Why is it necessary?

The defence sector is characterised by a long-term trend of rising costs of equipment and by high development costs. This implies that the development of innovative defence capabilities is increasingly beyond the capacity of individual Member States. Moreover the EU defence sector is suffering from low levels of investment and is characterised by fragmentation along national borders, which leads to persistent duplications. Cross-border cooperation remains very limited, although it could help to better capture scale effects by reducing duplications. This would enable the development of the products and technologies that are needed.

The lack of coherent EU support for defence development and the prevalence of national policies of Member States in this area that are not coordinated have proven to impede the development of the defence industry. The lack of cooperation leads to competitive disadvantages for the EU defence industry and endangers its capacity to respond to the security and defence needs of the Member States. It remains a major source of inefficiency in the use of scarce public resources and constitutes a significant impediment for the implementation of the common security and defence policy.

Action at EU level will provide added value by further stimulating industrial defence cooperation through positive incentives, targeting projects in the development phase of defence products and technologies. EU support

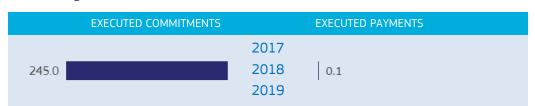
will allow projects to be unlocked that are frequently beyond the means of a single country: the nature of these projects and their costs make transnational cooperation necessary. The projects supported will be based on common technical specifications, leading to better and more efficient collaboration and enabling further savings in the subsequent stages of the life cycle and improved levels of interoperability.

The increased cooperation is expected to reduce wasteful duplications and dispersions and create economies of scale. This will eventually lead to lower unit costs, benefiting the Member States and having a positive effect on exports.

EU intervention will incentivise, but not replace, the efforts of Member States, whose importance remains crucial for the launch of defence development projects. EU intervention does not undermine or prejudice in any manner the support of actions carried out at national level. It only provides additional incentives to accomplish the most challenging phase of certain of those actions by offering EU support where most needed. It thus complies with the principles of subsidiarity and proportionality.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme and will add a research window for the next multiannual financial framework.



#### Where are we in the implementation?

- The European defence industrial development programme has a financial envelope of EUR 500 million for the period from 1 January 2019 to 31 December 2020.
- The work programme setting the funding priorities for 2019-2020 was adopted on 19 March 2019. Its identified categories target capability development projects involving multinational collaboration by undertakings. Some categories target large and complex capability development projects, such as the European command and control system or a European Galileo public regulated service navigation receiver.
- The work programme envisages the possibility of supporting two projects that could receive direct awards: EUR 100 million to support the development of the medium altitude long endurance remotely piloted aircraft system (MALE RPAS) and EUR 37 million to support the development of interoperable and secure defence communication systems for operations (ESSOR). These two projects will be implemented under indirect management, through a limited delegation of budget tasks by the Organisation for Joint Armament Co-operation, appointed by the Member States as programme manager.
- Based on the work programme, the Commission launched nine competitive calls for proposals with deadlines for submission in September 2019 and a further 12 calls in March 2020. Adopting award decisions for the 2019 closed competitive calls and signing the grant agreements with the beneficiaries are among the priorities for the programme's implementation in 2019 and 2020

#### **Performance assessment**

- The European defence industrial development programme is designed to target the problems of the defence sectors identified in the *ex ante* evaluation accompanying the Commission's legislative proposal for the programme. The main problem drivers identified are the increasing costs of defence equipment and high development costs, limited cooperation between Member States in defence equipment investments and the limited number of programmes linked to EU priorities, combined with the difficulty in agreeing on common technical specifications.
- The programme is in its very early days of implementation. Given that the performance indicators are set at the level of funded projects and no projects have been selected for funding yet, at this stage of implementation (March 2020) it is not yet possible to report on how the programme is progressively delivering on its objectives.
- In 2018, the Commission adopted a proposal for a European Defence Fund for the 2021-2027 programming period. This proposal was accompanied by an
  impact assessment on the effects of funding cooperative research and development projects at EU level after 2020. The Commission proposed a budget of
  EUR 13 billion for the European Defence Fund, in particular through grants. Out of these, EUR 4.1 billion will directly finance collaborative research projects, and
  EUR 8.9 billion will finance collaborative development projects.
- The European defence industrial development programme's ex post evaluation will be aligned with the interim evaluation of the European Defence Fund for 2021-2027.

#### Concrete examples of achievements

40

proposals were received following the 2019 competitive calls.

Regulation (EU) No 1304/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!Xf89Qm

### FINANCIAL PROGRAMMING

(million EUR)

2014	11 386.5
2015	15 023.9
2016	12 007.7
2017	13 393.5
2018	13 418.5
2019	13 786.0
2020	13 938.2
Total	92 954.3

## OVERALL EXECUTION (2014-2019)



# **Evaluations/ studies conducted**

Member States have published 465 ESF evaluations of the 2014-2020 programmes, including 92 impact evaluations. They are available at:

### https://europa.eu/!jF78MM

Four thematic evaluations by DG Employment, Social Affairs and Inclusion on (1) ESF / Youth Employment Initiative support for youth employment, (2) employment and labour mobility, (3) social inclusion and (4) education and training are ongoing. The studies and evaluations related to ESF can be consulted at: http://europa.eu/!vw37rR

#### How is it implemented?

DG Employment, Social Affairs and Inclusion is the lead DG for the ESF's implementation.

## **ESF**

#### **EUROPEAN SOCIAL FUND**

#### What is the ESF?

The European Social Fund (ESF) is the EU's main instrument for supporting jobs, helping people get better jobs, ensuring fairer job opportunities for all and supporting upskilling and reskilling. It works by investing in the EU's human capital – its workers, its young people and all those seeking a job. ESF financing (over EUR 10 billion a year) is improving job prospects for millions of Europeans, in particular those who find it difficult to get work.



### **Specific objectives**

- Promoting sustainable and good-quality employment and supporting labour mobility.
- · Promoting social inclusion and combating poverty and discrimination.
- Investing in education, training and vocational training for skills and lifelong learning.
- Enhancing the institutional capacity of public authorities and other stakeholders and fostering efficient public administration.
- Promoting specific support to young people (aged 15-24) not in employment, education or training.

## Why is it necessary?

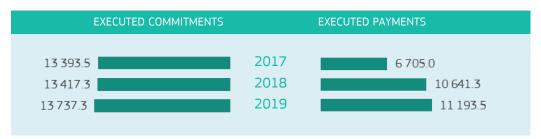
The ESF is the EU's main source of funding to support structural reforms in the fields of employment, education and training, with a direct link to the priorities and headline targets of the Europe 2020 strategy in terms of employment, education and poverty. It contributes to the promotion of economic and social cohesion and to social inclusion within the EU, and serves as an instrument for financial solidarity and economic integration.

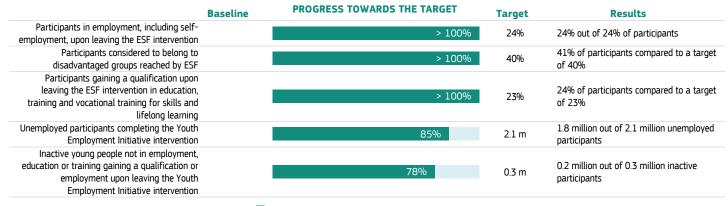
Ample evidence demonstrates that EU policies supported by the ESF would not have been implemented or would have been realised to a significantly lesser extent had it not been for EU investment. At the same time, through EU funding, Member States invest in areas and target groups (or pursue reforms) which they would not have pursued – even where national funding is available. As such, the ESF acts as an important instrument to support the efforts for reform of many Member States in areas of crucial importance for the EU economy in line with recommendations issued in the context of the European semester – reforms in labour market policies and youth

employment, modernisation of vocational education and training, and welfare system and administrative reforms. Member States often refer to the fact that even when national resources are available to fund areas of social expenditure, the ESF has provided the necessary incentivising framework to deliver on long-term investments supporting structural reforms (often in a sustainable manner spanning more than one political cycle). In particular, administrative capacity building financed by the fund has supported the implementation of structural reforms.

## Outlook for the 2021-2027 period

The Commission proposed a continuation of this programme under the name ESF+ for the next multiannual financial framework. In the new programming period, the ESF+ will integrate the current ESF, Youth Employment Initiative, Fund for European Aid to the Most Deprived and EU programme for Employment and Social Innovation.





% of target achieved by the end of 2018

#### Where are we in the implementation?

- In 2019, the implementation of the ESF and its 187 operational programmes further accelerated, as illustrated by, inter alia, the increase in the number of
  executed payments. Difficulties related to implementation at the beginning of the period, for example the late starts of operational programmes, have been
  addressed.
- According to the Commission's 2019 strategic report, the substantial differences identified for the period 2015-2017 between less-developed regions and more-developed and transition regions still exist but are receding.
- The European Structural and Investment Funds 2019 summary report found that, with regard to the projects selected, up to the time of the report, (1) the selected projects to improve employment opportunities represent over EUR 34 billion, resulting in ESF support to 23 million people; (2) regarding social inclusion, to which the ESF is the biggest contributor, the selected projects represented over EUR 36 billion. By the end of 2018, these projects had provided assistance to 1.8 million participants with disabilities, 3.6 million migrants, participants with a foreign background or minorities and 4.2 million other disadvantaged people; (3) regarding education and training, by the end of 2018, 11.6 million low-skilled people had been supported with ESF funding, 3.4 million had gained a qualification and 1.2 million were in education and training.
- By the end of 2019, 85% of the programme's overall financial budget had been allocated to specific projects indicating a mature stock of projects. In 2019, nearly EUR 12.9 billion was paid to the 2014-2020 ESF programmes (including pre-financing), lifting the interim payments made as a percentage of the programme's budget to 31%. This demonstrates a need for stronger focus on spending in the Member States, given the lower level of disbursements made in the current programming period compared to previous periods.
- The above observations regarding the implementation of the ESF in the current programming period are to a certain extent comparable with those concerning the 2007-2013 programming period. Notably, according to the 2016 ESF ex post evaluation synthesis for 2007-2013, implementation rates were comparatively low in some Member States and as a result, by December 2014, a total of 79.3% of the overall budget of ESF 2007-2013 had been spent. Among the most frequently mentioned causes were the delayed start of interventions, low take-up and delivery partners' lack of management and administrative capacity, especially at the beginning of the programming period. The above causes have had an impact on the implementation rate of ESF 2014-2020 as well. In the same vein as in the previous programming period, projects can still be completed and expenditure declared until 2023, and therefore a rise in the implementation rate is likely.
- In 2018, with a view to further reducing administrative burden for the Member States, the Commission adopted EU-level simplified cost options under Article 14(1) of the ESF regulation for three new areas: (1) training for the unemployed; (2) counselling services; and (3) training for employed people.
- According to the 2019 performance review, 78% of ESF priorities have achieved their milestones (517 priorities out of 661). The ESF performance reserve was allocated to 184 programmes and 661 priorities. The well-performing priorities represent 83% of the performance reserve for the ESF (i.e. EUR 4.2 billion), while the performance reserve of non-performing priorities, to be reallocated to performing priorities, amounts to around EUR 740 million. An additional EUR 110 million was still under assessment at the end of 2019 due to concerns about the reliability of data. From this, the decisions on the performance review for two Member States were adopted in 2020 with EUR 100 million allocated to performing priorities. An amount of EUR 9 million remains to be reallocated from underperforming priorities to performing ones. The mechanism of the performance review thus contributes to further reinforcing good performance.
- The mature phase of the implementation of the Youth Employment Initiative, characterised by, inter alia, high take-up and selection of operations, continued in 2019. By the end of 2019, the total eligible cost of operations (including both the Youth Employment Initiative-specific allocation and the corresponding ESF component) selected for support was EUR 10.4 billion, while nearly EUR 6.1 billion had been declared by beneficiaries and nearly EUR 5 billion had been paid by the Commission to the Member States (including interim payments and initial and annual pre-financing), EUR 0.8 billion of which was paid in 2019.

#### **Performance assessment**

- Based on data from the Member States' 2018 annual implementation reports, the discrepancies in the implementation rate between and within the Member States decreased considerably in 2018. This is mainly due to two factors: (1) Member States' reporting became more comprehensive compared to previous years, a change triggered by the performance review, which encouraged managing authorities to report on all outputs in order to achieve their milestones; and (2) the implementation of the ESF / Youth Employment Initiative has now reached cruising speed, leading to increased upward convergence across the EU.
- The ESF has been successfully delivering on its objective to promote sustainable and good-quality employment, supporting 10.7 million participants by the end of 2018. The project selection rate is uniform in the Member States, showing an overall steady pace of implementation at EU level. Based on the preliminary findings of the evaluation of the ESF / Youth Employment Initiative support for youth employment for the period 2014-2018, rates of transition to employment for participants of ESF / Youth Employment Initiative operations generally improve with time. The employment impacts are sustainable for the low skilled, who were the main focus group of the operations, as well as the medium and high skilled. The programme's key performance indicator concerning the number of participants in employment, including self-employment, upon leaving supports this finding. The indicator shows that the ESF has fully reached its target.
- The ESF has targeted various specific groups with regard to its objective to promote social inclusion and combat poverty and discrimination, such as low-skilled workers, the (long-term) unemployed, the elderly, people with disabilities and people with a migrant/foreign background. This objective received the highest allocated budget: the Member States have programmed over 25% of their ESF resources for this, using a variety of interventions. By the end of 2018, the

#### Annual Management and Performance Report for the EU Budget - Financial year 2019

investments had supported 6.1 million participants, leading to 1.7 million positive results, such as participants finding a job, gaining a qualification or experiencing other improvements in terms of their position on the labour market. Although the programme has reached its target concerning outreach to participants considered to belong to disadvantaged groups, differences in implementation are observed at the regional level. Notably, the project selection rate of social inclusion investments in less-developed regions stands at 66%, compared to 75% and 76% in the more-developed and transition regions, respectively. Furthermore, to improve the efficiency of the interventions, the link between social assistance and activation measures should be further strengthened by developing more personalised services and making targeted efforts to improve the uptake of measures by vulnerable groups.

- A far as its objective to invest in education and training is c oncerned, a total of 9 million participants has been recorded for all operations. Out of this group, one third have achieved an individual short-term result such as gaining a qualification, returning to education or training or improving their skills. The implementation is improving considerably and in relatively uniform manner across different types of regions. However, differences are observed between Member States where implementation may be below the EU average, for a variety of reasons ranging from low demand by employers to register their workers for long-term education courses to insufficient administrative capacity, delaying the setting up of projects. The underperformance of the indicator of the number of participants gaining a qualification upon leaving should also be read in this light.
- Concerning the objective of enhancing institutional capacity, implementation is slightly behind that of the aforementioned objectives, with a project selection rate of 66% by the end of 2018. This implementation lag is due to the nature of the projects. System support measures typically require longer planning and more cooperation between different partners in the design and implementation phase of a project. In terms of individual results, the programme helped enhance the institutional capacity of an increasing number of institutions by means of highly performant information technology systems, revised and/or simplified procedures and increased regulatory scrutiny that contributed to, inter alia, shortening the time required for certain operations, for example of public administrations, the judiciary and civil society organisations. Other interventions contributed to public officials (116 957 participants) gaining a certain type of qualification.
- The main implementation challenges include:
  - o programming requirements/features, for example complexity of programming and planning of interventions, delays as a result of the need to consult different public administrations, administrative issues related to tender procedures, etc.;
  - delays at governance level due to a focus on preparation / setting up of organisation/programme management;
  - o changes in national/regional socio-economic context affecting the programme's performance.

These challenges are addressed in close bilateral cooperation with DG Employment, Social Affairs and Inclusion or in regular multilateral meetings with the participation of DG Employment, Social Affairs and Inclusion and programme authorities, such as annual review meetings and monitoring committee meetings. Furthermore, they are tackled through the adaptation of operational programmes to better address new, unforeseeable challenges in the socio-economic context, for instance changes in the composition of the target groups which make it more difficult for the programme to reach out to certain groups. Finally, they are addressed through discussion on implementation progress and challenges in the ESF Technical Working Group and ESF Committee meetings, held five times a year with the participation of stakeholders.

• With regard to the objective of promoting specific support to young people (aged 15-24) not in employment, education or training by the end of 2018, the average project selection rate stood at 84%. With regard to outputs, as implementation of Youth Employment Initiative programmes is maturing, the rate of growth is stabilising compared to previous years. By the end of 2018, 2.7 million young people had benefited from support under the Youth Employment Initiative. According to the preliminary conclusions of the evaluation of the ESF / Youth Employment Initiative support for youth employment for the period 2014-2018, the Youth Employment Initiative has performed better in all respects than ESF funding programmed for youth employment. Notably, it has reached a financial implementation of 52% compared to 27% for ESF youth employment operations, which may be due to differences in the implementation process. In particular, the Youth Employment Initiative was frontloaded for the first years of the programming period via additional initial pre-financing.

26 million	3.1 million	3.7 million	1.5 million	2.7 million	85%
participants supported by ESF and Youth Employment Initiative actions by the end of 2018.	people found a job, including as self-employed, by the end of 2018 thanks to ESF or Youth Employment Initiative support.	people gained a qualification by the end of 2018 thanks to ESF or Youth Employment Initiative support.	people were in education and training by the end of 2018 thanks to ESF or Youth Employment Initiative support.	young people had benefited from the Youth Employment Initiative by the end of 2018.	was the average ESF project selection rate on the ground by the end of 2019.

Regulation (EU) No 1301/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!Qk99Fu

#### FINANCIAL PROGRAMMING

(million EUR)

2014	17 080.4
2015	33 265.3
2016	26 933.9
2017	29 266.9
2018	30 248.4
2019	31 146.2
2020	32 010.4
Total	199 951.5

## OVERALL EXECUTION (2014-2019)



# **Evaluations/ studies conducted**

Commitments

Ex post evaluation of major transport projects financed between 2000 and 2013 (SWD(2020) 41). Ex post evaluation of major environment projects (SWD(2020) 43).

#### How is it implemented?

The Directorate-General for Regional and Urban Policy is the lead DG for the implementation of this shared management programme. The ERDF is delivered via 290 + multithematic national, regional and interregional programmes.

## **ERDF**

### EUROPEAN REGIONAL DEVELOPMENT FUND

#### What is the ERDF?

The European Regional Development Fund (ERDF) aims to strengthen economic and social cohesion in the EU by correcting imbalances between regions and supporting the full integration of less-developed regions into the EU's internal market. Together with the Cohesion Fund and European Social Fund it is one of the three cohesion policy funds for 2014-2020.



### **Specific objectives**

- Strengthening research, technological development and innovation.
- Enhancing access to, and the use and quality of, information and communication technologies.
- Enhancing the competitiveness of small and medium-sized enterprises.
- Supporting the shift towards a low-carbon economy in all sectors.
- · Promoting climate-change adaptation, risk prevention and management.
- Preserving and protecting the environment and promoting resource efficiency.
- Promoting sustainable transport and removing bottlenecks in key network infrastructure.
- Promoting sustainable and quality employment and supporting labour mobility.
- · Promoting social inclusion and combating poverty and discrimination of any kind.
- Investing in education, training and vocational training for skills and lifelong learning.
- Enhancing the institutional capacity of public authorities and other stakeholders and fostering efficient public administration.

#### Why is it necessary?

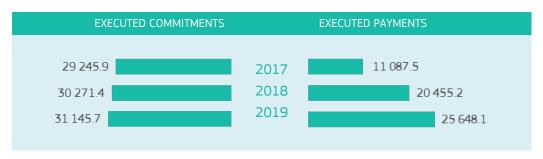
The cohesion policy mobilises different forms of governance at the EU, national and regional levels. The main advantages of the cohesion policy compared to the resources being spent solely by Member States are as follows.

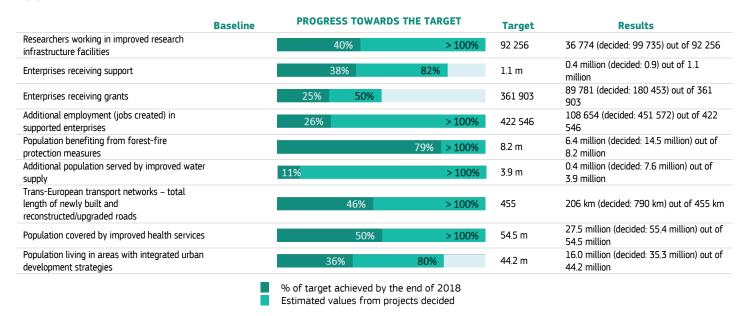
- Aligning investment with EU priorities results in coordinated action across the EU. One of the cohesion policy's key strengths is the potential to address multiple themes in an integrated way in each specific geographic context.
- Contributing to economic governance through the link to country-specific recommendations within the framework of the European semester. Moreover, empirical evidence suggests that the ex ante conditionalities have so far played a significant role both in improving the application of EU legislation in the Member States and in fostering structural reforms.
- Multiannual programming provides stability, certainty and sustainability to investment plans in the Member States, reducing their vulnerability across economic and political cycles and improving their prospects for implementation on the ground.

- The place-based approach identifies needs that are specific to each territory and defines multithematic investment strategies and better conditions for the sound implementation of those investments. In this way European Union citizens can experience the positive effects of EU policy in a very direct way.
- Interregional cooperation and the exchange of experience makes it possible to follow goodpractice examples and broader macroregional territorial strategies, such as the Baltic, Danube, Adriatic and Ionian, or Alpine strategies.
- Concentrating resources on less-developed and transitional regions enhances the potential for jobs and growth and contributes to the more harmonious development of the EU as a whole.
- Effective pooling of resources from different sources. This includes different EU and national sources and provides clear added value compared to purely national resources.

### Outlook for the 2021-2027 period?

The Commission proposed a continuation of the programme for the next multiannual financial framework.





## Where are we in the implementation?

- Full implementation is expected by the end of the programme cycle.
- 365 000 projects have been selected, with EUR 248 billion allocated to specific projects by the end of 2019 an increase of EUR 42 billion from the end of 2018.
- 90% of the programme's financial envelope had been allocated to projects by the end of 2019 an increase since the end of 2018.
- Most Member States are around the EU average in relation to allocation and spending rates. There is, however, some variation, with reported progress in Spain
  and Slovakia lagging behind, while Bulgaria, Cyprus, the Netherlands, Portugal and Finland are above average.
- The past 3 years of implementation have been fundamental in putting the programmes well on track to deliver sustainable social and economic benefits.
- The financial execution rate (pre-financing and interim payments minus recoveries) stood at 35% at the end of 2019, which is lower than expected. Compared to the 2007-2013 programming period, the share of interim payments for 2014-2020 at the end of the sixth year of implementation of the Cohesion Fund and the ERDF is 6.6 percentage points behind.
- Financial execution rates appear lower due to the long start-up phase for cohesion policy programmes. Commitments that were allocated to specific projects but not yet paid out are automatically decommitted after only 3 years (the *n* + 3 rule), which has resulted in limited incentives for fast start-up in Member States.
- In line with the sharp increase in project selection rates over the last 3 years, the implemented projects are expected to generate significant EU payments in the years to come. Since the development of projects under the programme extends beyond the 2014-2020 multiannual financial framework, most projects will not be finished by the end of 2020, entailing a continued increase in payments.

#### **Performance assessment**

- The ERDF and other cohesion policy programmes follow a performance framework that extends beyond the 2014-2020 multiannual financial framework. Targets are set for 2023 in line with the programme's long timeline for implementation and the fact that Member States have 3 years to use commitments under the n + 3 rule. In many cases project implementation lasts several years, and as a consequence the bulk of tangible achievements traditionally take place only in the second half of the programming cycle.
- As they share a set of key performance indicators, the performance framework for the ERDF also serves as the performance framework for the Cohesion Fund, with the ERDF covering more areas due to its wider scope.
- A performance review in 2019 examined the programme's performance until the end of 2018. Operational programmes the ERDF's adaptation for individual Member States and intervention areas were analysed during this performance review. The results showed that midterm milestones were achieved for 75% of the priorities of the Member States' operational programmes, and that the ERDF will likely reach or even exceed most of its 2023 targets. Consequently, the performance reserve, amounting to 6% of the ERDF allocation set aside at the programming stage, was allocated to the priorities that met their performance milestones (EUR 8.6 billion from the ERDF). The performance reserve from non-performing priorities (EUR 2.7 billion from the ERDF) is reallocated to performing priorities in order to optimise investments.
- The mid-2019 performance indicators show promising recent results and an ongoing positive in for many investment areas.
  - The research area has shown a remarkable improvement in relation to both creating a supportive environment for researchers and institutional support. Challenges still remain as the indicator results appear low, but the strong positive trend is likely to continue.
  - o In a similar vein, support for small and medium-sized enterprises has shown a strong positive trend in the indicator results. This area too remains below the 50% target mark for most indicators, and will therefore have to continue the current positive trend to reach its 2023 target.
  - Environmental, climate and disaster protection, particularly the subarea of disaster protection, has so far shown a low result rate for its indicators, but the trends are consistently positive and getting stronger, particularly in the field of disaster protection, indicating that a noticeable increase can be expected soon. The underperformance in the area of resource efficiency can be attributed to the complex nature and extended timeline of related infrastructure projects, and result values are likely to increase as projects are completed.
  - Results relating to transport infrastructure have shown considerable improvement over the last 2 years. Based on past experience it can be expected
    that this field will even surpass its 2023 targets.
  - Social cohesion shows a similar picture to the results in other areas, with a strong upwards trend while current results still appear low.

- The overall performance of the programme can be considered satisfactory. While most indicators show results that are below 50% of the 2023 target value, the consistently positive trends for virtually all objectives allow us to state that the ERDF is well on track to achieve its targets.
- Estimated values for projects that have already been decided, as shown for the respective indicators, provide further insight into the programme's performance. Most indicators report that they are already at full capacity in relation to the number of projects they have planned. The current values show that the uptick in actual results is likely to continue, as many of the ERDF's intervention areas are already in the process of implementing projects to their full capacity. This will likely translate into satisfactory results and therefore satisfactory programme performance by the conclusion of the majority of these projects. It also illustrates the time lag that currently presents a somewhat skewed image of the performance of the ERDF and other cohesion programmes.
- Where indicators show poor results, this can often be attributed to the slow start-up of the programme and the time lag between project investment decisions and results. Due to the high project-selection rate, results are likely to show an increasingly positive trend late in the programme's period, meaning that the trends already observed will become clearer.
- Challenges remain in relation to the level of project selection and the reported achievements. They have not increased to the expected degree in some investment areas such as certain rail investments, users of smart energy grids, greenhouse gas emission reductions, waste recycling capacity and rehabilitation of land possibly dampening the increase in positive results. At the current midway point of the programme's implementation, the long-term effects can possibly still be alleviated.
- Through Member States' annual reporting and the Commission's checks on the consistency and plausibility of the values reported, it will be possible to develop
  a clearer picture of performance. Deviations from targets are being closely scrutinised and followed-up on in cooperation with the Member States affected by
  implementation difficulties.
- The second ex post evaluation of the long-term contribution of large-scale ERDF projects that were completed between 2000 and 2013 confirmed the importance of these projects and the support they received from the EU. Transport projects have made a significant contribution to improving connectivity at both the EU and the national level, and have encouraged sustainable transport. Environmental infrastructure projects have made a major contribution to compliance with the EU acquis and broader EU sustainable development strategies. Without critical EU funding neither objective would have been reached, or both would have been significantly delayed.
- To date, more than 700 evaluations have been completed by Member States. The preliminary findings confirm the positive impact of the 2014-2020 interventions under the ERDF.
- The above indicators only provide a snapshot of the programme. For more in-depth information, see the reports on cohesion policy programme results on the Open Data Platform (https://cohesiondata.ec.europa.eu).

108 650	27.5 million	2 600 km	414 000	2.8 million	240 million kWh
jobs have been created through ERDF projects.	people are able to benefit from improved health services.	of roads have been reconstructed or upgraded.	enterprises have been supported, and EUR 9 billion in private investment support has been leveraged.	hectares of natural habitat has been given support to attain better conservation status.	less energy per year is now consumed by public buildings.

Regulation (EU) No 1300/2013 of the European Parliament and of the Council and repealing Council Regulation (EC) No 1084/2006

#### **MORE INFORMATION**

https://europa.eu/!cd97rm

#### FINANCIAL PROGRAMMING

(million EUR)

2014	7 092.4
2015	11 390.2
2016	11 108.6
2017	10 649.1
2018	11 049.0
2019	11 454.1
2020	11 844.2
Total	74 587.6

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Studies and evaluations of EU cohesion policy can be consulted at http://europa.eu/!uG97Fw

## How is it implemented?

The Directorate-General for Regional and Urban Policy is the lead DG for the implementation of this shared management programme. The fund is delivered via 20 multi-thematic national and regional programmes in 15 beneficiary Member States.

## **COHESION FUND**

#### What is the Cohesion Fund?

The Cohesion Fund is aimed at the 15 beneficiary Member States whose gross national income per inhabitant is less than 90% of the EU average. It aims to reduce economic and social disparities and to promote sustainable development. Together with the European Regional Development Fund and European Social Fund, it is one of the three cohesion policy funds for the 2014-2020 period.

## **6**

## **Specific objectives**

- Supporting the shift towards a low-carbon economy in all sectors.
- Promoting climate change adaptation, risk prevention and management.
- Preserving and protecting the environment and promoting resource efficiency.
- Promoting sustainable transport and removing bottlenecks in key network infrastructures.

### Why is it necessary?

Cohesion policy mobilises different governance levels at EU, national and regional levels. Its main advantages as compared to resources being spent solely by Member States are as follows.

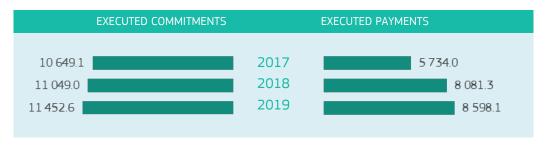
**Aligning investment with EU priorities.** Once EU priorities have been agreed by all Member States, the Cohesion Fund can ensure that resources are aligned with such priorities and are not spread across too many issues that have only local or regional importance. A large share of cohesion policy funds are invested to encourage a shift towards a more sustainable mode of development in EU regions where they bring clear European added value.

**Contributing to economic governance.** Specific provisions establish a close relationship between the European Structural and Investment Funds and sound economic governance. Cohesion policy gives incentives through in-built mechanisms to stimulate fiscal and macroeconomic governance. It provides concrete support for structural reforms through its link to country-specific recommendations in the framework of the European Semester.

**Providing stability for investment.** Multiannual programming provides stability, certainty and sustainability to investment plans in Member States, reducing their vulnerability across economic and political cycles and improving prospects for implementation on the ground. The multiannual nature of cohesion policy enhances managerial and institutional capacity, inducing institutional and administrative change, promoting long-term planning, mobilising a wide range of partners, diffusing a culture of evaluation and monitoring of public policies, and reinforcing control and audit capacities. This strengthened administrative capacity also positively influences the management of domestic policies and improves general governance in Member States.

#### Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.



	Baseline	PROGRESS	TOWARDS T	HE TARGET	Target	Results
Additional capacity of renewable energy production	4	9%		83%	1 236	110 (Decided: 1 026) out of 1 236 additional MW
Households with an improved energy consumption classification		.3%	45%		79 300	9 938 (Decided: 36 015) out of 79 300 households
Population benefiting from forest fire protection measures			53%	91%	8.3 m	4.4 (Decided: 7.6) out of 8.3 million people
Additional waste-recycling capacity		25%		79%	2.9 m	0.7 (Decided: 2.3) out of 2.9 million of additional tonnes/year
Additional population served by an improved water supply	4	9%		97%	8.2 m	0.7 (Decided: 7.9) out of 8.2 million people
Additional population served by improved wastewater treatment		3%		> 100%	9.4 m	0.3 (Decided: 14.5) out of 9.4 million people
TEN-T - total length of new and reconstructed railway line		22%		83%	2 363	526 (Decided: 1 941) out of 2 363 km
TEN-T - total length of newly built and reconstructed/upgraded roads			52%	> 100%	2 255	1 182 (Decided: 2 807) out of 2 255 km
Total length of new or improved tram and metro lines		28%		> 100%	189	53 (Decided: 312) out of 189 km
metro lines	0/	6 of target ac	hieved by the ues from proje	end of 2018	100	55 (Seciala, 512) Out of 105 P

#### Where are we in the implementation?

- A total of 15 850 projects have been selected, with EUR 77 billion allocated to specific projects at the end of 2019. This is an increase of EUR 12 billion since 2018. The 15 beneficiary Member States all show high rates, of above 85%, for allocating the programme's envelope to specific projects.
- Allocation of funds to projects has increased significantly since the end of 2018. The rate at the end of 2019 was close to 100%.
- A range of spending progress has been reported, with Bulgaria, Greece, Croatia and Romania below the average, while Estonia and Lithuania are well above it.
- Financial execution rates appear lower due to the long start-up phase for cohesion policy programmes. Commitments that were allocated to specific projects but not paid out after 3 years are automatically decommitted, which has resulted in limited incentives for a fast start-up in Member States.
- The financial execution rate (pre-financing and interim payments minus recoveries) stood at 39% at the end of 2019, which is lower than expected. Compared to the 2007-2013 programming period, the share of interim payments for 2014-2020 at the end of the 6th year of implementation is still lagging behind by 6.6 percentage points.

#### **Performance assessment**

- The structure and performance framework of the Cohesion Fund is shared with the European Regional Development Fund. In this context, the Cohesion Fund is a more targeted instrument focused on infrastructure and the environment with a more limited number of beneficiary countries. Due to their close relationship and shared performance framework, the performance of both funds is however invariably linked and it is impossible to assess them separately.
- The Cohesion Fund and other cohesion policy programmes follow a performance framework that goes beyond the 2014-2020 multiannual financial framework. Targets are set for 2023 due to the programme's long implementation timeline deriving from the fact that Member States have 3 years to use commitments under the n+3 rule. Project implementation often stretches over multiple years before completion and as such there is a time lag between the attainment of results and the payments made.
- A performance review in 2019 examined the programme's performance until the end of 2018. The results showed that mid-term milestones were achieved for 86% of the operational programmes' priorities and that the Cohesion Fund will probably largely reach or even exceed most of its 2023 targets. Consequently, the performance reserve, amounting to 6% of the Cohesion Fund allocation set-aside at programming, was allocated to the priorities that met their performance milestones (EUR 3.6 billion Cohesion Fund contribution). The performance reserve from non-performing priorities (EUR 190 million Cohesion Fund contribution) is reallocated to performing ones in order to optimise investments.
- In the area of environmental and climate protection, the Cohesion Fund has so far shown relatively few results. The main challenges in this area are the complex nature of infrastructure projects and the accompanying delay in results produced. Nevertheless, results have shown a positive trend recently, particularly in the area of fire and flood protection. Progress is speeding up and the trend is likely to continue, leading to improved results in the future.
- Sustainable transport and infrastructure have shown considerable improvements in results. While currently still appearing to produce low results, experience suggests that the objective may even overachieve on its 2023 targets.
- The programme's performance is on a good track overall. A wave of programme modifications in 2020 is expected to produce a general increase in many of the target values. Higher target values will provide a clearer picture of the updated expectations for performance.
- The indicators used for the Cohesion Fund performance framework only provide a snapshot of the programme. For more in-depth information, cohesion policy programmes report on their results through the Open Data Platform at https://cohesiondata.ec.europa.eu/

140 000	700 000	300 000	700 000	10 000	526 km
fewer tonnes of carbon dioxide emissions are produced annually.	more people have an improved water supply.	more people get better wastewater treatment.	tonnes more waste recycling capacity is available per year.	households have an improved energy consumption classification.	of TEN-T railway line have been reconstructed or upgraded.

Regulation (EU) No 223/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!gr99HB

### FINANCIAL PROGRAMMING

(million EUR)

2014	513.0
2015	523.2
2016	533.7
2017	544.4
2018	555.3
2019	566.4
2020	577.7
Total	3 813.7

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The midterm evaluation of the Fund for European Aid to the Most Deprived was completed in 2019.

For further information please consult: https://europa.eu/!kC98nP

#### How is it implemented?

The Directorate-General for Employment, Social Affairs and Inclusion is the lead DG for the implementation of this shared management programme.

## **FEAD**

#### FUND FOR EUROPEAN AID TO THE MOST DEPRIVED

#### What is FEAD?

The Fund for European Aid to the Most Deprived (FEAD) supports EU Member States' actions to provide assistance to the most deprived. This includes food, clothing and other essential items for personal use, such as shoes, soap and shampoo. Material assistance needs to go hand in hand with social inclusion measures, such as guidance and support to help people out of poverty. National authorities may also support stand-alone social inclusion measures that help the most deprived people integrate better into society.



## **Specific objective**

 To alleviate the worst forms of poverty in the EU by providing non-financial assistance to the most deprived people.

#### Why is it necessary?

The Europe 2020 strategy for smart, sustainable and inclusive growth is encompasses a balanced vision of economic growth and social progress based on ambitious targets for employment, education and for poverty reduction. Poverty and social exclusion are major obstacles to the achievement of the Europe 2020 objectives.

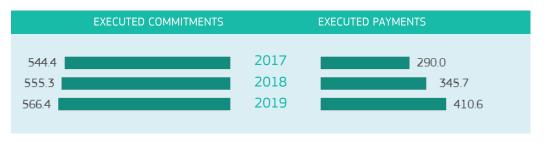
FEAD complements existing cohesion policy instruments, in particular the European Social Fund, by providing assistance to those who are too far from the labour market to benefit from the activation measures of the European Social Fund.

By addressing basic needs, the instrument helps moderate the effects of poverty and social exclusion for people who find themselves in situations of severe deprivation. By enabling the most deprived members of society to maintain their dignity and human capital, the fund contributes to strengthening social capital and social cohesion within their communities.

The results of the midterm evaluation of FEAD show that there are clear effects in a number of Member States where the fund fills a gap in national coverage. In several Member States, FEAD is the only source of publicly financed food aid. Even in Member States with established channels for food aid, FEAD is an additional source of funding and can bring additional products, cover new target groups and activities and increase territorial coverage. Moreover, there is evidence of process effects in improved partnerships between NGOs and central administrations in the delivery of food and material aid. The additional volume of food to be distributed also means that partner organisations have expanded their capacity and increased their range of skills to include accompanying measures.

#### Outlook for the 2021-2027 period

The Commission proposed to include this programme within the new European Social Fund+ programme for the next multiannual financial framework.



Baselin	e	PROGRESS TOWARDS THE TARGET	Target	Results
Persons receiving assistance from the FEAD $(^1)$		100%	12.7 m	12.7 million out of 12.7 million
		% of target achieved by the end of 2018		

<sup>(1)</sup> Average of results for 2014-2018.

#### Where are we in the implementation?

- In 2018 FEAD addressed food deprivation, child poverty and homelessness, delivering assistance in 26 Member States by means of meals, food packages or basic consumer items. Food assistance is estimated to have reached 12.6 million people, while basic material assistance is estimated to have reached 1 million people. Given that in several Member States the same end recipients receive both food and goods, this is taken into account to ensure prudent reporting. The monetary value of basic material support distributed reached EUR 13 million in 2018, and exceeded EUR 32 million over the whole period.
- Basic material assistance is complemented by accompanying measures promoting the social inclusion of end recipients, for example referring them to
  appropriate services. Furthermore, four Member States pursued the provision of dedicated social inclusion support to specific target groups such as homeless
  people or marginalised communities.
- The overall profile of target groups remains stable. In 2018 about 50% of the end recipients were women; 29% were children aged 15 or below; about 10% were migrants, participants with a foreign background or minorities; and 7% were homeless people.
- The total eligible public expenditure committed to support FEAD operations reached EUR 762 million in 2018. At the end of that year the cumulative committed expenditure stood at nearly EUR 2.7 billion. The payments made to beneficiaries (EU and national co-financing) in 2018 also increased significantly compared to previous years, reaching EUR 497.9 million. Overall, payments made to beneficiaries up to 2018 amounted to EUR 1.8 billion. From 2014 until the end of 2019 the Commission made interim payments of EUR 1.5 billion to the Member States from the FEAD envelope.

#### **Performance assessment**

- FEAD's annual outreach of around 13 million persons is substantial, given the relatively limited size of its budget. It is on track to achieve its objectives; however, given its limited size, FEAD cannot directly lift the most deprived out of poverty, therefore its contribution to its objectives cannot be measured precisely.
- Obstacles to implementation, such as capacity issues on the part of partner organisations or logistical challenges, were tackled, for example, through the flexibility of the fund's design and strong cooperation between managing authorities and partner organisations. Furthermore, FEAD has introduced amendments, for example adding and modifying operations, modifying eligibility criteria for the most deprived and shifting financial resources within the operational programme in order to extend its outreach and ensure that the interventions better target the needs of the most deprived.
- The regulatory proposals for the European Social Fund+ and the common provisions regulation address most of the European Court of Auditors' special report recommendations for the next programming period, notably comprising targeting, and safeguarding social inclusion measures for recipients of basic material assistance.

12.7 million	12.6 million	1 million	1.6 million tonnes	38 000
people are supported on average every year.	people are estimated to have received food assistance in 2018.	people are estimated to have received basic material assistance in 2018.	of food was distributed between 2014 and 2018.	people were reached through social inclusion support aiming at specific target groups, such as homeless or marginalised communities, in 2018.

Regulation (EU) No 1306/2013 of the European Parliament and of the Council, Regulation (EU) No 1307/2013 of the European Parliament and of the Council, Regulation (EU) No 1308/2013 of the European Parliament and of the Council and Council Regulation (EU) No 1370/2013.

# MORE INFORMATION http://europa.eu/!wm64UF

#### FINANCIAL PROGRAMMING

(million EUR)

2014	43 778.1
2015	43 454.9
2016	42 219.1
2017	42 610.7
2018	43 233.6
2019	43 192.4
2020	43 410.1
Total	301 898.8

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

A complete overview of the evaluations related to the EAGF can be found at: http://europa.eu/!Xq94Py

#### How is it implemented?

The Directorate-General for Agriculture and Rural Development is the lead DG for the implementation of the programme through shared management with the Member States.

## **EAGF**

#### EUROPEAN AGRICULTURAL GUARANTEE FUND

#### What is the EAGF?

The European Agricultural Guarantee Fund (EAGF) provides basic protection for farm income against the particular shocks (e.g. price- and weather-related shocks) to which agriculture is exposed. Cross-compliance links direct payments to standards concerning the environment, food safety, animal and plant health and animal welfare throughout the EU, while the 'greening' layer of payments rewards farmers for additional environmental care, such as crop diversity, permanent grassland and ecologically beneficial zones or landscape features. Finally, the common market organisation provides a framework of rules on issues such as market-support measures, product standards and labelling.



## General and specific objectives

- To promote balanced territorial development, viable food production and sustainable management of natural resources and climate action.
- . To improve the competitiveness of the agricultural sector and enhance its value share in the food chain.
- To foster market stability, to better reflect consumer expectations and to sustain the stability of farmers' income by providing direct income support.
- To promote more market-oriented agriculture by ensuring a significant level of decoupled income support.
- To contribute to the enhancement of the environmental performance of the common agricultural policy (CAP).
- To promote local agricultural production and to ensure a fair level of prices for commodities for direct consumption and for processing by local industries in the outermost regions of the EU and in the Aegean islands
- To provide the Commission with reasonable assurances that Member States have put in place management and control systems in conformity with EU rules.
- To inform and increase awareness of the CAP by maintaining an effective and regular dialogue with stakeholders, civil society and specific target audiences.
- To facilitate decision-making on strategic choices for the CAP and to support other activities of the DG by means of economic and policy analyses and studies.

#### Why is it necessary?

The EAGF responds more effectively and efficiently to cross-border challenges – such as underpinning food security, mitigating and adapting to climate change, caring for natural resources such as soil and water, restoring biodiversity and strengthening economic and social cohesion. It preserves a level playing field in the single market and enables a stronger common position in trade negotiations.

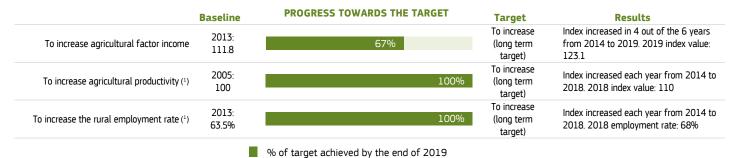
The EAGF supports balanced territorial development and encourages smart, sustainable and inclusive growth: analysis shows that less or no EAGF support would result in a higher concentration of agricultural production, i.e. small farmers and farmers in less-profitable areas would go out of business and larger farms would become even bigger and more intensive. This would have a negative effect on jobs in rural areas (especially in those where job creation is difficult) and on the environment and the climate due to intensification.

## Outlook for the 2021-2027 period

The Commission's proposals on the CAP for the post-2020 period aim to make it more responsive to current and future challenges such as climate change (for which the European Green Deal sets the level of ambition) or generational renewal, while continuing to support farmers in the EU for a sustainable and competitive agricultural sector.

To ensure the continuity of support for CAP beneficiaries in 2021 in view of delays in the negotiations on the CAP reform, on 31 October 2019 the Commission proposed a transitional regulation, in accordance with which the EAGF measures would continue in 2021 under the rules for the 2014-2020 period, though with financial envelopes and ceilings adjusted to the new multiannual financial framework for 2021 as proposed by the Commission.





(1) Latest results from 2018.

#### Where are we in the implementation?

- **Legislative developments.** As from the 2019 financial year, amendments to the rules applicable to certain EAGF schemes came into force under the provisions of the omnibus regulation. The amendments serve to improve the functioning of the direct payment schemes concerned and to simplify their implementation in the broader sense, including in relation to flexibility and subsidiarity. Examples include the provisions on active farmers under direct payments and with regard to voluntary coupled support, along with changes relating to permanent grassland and greening. Furthermore, improvements were made to provisions on fruit and vegetables, wine, producer cooperation and competition under the common market organisation.
- **Direct payments.** In general, the implementation of direct payments is on track. The rebalancing of the distribution of payments between and within Member States is continuing. Data confirm that the average direct payments per hectare are converging at both Member State and farmer levels. The various schemes allowing further targeting of the needs of certain categories of beneficiaries, in particular young farmers and certain specific sectors or regions with structural issues, are fully in place. Where necessary, Member States have revised their decisions within the limits of the flexibility given by the new system in order to adjust the implementation methods, building on the experience gained. The 'greening' layer of direct payments accounts for 30% of Member States' annual direct payment ceilings and covers annual obligations that benefit the environment and climate, such as crop diversification, maintenance of permanent grassland and the dedication of 5% of arable land to ecologically beneficial areas.
- Market-related expenditure. The implementation of the EAGF's market-related schemes is on track, with a positive evolution of the execution over the years and no significant implementation difficulties. After several years in which additional market-support measures in the fruit and vegetables and livestock sectors were needed to rebalance those sectors, as of 2018 substantial market stabilisation was observed, which allowed the exceptional measures in the fruit and vegetables sector to be withdrawn and 380 000 tonnes of public-intervention stocks of skimmed milk powder to be sold. Total export values saw an increase in 2019 compared to 2018 (+ EUR 7.7 billion of agri-food exports): for example, EU wine exports now bring a net contribution of EUR 9.8 billion to the EU's trade surplus. Exceptional support measures were adopted in 2019 to compensate farmers in Italy for health and veterinary restrictions addressing avian influenza and in Ireland for those affected by beef market uncertainty and an unprecedented and sustained period of low prices.

#### **Performance assessment**

- In order to promote viable food production, one of the main objectives of the CAP is to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of farmers and agricultural employees. Agricultural factor income per full-time worker is increasing compared to 2013 levels, as is the total factor productivity in the agricultural sector. Direct payments have allowed farmers to cope better with the negative effects on income caused by decreasing agricultural prices, and market measures have helped to limit the domestic price volatility of most agricultural products. However, important challenges need to be addressed in the coming years: farmers' income is still lagging behind salaries in the economy as a whole, and remains dependent on direct support; in 2018, 40% of the agricultural entrepreneurial income of the EU's farming community depended on direct income support. Furthermore, a substantial part of the sector continues to face low profitability, due, among other reasons, to the EU's high production standards, high production costs and the fragmented structure of the primary sector. Despite direct CAP support, a large proportion of farm labour does not reach the benchmark of average national labour productivity. In that context, among other objectives, the proposals for the post-2020 CAP aim to support viable farm income and resilience across the EU to enhance food security; to enhance market orientation and increase competitiveness, including through a greater focus on research, technology and digitalisation; and to improve farmers' position in the value chain.
- Another objective of the CAP is to promote the sustainable management of natural resources and climate action. Almost all farmers that benefit from CAP support at the EU level systematically implement cross-compliance and greening measures. These practices are considered to be effective in maintaining minimum practices that are beneficial for soil, water and biodiversity. The CAP has raised Member States' ambitions to address biodiversity objectives, along with the level of funding. However, Member States have not made sufficient use of the available CAP instruments and measures to protect semi-natural features or landscape features. Although the CAP has a strategic objective in respect of climate action, it lacks specific targets. Substantial challenges remain in relation to improving the environmental performance of the EU's agricultural sector. The EU has committed itself to further deep cuts in greenhouse gas emissions; the key natural resources of soil, air and water are still under pressure in many areas; and the available indicators on farm and forest biodiversity still do not meet expectations. EU citizens expect the CAP to make a stronger contribution to caring for the environment and the climate. Furthermore, there is a need to improve the effectiveness and targeting of the policy.
- Taking these challenges into account, the future CAP has an explicit commitment to 'aim higher' with regard to the environment and the climate. At the same
  time, taking into account the need for further simplification, the current 'greening measures' are proposed to be replaced by a new green architecture based on
  the following three objectives: contribute to climate-change mitigation and adaptation, along with sustainable energy; foster sustainable development and the
  efficient management of natural resources such as water, soil and air; and contribute to the protection of biodiversity, enhance ecosystem services and
  preserve habitats and landscapes.
- The new green architecture will be based on a balance between mandatory rules and voluntary schemes. Current greening requirements will be merged with
  other standards into a new enhanced conditionality in view of achieving simplification. Of particular interest in this respect are Eco-schemes, a novel element
  of the proposal creating a new stream of funding under the first pillar to guide the necessary transformation towards more sustainable agricultural practices.
- The ambition of the future CAP in this regard will be set out by the European Green Deal, and especially the farm-to-fork strategy and the biodiversity strategy, which aim to make the EU's food system more sustainable by, among other methods, reducing the risk and use of pesticides, fertilisers and antibiotics as well as increasing the area under organic farming.

• The CAP also aims to promote balanced territorial development. The employment rate in rural areas has increased, and the gap in relation to urban areas has been closed. The CAP's measures on generational renewal are having a positive impact on attracting and keeping young farmers in rural areas and improving employment, despite the difficulty of isolating the effects of individual CAP measures addressing generational renewal and the strong influence of external factors. However, these measures are often insufficient on their own to address two main barriers to generational renewal – access to land and capital – which depend mostly on national legal, social and fiscal policies. While many rural areas remain vibrant and continue to thrive, the impact of ageing and depopulation is negatively affecting some rural areas, notably those facing socioeconomic decline. The long-term vision for rural areas will explore their challenges and opportunities.

6.2 million	154.1 million	79%	380 000 tonnes	20 million
farmers benefited from direct payments in the 2019 financial year.	hectares of total determined area had direct-payment entitlements in the 2019 financial year. This covered some 86% of the EU's utilised agriculture area.	of the EU's total agricultural area was subject to at least one 'greening' obligation as of 2018, increasing the environmental impact.	of public-intervention stocks of skimmed milk powder was sold by 2019, reflecting the improved situation in the dairy market.	school children were reached through the EU's school fruit, vegetables and milk scheme in the 2017/2018 school year.

Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1310/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!uF64XX

#### FINANCIAL PROGRAMMING

(million EUR)

2014	5 285.0
2015	18 169.8
2016	18 676.3
2017	14 364.0
2018	14 380.3
2019	14 727.3
2020	14 708.7
Total	100 311.3

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

Commitments

A complete overview of the evaluations related to rural development can be found at: http://europa.eu/!un63Mr

#### How is it implemented?

DG Agriculture and Rural Development is the lead DG for the implementation of the programme through shared management with Member States.

### **EAFRD**

#### EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT

#### What is the EAFRD?

The European Agricultural Fund for Rural Development (EAFRD) finances the EU's contribution to rural development programmes. The rural development programmes contribute to smart, sustainable and inclusive growth in the EU by supporting farms, food and forestry operators and other entities operating in rural areas such as non-agricultural businesses, non-governmental organisations and local authorities. They enhance the economic viability and sustainability of farms and rural businesses by fostering knowledge transfer and innovation, investing in green technologies, skills and training and promoting entrepreneurship and networking. The rural development programmes also help farmers develop their businesses in a sustainable manner by supporting the preservation of natural resources, promoting environmentally sustainable land management, enhancing ecosystems and maintaining landscapes that are attractive for tourism.

The EAFRD is also an important tool to mitigate climate change and support the shift towards a low-carbon, climate-resilient economy, as it helps farmers and rural businesses reduce greenhouse gas and ammonia emissions and adapt to climate change consequences. It also supports farmers in managing renewable resources and waste, thus making a direct contribution to the energy union.

The EAFRD contributes to job creation and income diversification and provides the potential to integrate migrants. It also makes an important contribution to the digital single market by supporting broadband infrastructure and various information and communications technology solutions in rural areas. This has a positive effect on the quality of life of EU citizens. Moreover, support for interactive innovation projects under the European innovation partnership for agriculture encourages innovation and entrepreneurship, promotes inclusiveness and increases the impact of EU-funded research on the economy.



#### **Specific objectives**

- Fostering knowledge transfer and innovation in agriculture, forestry and rural areas.
- Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests.
- Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture.
- Restoring, preserving and enhancing ecosystems related to agriculture and forestry.
- Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in agriculture, food and forestry sectors.
- Promoting social inclusion, poverty reduction and economic development in rural areas.

#### Why is it necessary?

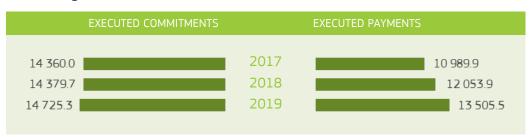
Financed by the EAFRD, rural development programmes make a vital contribution to the economic, social and environmental performance of the EU in rural areas. Rural development programmes take into account national and regional specificities and ensure a consistent, coherent and results-oriented approach to a number of cross-border issues.

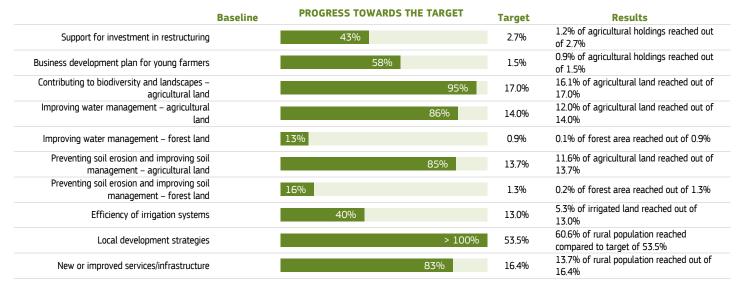
The EAFRD performance and results are enhanced by the European Network for Rural Development which allows for the exchange of experience and best practices between national and regional authorities.

### Outlook for the 2021-2027 period

The Commission's proposals for the common agricultural policy for the post-2020 period aim to make it more responsive to current and future challenges such as climate change or generational renewal, while continuing to support European farmers for a sustainable and competitive agricultural sector.

To ensure continuity in support for common agricultural policy beneficiaries in 2021 in view of delays in the CAP reform, the Commission presented on 31 October 2019 a draft transitional regulation which, among other goals, aims at allowing an extension of the rural development programmes to 2021.





% of target achieved by the end of 2018

#### Where are we in the implementation?

- The implementation of the 2014-2020 rural development programmes remains at cruising speed, with a steady acceleration in spending levels compared to the first years of implementation. In 2019, reinforcements of payment appropriations for the EAFRD of in total EUR 366 million in the global and end-of-year transfers underlined the good and steady implementation. This has allowed the initial delays linked to the relatively late start of the 2014-2020 rural development programmes to be caught up. By the end of 2019, total EAFRD payments from the EU budget to Member States amounted to EUR 50.4 billion (including pre-financing and interim payments), which is 50% of the total commitments for the period 2014-2020. The execution rate at the end of 2019 shows a slightly slower pace of implementation compared to the one reached at the equivalent point in time of the previous programming period (55%), but stands above the average implementation rate of other European Structural and Investment Funds in terms of payments declared.
- The following factors should be taken into account in the assessment of the implementation rate.
  - o The overall level of commitments at the EU level reached 85% at the end of 2019, but 4 more years of implementation remain.
  - o Part of the expenditure is carried out during the last years of implementation. This is mainly due to long-term investment projects, such as for broadband development and local development strategies. Moreover, some measures are new and have a longer project lifetime, for instance cooperation projects and the new European innovation partnership for agricultural productivity and sustainability.
  - Area-related payments, generally associated with agri-environmental-climate commitments, follow a more regular (annual) path, which explains their faster implementation.
- The EAFRD basic act was modified in 2017 through the 'omnibus regulation', which entered into force in 2018. The legislative changes were designed to, among other goals, improve risk management tools for farmers, reduce the administrative burden for beneficiaries and simplify conditions for financial instruments. Simplified cost options are being increasingly used by Member States and regions in order to improve the efficiency and effectiveness of EAFRD support and to reduce the administrative burden.
- The performance review carried out in 2019 showed that 64% of the rural development programmes had achieved all their milestones by the end of 2018 (71 programmes out of 111). Fourteen programmes have experienced serious failure in achieving at least one milestone, typically related to long-term investments, which has led to corrective action by the Member States concerned. Following the performance review, EUR 5.2 billion of the performance reserve was allocated to the priorities whose projects achieved the milestones. Some EUR 306 million (or 6% of the total performance reserve amounts) has been reallocated from unsuccessful to successful priorities through programme modifications. Overall, the outcome of the performance review carried out in 2019 is considered satisfactory, including when compared with the other European Structural and Investment Funds.

#### **Performance assessment**

- The results and outputs achieved by the end of 2018 (the latest figures available) were in line with what is expected at that stage, with good progress compared to 2017. With programme implementation at cruising speed, the situation is likely to further improve, especially regarding operations linked to the creation of jobs, for which 14% of the target planned for 2023 had been achieved by the end of 2018. However, in the context of the COVID-19 crisis, the target for 2023 is unlikely to be reached.
- Overall, the implementation of area-related and animal-related support in the 2014-2020 period (e.g. related to environmental commitments and animal welfare) is well advanced. In this context, rules concerning the deadlines of payments to the beneficiaries were introduced as from the calendar year 2019. This is also expected to further facilitate the implementation of those commitments. Some delays are still observed in relation to measures that can take several years to be completed (e.g. long-term investments such as broadband or other infrastructures) or that are conditional on the implementation of a business plan, which can take up to 5 years to be 'completed' (e.g. business start-up). Significant progress in the implementation of those measures was made in 2018 and is expected to increase further.
- On climate and environmental actions in agriculture, good progress has been made in relation to the number of hectares of agricultural or forest land covered by management contracts contributing to carbon sequestration or conservation (89% of the 2023 target reached by the end of 2018). The same applies to the number of hectares under land-management contracts targeting reduction of greenhouse gas or ammonia emissions (80% of the 2023 target reached by the end of 2018) and the number of livestock units concerned by investments in livestock management with a view to reducing greenhouse gas or ammonia emissions (60% of the 2023 target reached by the end of 2018). In general, indicators relating to area-based or animal-based management commitments are closer to the targets than those relating to investment support, where uptake in general is, for the time being, lower than planned due to the different natures of the respective interventions (annual payments versus investment projects that take some time to complete).
- The uptake and achievement of results related to transferring knowledge and fostering innovation in rural areas is not yet fully in place. Part of this can be

explained by the fact that cooperation and European innovation partnership for agricultural productivity and sustainability projects require substantial preparatory work in the setting up phase, including in the search for project partners, which leads to longer project lifetimes. Knowledge and innovation developed through these projects are shared through national innovation and rural networks and the European innovation partnership for agricultural productivity and sustainability network.

- The level of achievement of the targets related to improving farm viability and competitiveness is relatively good, considering that implementation for investment operations normally takes several years. In general, investment support increases the economic performance and market participation of the supported farms. Investments may also entail environmental benefits. Support for the entrance of appropriately skilled farmers, including young farmers, can have positive effects on farm viability, especially in relation to farm productivity and competitiveness.
- The legislative proposal for the common agricultural policy strategic plans takes into account the main lessons learned so far from the current rural development programming period by, among other measures, reducing the level of prescription of the interventions and improving the synergies with the other instruments of the common agricultural policy (i.e. direct payments and sectoral programmes). The new common agricultural policy strategic plans will have to focus specifically on attracting young farmers and will also promote employment, growth, social inclusion and local development in rural areas. The rural development support will also provide a decisive input into the new call for enhanced environmental and climate actions linked to the green deal initiative. The future common agricultural policy plans will include the following types of interventions, funded by the EAFRD: (1) environmental, climate and other management commitments; (2) compensation for natural or other area-specific constraints; (3) compensation for area-specific disadvantages resulting from certain mandatory requirements; (4) investments; (5) installation of young farmers and rural business start-up; (6) risk management tools; (7) cooperation; (8) knowledge exchange and information.

4.2 million	665 000	3.4 million	521 000	2.9 million	1.5 million
hectares under land- management contracts targeting reduction of greenhouse gas or ammonia emissions by the end of 2018.	livestock units concerned by investments in livestock management with a view to reducing greenhouse gas or ammonia emissions in 2018.	hectares of agricultural and forest land covered by management contracts contributing to carbon sequestration or conservation in 2018.	hectares of irrigated land switched to more efficient irrigation systems in 2018.	people living in rural areas had benefited from improved access to information and communications technology services and infrastructure by the end of 2018.	people had been participants in vocational training activities in agriculture by the end of 2018.

Regulation (EU) No 508/2014 of the European Parliament and of the Council

## MORE INFORMATION http://europa.eu/!Yd49Cf

#### FINANCIAL PROGRAMMING

(million EUR)

2014	120.3
2015	1 622.6
2016	891.4
2017	911.7
2018	933.4
2019	942.1
2020	960.3
Total	6 381.6

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

The midterm evaluation of the directly managed part of the EMFF was completed in 2018, and is available at:

https://europa.eu/!GC49gG The 2018 EMFF implementation report was published in 2018, and is available at: https://europa.eu/!Ku86FU

#### How is it implemented?

DG Maritime Affairs and Fisheries is the lead DG for the implementation of the fund. The fund is managed through shared management with Member States and direct management.

### **EMFF**

#### EUROPEAN MARITIME AND FISHERIES FUND

#### What is the EMFF?

The European Maritime and Fisheries Fund (EMFF) is the fund for the EU's maritime and fisheries policies for 2014-2020. It is one of the five European Structural and Investment Funds, which complement each other and seek to promote a growth- and jobs-based recovery in the EU. The fund:

- helps fishermen in the transition to sustainable fishing;
- supports coastal communities in diversifying their economies;
- finances projects that create new jobs and improve quality of life along EU coasts.

## **O**

#### **Specific objectives**

- Promoting competitive, environmentally sustainable, economically viable and socially responsible fisheries and aquaculture.
- Fostering the development and implementation of the EU's integrated maritime policy in a complementary manner to the cohesion policy and to the common fisheries policy.
- Promoting balanced and inclusive territorial development of fisheries and aquaculture areas.
- Fostering the implementation of the common fisheries policy.

#### Why is it necessary?

The EU has exclusive competence for the conservation of marine biological resources, both in EU waters and in relation to the international obligations deriving from the United Nations Convention on the Law of the Sea and from other United Nations agreements to which the EU is a party. The exclusive competence applies equally to the bilateral fisheries agreements signed with non-EU countries. All these areas are regulated by the common fisheries policy.

The common fisheries policy also includes areas of shared competences between the EU and its Member States, where the subsidiarity principle applies. For aquaculture, the EU added value lies in finding solutions to the sector's most common problems; in market policy, Member States and economic actors maintain a high degree of autonomy in applying the various market policy instruments at their disposal.

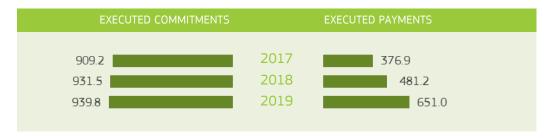
The integrated maritime policy provides a coherent approach to all other maritime issues through close coordination and cooperation across sectors and

between international, national, regional and local decision-makers. Similarly, the blue economy policy encourages EU governments, industry and stakeholders to develop joint approaches to driving growth while safeguarding the marine environment and the EU's unique maritime assets.

The EMFF is not only directed at fisheries and innovation in fisheries, aquaculture and processing, but also at supporting diversification and promoting the economic development of fisheries-dependent areas.

#### Outlook for the 2021-2027 period

The Commission proposed a continuation of the programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Value of aquaculture production in the EU (in billion EUR) (¹)	3.9 b	> 100%	4.9 b	5.2 out of 2023 target of EUR 4.9 billion
Percentage of surface area of marine waters conserved through protection measures	5.9%	> 100%	10.0%	10.8% of the exclusive economic zone compared to a target of 10.0%
Level of employment maintained with support from the EMFF (number of jobs) (2)		32%	26 550	8 486 out of 26 550 jobs
Number of local strategies selected by fisheries local actions groups		> 100%	276	367 strategies compared to a target of 276

% of target achieved by the end of 2019

(1) Latest results from 2017.

(2) Latest results from 2018.

#### Where are we in the implementation?

The current state of implementation of the activities under shared management (2014-2020 financial allocation of EUR 5 687 million) is as follows.

- Overall, the implementation of the EMFF reached cruising speed in 2019, meaning that the cycle of project implementation became normal and steady and
  that the related payment claims should lead to a normal absorption rate of the EU funding allocations. By the end of 2019, total EMFF payments from the EU
  budget to Member States amounted to EUR 1.94 billion (including pre-financing and interim payments), which is 34% of the total commitments for the 20142020 period.
- The performance review carried out in 2019 showed that 70% of EMFF EU priorities had achieved their milestones. A 20% share of all performance reserves, amounting to EUR 67 million, was made available for reallocation given that the associated priority had not met its milestone. The reallocation of the reserve allowed most Member States to undertake a more comprehensive review of their operational programme. Only one Member State (Slovakia) has lost the performance reserve.
- The risk of automatic retraction of funds allocated to specific projects but not spent after 3 years has halved, from EUR 63 million at the end of 2018 to EUR 31 million at the end of 2019, confirming an acceleration of the implementation.
- To respond to the 2020 COVID-19 crisis, the Commission proposed an amendment to the EMFF Regulation (EU) No 508/2014, tabling a package of measures covering more flexible reallocation of financial resources, compensation plans for temporary cessation of fishing activities, reductions in aquaculture production and storage aid for producer organisations.

The current state of implementation of the activities under direct management (2014-2020 financial allocation of EUR 647 million) is as follows.

- The implementation of the work programme for directly managed actions follows the objectives set and the actions listed in the annual programmes.
- Since 2017, the biggest part of the annual budget has been used for financing projects supporting the development of blue economy (e.g. innovative solutions for maritime challenges, sea basin-focused operations aiming at promoting job creation, innovation and entrepreneurship).
- In addition, the Commission continued to support the implementation of the common fisheries policy by funding regional fisheries management organisations, including the implementation of the Malta MedFish4Ever declaration and the 2017-2020 strategy actions of the General Fisheries Commission for the Mediterranean.
- Funding was also provided to the advisory councils, for scientific advice provided by the International Council for the Exploration of the Sea, to the Scientific, Technical and Economic Committee for Fisheries and for market intelligence provided by the European Market Observatory for Fisheries and Aquaculture.

#### **Performance assessment**

#### Shared management

- The operations financed through shared management have helped to improve the sustainability of fishing and aquaculture and to maintain and protect the natural environment, encourage innovation and adoption of new technology and increase cooperation and partnerships between businesses. Examples of this at the end of 2018 are the following:
  - 2 098 operations with more than EUR 89 million committed in relation to landing obligation;
  - 2 913 operations with EUR 259 million committed to support productive investments in aquaculture;
  - the EMFF measure with the highest uptake is the collection of biological, environmental, technical and socio-economic data necessary for fisheries management – EUR 362 million committed;
  - EUR 88 million committed for the modernisation and purchase of patrol vessels, aircraft and helicopters and other control means to improve control, inspection and enforcement systems;
  - EUR 20 million contributed to producer organisations in order to improve the transparency and stability of the markets, to ensure a level playing field and diverse supply of fishery and aquaculture products.
- This in turn adds value for the small to medium-sized enterprises involved, supporting employment and creating a basis for growth in income, as illustrated by, among other markers, the positive evolution of the 'value of aquaculture production in the EU' indicator.
- In shared management, a Member State's administrative capacity has a significant influence on the achievement of milestones. The 2019 performance review showed that performance varied across Member States, with Bulgaria and Slovakia as the poorest performers. Performance is expected to improve in Bulgaria but the same cannot be said of Slovakia. Where milestones have not been met, the Member States are requested to put in place mitigating actions to address the situation, and the issues are monitored.
- Despite the late start of the EMFF programmes due to late adoption of the related regulation, a number of mitigating actions were taken to remedy the situation. Multiple operational programmes were modified accordingly, coupled with reallocation of funding, and other action plans to overcome delays in implementation. The amendments of national legislation and ongoing adaptation of the selection criteria reduced the time necessary for project selection. Through methodological support, increased frequency of calls and simplification of the information technology interface for monitoring and certification, by the end of 2019 the programme had fully eliminated all initial delays. There are elements, however, that still hinder the smooth implementation of the programme, like the complexity of the national public and administrative procedures, complex procedures for acquisition of aquaculture licences, no

possibilities of co-financing for potential interested beneficiaries. The Commission is working continuously with the Member States to find ways to bring further improvement.

#### Direct management

- The midterm evaluation of the direct management part of the EMFF found that actions funded through this strand were appreciated by stakeholders and contributed to meeting the objective of both maritime and fisheries policies.
- The backbone of the maritime policy remains the integrated governance, joined-up data and spatial plans that take into account neighbours, communication between maritime authorities, business support for emerging industries and sound criteria for assessing the state of the marine environment.
- The fisheries policy is supported through scientific advice, improved enforcement, structured stakeholder involvement, enhanced ocean governance and market intelligence.
- In the implementation of the common fisheries policy, the Commission has been managing the fisheries conservation policy to achieve maximum sustainable yield for fish stocks by 2020. Despite the overall improvement, there are areas, such as the Mediterranean Sea and the Black Sea, where most of the stocks are still being exploited beyond sustainable levels. The Commission adopted and implemented concrete regional action plans to reverse the situation of the stocks and improve science and means of control. An example of this is a proposal made in October 2019 that fixed the fishing opportunities for 2020 in the Mediterranean and Black Sea, and further addressed the data collection, scientific evaluation, ecosystem-based fisheries management and the fight against illegal, unreported and unregulated fishing in the region.
- The midterm evaluation also noted that links with European Regional Development Fund could be improved and that a more comprehensive monitoring and evaluation system could be established. An indicator system is in preparation to facilitate the evaluations of the next programming period. The idea is to deliver a common monitoring and evaluation system under direct management that is fully compatible with the shared management common monitoring and evaluation system. This includes common result indicators, common typologies and standardised implementation data. Work commenced in July 2019 and is currently in being finalised (as of April 2020).

8 700	80 000	34 000	EUR 127 million	14 893	3 500	40 000
fishing vessels benefited from the EMFF between 2014 and 2018 (about 10% of the EU fleet). Of the vessels, 48% belonged to the small-scale coastal fishing fleet.	fishermen, 18 000 members of producer organisations and 40 000 employees of processing companies benefited from the EMFF between 2014 and 2018.	operations were selected to receive funding under the EMFF between 2014 and 2018, almost 27 000 of which were targeted towards small to medium-sized enterprises or private individuals.	was contributed by the EMFF to support innovation and new technologies through 585 operations between 2014 and 2018.	projects addressing environment and resource efficiency were selected between 2014 and 2018, with an EMFF contribution of EUR 532 million.	operations related to better management of Natura 2000 sites (covering 74 000 km2) and other marine protected areas (704 055 km2) were supported between 2014 and 2018.	people participated in 77 beach- cleaning actions in 2019, removing 850 tonnes of waste from the oceans and beaches.

Regulation (EU) No 1293/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!wN47nW

#### FINANCIAL PROGRAMMING

(million EUR)

2014	403.4
2015	435.1
2016	462.8
2017	493.7
2018	522.8
2019	559.1
2020	589.6
Total	3 466.4





#### Evaluations/ studies conducted

Commitments

The external midterm evaluation of the programme for environment and climate action (LIFE) was carried out in 2017. For further information please consult: http://europa.eu/!DR84mQ

#### How is it implemented?

The Directorate-General for Environment is the lead DG for the implementation of the programme, while the Directorate-General for Climate Action is associated. The programme is implemented through direct (grants and procurement) and indirect (financial instruments) management, along with support from the European Investment Bank.

### LIFE

#### PROGRAMME FOR THE ENVIRONMENT AND CLIMATE ACTION

#### What is LIFE?

LIFE is the only EU programme exclusively dedicated to the environment, nature conservation and climate action, all of which are areas of growing concern for citizens. It finances a wide variety of activities, ranging from the protection of biodiversity to support for the circular economy; from the demonstration of new emission-reduction technologies to preparatory work for international negotiations; from the enforcement of environment and climate legislation to the development of environment and climate governance at all levels. The LIFE programme serves as an important catalyst for developing and exchanging best practices and knowledge. The programme's role is to build up and improve capacity, to speed up the implementation of EU legislation and to help private players, in particular businesses, test small-scale technologies and solutions and leverage other funds. The LIFE programme for 2014-2020 finances action grants (about 75% of the overall amount), financial instruments (6%), procurement (17%) and operating grants (2%). New activities, such as two financial instruments and new types of grants (integrated projects, technical-assistance projects and capacity-building projects), were introduced in 2014 to respond to specific needs identified in the past.



#### **Specific objectives**

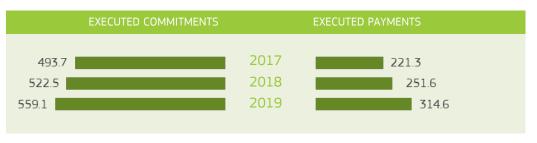
- Contribute to a greener and more resource-efficient economy and to the development and implementation of EU environmental policy and legislation ('Environment and resource efficiency' priority area).
- Halt and reverse biodiversity loss, support the Natura 2000 network and tackle the degradation
  of ecosystems ('Biodiversity' priority area).
- Support better environmental governance and information at all levels ('Environmental governance and information' priority area).
- Reduce EU greenhouse gas emissions and develop and implement EU climate policy and legislation ('Climate change mitigation' priority area).
- Increase the EU's resilience to climate change ('Climate change adaptation' priority area).
- Support better climate governance and information at all levels ('Climate governance and information' priority area).

#### Why is it necessary?

The LIFE programme helps to ensure that the application of European Union environmental and climate legislation and policies is consistent across the EU. It also encourages cross-border responses to common challenges which individual Member States acting alone would be unable to address. It allows the better sharing of responsibility for the protection of natural resources and promotes solidarity for the management and conservation of environmental assets in the EU, which are unevenly distributed among Member States. It represents an EU-level platform for sharing best practices and know-how.

### Outlook for the 2021-2027 period

The Commission proposed to continue the programme for the next multiannual financial framework (2021-2027). The proposal also includes a new strand for the transition to clean energy.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Implementation of the seventh environment action programme		> 100%	1 700	2 507 compared to a target of 1 70 interventions
Population benefiting from improved air quality $(^1)$		> 100%	1.4 m	1.5 million people compared to a target of 1.4 million
Species targeted progressing towards improved conservation status (1, 2)		> 100%	≥ 10%	34% compared to a target of ≥ 1
Interventions to ensure awareness of environmental and climate aspects		> 100%	800	833 compared to a target of 800
Climate-change adaptation strategies adopted by Member States	16	83%	28	26 out of 28

% of target achieved by the end of 2019

(1) Latest results from 2018.

#### Where are we in the implementation?

- Following the 24 calls for proposals for traditional projects launched from 2017 to 2019, more than 3 100 proposals were received, of which 290 (grant) projects for 2017 and 2018 were financed. The call for proposals launched in 2019 is still ongoing.
- A total of 422 project applications for traditional projects focusing on climate-action objectives have been received. Some 45% of the total number of proposals for climate action focused on climate adaptation. The proportion of project proposals for climate mitigation is increasing rapidly (from 30% in 2017 to 38% in 2019). Sixty-seven projects were co-financed following the calls for proposals in 2017 and 2018.
- On environmental objectives, including the circular economy, air, water, soil, chemicals, noise, resource efficiency, and nature and biodiversity, 2 682 applications were received in 2017-2019, and 223 projects were financed in 2017 and 2018. The 2019 projects are currently being awarded their grants. The number of applications for nature and biodiversity projects is constantly increasing, and reached 328 in 2019.
- Since 2017, 12 calls for proposals for integrated projects have been launched. The demand is higher than expected, with 22 integrated projects in 16 different Member States being financed in 2017 and 2018 to implement an environment- or climate-specific plan or strategy. Also, 33 concept notes were submitted in 2019 by 20 different Member States, thus confirming the success of this type of project.
- On the basis of the integrated projects financed in 2017 and 2018, the total LIFE financing of EUR 217 million for the 22 integrated projects should facilitate the coordinated use of about EUR 10 billion in complementary funding.
- The Private Finance for Energy Efficiency instrument aims at developing the capacity of intermediary banks to establish credit lines addressing energy-efficiency investments. By the end of 2019, 11 collateral agreements had been signed with intermediary banks. The full guarantee (EUR 72 million) under phase 1, and an additional EUR 1.5 million which is being reused, has now been allocated in 11 Member States to support total targeted investment of up to EUR 725.7 million. This represents a leverage of 10 times the amount of EU funding invested for this phase. The Private Finance for Energy Efficiency instrument was scaled up after its pilot phase, with additional funding amounting to EUR 25 million for 2018-2020.
- Extensive preparatory work is ongoing within the framework of the European Green Deal, such as on the European climate law; the European climate pact; the extension of the emissions trading system; legislation on batteries in support of the strategic action plan on batteries and the circular economy; waste-reforms legislation, the EU biodiversity strategy for 2030; the new EU forest strategy and measures to support deforestation-free value chains; and the chemicals strategy for sustainability to guarantee a non-toxic environment.

#### Performance assessment

- The LIFE programme is intended to act as a catalyst for changes in policy development and implementation by providing and disseminating solutions and best practices to achieve environmental and climate goals, and by promoting innovative environmental and climate-change technologies. The catalytic effect of the programme is, however, particularly difficult to quantify, therefore the current performance of the programme can be measured mainly in terms of the expected results of the projects (grants and financial instruments), which represent more than 81% of the overall budget.
- Given the length of the award procedures and the time required for project implementation (the projects are expected to last 5-7 years), the first resulting data on the LIFE programme can be provided only for 2018, while related values for the output indicators are also available for 2019. Despite the few projects currently completed, the programme has performed solidly in several respects, as explained below.
- All the actions of the programme contribute to implementing the seventh environmental programme. The overachievement in relation to the number of programme interventions (indicator 1) shows that the attractiveness of the programme is higher than initially expected in terms of output.
- The high quality of the projects selected and the added value of the programme are also confirmed by the number of people benefiting from improved air quality (indicator 2) and the percentage of targeted species that are progressing towards conservation status, where the projects selected have a wider impact than originally expected, with significant benefits for EU citizens.
- In relation to integrated projects, for each euro financed by the LIFE programme, EUR 45 of complementary funding is expected to be financed from other sources for the implementation of the targeted plans during the whole life cycle of the project, confirming the important role of the EU budget in attracting additional resources.

<sup>(</sup>²) Average results for 2014-2018.

A 10 million-tonne-per-year	A 1 500-tonne-per-year	A 400-tonne-per-year
potential decrease in carbon dioxide ( $CO_2$ ) emissions, related to 107 projects.	potential decrease in methane (CH <sub>4</sub> ) emissions, related to eight projects.	potential decrease in nitrous oxide ( $N_2O$ ) emissions, related to 9 projects.

- **Biodiversity.** LIFE Euroturtles and LIFE Medturtles are projects that are working together to tackle a relevant number of threats at turtles' nesting and foraging sites in a wide range of countries (Croatia, Cyprus, Greece, Italy, Malta and Slovenia (Euroturtles) and Albania, Spain, Tunisia and Turkey (Medturtles)). This allows best practices to be spread for the conservation of the loggerhead turtle (*Caretta caretta*) and the green turtle (*Chelonia mydas*).
- **Climate.** The LIFE green gas network project tested a way to cut gas leaks through improved pressure control. In Lombardy this project tested a new management and control system for regulating pressure levels in gas-distribution networks. This cut greenhouse gas emissions by 6% without compromising service delivery. The project team calculated that applying the control system across low- and medium-pressure areas of Italy's gas network would save 3.9 million tonnes per year of CO<sub>2</sub> equivalent. It could also save money for gas companies and consumers.
- **Environment and energy efficiency.** The LIFE Methamorphosis project proposes to demonstrate, at the industrial scale, two innovative waste-treatment systems: one in urban waste plants; and the other in agro-industrial and other organic waste treatment plants. In addition, the project tests the use of the biomethane derived from waste streams in the automotive sector. If successful, 5 years on from the start of the project the two prototypes could produce over 176 million kWh of renewable energy each year (close to the annual electricity consumption of 50 000 homes).
- Environmental and climate governance at all levels. The LIFE-A2J-EARL project aims to increase awareness of existing rules and case-law on access to justice in environmental matters for specific target audiences the judiciary, bodies responsible for the administration of justice, public-interest lawyers and public administrations; and to increase knowledge on how to deal with, and the capacity to overcome, legal (both substantial and procedural) challenges and obstacles to effective access to justice in the environmental field.
- Awareness raising and information on climate and environment issues and the exchange of best practices. The project 'Raising awareness of the need for climate action' led an information campaign to promote climate-change and sustainable development policy. It raised public awareness in Poland about the need for action to boost renewables, improve energy efficiency and consume sustainably. More than 8 million people viewed 10 short films made by the project, shown on the Discovery Channel and associated networks. The project worked with bloggers to build substantial public interest in its 5-minute movies and award-winning documentary film. This approach contributed to increased support for climate action and renewable energy at both the regional and the national level in Poland.
- Implementation and enforcement of environment and climate legislation and policies. The 'Better regulation aimed at valorising EMAS' project reduced the environmental impacts of private companies. It helped to identify and develop effective measures for improving environmental legislation by reducing financial and administrative burdens for companies registered with eco-management schemes. The project supported the full integration of the Eco-Management and Audit Scheme, and other voluntary certification schemes such as the EU Ecolabel, into the environmental legislation of Spain and Italy. Furthermore, it encouraged the adoption of the proposed measures in other areas of Spain and Italy. At least 23 measures developed by the project have been adopted within environmental legislation in the regions of Andalusia and Valencia in Spain, and Friuli-Venezia Giulia, Liguria, Lombardy and Tuscany in Italy. In addition, Veneto, a region not originally involved, adopted one of the proposed measures as a result of the project's dissemination activities.

Bilateral sustainable fisheries partnership agreements between the European Union and non-EU countries

#### **MORE INFORMATION**

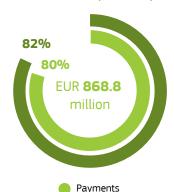
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#### FINANCIAL PROGRAMMING

(million FUR)

2014	80.0
2015	135.6
2016	135.7
2017	127.0
2018	94.5
2019	147.9
2020	148.0
Total	868.8

### OVERALL EXECUTION (2014-2019)



# Evaluations/

studies conducted

Commitments

For further information on the studies and evaluations of SFPAs, please consult: https://europa.eu/!cg34UM

#### How is it implemented?

DG Maritime Affairs and Fisheries is the lead DG for the implementation of the programme. The programme is implemented through direct management.

### FISHERIES AGREEMENTS

COMPULSORY CONTRIBUTIONS TO REGIONAL FISHERIES MANAGEMENT ORGANISATIONS AND OTHER INTERNATIONAL ORGANISATIONS AND SUSTAINABLE FISHERIES PARTNERSHIP AGREEMENTS

#### What are the fisheries agreements?

The EU negotiates, concludes and implements bilateral sustainable fisheries partnership agreements (SFPAs) between itself and non-EU countries and pays compulsory annual contributions deriving from EU membership of international bodies, including various regional fisheries management organisations (RFMOs).

RFMOs are international bodies set up to promote the conservation and sustainability of straddling and highly migratory fish stocks. The EU has a strong presence in all of the world's oceans through its fleets and is obliged under the United Nations Convention on the Law of the Sea to cooperate with other parties by participating in these organisations. The RFMOs are the main vehicle for multilateral cooperation, providing a legal framework that can take into account the specific features and characteristics of each zone and species concerned.

Within the framework of the SFPAs, the Commission maintains a political dialogue on fisheries-related policies with non-EU countries concerned, in accordance with the principles governing the common fisheries policy and the commitments under other relevant European policies. In addition the aim is to improve scientific and technical knowledge of relevant fisheries, contribute to the fight against illegal, unreported and unregulated fishing and foster better global governance of fisheries at the financial and political level.

#### **Specific objectives**

- To promote, through active involvement in international organisations, sustainable development
  for fisheries management and maritime governance in line with the common fisheries policy
  objectives, and ensure that fishery resources are maintained above or restored to above levels
  capable of producing maximum sustainable yield.
- To establish, through SFPAs, a legal, economic and environmental governance framework for fishing activities carried out by EU fishing vessels in non-EU country waters, in accordance with other EU policies.

#### Why is it necessary?

**SFPAs.** Under its exclusive competence for negotiating bilateral fisheries agreements the Commission negotiates, concludes and implements bilateral SFPAs between the European Union and non-EU countries with the objective of contributing to a regulated framework for the EU's long-distance fishing fleet while ensuring suitable exploitation of the non-EU countries' relevant fisheries resources and supporting the competiveness of the EU's fishing fleet.

**RFMOs and international organisations.** Given the exclusive competence of the EU for the conservation of marine living resources and international obligations deriving from the United Nations Convention on the Law of the Sea and the implementation of the United Nations Fish Stocks Agreement, to which the EU is a party, the Commission pays compulsory annual contributions

deriving from the EU's membership of international bodies. This includes various RFMOs where the EU has an interest and bodies set up by the United Nations Convention on the Law of the Sea, namely the International Seabed Authority and the International Tribunal for the Law of the Sea. In line with the external dimension of the common fisheries policy, the EU will promote better international fisheries and ocean governance and the sustainable management of international fish stocks, and defend EU economic and social interests within these organisations.

#### Outlook for the 2021-2027 period

The Commission proposed funding for the international dimension of the common fisheries policy, along with the SFPAs, for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of SFPAs in force		87%	15	13 out of 15 agreements
Number of EU vessels with fishing possibilities – tuna		> 100%	120	128 vessels compared to a target of 120
Number of EU vessels with fishing possibilities – mixed		> 100%	100	207 vessels compared to a target of 100 vessels

% of target achieved by the end of 2019

#### Where are we in the implementation?

#### **SFPAs**

- At the end of 2019, a total number of 13 protocols to SFPAs were in force, compared with 9 at the end of the previous year. The voted budget was fully used to pay for access and sectoral support as provided for in the protocols.
- In 2019, SFPA-related negotiations were successfully completed for the renewal of the SFPA protocol with São Tomé and Príncipe, Senegal and Seychelles and were ongoing with Kiribati and Madagascar.
- Following the completion of legislative procedures, new SFPA protocols with the following countries started to apply in the course of 2019; Cabo Verde, Guinea-Bissau, Morocco, São Tomé and Príncipe, Senegal and The Gambia. In the case of Mauritania, a one-year extension had been agreed upon.
- Also in 2019, a mandate to open negotiations for a new SFPA with Greenland was adopted, along with a mandate to renew the access agreement to Mayotte waters. In addition, preliminary steps have been taken with a view to obtaining a negotiation mandate with Liberia and Cook Islands.

#### **RFMOs**

- The EU, represented by the Commission, plays an active role in 5 tuna and 12 non-tuna RFMOs, regional fisheries bodies and other organisations.
- The EU paid its membership contributions to 13 RFMOs and 3 other international bodies in view of the EU's membership as provided for in the 2019 budget.

#### Performance assessment

#### **SFPAs**

- With a total number of 13 SFPA protocols in 2019 and with an objective of renewing SFPA protocols with Gabon and Madagascar, the 2020 target of 15 protocols in place is on track to be achieved.
- The number of active vessels in the framework of the SFPAs has increased to 128 for tuna agreements and to 207 in the case of mixed agreements. This shows a large increase compared to previous years, in line with the 2020 target, in particular thanks to the reactivation of the SFPA with Morocco.
- This implementation and management of SFPAs has led to more fishing opportunities along with providing more fish on the European markets.
- In addition, SFPAs have also been contributing to the development of the fisheries sectors in the partner countries and to better governance of their fisheries sectors. A significant part of the total EU budget for SFPAs has been devoted to projects related to control and surveillance capacities, small port infrastructures, landing facilities and laboratories and equipment for small-scale fishermen.
- At the same time, SFPAs contribute to eliminating illegal fishing and providing good framework conditions for local fishermen. SFPAs therefore also contribute
  to ensuring food security for local coastal communities. Concrete projects financed include the reinforcement of the sanitary control capacity in ports, landing
  facilities with storage and ice facilities, financing the acquisition of patrol boats and their maintenance, and training of fisheries inspectors and observers.

#### RFMOs

- Overall, the EU has remained the key driver for progress in RFMOs and for improving their performance with concrete proposals. The EU's voluntary contributions to the scientific advice of RFMOs played a key role in several RFMOs.
- The Commission continued to deliver on its commitment to achieve more sustainable fisheries worldwide: 88% of all conservation measures adopted in 2019 by RFMOs of which the EU is a member were in line with scientific advice. The 2020 target of 100% will continue to be pursued by the Commission.
- There are currently illegal, unreported and unregulated fishing listing procedures in place in all RFMOs. In addition, an increasing number of RFMOs have cross-listing procedures and/or specific provisions to address the responsibility of nationals involved in illegal, unreported and unregulated fishing.
- The main drawback is that consensus is required in the decision-making procedure set out in RFMOs and the EU is not the only actor involved. Other identified drawbacks are the lengthy procedures for the identification and implementation of projects along with the delays in the reporting by RFMOs.
- The Commission will continue to advocate the adoption of catch documentation systems for high-value species in all RFMOs, to promote the establishment of marine protected areas or fisheries restricted areas, and is continuously improving the management of fish aggregated devices used in tuna fisheries.

412	470	15 000	70%	47	88%
authorisations were issued in 2019 for 128 vessels related to tuna agreements (a vessel can be granted several authorisations).	authorisations were issued in 2019 for 207 vessels for mixed fisheries.	jobs were created through SFPAs in the EU (6 000 direct and 9 000 indirect).	of the catches made in the context of SFPAs are processed in the partner country.	proposals were tabled (or co-sponsored) by the EU in the RFMOs in 2019, of which 24 were adopted.	of all conservation measures, adopted in 2019 by RFMOs of which the EU is a member, were in line with scientific advice.

- In 2019 key deliverables in the protection of vulnerable species and vulnerable marine ecosystems were:
  - o the adoption of a quota for blue sharks by the International Commission for the Conservation of Atlantic Tunas;
  - o a strong conservation measure for mantas and mobula rays, to protect these vulnerable species, by the Indian Ocean Tuna Commission;
  - the adoption of a new bottom-fishing framework to protect vulnerable marine ecosystems by the Southern Indian Ocean Fisheries Agreement and the South Pacific Fisheries Management Organisation.

Regulation (EU) No 516/2014 of the European Parliament and of the Council amending Council Decision 2008/381/EC and repealing Decisions No 573/2007/EC and No 575/2007/EC of the European Parliament and of the Council and Council Decision 2007/435/EC

#### **MORE INFORMATION**

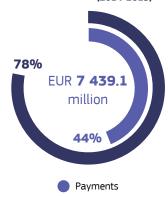
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#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	230.5
2015	623.0
2016	1 799.0
2017	1 614.5
2018	747.9
2019	1 191.0
2020	1 233.3
Total	7 439.1

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

Commitments

The studies and evaluations carried out by the Directorate-General for Migration and Home Affairs can be consulted at: http://europa.eu/!Bq97ft

#### How is it implemented?

The Directorate-General for Migration and Home Affairs is the DG responsible for the implementation of the programme. The programme is implemented mainly through shared management, direct and indirect (through the United Nations Refugee Agency), the International Organization for Migration and others) management.

### **AMIF**

#### ASYLUM, MIGRATION AND INTEGRATION FUND

#### What is the Asylum, Migration and Integration Fund?

The Asylum, Migration and Integration Fund promotes the efficient management of migration flows and the implementation, strengthening and development of a common EU approach to asylum and migration. The fund offers important financial assistance to cope with actions related to the reception of asylum seekers and integration of non-EU nationals. It provides material aid and support services, and supports Member States' efforts to achieve sustained solutions, burden sharing and cooperation on migration management with non-EU countries.

Concrete actions funded through this instrument include a wide range of initiatives, such as the improvement of accommodation and reception services for asylum seekers, information measures and campaigns in non-EU countries on legal migration channels, civic orientation and language training for non-EU nationals, promoting integration assistance to vulnerable persons belonging to the target groups of the fund, information exchange and cooperation between Member States and the training of staff, assisted voluntary return programmes and relocation and resettlement operations.

#### **Specific objectives**

- To strengthen and develop all aspects of the Common European Asylum System, including its external dimension.
- To support legal migration to the Member States in accordance with their economic and social needs, such as labour market needs, while safeguarding the integrity of their immigration systems, and to promote the effective integration of non-EU nationals.
- To enhance fair and effective return strategies in the Member States which contribute to combating illegal
  immigration, with an emphasis on sustainability of return and effective readmission in the countries of origin
  and transit.
- To enhance solidarity and responsibility-sharing between the Member States, in particular with those most affected by migration and asylum flows, including through practical cooperation.

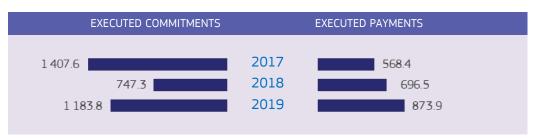
#### Why is it necessary?

Some Member States experience particular migratory pressure due to their specific geographic situation and the responsibility they bear in managing migration flows. The principle of solidarity and the fair sharing of responsibilities between Member States is at the heart of the common policies on asylum and immigration. The EU budget provides the means to address the financial implications of this principle.

In relation to the external dimension of home affairs, the adoption of measures and the pooling of resources at EU level will significantly increase the leverage necessary to convince non-EU countries to engage with it on those migration-related issues that are primarily in the interest of the EU and the Member States.

#### Outlook for the 2021-2027 period

The Commission proposed to succeed the current fund with the Asylum and Migration Fund for the next MFF. Given the magnitude of the migration-related needs in the MS, the integration measures are proposed to be complemented by the European Social Fund+ focusing more on the long-term socio-economic integration of non-EU country nationals. Moreover, given the importance of cooperation with countries of origin and transit the proposal for a Neighbourhood and Development Cooperation Instrument includes a 10% horizontal expenditure target for addressing the root causes of irregular migration and forced displacement, and for supporting migration management and governance.





% of target achieved by the end of 2019

#### Where are we in the implementation?

- National programmes under shared management. Over the period 2014-2019, a total of EUR 2.25 billion was actually spent by the Member States in shared management, equivalent to an absorption rate of 50%. This is considered a good result, as the implementation of the Asylum, Migration and Integration Fund will run until the end of 2022, and thus 3 years of implementation remain. In comparison, the absorption rate of the European Regional Development Fund stood at 35% at the end of 2019, while the Cohesion Fund reached 39%. The national programmes were revised in 2019 to include a total additional amount of EUR 97.6 million for resettlements to be carried out by the Member States, and a similar revision will also happen in 2020.
- **Emergency assistance.** By the end of January 2020, the total amount of Asylum, Migration and Integration Fund emergency assistance granted since 2015 reached EUR 1.3 billion. In 2019, 21 grants and contribution agreements were signed for a total amount of EUR 208 million, of which EUR 133 million is for actions implemented by the United Nations Refugee Agency and the International Organization for Migration (for the benefit of Greece).
- European Union actions. Funding available in 2019 amounted to EUR 89 million. The relevant calls will be finalised in 2020.
- **European Migration Network.** The fund also continued to support the European Migration Network: the 2019-2020 work programme for grants included an amount of EUR 18 million for this.

#### Performance assessment

- The Asylum, Migration and Integration Fund is achieving its objectives, taking into account the volatile and challenging migration situation throughout the 2014-2019 period. It provides the financial means to push forward the EU's comprehensive agenda on migration. In this respect, the Commission develops legislative proposals to establish and improve common EU action, monitoring and enforcing the correct implementation of applicable rules by the Member States
- Overall the fund has generated important EU added value, despite the relatively small size of the funds in comparison with the important challenges imposed by the migration crisis. The main benefit at EU level arises from the transnational dimension of certain actions, but also the benefit of burden-sharing at EU level, supported in particular by the emergency assistance and relocation and resettlement mechanisms.
- For many of the indicators to monitor the implementation of the national programmes, either the milestones have been exceeded or the targets set at the beginning of the period have been achieved.
- **Strengthening the Common European Asylum System.** Most of the indicators in the area of strengthening the asylum system and reception facilities have achieved or surpassed their milestones or targets. This is the case for the number of asylum seekers provided with assistance, the increase in reception capacities and the number of staff trained in asylum-related topics.
- In order to cope with sustained migratory pressure, the emergency assistance is a useful tool for helping the Member States most affected to improve their asylum systems and reception capacities. Emergency assistance is the main tool the Commission uses to provide strategic operational support of EU added value at short notice, in the form of grants and contribution agreements. The interim evaluation of the fund also confirmed that emergency assistance is one of the main benefits at EU level.
- Coordinated resettlement efforts, providing a safe and legal way for persons in need of international protection to reach the EU, have also continuously increased since 2015. Resettlement operations are an important part of the Asylum, Migration and Integration Fund, with an allocation of almost EUR 1 billion under the national programmes in the 2014-2020 programming period. This constitutes almost a quarter of the fund's overall financial envelope.
- **Effective integration and legal migration.** The integration strand is a real success: 5.9 million persons in the target group have received integration assistance, which already surpasses the target by 3.3 million. Moreover, the number of local, regional and national policy frameworks already exceeds the target: 8 957 were put in place as compared to the target of 7 443.
- As far as fostering legal migration is concerned, the results achieved by the Member States through their national programmes are mixed. In particular, the
  number of pre-departure measures organised in countries of origin to assist foreign nationals with their plans to work in the EU is far below the milestone set.
  Similarly, the number of cooperation projects is far below the target. The fund's action tool allows this trend to be counterbalanced and the Commission has
  directly promoted cooperation projects between local and regional authorities through targeted calls for proposals.

<sup>(1)</sup> As reported by the Member States in their annual accounts. The indicator monitors relocation under the two Council decisions on relocation of September 2015 as well as under voluntary relocations.

- EU actions also support the Mobility Partnership Facility, which is implemented by International Centre for Migration Policy Development.
- **Effective return policies and irregular migration.** Improvements are still needed in the effective enforcement of the return of migrants with no right to stay to their country of origin. The rate of effective returns is unsatisfactory, at 31.5% in 2019.
- Unsatisfactory return rates persist due to the inefficient enforcement or use of existing return and readmission tools and instruments at EU and national levels, and an insufficient cooperation on readmission from main countries of origin. The prospects for improvement depend on both better cooperation with non-EU countries and the effectiveness of Member States in implementing returns. The Commission has taken action to provide all necessary support to increase the return rate, and has put forward a proposal for a recast of the return directive, while the role of the European Border and Coast Guard Agency in return operations has been strengthened, and the Commission continues to negotiate and implement readmission agreements and informal arrangements with non-EU countries and working on wider partnerships that can deliver on both non-EU countries and EU objectives, including readmission.
- Voluntary return is the preferred way of returning irregular migrants, as it allows for a more dignified return for migrants, triggers better cooperation with non-EU countries and has proven a more cost-effective process than forced return. The more recent focus of resources on assisted voluntary return schemes from the EU is showing a gradual increase of the share of such returns from 20% in 2015 to 32% in 2018.
- EU actions also support non-EU countries to improve their capacity to manage readmission processes effectively (identification, re-documentation) in their cooperation with Member States; such support is financed by the Readmission Capacity Building Facility under AMIF.
- The Commission is working closely with non-EU countries to address irregular migration. For example, under the EU Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa (the EU Trust Fund for Africa), financial support to Morocco helped reduce the number of irregular migrants on the Western Mediterranean route. The EU Trust Fund for Africa received financial support from the Asylum, Migration and Integration Fund. The Asylum, Migration and Integration Fund also supported information campaigns in non-EU countries that provide information on the risks of irregular migration and the smuggling of migrants.
- Enhancing solidarity and responsibility-sharing between the Member States. Solidarity has been created thanks to the emergency assistance tool, which supports the Member States facing unprecedented numbers of arrivals. Several Member States, notably Greece, Spain and Italy, benefit from Asylum, Migration and Integration Fund emergency assistance, in addition to their national allocations. The emergency assistance amounts granted to Greece up to end-December 2019 amount to EUR 841 million and to Italy EUR 178 million.
- In Greece, the pressure continues. In 2019, the country saw a 54% rise in the number of migrants arriving compared to 2018. The islands remained overcrowded and reception capacities stretched to the maximum, both in the islands and on the mainland. The Commission has agreed a number of emergency assistance projects with international organisations and the Greek authorities in order to alleviate the situation.
- Out of the 160 000 refugees expected to be relocated under the two Council decisions of September 2015, 34 712 have finally been relocated in the Member States and the Schengen associated countries. This represents nonetheless 96 % of the applicant requests, taking into account the eligibility criteria provided for in the Council decisions. The co-legislators agreed in 2018 to reallocate the remaining unused funds to other migration priorities. By revising the national programmes in 2019, this funding has notably been reallocated to voluntary relocation (EUR 26 million) and resettlement (EUR 116 million), among other key priorities in the migration area.
- On the basis of the lessons learned from this period of implementation, the Asylum and Migration Fund proposal for 2021-2027 is designed to channel 60% of the total financial envelope to the national programmes of the Member States, while the remaining 40% will be managed through a thematic facility, which will periodically provide funding to a number of priorities, through top-ups of Member State programmes (specific actions), EU actions and emergency assistance.
- Moreover, in the current period the allocation key for the national programmes was fixed at the beginning of the period, based on statistical data underlying
  former programmes. However, because the migration situation in the EU changed drastically in the years following the adoption of the current multiannual
  financial framework, the original national allocations did not adequately correspond to the respective needs of Member States. In addition, there was no
  possibility to update the allocation key during the programming period based on the evolving real needs.
- On this basis, the Commission proposal for 2021-2027 allocates funding to the Member States based on statistical data taking into account various 'stocks' and 'flows' that reflect the needs and pressures experienced by different Member States in three key areas covered by the fund: (1) asylum; (2) legal migration and integration; and (3) countering irregular migration including returns. This aims to reflect more accurately the specific circumstances of Member States at different stages of receiving non-EU nationals. In addition, the Commission proposed using the 3 reference years closest to the start of the programming period, to provide a more up-to-date picture of the actual needs of each Member State. The proposal also introduces the possibility of updating the allocation key to reflect more accurately the evolving needs and pressures in Member States.

379 340	954 496	62 651	23 530	30 026	10 249
asylum seekers were provided with assistance with the support of the fund in 2019.	non-EU country nationals received help with integration in 2019 with the support of the fund.	people have been resettled with the support of the fund since 2014.	returned migrants received pre- and post-integration assistance in 2019, ensuring compliance with human rights and the dignity of the returnees.	new or improved accommodation places have been created since 2014, in line with the common requirements for reception conditions set out in the EU acquis.	migrants benefited from the HELIOS integration project in Greece in 2019 (language courses, independent accommodation and employment assistance).

Regulation (EU) No 515/2014 of the European Parliament and of the Council repealing Decision No 574/2007/EC; Regulation (EU) No 513/2014 of the European Parliament and of the Council repealing Council Decision 2007/125/J

#### **MORE INFORMATION**

http://europa.eu/!rb34rH

#### FINANCIAL PROGRAMMING

(million EUR)

2014	129.5
2015	551.5
2016	735.5
2017	734.9
2018	729.7
2019	533.1
2020	546.1
Total	3 960.3

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

The studies and evaluations carried out by the Directorate-General for Migration and Home Affairs can be consulted at: http://europa.eu/!Bq97ft

#### How is it implemented?

The Directorate-General for Migration and Home Affairs is the lead DG for the implementation of the programme via shared and direct management.

### INTERNAL SECURITY FUND

#### What is the Internal Security Fund?

The Internal Security Fund promotes the implementation of the internal security strategy, law enforcement cooperation and the management of the EU's external borders. The fund is composed of two instruments, ISF Borders and Visa and ISF Police. ISF Borders and Visa's main objective is to contribute to ensuring a high level of security in the EU while facilitating legitimate travel. This includes the effective processing of Schengen visas by supporting a common visa policy and achieving a uniform and high level of control of the external borders in order to prevent irregular migration and ensure the smooth crossing of the borders. The ISF Police component focuses on the fight against crime as well as managing internal security risks and crises.



#### **Specific objectives**

- Supporting a common visa policy to facilitate legitimate travel, provide a high quality of service to visa
  applicants, ensure equal treatment of non-EU nationals and tackle illegal immigration.
- Supporting integrated border management to ensure a uniform and high level of control and protection of the
  external borders while guaranteeing smooth crossings for bona fide travellers.
- Crime prevention, combating cross-border, serious and organised crime including terrorism, and reinforcing coordination and cooperation between law enforcement authorities and other national authorities of Member States
- Enhancing the capacity of Member States and the European Union for managing effectively security-related
  risks and crises, and preparing for and protecting people and critical infrastructure against terrorist attacks and
  other security-related incidents.

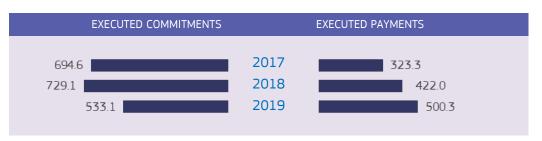
#### Why is it necessary?

Some Member States are under particular pressure due to their specific geographic situation and the length of the EU external borders that they have to manage. The abolition of internal border controls must be accompanied by common measures for the effective control and surveillance of the EU's external borders. The principles of solidarity and of the fair sharing of responsibilities between Member States is at the heart of the common policies on asylum, immigration and external borders. The EU budget provides the means to address the financial implications of this principle. In the area of security, serious and organised crime, terrorism and other security-related threats are of an increasingly cross-border nature. Transnational cooperation and coordination between law enforcement authorities is essential to successfully prevent and fight these crimes. for example through the exchange of information, joint investigations, interoperable technologies and common threat and risk assessments.

Dealing with migration flows, the management of the external borders and the EU's security requires substantial resources and capabilities from the Member States. Improved operational cooperation and coordination involving the pooling of resources in areas such as training and equipment creates economies of scale and synergies, thereby ensuring a more efficient use of public funds and reinforcing solidarity, mutual trust and responsibility sharing for common EU policies among Member States.

#### Outlook for the 2021-2027 period

For the next multiannual financial framework the Commission proposed to replace the current Internal Security Fund with the Border Management and Visa Instrument (ex-ISF Borders and Visa) and the Internal Security Fund (ex-ISF Police).



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Consulates developed/upgraded		> 100%	923	1 987 out of 923 consulates
Number of border control infrastructures		> 100%	21 154	26 772 out of 21 154 infrastructures
National border surveillance infrastructure established/further developed in the framework of the European Border Surveillance System	19	100%	30	30 out of 30 infrastructures
Joint investigation teams and European Multidisciplinary Platform against Criminal Threats (incl. Member States and authorities)		94%	216	202 out of 216 projects
Protection of critical infrastructures by Member States		71%	478	337 out of 478 projects

% of target achieved by the end of 2019

#### Where are we in the implementation?

- Shared management national programmes. Based on the current national programmes, the overall allocation to Member States under Internal Security Fund national programmes now stands at EUR 3.06 billion. The fund's implementation will run until end-2022, and thus 3 years of implementation remain. Up to 2019, the fund had reached an absorption rate of 44%. This can be considered satisfactory overall, given that it is implemented mainly through long-term projects for heavy equipment or the development of relevant information technology systems. The national programmes were revised in 2019 to include an additional EUR 212 million, which was allocated to the Member States participating in the ISF Borders and Visa instrument to cover costs related to the adoption of the European Travel Information and Authorisation System and the recast of the Schengen Information System regulations, as well as other substantial costs incurred with the development of border management information technology systems. The interoperability package to strengthen external border checks and close existing information gaps, including those necessary to detect identity fraud, was adopted in May 2019, and implementation has started.
- **Direct and indirect management.** The ISF Borders and Visa 2019 work programmes for EU actions and emergency assistance included a total amount of EUR 16 million, whereas the ISF Police 2019 work programme for EU actions and emergency assistance included a total amount of EUR 43 million.

#### Performance assessment

- Taking into account the difficult situation at the external borders linked to high migration pressure and continuous security challenges, the Internal Security Fund has proven to be efficient, ensuring the protection of the external borders and a high level of security in the EU. The interim evaluation pointed out that the fund has been sufficiently flexible to respond to the changing needs as a consequence of the migration and security crisis.
- The funding available under the national programmes was reinforced considerably in 2017-2019 to allow the Member States to finance the national components of the information technology systems supporting the management of migration flows across the external borders, such as the Entry-Exit System, the European Travel Information and Authorisation System or the Schengen Information System.
- As pointed out in the interim evaluation, ISF Borders and Visa makes a crucial contribution to the application of the Schengen acquis. The EU has invested heavily in the effective control of the external borders through EU-level information systems, providing border guards and police officers with relevant information. The success of the Schengen Information System reduces the risk that people who pose a security threat, including returning EU nationals, are able to cross borders unnoticed. The instrument has also helped to increase the Member States' capacities to invest in border surveillance means and infrastructures, as well as to put means at the disposal of the European Border and Coast Guard agency (Frontex) in joint operations.
- ISF Police support is driven by the needs of national authorities aiming at keeping citizens safe in cases where joint actions can have an impact on the security of Member States. The instrument supports measures enhancing mutual trust and information sharing between national authorities. In this regard, important financial support is offered to several networks of law enforcement authorities or practitioners, such as the Radicalisation Awareness Network. The joint investigations teams and the European Multidisciplinary Platform against Criminal Threats contribute to better coordination between the Member States. Moreover, ISF Police finances the establishment and operation of the national Passenger Name Record systems, allowing national law enforcement authorities to exchange information on air passengers.
- In order to make the fund more reactive and flexible, the Commission proposals for the 2021-2027 period replace the current Internal Security Fund with the Border Management and Visa Instrument and the Internal Security Fund. These new proposals aim to address lessons learned from the current period. New mechanisms, such as the thematic facility (40% of the envelope) and a mid-term review (including a technical adjustment and performance review), will ensure that the allocation of funding can be adapted to changes in pressure at borders and security threats, and funds can be steered towards the EU's priorities with highest added value. In addition, the management of the funds will be simplified through the common provisions regulation, ensuring coherence with rules applicable to shared management funds.

130	81	11 021	43.6 million	6.7 billion
consular cooperation activities were developed with the support of the instrument in 2019.	specialised posts in non-EU countries were supported by the instrument in 2019.	members of staff were trained in border and visa and crime prevention matters in 2019 with the support of the Instrument.	crossings of the external borders in 2019 through automated border control gates were supported by the instrument.	consultations of the Schengen Information System took place in 2019.

Regulation (EU) No 1382/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!fC96MV

#### FINANCIAL PROGRAMMING

(million EUR)

2014	47.0
2015	48.4
2016	51.5
2017	53.5
2018	47.1
2019	44.6
2020	46.6
Total	338.7

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

The key findings of the interim evaluation of the implementation of the justice programme 2014-2020 were presented in the 2020 programme statement: https://europa.eu/!DJ74rv

The *ex post* evaluation of the programme will be completed in 2021.

#### How is it implemented?

The Directorate-General for Justice and Consumers is the lead DG for the implementation of the programme. The programme is implemented through direct management (grants and procurement).

### **JUSTICE PROGRAMME**

#### What is the justice programme?

The justice programme contributes to the further development of a European area of justice based on mutual recognition and mutual trust. The programme promotes:

- judicial cooperation in civil matters, including civil and commercial matters, insolvencies, family matters, succession, etc.;
- judicial cooperation in criminal matters;
- judicial training, including language training on legal terminology, with a view to fostering a common legal and iudicial culture:
- effective access to justice in the EU, including the rights of victims of crime and procedural rights in criminal proceedings;
- initiatives in the field of drugs policy (judicial cooperation and crime prevention aspects).



#### **Specific objectives**

- To facilitate and support judicial cooperation in civil and criminal matters.
- To support and promote judicial training, including language training on legal terminology, with a view to fostering a common legal and judicial culture.
- To facilitate effective access to justice for all, including promoting and supporting the rights of victims of crime, while respecting the rights of the defence.
- To support initiatives in the field of drugs policy as regards judicial cooperation and crime prevention aspects
  closely linked to the general objective of the programme, insofar as they are not covered by the Internal
  Security Fund or by the health for growth programme.

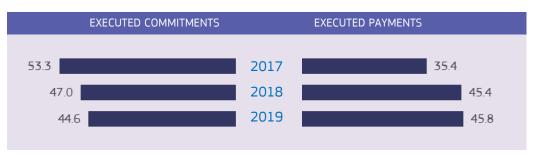
#### Why is it necessary?

The justice programme promotes judicial cooperation between Member States' authorities and contributes to the effective and coherent application and enforcement of EU law in the areas of civil law and criminal law, civil and criminal procedural law, the rights of persons suspected or accused of crime and the rights of victims of crime.

The activities funded by the programme result in better implementation of EU justice instruments (e.g. European Investigation Orders, European Arrest Warrants and surrender procedures, European Protection Orders, European Account Preservation Orders, family law) and faster proceedings through cooperation, dialogue, sharing of experience, exchange of information, training activities and harmonisation of practices. Analytical activities also help monitor the correct implementation of existing EU legislation, prepare or accompany new legislation or respond to policy changes in the areas covered by the programme.

#### Outlook for the 2021-2027 period

The Commission proposed a continuation of the justice programme for the 2021-2027 multiannual financial framework



#### **Key performance indicators**

Number of items of exchange information in the European criminal records information system  Judiciary/judicial staff training (¹)  Hits on the e-Justice Portal 40 000	> 100%	3.5 m	3.7 million compared to a target of 3.5 million
.,,			
Hits on the e-Justice Portal 40 000	> 100%	16 000	18 400 compared to a target of 16 000
	93%	4.6 m	4.3 million out of 4.6 million
New psychoactive substances assessed (2)	75%	95	71 out of 95

% of target achieved by the end of 2019

#### Where are we in the implementation?

- All calls for proposals and tender procedures under the 2014-2019 work programmes have been finalised.
- The funding of the programme has been used to support the application of many EU legal instruments for judicial cooperation in criminal matters, such as the European Arrest Warrant.
- Information technology development activities in support of criminal justice in cyberspace in 2019 led to the establishment of a common e-Evidence Digital
  Exchange System, enabling secure electronic communication between the competent national authorities to obtain evidence in criminal matters. The e-Evidence
  Digital Exchange System will become operational in 2020, and additional improvements and developments are planned in the next multiannual financial
  framework period.
- Improving prison conditions has also become a political priority at EU level, because it affects the efficient operation of the EU's mutual recognition instruments and responds to terrorism, notably by reinforcing the prevention of radicalisation in prisons. Projects were funded via the justice programme to enhance the use of alternatives to imprisonment, to improve detention conditions in the Member States and to set up a network of prison monitoring bodies. The annual *Council of Europe Annual Penal Statistics* report provides clear insights into the detention situations.
- In 2019 the justice programme funded an awareness-raising package on the European Public Prosecutor's Office, to provide information to legal practitioners and for reuse by their training providers. The justice programme also funded the creation of judicial training material by the European Judicial Training Network and a publication on the rule of law by practitioners and academics.
- The justice programme has contributed to enhanced access to justice, including by providing multilingual informational content and electronic services, such as
  connecting national registers together. Over time, the e-Justice Portal has evolved to offer increased and broader content that also incorporates results and
  tools developed under other projects funded via the justice programme, to become a one-stop shop for citizens, businesses, legal professionals and the
  judiciary.
- The drugs initiatives continued to focus on expanding the knowledge base on the phenomenon of new psychoactive substances. Emphasis was put on strengthening the capacity of civil-society organisations to contribute to the implementation of the EU drugs strategy and its current action plan.

#### Performance assessment

- The evaluation of the 2011-2020 European judicial training strategy shows that the strategy has contributed to increasing knowledge on EU law while reinforcing mutual trust between legal practitioners. It also shows that the strategy led to the amount of EU funds available for training legal practitioners almost doubling, along with significant improvements in the capacity of networks and training providers. The need for new objectives (e.g. qualitative ones) was noted. The indispensable character of the EU's intervention and its clear benefits were widely acknowledged; in particular, the increase in cross-border training activities and judicial exchanges could not have been achieved without EU intervention.
- The activities funded by the programme resulted in the better implementation of EU justice instruments (e.g. European Investigation Orders, European Arrest Warrants and surrender procedures, European Protection Orders, European Account Preservation Orders, family law) and faster proceedings through cooperation, dialogue, sharing of experience, exchange of information, training activities and harmonisation of practices.
- Under the European Arrest Warrant, the surrender procedure lasted on average 16.4 days after the arrest. This is higher than the target of 10 days, but lower than the 19.4 days recorded in 2014.
- Judicial training contributes to equipping practitioners with better knowledge on how to apply EU law. The participation of judiciary and judicial staff in training activities, staff exchanges, study visits, workshops and seminars outperformed expectations, showing the success of the programme's actions in this field.
- The number of hits shows that the e-Justice Portal has become a one-stop shop for justice matters. It contributes significantly to improving and facilitating access to justice for citizens, businesses, national authorities, legal practitioners and the judiciary.
- The new justice programme should continue to give the Commission sufficient flexibility to react to new political priorities. In that respect, greater flexibility in allocating funding to specific objectives would be an improvement.

over 10 000	3.7 million	18 358	4.3 million	27	53
cases per year are dealt with under the European Arrest Warrant. It is the most successful EU instrument in criminal matters.	exchanges of information took place in the European Criminal Records Information System in 2019.	judiciary and judicial staff were trained in 2018.	hits were registered on the e-Justice Portal in 2019.	victim support organisations have been given national coverage.	new psychoactive substances were assessed.

<sup>(1)</sup> Latest results from 2018.

<sup>(2)</sup> Average of results for 2014-2019.

Regulation (EU) No 1381/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!dM83WN

#### FINANCIAL PROGRAMMING

(million EUR)

2014	55.3
2015	57.4
2016	60.0
2017	63.6
2018	63.4
2019	65.7
2020	69.7
Total	435.0





# **Evaluations/ Studies conducted**

**Payments** 

Commitments

The key findings of the latest evaluation (interim evaluation) were presented in the programme statements for 2020. https://europa.eu/!YY96WG Work on the final/ex post evaluation will begin in October 2020.

#### How is it implemented?

The Directorate-General for Justice and Consumers is the lead DG for the implementation of the programme. The programme is implemented through direct management (mainly grants).

# RIGHTS, EQUALITY AND CITIZENSHIP PROGRAMME

#### What is the rights, equality and citizenship programme?

The rights, equality and citizenship programme aims to contribute to the further development of an area where people's equality and rights are promoted and protected. Its specific objectives include promoting non-discrimination, the rights of persons with disabilities, equality between women and men, the rights of the child and the rights deriving from EU citizenship. Furthermore, it aims to combat racism, xenophobia, homophobia and other forms of intolerance; prevent violence against children, young people and women and other groups at risk; and ensure the highest level of data protection and consumer rights.

In the policy area of non-discrimination and Roma integration, the rights, equality and citizenship programme supports actions to ensure that discrimination on the grounds of religion or belief, age, disability and sexual orientation is prohibited whenever possible in the same way it is on grounds of sex and race or ethnic origin.

Important projects are also supported in the fight against racism focusing, among other things, on antisemitism or anti-Muslim hatred and fostering tolerance, by supplying finance to Member State authorities and civil society organisations. Projects should contribute to the better implementation of existing EU legislation in Member States, and also to supporting the victims of hate crime and hate speech and preventing and countering online hate speech. A particular priority relates to projects aimed at preventing and countering the spread of illegal hate speech online and the development of counter-narratives.

### **6**

#### **Specific objectives**

- To promote the effective implementation of the principle of non-discrimination on the grounds of sex, racial or
  ethnic origin, religion or belief, disability, age or sexual orientation, and to respect the principle of nondiscrimination on the grounds provided for in Article 21 of the Charter of Fundamental Rights of the European
  Union.
- To prevent and combat racism, xenophobia, homophobia and other forms of intolerance.
- To promote and protect the rights of persons with disabilities.
- To promote equality between women and men and to advance gender mainstreaming.
- To prevent and combat all forms of violence against children, young people and women, as well as violence
  against other groups at risk, in particular groups at risk of violence in close relationships, and to protect victims
  of such violence.
- To promote and protect the rights of the child.
- To contribute to ensuring the highest level of protection of privacy and personal data.
- To promote and enhance the exercise of rights deriving from EU citizenship.
- To enable individuals, in their capacity as consumers or entrepreneurs in the internal market, to enforce their
  rights deriving from EU law, having regard to the projects funded under the consumer programme.

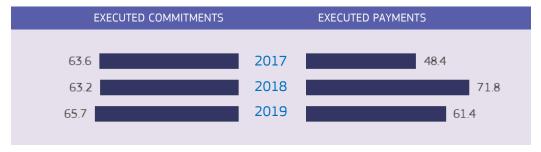
#### Why is it necessary?

The actions funded by the rights, equality and citizenship programme have helped bring tangible benefits to EU citizens. In many areas, such as consumer law, equality and non-discrimination, citizenship or data protection, individuals are protected by EU legislation, but are not sufficiently aware of their rights. Awareness-raising actions at EU level are necessary to fill this national gap. Thanks to EU funding, the political debate on gender equality has improved and several Member States have taken measures to implement new legislation to increase the number of women in decision-making positions or to

reduce the gender pay gap. EU-level intervention has also been particularly relevant in combating racism, xenophobia, homophobia and other forms of intolerance as well as promoting the exercise of rights deriving from the EU citizenship, in view of the lack of significant investment in those fields at national levels.

#### Outlook for the 2021-2027 period

For the next multiannual financial framework, the rights and values programme is the Commission's proposal to succeed the rights, equality and citizenship programme.



#### **Key performance indicators**

	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Member States that set up structural coordination mechanisms on the national Roma integration strategies	l	85%	26	22 out of 26 Member States
Perception of consumers of being protected (¹)	64%	73%	75%	72% compared to 75% ratio

% of target achieved by the end of 2019

(1) Latest results from 2018.

#### Where are we in the implementation?

- The selection procedure for all calls for proposals from the 2019 work programme was finalised in the same year. All operating grants were signed before the end of the year, as were half of the action grants selected under the calls for proposals.
- In the last 3 years, more than 800 organisations across Europe have received financial support from the programme. Funding was distributed between different beneficiaries, with 70% of the budget for the calls for proposals granted to one-time participation by an organisation.
- In 2019, the programme contributed to the effective implementation of the code of conduct on countering illegal hate speech online, to enhancing the understanding of the phenomenon and to fostering positive narratives through education, campaigns and awareness-raising activities.
- The programme has supported the implementation of the European Disability Strategy and UN Convention on the Rights of Persons with Disabilities (UNCRPD). In addition to annual events such as the Access City Awards that recognises and celebrates cities' willingness, ability and efforts to become more accessible, it contributed to raise awareness and knowledge with a campaign on Discrimination in the workplace (#EuvsDiscrimination) and trainings for legal and policy practitioners. To ensure informed policy development, it funded a network of academics in the field of disability for the collection of data and the assessment of the pilot project for an EU Disability Card.
- The programme has fostered the social inclusion of Roma children and families, enhancing social cohesion and improving Roma children's experience of the transition to primary school.
- Targeted support was provided to Member States to promote gender equality and the rights of the child and to combat violence against women, young people
  and children.
- The programme supported the implementation in Member States of the general data protection regulation and the data protection law enforcement directive. Fifteen projects received finance for awareness-raising activities on the legislation by data protection authorities, websites and social media campaigns, regional training events and seminars or the setting-up of hotlines.
- To promote and enhance the exercise of rights deriving from EU citizenship, in 2019 the programme funded a network of academics, which provides advice on policies related to this citizenship and their implementation in Member States and relevant non-EU countries.

#### Performance assessment

- The programme has supported the implementation of key policies through the co-financing of more than 700 projects since 2017, to promote non-discrimination, the rights of the child, EU citizenship rights and data protection, as well as to fight gender-based violence and intolerance.
- The programme has been able to adapt to new challenges, for instance the rise of online hate speech due to the increased use of social media, the challenges of gender equality and the protection of children in migration.
- Most calls for proposals receive a high number of applications. This helps to ensure that high-quality projects are selected. In particular, three calls for proposals were performing beyond expectations, both in terms of quantity and quality: these concerned actions to combat violence against women and children, to fight racism and to promote non-discrimination.
- The programme finances more than 30 projects every year to combat discrimination and promote equality and social inclusion. Notably, it has contributed to
  fostering social inclusion for Roma children and families, enhancing social cohesion and improving Roma children's experience of transition to primary school.
- The main challenge for the last year of implementation of the rights, equality and citizenship programme will be to ensure the transition to and visibility of the new citizens, equality, rights and values programme (2021-2027), exploring and exploiting synergies with the Europe for citizens programme.
- In order to learn from the previous period and responding to stakeholders' expectations, the new programme will increase its emphasis on support to civil society organisations, in particular at the local level.

800	3 200	7	14	80%
organisations across the EU received financial support in 2017-2019.	children took part in play hub activities under the TOY for inclusion project implemented in 2017-2018; around 35 % were of Roma origin.	operating grants are provided annually to major EU-level networks of disability organisations, such as the European Disability Forum.	countries benefited from targeted data protection training sessions for more than 1 200 lawyers, 150 data protection officers and 450 local public authority representatives.	of beneficiaries indicated that funding received is largely effective.

**LEGAL BASIS**Council Regulation (EU)
No 390/2014

#### MORE INFORMATION

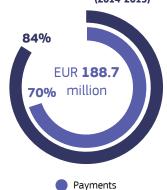
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#### FINANCIAL PROGRAMMING

(million EUR)

2014	25.6
2015	24.3
2016	25.3
2017	26.4
2018	27.6
2019	28.7
2020	30.8
Total	188.7

### OVERALL EXECUTION (2014-2019)



### Commitments

#### Evaluations/ studies conducted

The midterm evaluation of the Europe for citizens programme was carried out in 2017. For further information please consult: https://europa.eu/!pJ44xP

#### How is it implemented?

DG Justice and Consumers is responsible for developing the Programme, guiding its implementation and evaluating its results. The European Commission has delegated the implementation of the programme to the Education, Audiovisual and Culture Executive Agency.

### **EUROPE FOR CITIZENS**

#### What is 'Europe for citizens'?

The Europe for citizens programme aims to contribute to citizens' understanding of the EU, its history and its diversity, in order to foster European citizenship and improve conditions for civic and democratic participation at EU level.

The Europe for citizens programme is implemented through the two strands 'European remembrance' and 'democratic engagement and civic participation', which offer co-funding for European remembrance projects, town-twinning activities, networks of towns and civil society projects. The two strands are complemented by horizontal actions for dissemination and use of project results.

#### **Specific objectives**

- To raise awareness of the importance of remembrance, contributing to a better understanding of the EU's
  history, common values and cultural diversity, and promoting peace, the values of the EU and the well-being of
  its peoples, by stimulating debate, reflection and the development of networks.
- To encourage the democratic and civic participation of citizens at EU level, by developing their understanding of the EU policymaking process and promoting opportunities for societal and intercultural engagement and volunteering at EU level.

#### Why is it necessary?

The programme demonstrates a clear European added value as all activities funded under Europe for citizens either have a cross-border dimension, involving citizens and organisations from several participating countries, or are related to the European Union itself. Remembrance activities, town twinning or pan-European networks are intended to broaden perspectives and to develop a sense of European belonging and identity.

'European remembrance' supports activities that encourage reflection on European cultural diversity and on common values in the broadest sense. This strand of the programme also encompasses activities concerning other defining moments and reference points in recent European history.

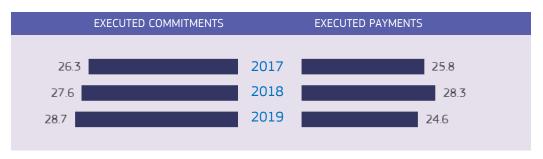
'Democratic engagement and civic participation' supports activities that relate to civic participation in the broadest sense, and focuses in particular on constructing methods to ensure that funded activities have a lasting effect on increasing the democratic participation of young people and the participation of women in political and economic decision-making.

'Valorisation' covers the whole programme. It focuses on the analysis, dissemination, communication and valorisation of the results of the projects. Common tools are developed to collect best practices and ideas about how to strengthen remembrance, European citizenship and civic participation and facilitate transnational exchange.

The European citizens' initiative aims to increase the contribution of the European citizens to the development of EU policies, by calling on the European Commission to submit proposals for legal acts fostering democratic participation. The objective is to emphasise its European (and transnational) dimension. Initiatives are prepared by committees of seven EU citizens residing in seven different Member States.

#### Outlook for the 2021-2027 period

In May 2018, the Commission proposed the rights and values programme for the next multiannual financial framework. It merges two current funding programmes: the rights, equality and citizenship programme and the Europe for citizens programme.



#### **Key performance indicators**

	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Participants directly involved in projects		96%	1.30 m	1.25 out of 1.30 million participants expected
People indirectly reached by the programme		> 100%	1.55 m	1.76 million people reached compared to a target of 1.55 million
First-time applicants to projects		> 100%	40%	66% first-time applicants compared to a target of 40%
Transnational partnerships including different types of stakeholders		100%	2	2 out of 2 partnerships
Geographical coverage of the activities — number of countries involved	15	100%	28	28 out of 28 Member State partners or co-partners

% of target achieved by the end of 2019

#### Where are we in the implementation?

- The programme is implemented through action grants and operating grants; the available budget is spent relatively evenly across the strands each year.
- The number of projects funded has been continuously increasing since 2014. In 2019, 433 projects were selected out of 1 590 applications received.
- As for the 'European remembrance' strand, remembrance projects selected in 2018 and 2019, shared their experience at the Taking Stock of European Memory Policies event in 2019.
- As for the 'Democratic engagement and civic participation' strand, a network of towns created eight permanent and sustainable international cultural creative
  centres, or 'heart points': through the project 'heart of Europe network of towns promoting heart culture, solidarity and integration', 'heart points' were
  established in each participating country. Partners of the network explored different approaches to artistic expression, with the goal of contributing towards a
  common European identity and promoting EU values such as cultural diversity and mutual understanding. The Europe for citizens History defines our future
  event in 2019 brought citizens together alongside participants in the Europe for citizens programme to discuss how to strengthen European values,
  achievements and identity while drawing lessons from history.
- Following a transfer of appropriations as of 2017 to the specific budget heading dedicated to the European citizens' initiative, the programme also financed information technology developments and studies for the implementation of the regulation on the European citizens' initiative.
- The new regulation on the European citizens' initiative was adopted in April 2019 and entered into application on 1 January 2020.
- In order to make the use of the European citizens' initiative easier for organisers of initiatives and for supporters (signatories) across the EU, new rules have been introduced and the information technology tools have been further developed to support the organisations in their communication activities.
- In 2019, 17 new citizens' initiatives were registered.

#### **Performance assessment**

- The Europe for citizens programme is on track to achieve its objectives. In a challenging political, social and economic climate, the programme contributes to fostering the civic engagement of citizens across Europe. It has encouraged people to participate more actively in the development of the EU and promote its fundamental values such as tolerance, solidarity and non-discrimination, through action and operating grants. A large number of projects directly address current political and societal issues, such as migration and the European elections.
- In the area of town twinning, the programme achieves results by increasing and encouraging mutual understanding and friendship between citizens at a local level. Networks of towns complemented the traditional town twinning by offering towns and municipalities the opportunity to develop larger-scale projects, thus increasing the projects' impact and sustainability.
- Overall, the programme targeted civil society organisations through operating grants and civil society projects. The participation of stakeholder organisations in the programme influenced their own perceptions of Europe. Most participating organisations noted positive effects on their knowledge of Europe and were committed to becoming more engaged with civil society.
- Support was provided as of 2017 to boost the implementation of the European citizens' initiative. The increase in the number of requests for registration of initiatives can be partly attributed to the communication campaign funded by the Europe for citizens programme. Overall, at the end of 2019, 71 citizens' initiatives had been registered since 2012, of which one third were registered after the launch of the new communication activities.
- The programme has a wide outreach. A challenge for the last year of implementation of Europe for citizens will be to ensure the visibility of the programme's results and to strengthen synergies with other EU programmes. A communication campaign has already been funded by the Europe for citizens programme, but further common tools are needed to collect best practices and ideas about how to strengthen remembrance, European citizenship and civic participation and facilitate transnational exchange.

34	2 310	66%	1 250 000	260 000	433
countries – 28 Member States and 6 other countries – were eligible to participate.	organisations participated in the programme in 2019.	of applicants were new in 2019.	people were involved in activities of the programme in 2019.	people were reached indirectly by the programme in 2019.	projects were selected in 2019.

Decision (EU) 2019/420 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!vF44kU

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	28.2
2015	29.3
2016	30.6
2017	29.5
2018	33.2
2019	104.6
2020	511.2
Total	766.5

### OVERALL EXECUTION (2014-2019)





#### Evaluations/ studies conducted

The midterm evaluation of the current UCPM legislation was carried out in 2017. For further information please consult: http://europa.eu/!gD68jG

#### How is it implemented?

DG European Civil Protection and Humanitarian Aid Operations is the lead DG for the implementation of the mechanism. The mechanism is implemented through direct management (grants and procurement).

### **CIVIL PROTECTION**

#### EU CIVIL PROTECTION MECHANISM - HEADING 3

#### What is the UCPM under Heading 3?

The aim of the European Union Civil Protection Mechanism (UCPM) is to support, coordinate and supplement the actions of the Member States in the field of civil protection with a view to improving the effectiveness of systems for preventing, preparing for and responding to natural and man-made disasters. The mechanism focuses on reducing loss of human life, environmental, economic and material damage caused by disasters through a comprehensive approach covering: disaster prevention, preparedness and response; improving the understanding in Member States of disaster risks through cooperation on risk assessment and planning, and the gradual development of a European culture of disaster prevention; and improving preparedness for disasters through training, exercises, exchange of best practices and similar activities. The projects' primary beneficiaries are the 34 participating states: the EU Member States and Iceland, Montenegro, North Macedonia, Norway, Serbia and Turkey.



#### **Specific objectives**

- To achieve a high level of protection against disasters by preventing or reducing their effects by fostering a
  culture of prevention and by improving cooperation between the civil protection and other relevant services.
- To enhance preparedness at Member State and EU level to respond to disasters.
- To facilitate rapid and efficient response in the event of disasters or imminent disasters.
- To increase public awareness of and preparedness for disasters.

#### Why is it necessary?

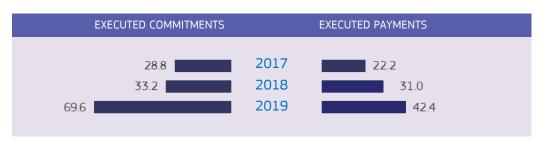
The EU added value of the mechanism comes in the form of:

- reduction of loss of human life and of environmental, economic and material damage caused by disasters through a comprehensive approach covering disaster prevention, preparedness and response;
- improved understanding in Member States of disaster risks through cooperation on risk assessment and planning, and the gradual development of a European culture of disaster prevention;
- improved preparedness for disasters through training, exercises, exchange of best practices and similar activities;
- improved coordination of the response to disaster by bringing together and facilitating Member States" offers of assistance;

- increased cost-effectiveness through the pooling of assistance, the sharing of transport capacities, the identification of complementarities and the avoidance of duplication of effort;
- a more coherent, predictable and visible response to disasters through the setting up of the European Response Capacity ready to help everywhere in the EU and in non-EU countries when needed.

#### Outlook for the 2021-2027 period

The Commission proposed the inclusion of funding related to the internal and external dimensions of civil protection in a specific cluster – 'crisis response' – under Heading 5, 'Security and Defence', for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Member States that have made a summary of their risk assessments available	14	86%	28	26 out of 28 Member States
Projects financed for prevention within the EU (¹)		62%	71	44 out of 71 projects
Response capacities included in the voluntary pool		> 100%	60	109 capacities included compared to a target of 60
Standard response units registered in the EU's Common Emergency Communication and Information System		> 100%	180	220 units registered compared to a target of 180
Projects financed for preparedness (1)		55%	74	41 out of 74 projects
Average speed of civil protection assistance interventions (in hours) ( <sup>2</sup> )		> 100%	12	7 hours compared to a target of 12

% of target achieved by the end of 2019

#### Where are we in the implementation?

- Most of the activities in the area of civil protection were implemented as planned in the UCPM legislation and the Commission implementing decision in all
  areas, disaster prevention, preparedness and response.
- Although specific funds were earmarked for the development of rescEU capacities in the 2019 annual work programme, not all funds were spent and EUR 37 million was returned. In addition, EUR 8 million was also returned to the central budget for internal response. Given the impossibility of predicting emergencies, the portion of the response budget that was returned should not be considered to represent under-implementation.
- The year 2019 was important for the UCPM as its new legislation entered into force in March 2019, with the subsequent implementing decisions put in place in 2019 to establish the rescEU reserve in the areas of aerial forest fire fighting and emergency medical capacities.
- The operational transition of the new provisions in 2019 was handled smoothly, with the new financial support arrangements for UCPM activation taking immediate effect from March and the first deployment of rescEU 'transition' aerial forest fire fighting assets.
- In addition, as part of the EU's response to the COVID-19 outbreak, the Commission proposed the reinforcement of the UCPM within the EU with EUR 370 million in 2020, so as to make essential medical supplies available.

#### **Performance assessment**

- The UCPM has shown a strong performance over recent years, as demonstrated by the following examples.
  - In the area of prevention, the UCPM has been instrumental in fostering an EU-wide culture of prevention, supporting notably those Member States and neighbouring countries whose structures and policies were less advanced. Through the compilation of national risk assessments and the dissemination of a document outlining a risk profile at EU level, Member States have generally become more aware of the need to strengthen prevention policies and taken significant steps.
  - o In the area of preparedness, the size of the UCPM among Member States is growing. The number and diversity of registered capacities in the European Civil Protection Pool is increasing, reaching in certain areas the maximum required at EU level.
  - In the area of response, despite the unpredictable nature of disasters, the UCPM is being activated to support Member States and non-EU countries.
     The average speed of civil protection assistance interventions has improved over the last years, reaching 7.4 hours on average in 2019 compared with the 12-hour target.
- The number of projects financed for prevention and preparedness in 2019 is lower than the target. This is due to a new approach being applied from 2018, which focuses on fewer projects with higher financing per project. The strategy includes a much stronger focus on: results (with the introduction of a mandatory results framework in the project proposal phase to better measure impact), relevance for the needs of the end users and scalability (i.e. the possibility of using project outputs to prepare prevention and preparedness investments). Since the duration of the projects is 24 months (projects awarded in 2018 will be closed at the end of 2020), it is too early to assess whether this new approach has been effective.
- Some of the new provisions envisaged in the revised legislation, namely the development of rescEU capacities, will need some additional time to materialise in full. The Commission has put in place measures to ensure that rescEU capacities can be developed in the short term. Notably, these include the establishment of the 'task teams' working around the three priority areas identified by the legislation (aerial firefighting, medical capabilities and chemical, biological, radiological and nuclear defence) to lay down the minimum technical requirements necessary to adopt the subsequent Commission implementing decisions to develop such capacities.

3	110	1 000	172	15	22 million
emergencies received assistance through the UCPM in 2019: Greece (forest fires), France (marine pollution) and Finland (marine pollution).	response capacities committed to the European Civil Protection Pool and available for immediate deployment by the end of 2019.	UCPM experts trained in 2019 within the EU.	water drops (approximately 1 032 tonnes of water) were performed in 2019 by rescEU Italian and Spanish aircraft to support the fight against the forest fire in Greece.	aircraft constituted the rescEU transition fleet, with the participation of 6 different Member States.	online viewers of the 'EU Saves Lives' awareness campaign in 2018 and 2019.

<sup>(1)</sup> Cumulative results for 2014-2019 compared to cumulative milestones for 2014-2020.

<sup>(2)</sup> Average of results for 2014-2019.

Regulation (EU) No 652/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!Yp68Bc

#### FINANCIAL PROGRAMMING

(million EUR)

2014	253.4
2015	245.6
2016	253.0
2017	258.9
2018	279.4
2019	289.7
2020	247.3
Total	1 827.3

### OVERALL EXECUTION (2014-2019)



Payments

Commitments

#### Evaluations/ studies conducted

The midterm evaluation of the food and feed programme was carried out in 2017. For further information please consult: http://europa.eu/!Ck89tr

#### How is it implemented?

DG Health and Food Safety is the lead DG for the implementation of the programme. The programme is implemented through direct management.

### Key performance indicators

### **FOOD AND FEED**

#### What is 'food and feed'?

The food and feed programme ensures that a well-functioning and safe food chain is in place. This is a key public health and economic priority. Outbreaks of serious animal and plant diseases may cause major direct losses to agriculture and potentially enormous indirect losses to the EU economy. To support this objective, the food and feed programme includes the following.

- National veterinary programmes for the eradication, control and surveillance of transmissible, often epidemic animal diseases and zoonoses (diseases that can be transmitted from animals to humans).
- National survey programmes for organisms that are harmful to plants, ensuring early detection and eradication of pests.
- Training in the field of food and feed safety, animal health, animal welfare and plant health through the better training for safer food programme.
- The funding of European Union reference laboratories, which help ensure the proper functioning of the internal
  market, the protection of human health and the maintenance of consumer confidence. The EU reference laboratories
  ensure high-quality and uniform testing in the EU and provide training to hundreds of national reference laboratories
  in a number of food safety priority areas. This ensures that all Member States work within a consistent and uniform
  regulatory framework.
- Financial support for emergency measures in order to contain animal diseases and pest outbreaks. These measures
  act like a fire extinguisher, putting down or containing the outbreak and avoiding further spread of the disease.



#### **Specific objectives**

- To contribute to a high level of safety of food, food production systems and products which may affect the safety
  of food, while improving the sustainability of food production.
- To contribute to achieving a better animal health status for the EU and to support the improvement of the welfare
  of animals
- To contribute to the timely detection of pests and their eradication where they have entered the EU.
- To contribute to improving the effectiveness, efficiency and reliability of official controls and other activities carried
  out with a view to ensuring the effective implementation of and compliance with the EU rules.

#### Why is it necessary?

The technical and financial support provided by the EU to the Member States has achieved better animal and plant health in the EU. Alone, Member States have difficulty securing the appropriate financial resources to respond to the combination of present and potential challenges. The variety of measures to tackle pests and diseases requires a centralised management system to properly coordinate and organise the implementation of specific actions in the Member States. Moreover, Member States which might not have a direct interest in combating a particular disease or pest still have to look after the overall interests of the EU.

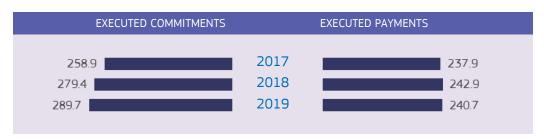
Diseases can spread rapidly between Member States and involve the entire EU market. EU intervention is needed to minimise the impact on human, animal and plant health, as well as on the industry and the markets. Outbreaks can come at a huge cost for the EU budget,

the national budgets and the farming community. For example, the foot-and-mouth disease outbreak of 2001, which started in the United Kingdom but spread to other countries, is estimated to have cost up to EUR 12 billion.

The network of laboratories ensures that all countries apply a consistent and uniform regulatory framework, while the training programme promotes a common approach towards the implementation and enforcement of EU legislation. Harmonisation of rules and sharing of knowledge and expertise in the food chain and related areas could not be achieved through isolated efforts at national level without EU financial support.

#### Outlook for the 2021-2027 period

The food and feed programme has been integrated into the Commission proposal for the single market programme through a dedicated food strand.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Member States free from animal diseases – bovine brucellosis	16	44%	25	20 out of 25 Member States
Member States free from animal diseases – bovine tuberculosis	15	25%	23	17 out of 23 Member States
Member States free from animal diseases – melitensis	19	17%	25	20 out of 25 Member states
Coverage of EU territory by surveys for pests not known to occur in EU territory		86%	100%	86% out of 100% coverage
Coverage of EU territory by surveys for most dangerous pests		100%	100%	100% out of 100% coverage
Results of controls in particular areas of concern (1)		75%	95%	71% out of 95% favourable trend

<sup>(1)</sup> Latest results from 2018.

#### Where are we in the implementation?

• The feed and food programme consists of several programmes, including (1) national programmes for the eradication, control and surveillance of animal diseases and zoonoses; (2) national survey programmes for pests; (3) training in the field of food and feed safety, animal health, animal welfare and plant health; (4) information technology tools in the field of food safety, animal health, animal welfare and plant health; and (5) the European Union reference laboratories.

% of target achieved by the end of 2019

• In 2019, EUR 130 million was used to co-finance 142 national veterinary programmes covering the monitoring and eradication of 12 diseases. A further EUR 13 million co-financed early detection and eradication of pest outbreaks in 24 Member States, a relatively new activity of growing importance. In addition, following the financing of emergency measures related to avian influenza in 2016-2018, substantial funding was made available for emergency measures related to African swine fever (EUR 50 million for EU programmes in 2019, plus EUR 6.3 million EU co-financing of measures with seven neighbouring non-EU countries). Payments related to African swine fever will continue in 2020 and 2021.

#### Performance assessment

- As shown by the midterm evaluation, the food and feed programme contributes to a high level of health for humans, animals and plants by preventing and eradicating diseases and pests. Rabies has been almost eradicated in the EU in wildlife, the trend in bovine tuberculosis and brucellosis eradication is positive, bovine spongiform encephalopathy in cattle has been eradicated, and since 20 March 2019 the entire EU has been declared free of swine vesicular disease. EU co-financing of emergency measures made it possible to contain African swine fever, which was introduced into eastern Europe by movement of wild boar from Belarus and Ukraine. Lumpy skin disease was also swiftly controlled after its introduction into Greece in 2015, through coordinated vaccination campaigns in the EU and in the Balkans. No outbreak of lumpy skin disease has been noted since 2018. Progress in the number of officially free Member States or regions does not fully reflect the actual progress achieved in that area, however, because there is currently no formal obligation for the Member States to request official 'free' status. As from 2021, this issue will be corrected under the new animal health law.
- The programme provides technical advice to the Member States, while the financial support given through the national programmes is a key incentive for Member States to implement programmes pertaining to the interests of the EU as a whole. External factors beyond the direct control of the Member States, such as increased epidemiological risks linked to globalisation, climate change, neighbouring non-EU countries or wildlife, are taken into account in the initial assessment of each specific programme before approval, and during the final report evaluation before payment.
- The prevention and protection system have proven to work properly, and safety and quality of food respect the highest international standards. The human cases due to zoonotic diseases in the EU have been progressively reduced over the years, and both the frequency and the severity of animal, plant and food crises have decreased. No large-scale outbreaks have occurred for a decade, and all emergencies have been successfully contained.
- In the plant health areas, EU-funded programmes on surveys have enabled the detection of new pests at an early stage, allowing for some pests to be contained to the original outbreak areas (e.g. pinewood nematode in Portugal) while minimising the risk of further spread into EU territory.
- A special report from the European Court of Auditors published in 2016 concluded that the animal disease eradication programmes adequately contained animal diseases. The Court stressed that the Commission and the Member States should continue their efforts, as disease outbreaks can always occur. As a follow-up to the special report, methodological guidance on cost-effectiveness analysis in the food chain area was issued in 2019.
- Further to the recent experience with animal diseases coming from neighbouring non-EU countries, annual programmes providing EU financial support in the fight against animal and plant diseases have been proposed to be introduced for neighbouring non-EU countries, similar to the existing annual programmes in the Member States. Currently only emergency measures can be financed in non-EU countries.

Rabies	African swine fever	Lumpy skin disease	Bovine spongiform encephalopathy	Avian influenza	Audits
cases in wildlife decreased to five in 2019, in two Member States. Complete eradication is expected in 2020. No indigenous cases in humans have occurred in the EU since 2016.	has been contained to 11 Member States (including Greece since 2020), mostly in the eastern part of Europe.	has seen its spread in south- eastern Europe contained to seven countries and no new outbreak has occurred in the EU since 2018.	in cattle has been eradicated since 2017.	has seen its epidemic of 2016-2017 eradicated and farming and export have been protected.	along with other control activities carried out by the Commission in the food and feed area in 2019 numbered 159.

Regulation (EU) No 282/2014 of the European Parliament and of the Council and repealing Decision No 1350/2007/EC

#### **MORE INFORMATION**

https://europa.eu/!tN38qn

#### FINANCIAL PROGRAMMING

(million EUR)

2014	58.6
2015	59.8
2016	62.2
2017	64.5
2018	66.4
2019	68.3
2020	69.7
Total	449.4

### OVERALL EXECUTION (2014-2019)



## Commitments

# **Evaluations/ studies conducted**

The mid-term evaluation of the third health programme was carried out in 2017. For further information please consult: http://europa.eu/!pc44qn

#### How is it implemented?

The Directorate-General for Health and Food Safety is the lead DG for the implementation of the programme. The programme is implemented through direct management.

### **HEALTH PROGRAMME**

#### EUROPEAN UNION ACTION IN THE FIELD OF HEALTH

#### What is the health programme?

Good health is a major concern of EU citizens, all the more so in the middle of the current major crisis due to the COVID-19 outbreak. The EU contributes to better health protection through its policies and activities, in accordance with Article 168 of the Treaty on the Functioning of the European Union. However, the EU does not define health policies, or the organisation and provision of health services and medical care. Instead, it works to complement national policies and to support cooperation between Member States in the field of public health.

The third programme for EU action in the area of health (2014-2020) is a financial instrument for policy coordination at EU level. It aims to complement, support and add value to the policies of Member States aimed at improving the health of their citizens and reducing health inequalities, encouraging innovation in health and increasing the sustainability of health systems. The programme has four specific objectives:

- (1) to promote health and healthy living and prevent disease;
- (2) to protect EU citizens from serious cross-border health threats;
- (3) to contribute to innovative, efficient and sustainable health systems;
- (4) to facilitate access to better and safer healthcare for EU citizens.



#### **Specific objectives**

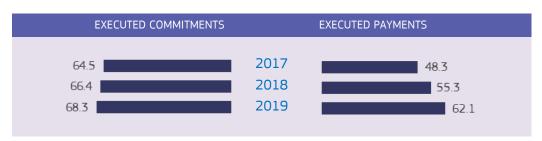
- Identify, disseminate and promote the uptake of evidence-based and good practices for cost-effective health
  promotion and disease prevention measures by addressing in particular the key lifestyle-related risk factors with
  a focus on EU added value.
- Identify and develop coherent approaches and promote their implementation for better preparedness and coordination in health emergencies.
- Identify and develop tools and mechanisms at EU level to address shortages of resources, both human and financial, and to facilitate the voluntary uptake of innovations in public health intervention and prevention strategies.
- Increase access to medical expertise and information for specific conditions beyond national borders, facilitate
  the application of the results of research and develop tools for the improvement of healthcare quality and
  patient safety.

#### Why is it necessary?

The programme focuses on fostering the exchange of best practices between Member States and supporting networks for knowledge sharing or mutual learning. Moreover, actions are undertaken to address crossborder health threats to reduce risks and mitigate consequences. The health programme addresses issues relating to the internal market where the EU has substantial legitimacy to ensure high-quality solutions across Member States and targets actions unlocking the potential of innovation in health. It promotes actions that could lead to a system of benchmarking or improving economies of scale by avoiding waste due to duplication and optimising the use of financial resources.

### Outlook for the 2021-2027 period

In view of the COVID-19 crisis, the Commission proposed to continue a self-standing health programme for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Member States having a national initiative on the reduction of sauntered fat	12	75%	28	24 out of 28 Member States
Member States in which the European accreditation scheme for breast cancer services is implemented		21%	28	6 out of 28 Member States
Member States integrating coherent approaches in their preparedness plans (1)		79%	28	22 out of 28 Member States
Member States deploying or using patient summaries data/e-prescription in line with the EU guidelines (¹)		> 100%	18	22 out of 18 Member States
European reference networks established		80%	30	24 out of 30 networks
Widening of established European reference networks		66%	1 450	953 out of 1 450 healthcare units

(1) Latest results are from 2018.

#### Where are we in the implementation?

• The 2019 work programme focused on the programme's scope as a financial instrument for policy coordination at EU level, covering: (a) country-specific and cross-country knowledge; (b) cross-border health threats; (c) preparedness and response, focusing specifically on antimicrobial resistance and vaccination; (d) structural support to health systems and links to the digital single market; and (e) promotion of health and prevention of non-communicable diseases.

% of target achieved by the end of 2019

- Three joint actions were launched, of which two will focus on the implementation of best practices selected by the Steering Group on Health Promotion and Disease Prevention in the areas of nutrition and food reformulation, and digitally enabled integrated care models. The third joint action focuses on improving the capacity and response of Member State authorities against bioterrorism-related threats. Three-year grant agreements were signed with all 24 European reference networks covering the period until 2022, when the networks are expected to reach full capacity. Specific grant agreements have been awarded on a competitive basis for the 2018-2020 financial years. The non-governmental bodies supported are expected to assist the Commission with the information and advice necessary for the development of health policies and the implementation of the health programme's objectives and priorities. Non-governmental bodies are also expected to work on increased health literacy and the promotion of healthy lifestyles and the organisation of science policy conferences, and to contribute to the optimisation of healthcare activities and practices.
- While this document relates to the health programme activities carried out during 2019, it should be noted that when the COVID-19 outbreak started in the first quarter of 2020, the programme's ongoing actions were urgently reoriented towards the fight against the pandemic. This shows that the health programme has been able to respond swiftly to new developments. For example, the healthy gateways joint action organised training courses for trainers and specific webinars, providing guidance including questions and answers on points of entry and borders. The SHARP joint action (strengthened international health regulations and preparedness in the EU) is supporting laboratory diagnostics for COVID-19, and mapping the existing facilities and clinical capacities.
- In addition to the programme's actions, and in the context of the joint procurement agreement to procure medical countermeasures signed by the Commission and Member States, joint procurement was urgently launched for gloves and coveralls (for a maximum amount of EUR 1.4 billion); eye and respiratory protection (for a maximum amount of EUR 150 million); ventilators/respirators (for a maximum amount of EUR 790 million) and laboratory equipment.

#### **Performance assessment**

- The health programme's performance should be assessed in the context of its scope and its modest financial envelope, linked to policy coordination at EU level. The immediate response to the COVID-19 outbreak has been financed through other instruments, such as the EU's Civil Protection Mechanism, the Emergency Support Instrument and the European Union Solidarity Fund.
- The mid-term evaluation of the third health programme carried out in 2017 concluded that its implementation was on track. Major achievements were the creation of 24 European reference networks, support to Member States to increase their capacity-building to respond to outbreaks (e.g. the Ebola and Zika viruses), contributing to the EU's migration policy by supporting Member States to respond to the health needs of a high influx of migrants and refugees, and the training of health professionals and other frontline staff.
- The programme addresses efficiently the priorities for implementing best practices for health promotion and disease prevention, crisis preparedness and risk management, relevant information in the framework of the European semester, mental health and health and innovation.
- The majority of indicators related to the programme's general and specific objectives showed positive trends over the implementation period of 2014-2019. Five out of eight indicators reached and in certain cases went beyond the milestones defined at the beginning of the period, implying that they should reach their defined targets by its end. The decrease of the 'number of Member States in which the European accreditation scheme for breast cancer services is implemented' indicator is explained by the fact that in 2019, developers of guidelines and/or national authorities of (only) six Member States have used, implemented or adapted in their national cancer plans the European guidelines, evidence base or methodology developed by the European Commission initiative on breast cancer, coordinated by the Joint Research Centre. The other two indicators that did not reach their milestones in 2019 concern (a) the 'number of health technology assessments' produced per year, which reached 27 in 2019 versus the milestone envisaged of 29, and (b) the indicator on the number of healthcare providers and centres of expertise joining European reference networks. The stabilisation of this indicator at around 950, after reaching the milestone set for in 2017 in that year, can mainly be explained by the fact that subsequent annual milestones were set at levels that were too ambitious, with regard to external factors linked with the networks' infrastructure, capacity and resources.
- In line with the conclusions of the mid-term evaluation, the Commission will continue to work on three main aspects of the third health programme:

  (a) improving monitoring, reporting and dissemination; (b) encouraging the involvement of all Member States and other participating countries, and working with all Member States, particularly those with greater public health needs; and (c) developing synergies with the Commission's main priorities and other programmes. The new health programme should foster further synergies and complementarities with other EU programmes and funds (e.g. the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus, InvestEU and Horizon Europe).

458	6 650	3	30
panels were used by European reference networks to discuss rare or complex patient cases in February 2019.	people from all Member States have visited the online best practices portal for health promotion and disease prevention since June 2018.	rounds of external quality assurance exercises have been completed under the Emerge joint action (efficient response to highly dangerous and emerging pathogens at EU level) since June 2018.	country health profiles were published by the Commission under the 'State of health in the EU cycle' in November 2019.

Regulation (EU) No 254/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!dF39mj

#### FINANCIAL PROGRAMMING

(million EUR)

2014	24.1
2015	24.7
2016	25.9
2017	26.9
2018	28.0
2019	29.3
2020	29.7
Total	188.4

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

In 2019 the Commission published its report on the midterm evaluation of the consumer programme 2014-2020, available here: https://europa.eu/!jC36Hv

#### How is it implemented?

DG Justice and Consumers is the lead DG for the implementation of the programme. It is supported by the Consumers, Health, Agriculture and Food Executive Agency. The programme is implemented through direct management (grants) and procurement.

### CONSUMER PROGRAMME

#### What is the consumer programme?

The programme supports the EU consumer policy. It aims to help citizens fully enjoy their consumer rights and actively participate in the single market, thus supporting growth, innovation and meeting the objectives of Europe 2020. The consumer programme 2014-2020 focuses on four key areas:

- a single market of safe products for the benefit of citizens and as a component of competitive businesses and traders;
- a single market where citizens are well represented by professional consumer organisations whose capacity is built to meet the challenges of today's economic environment;
- a market where citizens are aware of and exercise their rights as consumers so that they contribute to the
  growth of competitive markets; citizens must enjoy access to redress mechanisms in the event of problems
  without needing to resort to court procedures which are lengthy and costly for them and the governments;
- concrete and effective collaboration between national bodies to support the enforcement of consumer rights and support the consumers with advice.

#### **Specific objectives**

- . Safety. To consolidate and enhance product safety through effective market surveillance throughout the EU.
- Consumer information and education, and support to consumer organisations. To improve consumer
  education, information and awareness of rights, to develop the evidence base for consumer policy and to
  provide support to consumer organisations, taking into account the specific needs of vulnerable consumers.
- Rights and redress. To develop and reinforce consumer rights in particular through smart regulatory action
  and improving access to simple, efficient, expedient and low-cost redress procedures, including alternative
  dispute resolution.
- Enforcement. To support enforcement of consumer rights by strengthening cooperation between national
  enforcement bodies and by supporting consumers with advice.

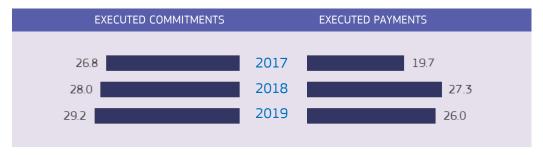
#### Why is it necessary?

Ensuring that products circulating on the internal market, including online, are safe for consumers is a basic objective of EU consumer policy.

Consumers need to be confident that unsafe products have no place on the EU market and that the relevant rules are effectively and efficiently enforced, both domestically and across borders. This is why the EU supports a coordinated and coherent approach to the enforcement of safety and market surveillance rules across the EU.

#### Outlook for the 2021-2027 period

The Commission proposed the integration of the consumer programme into the new single market programme, for the next multiannual financial framework, in the spirit of continuity, flexibility and EU added value.



	Baseline PROGRESS TOWARDS THE TARGET		Target	Results	
Safety — % of notifications to rapid alert system for dangerous consumer products resulting in at least one reaction (1)		92%	48%	44% out of 48%	
EU-wide online dispute resolution system - number of cases dealt with		> 100%	100 000	129 456 cases dealt with compared to a target of 100 000	
Contacts with consumers handled by the European consumer centres	71 000	> 100%	106 500	120 443 contacts compared to a target of 106 500	
Visits to the website of the European consumer centres (2)	3 m	> 100%	5.1 m	5.5 million visits compared to a target of 5.1 million	

% of target achieved by the end of 2019

#### Where are we in the implementation?

- The implementation of the consumer programme 2014-2020 is on track. The 2019 commitment appropriations were used as planned, including certain predefined actions to be concluded during the first half of 2020.
- The Commission worked with the national authorities to fight against misleading commercial practices by major online operators such as Facebook, Airbnb and Booking.com and to prepare for the implementation of the new consumer protection cooperation regulation.
- The website of the Rapid Alert System for Dangerous Non-Food Products, set up in 2003, was revamped in 2019 and renamed 'Safety Gate'.
- The Commission launched a new initiative in 2019: the EU Product Safety Award, to showcase best business practices in consumer protection that can serve as an inspiration for other companies.
- In 2019 the small to medium-sized enterprises training pilot project 'consumer law ready', an EU-wide training programme in consumer law for small to medium-sized enterprises, was integrated into the consumer programme, receiving new funding and extending its duration.
- The Online Dispute Resolution Platform remained a useful tool to help people find the most appropriate means of redress. In 2019 new functionalities were
  added to further enhance its efficiency and user-friendliness.
- In 2019 the consumer programme supported the implementation of an EU-wide screening of hundreds of e-shops to check their compliance with EU rules, coordinated by the Commission.

#### **Performance assessment**

- According to the midterm evaluation of the consumer programme 2014-2020 presented in 2019, the programme made progress towards achieving its specific
  objectives in the areas of safety, consumer information and education, rights and redress and enforcement. The results of this study show the stakeholders'
  general satisfaction with the relevance and effectiveness of the activities.
- The evaluation suggests strengthening the programme's ability to react to new challenges related to market developments, digitalisation and new policy demands. There is significant room for improvement in terms of the administrative burden related to the programme's delivery, as well as scope for simplification. To ensure much closer cooperation between the European Commission and Member States' market surveillance authorities, the Commission switched from grants to a tender procedure, signing the first contract in January 2019 and the second in December 2019.
- The Safety Gate has led to increased cooperation between national authorities and an increase in the ratio of feedback of reports of other authorities to 'serious risk' notifications; this result is particularly positive considering that a notification can trigger several reactions from authorities of other Member States.
- The consumer scoreboards are a valuable tool to provide evidence of how the EU's single market works for consumers through three priority areas: (1) knowledge and trust; (2) compliance and enforcement; and (3) complaints and dispute resolution. The 2018 consumer conditions index shows a decrease, driven mainly by a decline in consumer trust in western European countries and, markedly, in the United Kingdom.
- The EU consumer policy aims to boost consumers' and traders' trust by giving them access to more efficient and cost-effective means of out-of-court redress, notably through alternative dispute resolution and online dispute resolution mechanisms. The Commission report on the implementation of the alternative dispute resolution / online dispute resolution legislation of September 2019 concluded that the Member States achieved full territorial and (with some specific gaps) sectoral coverage of alternative dispute resolution in all segments of consumer markets.
- In the future, the programme should be able to better react to new challenges related to market developments, digitalisation and new policy demands. Additional priority could be given to sustainable consumption, to vulnerable consumers, to activities that contribute to a uniform and high level of consumer protection throughout the EU and to support for consumer organisations at the Member State level (e.g. jointly with the Member States in their role as consumer watchdogs).

2 000	8	2/3	57%	EUR 24 billion
notifications of dangerous products were communicated by Member States through the Safety Gate in 2019.	companies were awarded the EU Product Safety Award for excellence in business practices for consumer protection in the safety of childcare products.	of the e-shop websites screened under the 2019 EU-wide screening were revealed to not be complying with basic EU consumer rights.	of consumers (an increasing proportion) pay attention to products' green credentials when shopping (results from the consumer scoreboard released in 2019).	over the last 2 years is the overall estimated financial loss due to scams and fraud, brought to light by the 2019 survey on scams and fraud.

<sup>(1)</sup> Average of results for 2014-2019.

<sup>(</sup>²) Latest results from 2018.

Regulation (EU) No 1295/2013 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!Vq78Jr

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	181.9
2015	177.7
2016	191.8
2017	208.9
2018	230.4
2019	244.8
2020	251.9
Total	1 487.5

### OVERALL EXECUTION (2014-2019)



#### Evaluations/ studies conducted

The European Audiovisual
Observatory, co-financed by
creative Europe, was
commissioned to prepare eight
studies. The 2019 external ex post
evaluation on the Capitals of
Culture is available at:
https://europa.eu/!WB38vW

#### How is it implemented?

The Directorate-General for Education, Youth, Sports and Culture is the lead DG for the implementation of the programme. The programme is implemented through direct (grants) and indirect (loan guarantees) measures.

### **CREATIVE EUROPE**

#### CREATIVE EUROPE PROGRAMME

#### What is creative Europe?

The creative Europe programme contributes to the political priorities, in particular those relating to jobs, growth and investment and the European digital single market. By allowing the participation of non-EU cultural and creative operators, the programme also contributes to making the EU a stronger global actor. At the same time, the programme helps address current political and societal challenges through the power of culture to reach the hearts and minds of citizens and boost confidence in our shared European values.

### **6**

#### **Specific objectives**

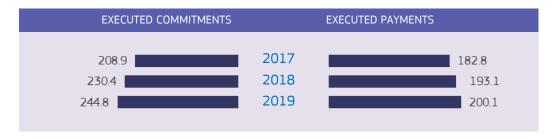
- To support the capacity of the European cultural and creative sectors to operate transnationally and internationally.
- To promote the transnational circulation of cultural and creative works and the transnational mobility of cultural and creative players.
- To strengthen the financial capacity of micro, small and medium-sized enterprises and organisations in the cultural and creative sectors.
- To foster policy development, innovation, creativity, audience development and new business and management models through support for transnational policy cooperation.

#### Why is it necessary?

Creative Europe's EU added value rests on its complementarity with national public funds and on its support for transnational activities and cooperation between cultural and creative players, including artists, audiovisual professionals, cultural and creative organisations and audiovisual operators. Moreover, EU added value is achieved by fostering economies of scale, while taking into account countries with low production capacity and/or countries or regions with a restricted geographical or linguistic area.

#### Outlook for the 2021-2027 period

The Commission proposal for the new Creative Europe programme for 2021-2027 includes a Culture strand (covering all cultural and creative sectors, with the exception of the audiovisual sector), a MEDIA strand (for the audiovisual sector) and a cross-sectoral strand.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Admissions for non-national European films in Europe (¹)	69 m	> 100%	71 m	95 million compared to a target of 71 million
Admissions for non-national European films in the 10 most important non-European markets (1)	61 m	> 100%	85 m	88 million compared to a target of 85 million
Share of European audiovisual works in cinemas (1)		> 100%	59%	66% compared to a target of 59%
Share of European audiovisual works on digital platforms (video on demand) (¹)		94%	27%	25% compared to a target of 27%
Member States making use of results of the open method of coordination in their national policy development (2.3)		85%	20	17 out of 20 Member States

<sup>(1)</sup> Average of results for 2014-2018.

### % of target achieved by the end of 2018

#### Where are we in the implementation?

- Between 2016 and 2019 the programme was implemented as planned, in terms of both results achieved and budget execution.
- In 2019 a total of 2 398 applications were submitted (486 under culture and 1 912 under media), of which 1 311 were selected for funding (160 for culture and 1 151 for media). In comparison to the previous year (5 290 applications in 2018), this represents a reduction in applications in the most popular and competitive schemes, such as MEDIA Development and Culture Cooperation. Also, the implementation of MEDIA was significantly streamlined as the volume of support to the theatrical distribution of films was maintained whilst the number of individual grants fell significantly from 1 000 to below 300.

#### **Performance assessment**

- The MEDIA sub-programme is performing very well in relation to promoting European cultural and linguistic diversity by supporting the development and distribution of films and TV series in Europe. A high share of supported content is co-produced through cross-border collaborations, as it travels better and attracts bigger audiences. MEDIA successfully shared stories across channels, reaching no less than 125 million people.
- The culture sub-programme is progressing towards achieving the key objective of encouraging transnational cooperation in the cultural field. More than 530 partnerships have been created between 3 300 organisations across Europe. The very low success rates recorded (around 12% in 2014-2017) can be attributed to the low amounts of funding available in the first years of implementation, which might have discouraged organisations from applying.
- Cooperation takes place around the three main priorities of the programme: mobility of artists and works, capacity building and, especially, audience development. Finally, the programme demonstrated its ability to innovate and respond to demands by testing a new mobility scheme for artists and professionals as well as by piloting support for the Creative Innovation Lab concept.

#### Concrete examples of achievements

25%	20	37 000	5	10	6
of films produced each year in Europe receive support from the MEDIA subprogramme for development and distribution.	films supported by the media subprogramme have won major international prizes (five in Berlin, seven in Cannes, three in Venice, four in San Sebastian and one in Annecy), and there have also been 15 European Film Academy awards and six nominations for awards from international film academies (two for the Oscars and four for the Golden Globes).	European films have been listed in the online Directory of European Films, launched as a beta version in April 2019.	euros was generated for each euro of funding from the media subprogramme in 2019. A contribution of EUR 120 million led to a total value of EUR 626 million, demonstrating a leverage ratio of more than 5.	times more applications were made than there was funding available for the individual mobility scheme for artists and creative people.	euros is generated for the local economy for each euro of public money invested in European Capitals of Culture. Overnight visitors increase on average by 12%.

#### Media subprogramme

- In 2019 the MEDIA sub-programme took an important step towards reaching wider audiences. The 'Distribution Selective' scheme was wholly restructured to
  promote more collaboration and joined-up distribution strategies, and thereby to reach wider audiences (e.g. by sharing marketing materials among
  distributors)
- A key achievement in 2019 was the launch of the online Directory of European Films, a tool that increases transparency about the availability of European films in video-on-demand services throughout the European Union.

#### Culture subprogramme

- The individual mobility scheme for artists and creative people was successfully launched as an experimental action in 2018. In 2019 it funded the mobility of 337 individuals for the purposes of professional development, co-production or strengthening international collaborations. It appealed especially to young and emerging artists with low incomes, with ten times more applications than funding available.
- The budget of the preparatory action 'music moves Europe' doubled to EUR 3 million in 2019, to support European diversity and talent, the competitiveness of the sector as well as increased access of citizens to music in all its diversity.

<sup>(2)</sup> Latest results from 2019.

<sup>(3)</sup> Cumulative results for 2014-2020.

#### **Cross-sectoral strand**

- By the end of 2019 the Cultural and Creative Sectors' Guarantee Facility had 13 guarantee agreements with 12 financial intermediaries from Spain, France, Romania, Czechia, Belgium, Italy, Portugal, Denmark, Sweden and Poland. Expected debt financing for SMEs amounted to EUR 1.2 billion. Loans were distributed to 1,697 SMEs, supporting EUR 340 million in debt financing, of which 64% from the audiovisual sector and 36% from other cultural sectors.
- In 2019 the cultural and creative spaces and cities project (2018-2020, EUR 1.5 million) continued to implement its activities for the better use of public spaces and social regeneration through culture.
- The literary translation scheme has contributed efficiently to increasing the diversity of European literature through the translation and promotion of more than 3 000 books. With more than 30 different 'less-represented' languages, the scheme provides clear added value in comparison to the market dominated by translations from English.

Task resulting from the Commission's prerogatives at institutional level, as provided for by Article 58(2)(d) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council

#### MORE INFORMATION

https://europa.eu/!mT93rB

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	61.3
2015	65.6
2016	71.1
2017	76.3
2018	76.4
2019	77.1
2020	79.4
Total	507.2

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Information on the evaluation of the communication activities reports is available at: http://europa.eu/!VH46UP

## How is it implemented?

The Directorate-General for Communication is the lead DG for the implementation of the programme. The programme is implemented through direct (public procurement) management.

## COMMUNICATION

## FINANCIAL INTERVENTION IN THE COMMUNICATION POLICY AREA

## What are the communication activities?

The programme covers communication products and services directly addressed to citizens, along with executive and corporate services provided to the President of the Commission and the College of Commissioners, and across the communication domain of the Commission's services, aligning the Commission's communications with the political priorities. The headquarters of DG Communication, together with the Spokesperson's Service and the representations in the Member States, communicate with the media, stakeholders and citizens about issues of EU policy and its direct impact on citizen's daily activities.



## **Specific objectives**

- A simple, clear, understandable message is communicated to citizens explaining the direct impact of EU policies on their lives.
- A coherent and effective corporate communication strategy is developed and maintained.
- Country-specific information and analysis are fed into the College's decision-making process.

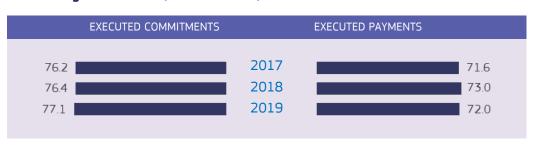
## Why is it necessary?

The Commission's communication products and services directly addressed to EU citizens provide information for and engagement with those citizens. They ensure that communication services for citizens are made available through simple, clear and understandable messages, either via a mix of channels and media (traditional and new) or by communicating directly with citizens and stimulating exchange and engagement face to face. Taken together, these means help citizens to access upto-date and user-friendly information on European Union policies and values. They contribute to citizens' increased awareness and understanding of EU affairs. In turn, this stimulates citizens' interest in engaging directly with 'the faces of the Commission', be that locally, nationally or across the EU. Audiovisual productions and multimedia projects for the general public are focused on the Commission priorities, entailing a limited number of high-quality productions and serving communication objectives.

## Outlook for the 2021-2027 period

The Commission proposed to include communication activities under the 'Cohesion and values' heading of the next multiannual financial framework.

## Voted budget execution (in EUR million)



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
EU citizens with a positive image of the EU	39%	27%	50%	42% compared to 50% of citizens surveyed
Downloads of multimedia productions <sup>1</sup>		87%	140 000	122 196 out of 140 000
Satisfaction relating to queries sent to the Europe Direct contact centre <sup>1</sup>		95%	90%	85% out of 90%
Visitors to the Commission very satisfied with $\label{eq:theory} \text{their visit}^{\scriptscriptstyle 1}$		99%	90%	89% out of 90%
Unique visitors to the Europa website <sup>1</sup>		88%	250 m	220 million compared to a target of 250 million
Political and economic reports and analysis produced <sup>1</sup>		>100%	500	611 compared to a target of 500

% of target achieved by the end of 2019

(1) Average of results for 2014-2019.

## Where are we in the implementation?

- The communication activities in 2019 were implemented as planned, with an overall budgetary implementation rate of 100% for both commitment and payment appropriations.
- Payment needs for 2020 were estimated for each budget line, taking into account the average implementation rates from previous years. Fresh commitments will lead to payment appropriations in 2020 of between 30% and 60% of the amount committed, depending on the budget line.
- In 2019 the Commission's communication services were further aligned to contribute to coherent and effective corporate communication on the political priorities. A key example of this type of corporate service is the management and governance of the Europa website. The digital transformation project was completed in 2018 and stabilised in 2019. The restructuring and merging of the two entry points of the Europa website (the political site and the information site) was characterised by a strong focus on users (increased number of unique visitors, see specific objective 1) and a reinforced governance approach. This corporate approach will lead, step by step, to the definition of clearer corporate messages/narratives, distinctive visual branding (including, eventually, brand recognition) and economies of scale, and will thus contribute to achieving a better image for the Commission and for the EU as a whole.

### **Performance assessment**

- While the importance of good communication is generally recognised, the EU's communication efforts deal with unique challenges, namely the need to communicate in more than 24 languages and the need to communicate effectively across a whole continent in times of increasing fragmentation and disinformation. The overall goal is to communicate simple, clear and understandable messages to citizens to support a positive view of the European Union.
- Communication is typically a flanking measure that runs alongside policymaking. In the EU context it is subject to two types of external factors. First, there is the perception of the content and substance of the policy that is being communicated and the perceived role of the EU institutions. Second, there is the complex environment of 27 national public spaces and an emerging European public space. These two factors interact both with each other and with the more general setting of political and economic factors, the level of trust in political institutions and the media, and the general relationship with those media.
- In spite of the difficulties, 42% of EU citizens had a positive view of the European Union in 2019. This continues the sustained upward trend from a low of 35% in 2016, which was mostly due to the impact of the migration crisis. That crisis has had an impact on the perception of the EU that has put the original target well out of reach.
- Nonetheless, the upward trend is encouraging. While many factors play a role in this trend, the Commission has actively contributed through a clear and consistent focus on improving the corporate EU communication effort, which is also evidenced by the significant increase in the number of unique visitors visiting the Europa website.
- 2019 was a transitional year between two Commissions, which also had an impact on the overall effectiveness of EU communication. This can be seen in the number of visits to the Commission Visitors' Centre, which was 5% below the benchmark, and in a slightly lower satisfaction ratio than in previous years. Over the entire period, satisfaction with the Commission's provision of communication and information has seen an overall increase.
- In relation to future-oriented activities, the Commission needs to remain up to speed with the constantly evolving communications industry and media environment, anticipating trends and challenges, for example in the following fields:
  - o innovative communication services such as social media, including in particular more localised social media messaging via representations;
  - graphic design and multimedia productions, to comply with the increasing demand for attractive and visual media content;
  - o the increasing need for data analytics and fact-checking/rebuttals in the context of disinformation / fake news, to enhance the Commission's rebuttal and myth-busting capacity;
  - o strong demand for authentic face-to-face events, such as citizens' dialogues, the Visitors' Centre / Experience Europe info point and local outreach activities of representations, local/regional information centres and the Information Service.

1st	94%	5 million	1 000	484
place for the Commission's Europa website in the government/society category, in terms of popularity rank (source: Alexa.com).	satisfaction on the part of external users of the Europa website.	registered followers of corporate social media accounts.	hours of television content picked up across the EU from Europe by Satellite, the EU's television information service.	citizens' dialogues, where the Commission President and Commissioners, along with Members of the European Parliament and the European Committee of the Regions, including the Presidents, and national and regional politicians, engaged with citizens.

Regulation (EU) No 231/2014 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!Pf48uH

#### FINANCIAL PROGRAMMING

(million EUR)

2014	1 478.6
2015	1 573.7
2016	1 678.1
2017	2 118.4
2018	2 041.4
2019	2 394.1
2020	1 656.7
Total	12 941.1

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of IPA II was carried out in 2017 within the framework of the midterm review of the external financing instruments. For further information please consult: https://europa.eu/!MF73NR

## How is it implemented?

The Directorate-General for Neighbourhood and Enlargement Negotiations is the lead DG for the implementation of the programme. The programme is implemented through direct management (both centralised in Brussels and decentralised to EU delegations) and indirect management by beneficiary countries and entrusted entities.

## IPA II

#### INSTRUMENT FOR PRE-ACCESSION ASSISTANCE

#### What is IPA II?

The Instrument for Pre-accession Assistance (IPA) is the means by which the EU supports reforms in candidate and potential candidate countries by means of financial and technical assistance. The IPA's funding aims to build up the capacities of such countries throughout the accession process, resulting in progressive, positive developments towards accession.

IPA funds help beneficiaries aspiring to join the EU prepare to fulfil the obligations that come with EU membership and to benefit from the rights enshrined in EU membership. It supports reforms that provide citizens in the enlargement region with better opportunities and allow for the development of standards equal to those enjoyed by EU citizens.

Pre-accession assistance is designed to help the beneficiaries (currently Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, Serbia and Turkey) come closer to the accession benchmarks. By its nature, IPA II is an enabling instrument that supports beneficiaries in implementing the necessary reforms and achieving their respective targets and the conditionality of the stabilisation and association process.

Pre-accession assistance is an investment in:

- public administration reform,
- the rule of law,
- a sustainable economy,
- people
- agriculture and rural development.



## **Specific objectives**

- · Support for political reforms.
- Support for economic, social and territorial development, with a view to smart, sustainable and inclusive growth.
- Strengthening of the ability of the beneficiary countries at all levels to fulfil the obligations stemming from Union membership by supporting progressive alignment with, and adoption, implementation and enforcement of, the Union acquis.
- Strengthening regional integration and territorial cooperation involving the beneficiary countries, Member States and, where appropriate, non-EU countries.

## Why is it necessary?

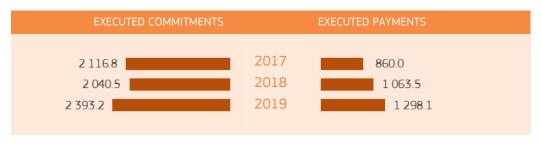
The IPA complements the EU's enlargement policy by supporting political and economic reforms in beneficiary countries. It contributes to meeting the broader objectives of ensuring stability, security and prosperity in the immediate neighbourhood of the EU.

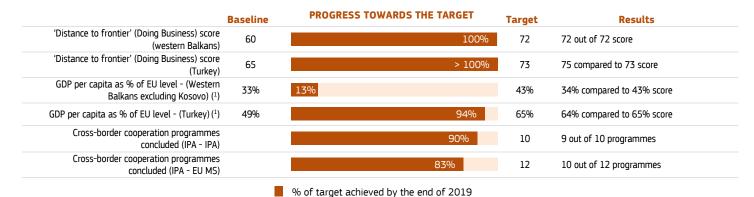
The EU's political influence and leverage allows national authorities to be engaged with greater authority and legal certainty than is possible for individual Member States. Furthermore, granting pre-accession assistance under one single instrument on the basis of a single set of criteria is more efficient than granting assistance

from multiple sources (including the national budgets of the Member States) following different procedures and priorities. The funds also help the EU reach its own objectives regarding a sustainable economic recovery, security of energy supply, improved transport connections, enhanced environmental standards, more effective action to combat climate change, etc.

## Outlook for the 2021-2027 period

The Commission has proposed a new Instrument for Pre-Accession – IPA III.





(1) Latest results from 2018.

### Where are we in the implementation?

- The 7-year programming of the instrument, by means of country and multi-country indicative strategy papers, was reviewed at the midterm point and revised accordingly. The main objective of this review was to take account of recent policy developments, political priorities and other changes registered in the region. This exercise also allowed the performance reward to be allocated. Following a strategic dialogue with the European Parliament and a comitology procedure, the Commission adopted the revised indicative strategy papers in August 2018.
- In 2019, 17 programmes and five amendments were adopted amounting to EUR 2.4 billion in commitment appropriations.
- In particular, two special measures were adopted to support Bosnia and Herzegovina and Serbia in managing their migration flows, as the migratory flows on the western Balkans route saw a significant increase in 2019 compared to the previous year.
- As regards the Facility for Refugees in Turkey, the first tranche of EUR 3 billion has been fully contracted, with 72 projects rolled out. The full operational budget of the second tranche of EUR 3 billion was committed at the end of 2019. As regards the development strand, EUR 710 million out of EUR 1 945 million had been contracted by the end of 2019.
- In addition, one substantial amendment to the multiannual action programme for Turkey has been made in relation to environment and climate action.
- The level of resources for Turkey in 2020 have been reduced to EUR 168 million, and the remaining allocations will target two main objectives: (1) democracy and the rule of law, including participation in EU programmes and agencies and support for civil society through the Civil Society Facility; and (2) the rural development programme.

#### Performance assessment

- IPA II is making progress towards achieving its overall objectives, and some IPA indicators are on track to be achieved. For other indicators more work is needed. For instance, while there have been improvements in the fulfilment of fundamental areas of the political criteria for enlargement countries, such as the rule of law, these good results are counterbalanced by the backsliding in Turkey (see below).
- IPA II supports its beneficiaries in coping with ambitious political and economic reforms and in progressively aligning with the European Union's rules, standards, policies and practices on their path towards EU membership. It fosters reforms in candidate and potential candidate countries through a combination of financial assistance and policy dialogue, preparing them for the rights and obligations that come with EU membership.
- The enlargement countries need to implement difficult and time-consuming reforms to make progress in the fundamental areas of the political accession criteria, including sustainable and far-reaching political and societal transformation. They also face challenges relating to making advances in the fundamental areas of the economic criteria, which are interlinked with the political criteria.
- The Commission put particular emphasis on these areas in its western Balkans strategy of February 2018, including the provision of enhanced support to the countries, and in its communication of February 2020 on a revised EU accession methodology, which will put an even stronger focus on these fundamental reforms. The rule of law will become even more central to the accession negotiations for example anti-corruption work will be mainstreamed. There will be a stronger focus on the fundamentals of the functioning of democratic institutions, public administration reform and supporting economic reforms.
- In this context, only Turkey is experiencing backsliding at the end of 2019 in the areas of the rule of law and fundamental rights, public administration reform and a functioning market economy. The backsliding on reforms and low absorption capacity had already been pointed out in the midterm evaluation of the IPA (results for the period between January 2014 and June 2017), and therefore the Commission proposed in 2017 to further adapt the pre-accession funds for Turkey in the 2018-2020 period as part of the midterm review under the IPA regulation. This led in August 2018 to the adoption of a revised indicative strategy paper for IPA funds in Turkey for 2018-2020, whereby initial indicative allocations were reduced by 40%. The allocations for 2019 and 2020 were further reduced, with a focus on democracy and the rule of law, along with rural development.
- The Commission proposal for IPA III presents key improvements meant to enhance the impact of the support. Firstly, the performance-incentive approach, which rewards the most advanced and committed countries, will become annual as opposed to checks only being carried out at midterm as is the case for IPA II. Secondly, only technically mature projects will be selected for support by IPA funds. This is expected to accelerate the implementation of projects by reducing the amount of time between selection and effective contracting. Thirdly, emphasis in the selection of projects will be put on the fundamental areas of the *acquis*, notably the rule of law.
- In 2020, priority in the implementation is already being given to direct management, since the indirect management of the funds by the enlargement countries or entities entrusted by them does not deliver with sufficient speed and efficiency. One notable exception is the pre-accession assistance for rural development in Turkey, for which there is strong administrative capacity.
- The Facility for Refugees in Turkey continues to deliver much-needed assistance to refugees and host communities in Turkey in all the priority areas it covers, i.e. basic needs, education, healthcare, protection, socioeconomic support and municipal infrastructure. The Facility Steering Committee meets on a regular basis and follows, monitors and steers the implementation of the facility. Six-monthly monitoring reports, which are publicly available, confirm that the facility is continuing to achieve its goals. The Commission is currently assessing the impact of the COVID-19 crisis on projects under the facility and will discuss possible remedial action with implementing partners and the Turkish authorities.

1.7 million	24%	2	811	847	19 400
refugees are currently being provided with monthly cash transfers under the Facility for Refugees in Turkey.	of all education professionals in Serbia were trained to improve student's skills and competences in 2019.	new border terminals and modern customs clearance facilities equipped with the latest inspection technology were set up in North Macedonia in 2019.	judges and prosecutors are currently in the process of being vetted as part of the judicial reforms in Albania.	housing units have been constructed or renovated in Bosnia and Herzegovina since the launch in September 2017 of the project to alleviate the 2014 floods.	vulnerable people had been provided with housing by end of 2019 in Bosnia and Herzegovina, Croatia, Montenegro and Serbia as part of the attempt to address the consequences of the conflicts of the 1990s.

- In Turkey the IPA rural development programme has supported the modernisation of the agricultural sector, promoting innovative approaches and reaching out to grassroots levels in Turkey, including the peripheral and border regions. After almost 10 years of preparation, 55 local action groups have been established, providing an excellent basis for the involvement of more stakeholders. The rural development projects have also set a new benchmark for investments in the Turkish agri-food sector, fully in line with EU standards. In addition, the Turkish agency in charge of its implementation operates to a high standard and serves as a good institutional model.
- Also in Turkey the EU Civil Society Facility has allowed the EU to directly support civil initiatives and rights-based projects proposed by individuals and civil-society organisations to address particularly sensitive issues. The facility's flagship programme in Turkey is Sivil Düşün ('think civil'), a unique project that has been in place for 8 years. Through various support mechanisms, Sivil Düşün provides flexible, transparent and accessible support for rights-based work carried out by activists, civil-society organisations, platforms, networks, civil initiatives, foundations, associations, rights-based cooperatives, non-profit organisations, city councils, unions and the human-rights and civil-society departments of universities.
- Two media projects carried out by the Civil Society Facility in Turkey have allowed a press-freedom campaign to reach at least 350 000 people, and 1 033 journalists received professional training nationwide. The projects also provide legal assistance to journalists, monitor their trial and, provide mediation and judicial-process support. Thirty-one media organisations and journalists received technical support for their websites and online channels due to their efforts to enrich media pluralism in the country.
- In Serbia a total of 546 state-financed scholarships were awarded to Roma secondary-school students, providing them with opportunities to continue to learn and develop. In order to reduce drop-out rates among Roma children and improve the conditions for Roma children and students (both girls and boys), a total of 243 teaching assistants were contracted to work with them.
- In North Macedonia the quality of both surface waters and ground waters is being negatively affected by the discharge of untreated or inadequately treated sewage. Following the construction of a waste water treatment plant the whole population of the Eastern region of the country (totalling 54 676 people) can now benefit directly from properly treated waste water. All agricultural holdings also benefit from better environmental conditions when producing their agricultural products. The health of both citizens and nature is better looked after. The volume of untreated municipal waste water discharged into the Strumica River has been reduced, thus minimising negative impacts on the quality of water resources, nature and health in the Strumica region.
- In Bosnia and Herzegovina the local integrated development project contributed directly to improving the standard of living of more than 160 000 people, working with domestic authorities to create mechanisms and resources needed to drive social and economic development. The project prioritised assistance to the most vulnerable, including returnees, internally displaced persons, the elderly, Roma, people with disabilities and the long-term unemployed, with a special focus on women. The project was implemented in 21 partner cities and municipalities, prioritising localities that are home to large returnee populations and those that were affected by the floods of May 2014.

**LEGAL BASIS**Council Regulation (EC)
No 389/2006

# MORE INFORMATION https://europa.eu/!jR63ju

### **FINANCIAL PROGRAMMING**

(million EUR)

2014	31.5
2015	30.6
2016	33.2
2017	34.8
2018	34.5
2019	35.1
2020	35.8
Total	235.5

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Each year the Commission must send a report to the European Parliament and the Council on the implementation of Community assistance under this instrument. For further information, see: http://europa.eu/!MV34dK

## How is it implemented?

DG Structural Reform Support is
the lead service for the
implementation of the programme.
The programme is implemented
through direct management
(procurement contracts and
grants) and indirect management
(contribution agreements with
international organisations and
Member State agencies).

## **TURKISH CYPRIOT COMMUNITY**

INSTRUMENT OF FINANCIAL SUPPORT FOR ENCOURAGING THE ECONOMIC DEVELOPMENT OF THE TURKISH CYPRIOT COMMUNITY

## What is the Aid Programme for the Turkish Cypriot Community?

The programme aims 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;
- improving contacts between the two communities and with the EU;
- the preparation for the implementation of the EU body of laws (EU acquis) following a comprehensive settlement
  of the Cyprus issue.

The programme provides a significant amount of support through private sector development schemes, facilitating the involvement of the World Bank and the European Bank for Reconstruction and Development and human capital development. Measures financed under the aid programme are exceptional and transitional in nature and are intended, in particular, to prepare and facilitate the full application of the EU acquis in the areas where the government of Cyprus does not exercise effective control, in view of the withdrawal of its suspension in accordance with the Act of Accession, upon the entry into force of a comprehensive settlement of the Cyprus problem.



## Specific objectives

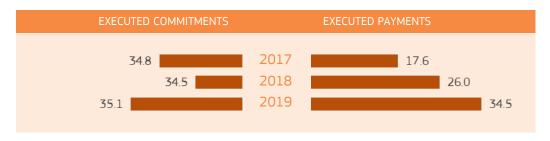
To facilitate the reunification of Cyprus by encouraging the economic development of the Turkish
Cypriot community with particular emphasis on the economic integration of the island, on
improving contacts between the two communities and with the EU, and on preparation for the
acquis communautaire.

## Why is it necessary?

The programme is the only EU funding for Turkish Cypriots, who are EU citizens. They receive very little assistance from individual Member States due to the difficult legal and political circumstances on the de facto divided island. The EU's contribution supports the political process, economic integration and improved living standards, and is vital for the economic development of the Turkish Cypriot community in order to facilitate the reunification of Cyprus.

## Outlook for the 2021-2027 period

On the basis of the proposal made by the Commission, the instrument of financial support for encouraging the economic development of the Turkish Cypriot community remains unchanged for the period 2021-2027. In the Commission's proposed structure for the new multiannual financial framework, the programme is part of Heading 2, 'Cohesion and Values'.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of enterprises having received EU support in the form of a grant		97%	420	407 out of 420 enterprises
Cross-Green Line trade volume (in million EUR)	3.4 m	40%	8.5 m	5.4 out of EUR 8.5 million
EU visibility in northern Cyprus: number of communication actions in a year		>100%	90	343 actions achieved compared to a target of 90

% of target achieved by the end of 2019

## Where are we in the implementation?

- In the 2014-2020 period, a sum of EUR 240.1 million was dedicated to the programme in accordance with its legal basis.
- The 2020 annual action programme, with a total budget allocation of EUR 36.6 million, is scheduled for adoption in the second half of 2020.
- Difficulties encountered in the implementation have been addressed by basing the planning of the financial assistance under the aid programme on project maturity, policy relevance and track record of past implementation.

#### **Performance assessment**

- The approach to delivering aid was recently renewed. It is now based on project maturity, policy relevance and track record of past implementation in order to produce a more tangible and visible impact in the priority areas. The beneficiary is involved at an early stage and the EU Coordination Centre, the Turkish Cypriot community body in charge of coordinating the implementation of the aid programme, is progressively taking a more active role in prioritisation and self-assessment of projects. The renewed approach aims to improve coherence and streamline priority infrastructure actions, improve the entrepreneurship ecosystem through enhanced linkages between research and business (through the Innovative Entrepreneurship mechanism), and help the bi-communal technical committees to carry out their activities more effectively.
- The instrument is implemented in a unique diplomatic, legal and political context. Major difficulties affecting the efficiency and effectiveness of the programme arise from the non-recognised status of the Turkish Cypriot administration, from the poor absorption capacity due to lack of coordination across beneficiaries and a lack of long-term planning, and from disputes with contractors, notably when it comes to work contracts. Those difficulties are addressed through programming of the financial assistance under the Aid Programme based on project maturity, policy relevance and track-record of past implementation. The underlying aim is to bring more tangible and visible impact in the priority areas with an annual programming resulting in a streamlined and compact set of actions. In addition, under this programming approach, the beneficiary is involved at an early stage and the EU Coordination Centre is progressively taking a more active role in prioritisation and self-assessment of projects.
- The programme pursues its objective through various different actions, such as infrastructure development, economic development, reconciliation and EU visibility and adoption of the EU acquis. Taken together, overall progress towards the objective has largely been promising. Indicator results for grant agreements and EU visibility show satisfactory results. Support for farmers and small to medium-sized enterprises has progressed well and beneficiaries have rated civil society grants as particularly successful. Through the programme's aid, it has been possible to identify a large number of remains of missing persons and restore cultural sites.
- Infrastructure works also produced positive results, notably a waste water treatment plant in Nicosia. In Famagusta, a contract was signed to provide a sewerage system. Unfortunately parts of the works already completed were riddled with defects. A contract to build a replacement system has already been awarded
- Cross-Green Line trade still suffers from obstacles identified in the annual reports on the implementation of the Green Line regulation. It is therefore unlikely to reach its original target.

31 km	969	500	57	1 172	215
of existing sewers to be replaced and 2 347 connections to be renewed thanks to the signing of the Famagusta sewerage network contract for functional and hygienic waste water transport and treatment in 2019.	victims of the tragic events of 1963-1964 and 1974 were genetically identified by the Committee on Missing Persons, thus continuously working towards reconciliation.	grants were awarded to farmers, private sector development, community development, civil society and lifelong learning establishments.	restoration works have been completed and 100 cultural heritage sites have received assistance, thus contributing to the mutual recognition of the cultural heritage of Cyprus.	cumulative communication and visibility actions carried out since 2014 to provide information about EU policies, priorities and actions in support of the Turkish Cypriot community.	legal texts covering 17 areas of the EU acquis have been drafted. These are essential for the preparation for the implementation of the EU acquis following a comprehensive settlement of the Cyprus issue.

Regulation (EU) No 232/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!hU77yp

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	2 315.0
2015	2 385.8
2016	2 325.0
2017	2 480.7
2018	2 478.4
2019	2 738.0
2020	2 670.8
Total	17 393.8

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

A mid-term evaluation of the European Neighbourhood Instrument was carried out in 2017 in the framework of a midterm review of all external financing instruments. For further information please consult: https://europa.eu/!Gm76Vm

## How is it implemented?

Directorate-General for Neighbourhood and Enlargement Negotiations is the lead DG for the implementation of the programme. The programme is implemented through direct (mainly grants) and indirect (support through loans via the European Investment Bank and the European Bank for Reconstruction and Development) management.

## **EUROPEAN NEIGHBOURHOOD**

#### EUROPEAN NEIGHBOURHOOD INSTRUMENT

## What is the European Neighbourhood Instrument?

The European Neighbourhood Instrument supports the implementation of the European neighbourhood policy towards 16 partner countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine (91), Syria, Tunisia and Ukraine. The objective is to make progress towards an area of shared prosperity and good neighbourliness by developing a special relationship founded on cooperation, peace and security, mutual accountability and a shared commitment to the universal values of democracy, the rule of law and respect for human rights.

The association agendas, partnership priorities or equivalent bilateral or multilateral documents jointly agreed with each partner country or with a number of partner countries set out shared political, economic and social reform objectives and serve as the political framework guiding the priorities for cooperation.

European Neighbourhood Instrument support is provided through bilateral as well as multi-country programmes and cross-border cooperation programmes addressing cooperation between one or more Member States and one or more partner country. It is also used to enable Russia to participate in cross-border cooperation and other relevant multi-country programmes, including cooperation on education (Erasmus+).

# **\***

## **Specific objectives**

- Promoting human rights and fundamental freedoms, the rule of law, principles of equality and the fight against discrimination in all its forms.
- Achieving progressive integration into the EU's internal market and enhanced sectoral and cross-sectoral cooperation.
- Creating conditions for the better organisation of legal migration and the well-managed mobility of people.
- Supporting smart, sustainable and inclusive development in all respects.
- Promoting confidence building, good neighbourly relations and other measures contributing to security in all its
  forms and the prevention and settlement of conflicts.
- Enhancing sub-regional, regional and European neighbourhood-wide collaboration and cross-border cooperation.

### Why is it necessary?

The EU has a strategic interest in seeing greater prosperity, economic development, better governance and state and societal resilience in its neighbourhood and in promoting stability and security in the region. Although the responsibility for this lies primarily with the countries themselves, the EU can effectively encourage and support their reform and modernisation efforts. The objective of the European neighbourhood policy is to build, together with partners, a prosperous, secure and stable neighbourhood on the basis of shared values and common interests.

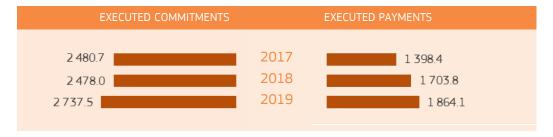
By acting at EU level and by streamlining financial resources, the EU has greater leverage to achieve a common goal: to prevent the emergence of new dividing lines between the enlarged EU and its neighbours. The EU provides financial resources to support partners' own reforms and thus stimulates their transition and

modernisation programmes. In addition, the EU has a leading role in bringing together donors, including major actors outside the EU, to work together on providing a comprehensive response to the new challenges in the region.

Regional cooperation programmes within the framework provided by the EU for the Mediterranean and the Eastern Partnership unite countries around common goals and allow them to discuss and seek solutions to common problems and challenges.

## Outlook for the 2021-2027 period

To streamline the existing instruments for EU external actions, the Commission proposed to include this programme within the Neighbourhood, Development and International Cooperation Instrument for the new multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Eastern Partnership - mobility partnerships in place	5	> 100%	4	6 compared to 4 partnerships
Southern neighbourhood - mobility partnerships in place		67%	4	3 out of 4 partnerships
Eastern Partnership - ease of doing business index	64	82%	78	76 out of 78 - index
Southern neighbourhood - ease of doing business index	5/	0%	59	57 out of 59 - index
Number of cross-border cooperation programmes in place		94%	17	16 out of 17 programmes
Number of ministerial, platform and panel meetings under the Eastern Partnership	/I I=XI I	> 100%	90	110 compared to 90 meetings

## Where are we in the implementation?

• The full 2019 budget (EUR 2.7 billion in commitment appropriations) was used, based on the annual action programmes, multiannual action programmes, special measures and individual measures, as well as the allocation through the European neighbourhood umbrella programme in 2019.

% of target achieved by the end of 2019

- Multiannual action programmes were agreed in 2019 with Azerbaijan, Jordan and Lebanon.
- Special measures were adopted in 2019 for Israel, Libya and Syria, as well as for the fund's contribution to the EU Trust Fund in response to the Syrian crisis and to the European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa (Africa Trust Fund).
- In May 2019, a high-level event marking the 10th anniversary of the Eastern Partnership (2010-2020) took place. This provided an opportunity to take stock of its greatest achievements and to assess where progress is still needed.

#### Performance assessment

- The European Neighbourhood Instrument has proved to be a flexible and responsive instrument addressing the priorities established under the European neighbourhood policy framework and reacting to needs and challenges in the region, including protracted crises.
- The Eastern Partnership multilateral framework marked its 10th anniversary in 2019. The Commission carried out a broad and inclusive consultation to define the future policy objectives: overall, there is a consensus that the Eastern Partnership is robust and delivers tangible benefits to the daily lives of people across the region. There are notably strong achievements in the priority areas of the economy, connectivity and a stronger society. Progress is still needed in the areas of rule of law, fighting corruption, spaces for civil society and media independence.
- External factors such as political instability and the security situation are hampering progress in the southern neighbourhood. Cooperation with the north African partner countries is challenging and subject to the evolution of the situation, notably in Libya. Across the Middle East region, the impact of ongoing conflicts, insecurity and poor governance destabilises the EU's partners, disrupts trade and investment and limits opportunities for the population. The large numbers of refugees and displaced persons exacerbates all these structural deficiencies.
- One of the essential successful elements of the European Neighbourhood Instrument regulation is the incentive-based approach, also referred to as 'more for more'. The share of available resources offered to the partner country is adapted annually to its progress in building and consolidating a deep and sustainable democracy and in implementing agreed political, economic and social reform objectives.
- Another important element for achieving the instrument's objectives is flexibility. The EU's neighbourhood is characterised by a highly volatile environment, which requires continuous adaptation. For instance, the situation in the Middle East leads European Neighbourhood Instrument cooperation to focus notably on stabilising the region. The Commission proposal for a Neighbourhood, Development and International Cooperation Instrument is designed to maintain and reinforce flexibility, notably through the possibility to mobilise additional funding with the 'emergency challenges and priorities cushion'.
- Conversely, better coordination and consistency between various external action instruments would have strengthened the performance of the instrument. This issue is being addressed in the Commission proposal for the Neighbourhood, Development and International Cooperation Instrument regulation. It simplifies the current architecture by providing a common, integrated framework for the EU's external action policies, while preserving their specificities, among them the neighbourhood policy. The new instrument will be better equipped to address challenges that span across regions covered currently by different instruments.

4.3 million	92	The number 1	600	250 000	150 000
people were benefiting from education, health, water management, livelihood and other services in June 2019 in the countries affected by the Syrian crisis, via the EU Trust Fund in response to the Syrian crisis.	health infrastructures had been upgraded, refurbished and equipped by June 2019 via the EU Trust Fund in response to the Syrian crisis.	trading bloc of four partner countries (Azerbaijan, Georgia, Moldova and Ukraine) in 2019 was the EU.	small and medium- sized enterprises in Tunisia have been supported through the programme in support of service competitiveness since its start in 2013.	Georgians in rural areas have benefited from the European neighbourhood programme for agriculture and rural development.	direct beneficiaries in Egypt received help through the Spring (support for partnership, reforms and inclusive growth programme) for 2011-2019, of which 70% were women, 471 were civil society organisations and 553 were mostly rural communities.

#### Annual Management and Performance Report for the EU Budget - Financial year 2019

### The eastern neighbourhood

- In Ukraine, a deep and comprehensive free trade agreement represents a major milestone in bilateral trade offering new economic opportunities to both sides: since January 2016, it has triggered the reform of Ukraine's legal framework and supported a continuous increase in bilateral trade, which reached EUR 44.6 billion in 2019. The EU is supporting governance reforms notably via programmes on decentralisation, anti-corruption and the rule of law. It also provides a substantial contribution to the Ukrainian Energy Efficiency Fund and supports awareness raising and public support for energy efficiency investments.
- In Georgia the first European school outside EU borders was established in 2018. The EU is also helping to modernise agriculture through the European neighbourhood programme for agriculture and rural development, by supporting the roll-out of the agriculture cooperative model. This had led to the establishment of 1 200 cooperatives in the country.
- In Armenia, EU support has triggered additional loans of over EUR 450 million to 25 000 small and medium-sized enterprises and created over 3 200 new jobs. Under Erasmus+, close to 2 500 students and academic staff from Armenia have studied or taught in the EU, and 1 250 from the EU went to Armenia. In addition, over 8 000 young people and youth workers took part in short-term exchanges, mobility, training and volunteering projects.
- In Azerbaijan, EU-backed loans have been provided for 12 500 companies since 2009. This is one of the ways in which the EU contributes to economic diversification and modernisation and to improving the business and investment climate in the country. Also, in the past 10 years, over 25 ministries and public institutions have participated in almost 50 projects bringing EU public-sector expertise to their Azerbaijani counterparts. Upgraded air quality monitoring and the introduction of mandatory health insurance are examples of successful bilateral cooperation.
- In Belarus, EU support has helped to improve energy efficiency in educational facilities for 2 000 school and pre-school children. It has also helped to improve
  the living conditions of 10 000 citizens and reduced electricity bills for 10 municipalities.
- In Moldova, new drinking water supply infrastructure was built with EU support. About 15 700 people now have access to sufficient and safe drinking water. Biomass heating systems have been installed in more than 225 schools, kindergartens, community centres and village halls, making heating cheaper and diversifying the country's energy sources. A total of 47 of these sites were also equipped with solar hot water systems, while 35 new biomass businesses were set up and over 400 new jobs were created.
- In addition to bilateral programmes with one country partner, regional programmes, involving partners from several countries, are also achieving results: since the launch of the Eastern Partnership in 2009, the EU has supported more than 125 000 enterprises, backing EUR 2 billion worth of loans, supported over 250 000 jobs and helped to create around 34 000 new jobs.

### The southern neighbourhood

- In Palestine, in a context marked by unpredictable revenues due to the fiscal crisis, the EU's political and financial support to the United Nations Relief and Works Agency for Palestine Refugees in the Near East in 2019 was of critical significance in maintaining the agency's operations and in preserving basic services to Palestinian refugees. Also, the 2018-2019 EU peacebuilding initiative programme aimed to support and promote the conditions for a sustainable resolution of the Israeli-Palestinian conflict through civil society and the positive engagement of citizens.
- In Tunisia, the EU is supporting the country's economic transition programmes launched in 2019, which contribute to reinforced economic governance (business climate, public policies), support job creation in rural areas and social inclusion and fight poverty. Examples of successful projects are the Proville programme which, with support from the EU and the French development agency, enabled Tunisia's Urban Rehabilitation and Renewal Agency to improve the living conditions of inhabitants of more than 155 deprived urban areas and support the reform of city policy. Another example is the Moussawat programme to promote gender equality, which strengthened the capacities of institutional actors to understand the gender approach and to integrate it into development plans, training courses, statistics and the budget. The programme also supported six reception and accommodation centres for women victims of violence and a free hotline. The state has, for the first time, allocated a budget to finance part of the operation of these centres from 2020.
- Through the European Neighbourhood Instrument, the EU has responded to the Syrian crisis by supporting the broader needs of the Syrian population inside the country and in neighbouring Iraq, Jordan and Lebanon. Education-related actions showed good progress at the end of 2019, with 284 518 children having access to basic formal and non-formal education, 14 872 teachers having been trained and 238 education facilities constructed or refurbished. The support has guaranteed access to psychosocial support and specialised services for 313 814 beneficiaries, including those with child protection and gender-based violence issues. A total of 92 health infrastructures have been upgraded, refurbished and equipped. Support for water, sanitation and hygiene projects has so far benefited 178 297 people, and 104 of 224 planned water and wastewater facilities have been completed.
- In Lebanon, the instrument continues to support a wide variety of activities benefiting citizens directly. An example is a reform of the justice system, which was completed in 2019. The EU's court automation programme supported 12 pilot courts to improve the operational performance of the judicial system and reduce inefficient manual court procedures, which are important causes of backlogs contributing to the high number of pre-trial detentions.
- In Algeria, the EU continues to provide support to the economic sector, with a view to diversifying it away from hydrocarbons production through development of the tourism sector and related job opportunities for young people and support to the innovation capacity of the research system. Pilot projects in agriculture and rural development are reaching a large area, spanning natural parks in remote mountain areas in the north to the oasis in the south. The Ministry of Agriculture, the key institution behind the programme, has conducted constructive dialogues with civil society organisations. Thanks to new structured institutional partnerships, some of these organisations will pursue and replicate some of their activities after the project.

<sup>(91)</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

Regulation (EU) No 233/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

https://europa.eu/!jQ48yf

#### **FINANCIAL PROGRAMMING**

	(million EUR)
2014	2 345.0
2015	2 447.4
2016	2 635.6
2017	3 151.0
2018	2 980.8
2019	3 204.6
2020	3 271.7
Total	20 036.1

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

The midterm evaluation of the DCI was carried out in 2017, and is available at:

https://europa.eu/!vk88Vr

#### How is it implemented?

DG International Cooperation and Development is the lead DG for the implementation of the programme. The programme is implemented through direct management (mainly grants) and indirect management through international organisations, Member State agencies and beneficiary countries.

## **DEVELOPMENT COOPERATION**

#### **DEVELOPMENT COOPERATION INSTRUMENT**

## What is the Development Cooperation Instrument?

In the field of development cooperation, the EU's primary objective is the reduction and, in the long term, eradication of poverty. The Development Cooperation Instrument (DCI) also contributes to the achievement of other goals of EU external action, in particular improving the quality of the environment and the sustainable management of global natural resources, promoting global health and strengthening health systems and fostering sustainable economic, social and environmental development, along with promoting democracy, the rule of law, good governance and respect for human rights. Through the DCI, the EU aims to maximise the positive impacts of migration on development. National and regional development strategies may also be supported to improve migration management in partner countries.

The DCI covers all the developing countries except those eligible for the Pre-Accession Instrument. The DCI includes geographical programmes, thematic programmes in the 'global public good and challenges' and 'civil society organisations and local authorities' categories and, finally, the newly established pan-African programme.



## **Specific objectives**

- Reducing poverty and fostering sustainable economic, social and environmental development.
- Consolidating and supporting democracy, the rule of law, good governance, human rights and the relevant principles of international law.

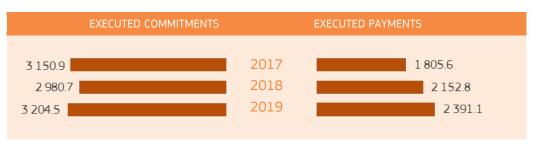
## Why is it necessary?

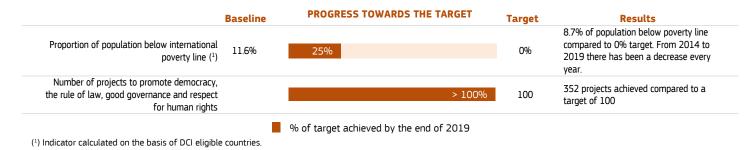
The EU is in a unique position to deliver on external action on behalf of and with Member States, giving enhanced credibility in the countries where it works. The EU alone has the critical mass to respond to global challenges such as reducing poverty and fighting climate change. Due to its large scale and the existing network of international agreements, it can deliver support to the poor in some of the world's most remote areas, both implementing aid and coordinating it.

In its role as a promoter of inclusiveness and multilateralism, the EU can do more than other international organisations. Acting as one, the EU can have a greater impact and apply more leverage in policy dialogue and donor cooperation.

## Outlook for the 2021-2027 period

To streamline the existing instruments for EU external action, the Commission proposed the inclusion of this instrument within the Neighbourhood, Development and International Cooperation Instrument for the new multiannual financial framework.





#### Where are we in the implementation?

- In 2019, the DCI was implemented as planned, through a comprehensive programming process. Overall, programming is on track. EU bilateral aid under the DCI focused on countries that needed it the most, such as the least developed countries and lower income countries, while the share of upper-middle income countries was significantly reduced in the course of the multiannual financial framework period. Similarly, at country level, EU aid focused on three or fewer sectors of concentration in each partner country. Among the sectors of concentration, DCI support in 2019 focused on inclusive and sustainable growth for human development, which is also a priority area of the 2011 'agenda for change' of EU development policy and a new policy for EU budget support.
- In 2019, projects and programmes achieved results in Latin America in key sectors such as water and climate change, the private sector and investment, economic development, security, the rule of law and governance. Working directly with country systems, the DCI proved to be a strong tool in reinforcing policy dialogue on key reforms and improving public financial management systems, domestic revenue mobilisation efforts, transparency and accountability. The importance of investments continued to grow and the DCI contributed to investment and blending under the Latin America Investment Facility.
- With regard to regional cooperation, successful initiatives in strategic sectors were launched and further developed in 2019. With regard to security, two
  actions were signed under the Eurofront programme to foster intra-Latin American cooperation in the area of integrated border management with the
  selection of four land-crossing posts involving seven countries, and to support the fight against human and migrant trafficking.
- In 2019, development cooperation in Asia and the Middle East and the Gulf continued to have a strong focus on the least developed countries and fragile countries. Particular emphasis continued to be placed on good governance and sustainable sector reforms. Job creation and sustainable and inclusive growth via promotion of investments were at the centre of activities. The development of the private sector was key, as it has a major role to play in sustainable economic development and growth. Budget support remained an important aid modality in the region. Reflecting this, the Commission adopted 11 new programmes in 2019.
- In 2019, a new EU strategy on Central Asia was adopted (the last strategy dated from 2007). Fast-changing regional dynamics created more demand and new opportunities for EU engagement, such as domestic reforms in Uzbekistan and Kyrgyzstan, new momentum in regional cooperation (e.g. closer cooperation on water management), development of connectivity initiatives and more active interest from Central Asian states in cooperation with Afghanistan.
- For the South African component of the DCI, in 2019 there was a decision on financing for the Southern African Development Community-EU economic partnership agreement support programme and for the accountability programme. There was also increased support for the wine and spirits sector.
- Within the pan-African programme, in 2019 the annual indicative programme focused on the development of interregional infrastructure in the framework of the European investment plan, on the support for African Governance Architecture, on the reinforcement of the African statistical systems and on the fight against illegal financial flows.
- Under the thematic programmes, the 'global public goods and challenges' programme continued to support policies that have a high impact on people's well-being and empowerment, especially for those who are in vulnerable and marginalised situations, in the areas of health, education, gender equality, inclusive and sustainable growth and jobs, and domestic resources mobilisation. In the areas of the environment and climate change, the engagement of partner countries, especially the least developed countries, in low-carbon development processes was supported, including under the global climate change alliance plus initiative. EU projects also contributed to the conservation of biodiversity and ecosystems, to forest management and governance in the framework of the EU action plan on forest law enforcement governance and trade, and to increased and improved access to affordable, reliable, sustainable and modern energy. The EU furthered its engagement with civil society organisations and local authorities in partner countries, while promoting sustainable development via the development education and awareness raising component of the 'civil society organisations and local authorities in development' programme, with a strong focus on climate change.

#### Performance assessment

- The DCI is a key financing instrument to support EU development policy. Its overall objective is to eradicate poverty in partner countries and provide a long-term response to global threats/challenges, many of which have their roots in poverty and underdevelopment.
- Regarding the progress on the objective of poverty reduction, most of the population residing in DCI partner countries have experienced progress in poverty reduction and human and economic development over the last 10 years. The proportion of the world population below the international poverty line has dropped every single year since 2014, reaching 8.7% in 2019.
- As for the objective relating to the consolidation of democracy, the rule of law, good governance and human rights, the indicators tell a less encouraging story.
   According to the World Bank's 'rule of law' score, the situation has been steadily deteriorating since 2014. For the proportion of seats held by women in national parliaments, the little progress made between 2015 and 2018 was undone in 2019. Against this background, the number of projects funded through the DCI to promote democracy, the rule of law, good governance and human rights has significantly exceeded the target of 100 projects per year on average over the 2014-2019 period.
- Measuring the direct impact of the DCI 2014-2020 on development outcomes such as poverty reduction is challenging, because there are so many other
  actors and factors which have also contributed to achieving these results; consequently they cannot be directly attributable to the DCI. The role of the DCI is
  not only to support developing countries, but also to ensure focus and coherence among donors on key challenges and to move towards a values-based,
  transparent and results-focused development cooperation system. While there is some evidence of coherence between the DCI, other external financing
  instruments and EU external action policies, a more strategic approach is needed.
- Overall, the DCI has been demonstrated to be fit for purpose and able to contribute to the achievement of EU priorities. Good progress has been noted in the areas of climate change and the environment: between 2014 and 2018, there was a steady increase in climate change-related financing, which has exceeded the 20% target for the DCI. Mainstreaming human rights, including gender equality and women's empowerment, was further strengthened in 2019; it is considered a work in progress, in particular on the path towards the 85% target set by the gender action plan 2016-2020 (the EU's framework for promoting

gender equality and empowerment of women and girls in external relations). Over the last 3 years, there has been an increase in the proportion of initiatives that promote gender equality – both as a significant and as the principal objective – but the pace of progression has slowed. More focused and impactful efforts will be necessary for this year and the years to come, and to this end, a new gender action plan is currently being drawn up. In order to deliver on the contribution to the external dimension of the EU Green Deal, more also remains to be done in the area of climate change and the environment in order to systematically integrate these themes across all areas of cooperation covered by the DCI.

- The programme demonstrated the capacity to react to priorities, enabling the EU to implement its development policy framework and, to some extent, being flexible enough to respond to emerging challenges. In particular, for migration, the DCI contributed along with the European Trust Fund to fighting the root causes of irregular migration in Africa. The DCI was designed as an 'enabling' instrument, so that it could be used flexibly to implement the evolving policy framework, such as in the change from millennium development goals to sustainable development goals.
- For the next multiannual financial framework the DCI will be integrated into the new Neighbourhood, Development and International Cooperation Instrument. A strategic and coordinated approach will be embedded in the programme and the EU will be able to fully apply the principle of 'policy first', i.e. reinforce the policy-driven approach to EU cooperation to make it more strategic and responsive to EU interests and political priorities, and address needs and challenges in a coherent and comprehensive way.
- The proposal for the Neighbourhood, Development and International Cooperation Instrument regulation includes a number of key performance indicators to show how success in achieving the specific objectives will be measured. To help improve the collection of data, the Commission continuously updates the EU international cooperation and development results framework and disseminates data and reports. This effort aims at harmonising, to the greatest extent possible, the common provisions with the ones agreed at the international level and used for other EU spending programmes.

60	32 million	50%	637	1 936
developing countries received support in 2019 to improve global food and nutrition security governance and investments in sustainable agriculture.	lives have been saved since 2002 under the Global Fund (¹) to fight AIDS, Tuberculosis and Malaria. In 2018, 18.9 million people were on life-saving treatment for the human immunodeficiency virus, 5.3 million people were treated for tuberculosis and 131 million mosquito nets were distributed.	of the world's children receive vaccines supported by the Vaccine Alliance.	interventions for climate change adaptation (through the Local Climate Adaptive Facility) have been deployed across 14 countries and over 107 local governments, representing over 6 million people.	persons assisted in returning from EU Member States under the EU-Afghanistan Joint Way Forward and more than 26 000 returnees from Turkey received post-arrival assistance.

<sup>(1)</sup> The Global Fund partnership achievements are the result of combined efforts of implementer governments including the European Commission, and a range of other actors - the European Commission accounts for approximately 5.2% of pledges to the Global Fund since its establishment in 2001.

Regulation (EU) No 234/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

https://europa.eu/!QM88hw

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	119.9
2015	118.0
2016	127.5
2017	138.2
2018	144.9
2019	149.0
2020	162.3
Total	959.7

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

An external evaluation of the PI was carried out in 2017. For further information please consult: https://europa.eu/!Tv79JW

## How is it implemented?

The Service for Foreign Policy Instruments is the lead service for the implementation of the programme. The programme is implemented through two different management modes, depending on the specific circumstances of the action required: direct management (both centralised in Brussels and decentralised to EU delegations) and indirect management (by partner countries or bodies designated by them), international organisations and the development agencies of EU Member States.

## **PARTNERSHIP INSTRUMENT**

### PARTNERSHIP INSTRUMENT FOR COOPERATION WITH THIRD COUNTRIES

#### What is the PI?

The Partnership Instrument for Cooperation with Third Countries (PI) is the EU's first instrument specifically designed to promote its strategic interests worldwide by reinforcing external strategies, policies and actions.

It has four main objectives: (1) offering policy support and responding to global challenges; (2) projecting the international dimension of Europe 2020; (3) enhancing market access and boosting trade, investment and business opportunities for EU companies; (4) promoting public diplomacy and academic cooperation.

## **Specific objectives**

- To support the EU's bilateral, regional and interregional cooperation partnership strategies by promoting policy dialogues and developing collective approaches and responses to challenges of global concern.
- Implementing the international dimension of Europe 2020 a strategy for smart, sustainable and inclusive growth.
- Improving access to third-country markets and boosting trade, investment and business
  opportunities for companies from the EU, while eliminating barriers to market access and
  investment, by means of economic partnerships, business and regulatory cooperation.
- Enhancing the widespread understanding and visibility of the EU and its role on the world scene by means of public diplomacy, people-to-people contacts, education/academic/think-tank cooperation and outreach activities to promote the EU's values and interests.

## Why is it necessary?

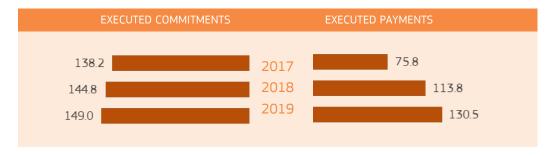
The PI has been designed to advance and promote the EU's and its partners' mutual interests abroad by supporting the external dimension of EU policies, in particular the Europe 2020 strategy, and by addressing major global challenges, at both the bilateral and the multilateral level. Contrary to many traditional financing instruments, the PI promotes peer-to-peer relationships globally, although with a specific focus on the EU's designated strategic partners. The PI also aims to improve market access and to develop trade and business opportunities for EU companies through economic partnerships, business and regulatory cooperation. Finally, the PI is intended to enhance the widespread understanding and visibility of the EU on the world scene by means of public diplomacy, education/academic cooperation and outreach activities.

The EU has numerous international agreements with partner countries all over the world that are not matched

by individual Member States, giving it influence in virtually all fields of international relations. By combining the weight of all Member States acting within common policies and strategies, only the EU has the critical weight to respond to global challenges. The EU as a global player has a credibility and a neutrality that is not available to individual Member States. The EU is also in a unique position to promote EU standards, and to turn them into global standards through international cooperation.

## Outlook for the 2021-2027 period

To streamline the existing instruments for EU external actions, the Commission proposed to include this instrument within the Neighbourhood, Development and International Cooperation Instrument for the new multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Operating emissions trading schemes for greenhouse gas mitigation outside the EU/European Economic Area	15	100%	26	26 out of 26
Local and regional authorities signing the Covenant of Mayors	6 / ///	93%	10 270	9 984 out of 10 270
International agreements on migration and mobility signed with the strategic partners	15	40%	20	17 out of 20
Worldwide level of implementation of international safety standards in civil aviation	62%	>100%	65%	67% compared to a target of 65%

% of target achieved by 2019

### Where are we in the implementation?

- The 2019 budget amounted to EUR 148.2 million.
- The activities implemented under PI actions lead to the delivery and production of a wide range of outputs, which can be grouped into four main categories:
  - o direct benefits from events (e.g. increased knowledge, understanding, awareness, networking, engagement);
  - knowledge-based products (studies and technical expertise);
  - public outcome statements;
  - o advocacy awareness raising products.

#### **Performance assessment**

- PI actions aim at presenting the EU as a reliable, credible partner that can deliver, and at strengthening multilateralism. This is achieved through: bilateral and regional dialogues in multiple areas of strategic EU interest; bilateral and multilateral negotiations by providing support for concrete policy deliverables; and developing common approaches with key international partners.
- The PI facilitates the implementation of bilateral and multilateral agreements in the context of strategic partnerships, notably by supporting EU negotiators, spreading knowledge about new opportunities brought about by the agreements and setting up specific public diplomacy actions.
- The PI is primarily aimed at supporting the EU's external policy and promoting its international visibility. As such, the focus of the PI actions lies on outputs and not necessarily on results, which is further reflected in the PI-specific cumulative performance indicators adopted in 2016.
- Outputs at the highest level relate to the different types of activities (2014-2019):
  - o the number of events organised (4 757);
  - o person-days of technical expertise assistance provided (72 493); and
  - outreach and advocacy activities (609).
- The PI has been successful in negotiating the promotion of climate and environmental protection goals with strategic partners, as indicated by the operating emissions trading schemes that have been implemented and the Covenant of Mayors that has been signed.
- The implementation of the Europe 2020 strategy has largely shown good progress, with most indicators meeting their target and all indicators showing a positive trend. It can therefore be considered successful.
- The challenges remaining for the PI are to quickly respond to fast-changing foreign policy needs; to ensure funding in anticipation of the EU's strategic priorities; and to respond strategically in a coordinated fashion, bringing together the European External Action Service and Commission services.

Climate action	Digital cooperation	EU visibility	Public diplomacy
was on the agenda of various international meetings in 2019.  In the United States, a first forum was held on 8 November with the US Climate Alliance to foster dialogue and exchange between climate-conscious stakeholders from both sides of the Atlantic.  The first Brazilian Conference on Climate Change, held in Recife from 6 to 8 November, was a strong expression of the commitment by Brazilian states to climate action.  The EU and several of its Member States welcomed a delegation from South Africa from 11 to 19 October to present European experiences to the experts from that country.	under the enhanced data protection for data flows project has allowed the Commission to have a direct impact on the preparatory phase of the decision-making process, leading to the development of legislation on data protection in countries such as Brazil, Chile, India, Indonesia and Thailand.	has been increased through a series of workshops, training courses and information sessions on a variety of topics in Hong Kong, Kuwait, Oman, Saudi Arabia and Singapore, among others.	contributed to building mutual trust and understanding between the EU and partner countries in 2019. Actions were implemented in South and Central America, China, India, Indonesia, Japan and Russia.

Regulation (EU) No 235/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

https://europa.eu/!vW84fh

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	184.2
2015	171.9
2016	170.8
2017	184.5
2018	188.1
2019	178.8
2020	196.4
Total	1 274.8

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the European Instrument for Democracy and Human Rights (EIDHR) was carried out within the framework of the midterm review of the external financing instruments in 2017. For further information please consult: https://europa.eu/!TG46HP

## How is it implemented?

The Directorate-General for International Cooperation and Development is the lead DG for the implementation of the programme. The programme is implemented through direct management (mainly through grants addressed to civil-society organisations) and indirect management with international organisations

## **EIDHR**

### EUROPEAN INSTRUMENT FOR DEMOCRACY AND HUMAN RIGHTS

## What is the EIDHR?

The European Instrument for Democracy and Human Rights (EIDHR) is designed primarily to help civil society to become an effective force for political reform and the defence of human rights. Building on its key strength, which is the ability to operate without the need for host-government consent, the EIDHR is able to focus on sensitive political issues and innovative approaches and to cooperate directly with local civil-society organisations, providing for great flexibility and increased capacity to respond to changing circumstances.



## **Specific objectives**

- Support for human rights and human-rights defenders in situations in which they are most at
- Support for other priorities of the EU in the field of human rights.
- Support for democracy.
- · EU election observation missions.
- Support for targeted key actors and processes, including international and regional human-rights instruments and mechanisms.

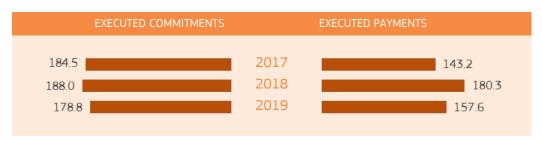
## Why is it necessary?

The EU's accomplishments in conflict resolution, peace building and the creation of prosperity puts it in an excellent position to deliver on external action, on behalf of and alongside its Member States. It is well placed to take on the role of a global leader on behalf of its citizens, in particular in its support for and promotion of democracy and human rights.

The EIDHR delivers support worldwide, including to the world's most remote areas, thereby enhancing the strategic reach of the Member States, especially in cases when their presence is limited and therefore the capacity to act is reduced.

### Outlook for the 2021-2027 period

Under the Commission's proposal for the 2021-2027 multiannual financial framework, the EIDHR will be integrated into the future Neighbourhood, Development and International Cooperation Instrument by supporting interventions in the area of human rights and democracy in non-EU countries under both its geographic and its thematic pillars. The proposal is also designed to empower civil society as an effective force for political reform and the defence of human rights.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Human-rights-defender individuals who have received EU support		> 100%	1 200	1 520 compared to a target of 1 200
Human-rights crisis-response projects		> 100%	15	33 compared to a target of 15
EU election missions (observation missions; expert missions and studies)		70%	23	16 out of 23

## % of target achieved by the end of 2019

## Where are we in the implementation?

- The EIDHR, at both the headquarters level and the delegation level, has been implemented as planned. All activities under the 2017 and 2018 budgets have been carried out (or are currently ongoing), as have the activities of the 2019 budget that were planned to start in 2019.
- The flagship project of the EU Human Rights Defenders Mechanism has been renewed for 3 years until October 2022. It is aimed at addressing the situations faced by human-rights defenders who are at risk worldwide.
- The funds available under the Human Rights Crises Facility were fully committed in previous years. The facility was designed to address countries and urgent situations in which human rights and fundamental freedoms are most at risk and in which disrespect for those rights and freedoms is particularly pronounced and systematic.
- The implementation mode of the EIDHR Emergency Fund has been revised to include a new grant under direct management, which will allow the rapid provision of support to continue through targeted low-value grants to individual human-rights defenders in emergency situations.
- In 2019 a new flagship pilot project on parliamentary strengthening began. The Inter Pares Parliaments in partnership EU global project to strengthen the capacity of parliaments has a special peer-to-peer implementation approach to strengthening representative and inclusive democracy through support for the effective functioning of parliaments in partner countries by enhancing their legislative, oversight, representative, budgetary and administrative functions.
- Also in 2019, 30 electoral processes and democratic cycles were supported, with the deployment of over 800 international mission staff. During the year a total of 14 contracts were signed: five on the abolition of the death penalty, six on the promotion of LGBTI rights and three involving democracy projects. The latter seek to make use of new technologies to promote democracy through civil activism in Brazil, Cambodia and central Asia.

#### Performance assessment

- The EIDHR cooperates directly with local civil-society organisations, remaining independent of public authorities and providing for flexibility and increased capacity to respond to changing circumstances.
- The EIDHR's support for human-rights defenders at risk is the basis for the EU's world leadership in support for the defence of human rights. The EIDHR Human Rights Crises Facility provides a flexible means of funding to respond to situations in which there is a serious lack of fundamental freedoms; in which human security is most at risk; in which human-rights organisations and defenders work in exceptionally difficult conditions; and in which the publication of a call for proposals would be inappropriate/unfeasible.
- The EIDHR system of calls for proposals at country level and annual global calls for proposals managed at headquarters level has provided for continued support for civil-society organisations working on a broad range of subjects, including human rights in the most restrictive circumstances, human dignity, discrimination, economic, social and cultural rights and democracy-related issues. Between 2014 and 2019 implementation was guided by the human-rights and democracy country strategies. Priority areas over recent years have included women's and children's rights, democracy (election observation, freedom of expression) and anti-discrimination practices. At headquarters level the EIDHR also continued to support multilateralism and global networks, such as in the assistance it provided to the Office of the High Commissioner for Human Rights, the International Criminal Court and the Global Campus of Human Rights Education / European Inter-University Centre for Human Rights and Democratisation.
- The Inter Pares Parliaments in partnership EU global project to strengthen the capacity of parliaments started supporting a limited number of selected partner parliaments around the world, and notably created the momentum to engage the national parliaments of the EU to work together to support such parliaments.

30	800	1 520	33	250	1 565
electoral processes and democratic cycles were supported, observed and followed in 2019.	international mission staff have been deployed for election observation missions.	at-risk human-rights defenders (individuals, organisations and groups) have been supported by means of political, legal or physical protection, and they have been enabled to continue their important work.	projects have been implemented in response to crisis situations: four country-specific projects, two global projects and 27 projects under the country-based support scheme.	students receive master's degrees each year from the Global Campus of Human Rights, which is a global network of universities working in the field of human- rights and democracy education.	contracts on human rights and democracy were concluded by EU delegations.

Regulation (EU) No 230/2014 of the European Parliament and of the Council

#### **MORE INFORMATION**

https://europa.eu/!GR37HQ

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	276.8
2015	330.4
2016	344.8
2017	260.3
2018	369.5
2019	376.9
2020	393.7
Total	2 352.3

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the instrument was carried out within the framework of the midterm review of the external financing instruments. For further information please consult: https://europa.eu/lyC48QB

## How is it implemented?

The Service for Foreign Policy Instruments is the lead service for the implementation of the programme. The programme is implemented through direct (mainly through procurement of services) and indirect management with international organisations

## **STABILITY AND PEACE**

## INSTRUMENT CONTRIBUTING TO STABILITY AND PEACE

#### What is the IcSP?

The Instrument contributing to Stability and Peace (IcSP) is the European Union's main instrument supporting security initiatives and peace-building activities in partner countries. It came into force in 2014, replacing the Instrument for Stability and several earlier instruments that focused on drugs, landmines, uprooted people, crisis management, rehabilitation and reconstruction. The IcSP provides quick short-term assistance, for example in countries where a crisis is unfolding, or long-term support, notably to mitigate a variety of crisis- and peace-related risks, tackle global and trans-regional threats and build capacity for lasting socioeconomic development. Its activities complement those of the EU's geographical instruments.

## **6**

## **Specific objectives**

- In a situation of crisis or emerging crisis, to swiftly contribute to stability by providing an effective response designed to help preserve, establish or re-establish the conditions essential to the proper implementation of the EU's external policies and actions in accordance with Article 21 of the Treaty on European Union.
- To contribute to preventing conflicts and to ensuring the capacity and preparedness to address pre- and postcrisis situations and build peace.
- To address specific global and trans-regional threats to peace, international security and stability.

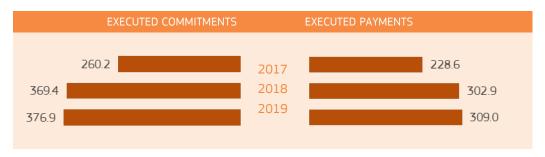
## Why is it necessary?

Preserving peace, preventing conflicts and strengthening international security are the common overarching principles and objectives for the EU's external action. Responding to these particular challenges requires a collective effort based on strong partnerships with other states, civil-society actors and multilateral and regional partners. As a global player, the EU has credibility and is perceived to be neutral, which provides a competitive advantage to intervene in many conflict areas so as to avoid escalation or to offer assistance in preventing conflicts. A greater impact is achieved when the response is provided at EU level, as combined efforts provide increased leverage over authorities and international partners. Crisis-response actions at EU level increase the coherence of response and aid efficiency, while peace-building actions create openings for

structural and thematic engagement with Member States and civil society. Synergies and cooperation are increasingly needed at international level, as EU Member States and international donors are facing similar problems in terms of scarce resources. In this regard, it should be noted that a very limited number of EU Member States operate a crisis-response or peace-building facility comparable in scope to the IcSP.

## Outlook for the 2021-2027 period

To streamline the existing instruments for EU external actions, the Commission proposed to include this instrument within the Neighbourhood, Development and International Cooperation Instrument for the new multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of processes and entities with strengthened capacity	1 183	91%	1 650	1 609 compared to a target of 1 650
Biological threats – number of facilities upgraded to international standard		80%	12	10 out of 12
Countering terrorism – partner countries covered by countering terrorism activities		> 100%	20	36 compared to a target of 20

### % of target achieved by the end of 2019

## Where are we in the implementation?

- In 2019, EUR 366.2 million was committed under the IcSP: EUR 256.8 million under the short-term crisis-response component (Article 3); EUR 35.5 million under the structural peace-building component (Article 4); and EUR 73.9 million under the global and trans-regional threats component (Article 5).
- Fifty-one new crisis-response actions were presented in 2019 to respond directly to the EU's political priorities, showing that the IcSP remained a key tool for EU diplomacy in crisis contexts and in its efforts to support conflict prevention, stabilisation, conflict resolution and peace-building.
- Actions under Article 3 'Assistance in response to situations of crisis or emerging crisis to prevent conflicts' (70% of the overall financial envelope) are not
  programmable, as the actions react to international developments, particularly crises and conflicts. Action implementation is predominantly decentralised to
  the five Service for Foreign Policy Instruments regional teams (Bangkok, Beirut, Brasilia, Dakar and Nairobi) under the authority of the relevant EU delegations.
- Actions under Article 4 'Assistance for conflict prevention, peace-building and crisis preparedness' (9% of the overall financial envelope) and Article 5 'Assistance in addressing global and trans-regional threats and emerging threats' (21% of the overall financial envelope) are both subject to programming. Under Article 4, managed centrally by the Service for Foreign Policy Instruments, most contracts are grants under the direct management mode, but around 31% of contracts are contribution agreements to the United Nations or other international organisations under the indirect management mode. Around 5% of contracts are signed with the implementing agencies of EU Member States. Article 5 actions are managed by DG International Cooperation and Development, primarily delivered through indirect and direct management, working with EU Member State agencies, United Nations agencies or other partners such as Interpol.

#### **Performance assessment**

- The IcSP has managed to translate early warnings into EU actions in the majority of countries where the instrument operates, enhancing the EU's role as a relevant and responsive global actor.
- With over 90% of crisis-response actions adopted within 3 months of a crisis context in 2019, the Service for Foreign Policy Instruments exceeded expectations, showing the effective implementation of the IcSP.
- The number of processes and entities with strengthened capacities due to IcSP funding has equally exceeded expectations, highlighting the importance of the IcSP.
- IcSP support has been instrumental in the EU's efforts to promote peace in a variety of circumstances in Afghanistan, the Central African Republic, Colombia, Libya, Syria, Ukraine and Yemen. In particular, the IcSP has contributed to strengthening dialogue and cooperation with civil society on issues pertaining to conflict prevention and peacebuilding, and to empowering local civil-society actors to play an active role in conflict-affected contexts, contributing to more resilient societies and to building long-term peace.
- IcSP actions have supported the EU's commitment to help protect communities and civilians in highly volatile areas, including the Horn of Africa, the Sahel and Ukraine, and to develop cooperation with security sector actors in numerous countries.
- Multilateralism has been supported by the IcSP through successful strategic cooperation on peace-building and mediation with the United Nations, the World Bank, the Organisation for Economic Cooperation and Development and other international organisations.
- The tackling of global and trans-regional threats has seen a continuous upwards trend, and has exceeded expectations in most areas through the establishment of sustainable cooperation frameworks and networks. Thanks to the Chemical, Biological, Radiological and Nuclear Centres of Excellence, IcSP actions have reviewed and strengthened security architecture relating to and protective measures against chemical, biological, radiological and nuclear threats regardless of their origins (deliberate, accidental or natural) in multiple areas (Africa, the EU neighbourhood, the Middle East, the Gulf, Central and South-East Asia). This contributed to hindering terrorist organisations' and criminals' use of such threats and reinforcing regional networks against contamination and epidemics caused by them, built on existing networks and lessons learned from the SARS, MERS and Ebola outbreaks.
- IcSP actions in support of demobilisation, disarmament and reintegration have not always been as successful as intended, mainly due to the lack of longer-term funding sources to ensure the continuity of the actions. A long-term perspective is required for these actions in light of the timeline for completing demobilisation, disarmament and reintegration processes.
- The IcSP's response to the Ebola outbreak in western Africa has shown that the programme provides clear added value in preventing a conflict as a consequence of a health emergency. However, humanitarian funding for public health should be preferred in the future, since the IcSP's implementing partners are not properly equipped to handle humanitarian aid procedures.

Central African Republic	Ukraine	The Sahel	Sri Lanka	Conflict prevention
was home to three parallel IcSP actions that were instrumental in supporting the peace process leading to the negotiation of the Khartoum Peace Agreement and its signature in February 2019.	received support from the IcSP to ensure cybersecurity in connection with the 2019 presidential elections in an environment of intense cyberattacks.	saw growing instability in the three-borders region between Burkina Faso, Mali and Niger. The IcSP strengthened the capacity of the security and defence forces to reinforce security and stability.	and the Maldives saw the quick mobilisation of the IcSP to strengthen counterterrorism- response capabilities following the Easter 2019 attacks in Sri Lanka.	actions come under a component that also covers programmable actions for peace-building and crisis preparedness (Article 4). A total of 971 processes and 638 entities benefited from the strengthened capacity attributable to IcSP funding in 2019.

Council Regulation (EC) No 1257/96

#### **MORE INFORMATION**

http://europa.eu/!br44Rp

#### **FINANCIAL PROGRAMMING**

(million EUR)

1 081.7
1 096.9
1 384.1
1 280.1
1 417.5
1 966.4
1 101.8
9 328.6

## Evaluations/ studies conducted

The studies and evaluations carried out by the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) can be consulted at: http://europa.eu/!Gq36du

## How is it implemented?

The Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) is the lead DG for the implementation of the programme.

## HUMA

#### **HUMANITARIAN AID**

## What is the humanitarian aid programme?

The purpose of the humanitarian aid programme is to provide effective relief and protection to populations affected by natural or man-made disasters on the basis of needs and to assist the most vulnerable countries and forgotten crises (crises with little media attention and poor coverage). In addition, the EU is committed to building the capacity and resilience of vulnerable communities. The EU takes the role of a reference donor, basing its actions on humanitarian principles and informed assessments, and promoting a non-political approach to humanitarian assistance by participating in well-established multilateral forums and holding strategic dialogues with its partners.



## **Specific objectives**

- To provide a needs-based delivery of EU assistance to people faced with natural and man-made disasters and protracted crises.
- To build the capacity and resilience of vulnerable or disaster-affected communities.

## Why is it necessary?

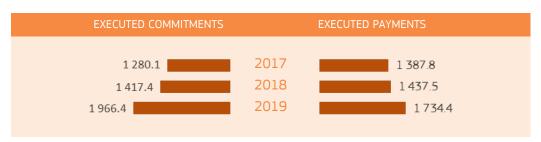
Making use of the financial weight of its humanitarian actions and its unique position, the EU encourages other humanitarian donors to implement effective and principled humanitarian aid strategies and has a comparative advantage in being able to intervene in politically sensitive situations more flexibly.

The EU is well positioned to rapidly complement Member States' bilateral contributions as required in response to crises. A share of the annual budget is pre-allocated to ongoing crises (in some cases, the Commission is the only donor, namely in forgotten crises) and for prevention/preparedness measures, while the rest is deployed to respond to new crises or the deterioration of existing ones.

The Commission's strong field presence allows for a comprehensive understanding of complex needs on the ground, and its neutrality provides greater flexibility and power to act on behalf of the most vulnerable. The Commission is valued by other donors for its technical know-how and capacity for coordination.

### Outlook for the 2021-2027 period

The current legal basis continues to apply for the next multiannual financial framework, therefore there is no need for a new proposal.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Non-emergency agreements signed in maximum $11$ working days ( $^1$ )		74%	≥95%	70% compared to 95% agreements signed
Beneficiaries of the Commission's interventions		> 100%	≥77 m	130 compared to 77 million beneficiaries
Funds spent in 'very high risk to disaster' countries (1)		88%	56%	49% compared to 56% of annual funding
Funds spent in forgotten crises (1)		> 100%	15%	23% compared to 15% of annual funding
Funded operations in which disaster risk reduction has been mainstreamed (1)		> 100%	50%	56% compared to 50% operations

% of target achieved by the end of 2019

### Where are we in the implementation?

- The general guidelines for operational priorities for humanitarian aid (GGOPHA) establishes the priorities for the year on the basis of the assessment of foreseen humanitarian aid needs. The guidelines provide sufficient flexibility to adapt these priorities to new crises and evolving humanitarian aid needs. Between 15% and 20% of the budget is set aside as an operational reserve for unforeseen needs.
- In 2019, the EU provided EUR 2 billion in humanitarian aid (excluding the European Development Fund and external assigned revenue) to the most vulnerable across more than 80 countries. When adding external assigned revenue from Member States committed for the Facility for Refugees in Turkey or operations in central and west Africa and European Development Fund appropriations (EUR 416 million), the EU contributed a total of EUR 2.4 billion for humanitarian aid in 2019.
- The implementation of the humanitarian assistance programme is in general on track. In 2019, the EU focused on the following areas, which were considered the most relevant in the current humanitarian context: supporting education in emergencies, forced displacement, cash transfers, enhancing protection and compliance with international humanitarian law, gender and age mainstreaming, preventing and responding to gender-based violence, persons with disabilities, resilience, the humanitarian-development-peace nexus as a cross-cutting priority, innovation, technology and big data, engagement with the private sector, food and nutrition assistance, the environment, urban settings, social protection and disaster risk reduction.

#### Performance assessment

- EU humanitarian aid is meeting the objective of providing emergency assistance to people, particularly the most vulnerable, faced with natural and man-made disasters. In 2019, 177 million people benefited from the EU's humanitarian aid interventions in more than 80 countries.
- As the world's largest humanitarian aid donor, the EU and its Member States retained a central role in tackling humanitarian challenges worldwide, in close cooperation with the United Nations Office for the Coordination of Humanitarian Affairs, United Nations agencies and other donors.
- The EU was present in every significant humanitarian crisis in 2019. In larger crises, the EU consistently responded to situations where other donors were not present and often played the role of coordinator and catalyst.
- The programme also contributed to building the capacity and resilience of vulnerable or disaster-affected communities. Disaster preparedness actions benefited 38 million people in disaster-prone regions. A crucial aspect underpinning the EU's positive results in fostering resilience is the progressive move towards cash-based assistance, as the Commission maintained its commitment to deliver 35% of humanitarian assistance through cash transfers.
- The EU's approach to humanitarian aid also includes addressing 'forgotten crises' (crises with little media attention and poor coverage). In 2019, 38% of the humanitarian budget was allocated to forgotten crises (above the 15% target).
- A key element explaining the success of EU humanitarian aid lies in the strong operational knowledge and technical expertise of the EU's network of humanitarian field offices spread over almost 40 countries. The EU can moreover take advantage of a comprehensive range of humanitarian partners (over 200 organisations, including United Nations agencies, the International Red Cross and Red Crescent Movement and non-governmental organisations), through which people in need can receive assistance even in the areas of the world that are most difficult to reach.
- A primary challenge to EU humanitarian aid is that the funds and support provided are not always sufficient to cover the scale of the needs of the largest crises. In addition, delivering principled humanitarian assistance is at times extremely difficult in certain protracted crises, where warring parties on occasions disregard humanitarian principles, violate international humanitarian law (IHL) and interfere with the delivery of assistance in the field.
- While able to meet acute humanitarian needs on a short-term basis in a highly effective manner, EU humanitarian aid is less well placed to address structural issues, in particular in the context of protracted crises, for which development actors would be best positioned to act. However development actors are not always in a position to take over. Such situations underline the need to develop further the humanitarian-development-peace nexus so that humanitarian aid actors can exit a situation with confidence that longer-term structural assistance will be available.
- Some of the actions being implemented to address these challenges include looking at ways of further facilitating a longer-term approach to the funding of operations where appropriate and putting in place a framework that would allow for a more strategic and more programmatic relationship with key non-governmental partner organisations. This will notably be the case through pilot programmatic partnerships, whose overall objective is to explore and promote enhanced cost-effectiveness. This would lead to a greater share of the humanitarian aid budget assisting the final beneficiaries directly, by offering more predictable and flexible funding and reduced administrative burdens in exchange for enhanced efficiency and transparency.

EUR 2.4 billion	177 million	2.5 million	25 000	83
of aid was provided by the EU to the most vulnerable in 2019.	beneficiaries received EU aid in 2019.	girls and boys benefited from the education in emergencies initiative in over 50 countries in 2019.	humanitarian aid workers were transported by ECHO flights in 2019.	countries received humanitarian aid from the EU in 2019.

<sup>(1)</sup> Average results for 2014-2019.

The European Council defines the principles and general guidelines for the CFSP. On the basis of those guidelines the Council of Ministers adopts joint actions or common positions.

#### **MORE INFORMATION**

https://europa.eu/!vq63kN

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	301.1
2015	270.1
2016	202.9
2017	286.8
2018	348.0
2019	343.2
2020	351.9
Total	2 104.0

## OVERALL EXECUTION (2014-2019)



# **Evaluations/ studies conducted**

Commitments

Annual reports on the implementation of the CFSP are produced. For further information please consult:

http://europa.eu/!kB37Tp

#### How is it implemented?

The Service for Foreign Policy Instruments is the lead service for implementation of the policy. The management of each CFSP action is based on specific decisions adopted by the Council under the CFSP provisions of the Treaty on European Union. There is no overarching instrument (i.e. basic act) adopted for the full period of the multiannual financial framework. Actions are either CSDP civilian crisis management missions, missions of EU special representatives or actions in the field of the non-proliferation of weapons of mass destruction and small arms and light weapons.

## **CFSP**

#### COMMON FOREIGN AND SECURITY POLICY

#### What is the CFSP?

The European Union's common foreign and security policy (CFSP), to which EU Member States have committed themselves, aims to promote peace, security and progress in Europe and the world. In particular, the common security and defence policy (CSDP), which is part of the CFSP, aims to strengthen the EU's external ability to act through the development of civilian and military capabilities in conflict prevention and crisis management.

## **Specific objectives**

- To support the preservation of stability through substantial CSDP missions and the mandates of EU special representatives.
- To support the implementation and promotion of: (1) the strategy on the non-proliferation of weapons of mass
  destruction in order to increase security in this area; (2) the strategy on combating the illicit accumulation and
  trafficking of small arms and light weapons along with measures against the illicit spread and trafficking of
  other conventional weapons; (3) the EU's policies in the field of conventional arms exports, in particular on the
  basis of Council Common Position 944/2008/CFSP.

## Why is it necessary?

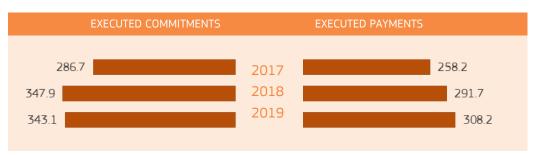
The CFSP is intended to safeguard the common values of the EU, to strengthen (international) security, to preserve peace, to promote international cooperation and to develop democracy and the rule of law, respect for human rights and fundamental freedoms.

With 27 Member States acting within common policies and strategies, the EU alone has the critical mass to respond to global challenges, where the actions of Member States may be limited and fragmented, with projects that are often too small to make a sustainable difference in the field. This critical mass also puts the EU in a better position to conduct policy dialogue with partner governments.

The EU is in a uniquely neutral and impartial position to be able to deliver on external action on behalf of and with Member States, lending enhanced credibility in the countries in which it works. It is best placed to take the role of global leader on behalf of its citizens.

#### Outlook for the 2021-2027 period

The CFSP will remain a separate tool, but complement other conflict and crisis response instruments, such as the rapid response pillar of the Neighbourhood, Development and International Cooperation Instrument, for the new multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Capacity deployment rate (of international staff) of the main CSDP mission (1)		98%	90%	88% out of 90% deployment rate
Number of countries that have ratified the Comprehensive Nuclear Test-Ban Treaty	159	90%	169	168 out of 169 countries
Number of countries that have ratified United Nations Resolution 1540 on small arms and light weapons		20%	192	39 out of 192 countries
Number of countries that have ratified the Arms Trade Treaty		81%	130	105 out of 130 countries

% of target achieved by the end of 2019

## Where are we in the implementation?

- The large majority of CFSP actions are implemented through indirect management, through the signature of contribution agreements with the relevant CSDP missions, EU special representatives and beneficiaries of funding in the area of the non-proliferation of weapons of mass destruction and disarmament.
- A smaller number of actions are managed through direct management in the form of grants.
- In 2019, the total level of commitment appropriations for CFSP actions amounted to EUR 359 million.
- Unused funds, which were returned by CSDP missions in 2019 due to low absorption capacities (amounting to EUR 35 million), were able to be fully committed again in 2019.

#### **Performance assessment**

- The Commission has limited influence on the deployment of CFSP missions as it is only responsible for the financial implementation and ensuring adherence to the rules, for example concerning procurement. Planning and political steering is managed by the missions, together with the European External Action Service's Civilian Planning and Conduct Capability Directorate, which assists the missions by publishing calls for contributions for seconded and contracted personnel. The Service for Foreign Policy Instruments has nevertheless further simplified and harmonised the operating procedures for CSDP missions to make them more responsive.
- For this reason, budgetary performance is important for measuring the way CSDP entities handle the funding allocated to them. The budgetary performance in this regard has been satisfactory except, notably, for two missions, each for different reasons (EU Advisory Mission in Iraq and EU Border Assistance Mission in Libya). The Kosovo Chambers returned unused funds amounting to EUR 3 million to the Commission but the total execution rate is still relatively high for this mission.
- The deployment rate for civilian missions depends on the effective mobilisation of human resources and logistics. It falls slightly short of its target due to the reluctance of Member States to deploy more seconded personnel to missions and the deterioration in security and relocation efforts for several missions, such as the EU Border Assistance Mission in Libya.
- Achievement of objectives for CSDP missions as defined in the Council regulations is largely within acceptable rates. The exception is the EU Border Assistance Mission in Libya, which suffered setbacks due to its relocation from Tripoli to Tunis following a deteriorating security situation.
- Ratification of the Comprehensive Nuclear Test-Ban Treaty is likely to reach its target number of countries (169). Nuclear security assistance by the
  International Atomic Energy Agency varies on a yearly basis as it is demand driven but remained within the planned boundaries. Arms Trade Treaty ratification
  and national implementation plans for United Nations Resolution 1540, which obliges states to refrain from supporting non-state actors by any means in
  developing, acquiring, manufacturing, possessing, transporting, transferring or using nuclear, chemical or biological weapons and their delivery systems, show
  positive trends but remain short of their targets (105 out of 130 countries and 39 out of 192, respectively). This is not within the control of the CFSP, as it
  relies on national political decisions.

EU Capacity Building Mission in Sahel, Mali	EU Advisory Mission in Iraq	EU Advisory Mission in the Central African Republic	Disarmament
has contributed to the regionalisation of the CSDP in the Sahel region by delivering the first training programme under the umbrella of the Regional Advisory and Coordination Cell in Chad.	in support of security sector reform achieved a positive impact in providing advice with regard to national strategies, including developing the countering violent extremism strategy. It developed tools to enhance EU Member States' coordination.	was decided on by the Council on 9 December 2019, as a new civilian CSDP mission in Bangui, Central African Republic. Operations are expected to start in early summer 2020, subject to the situation of the outbreak of COVID-19.	has progressed: three additional countries have ratified the Comprehensive Nuclear Test-Ban Treaty and 16 more state parties have ratified the Arms Trade Treaty.

<sup>(1)</sup> Latest results from 2018.

Council Regulation (Euratom) No 237/2014

#### **MORE INFORMATION**

http://europa.eu/!kX93QG

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	30.5
2015	61.2
2016	71.8
2017	51.4
2018	33.0
2019	33.6
2020	32.9
Total	314.4

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the INSC was carried out in 2017: https://europa.eu/!qQ34Wd
Three evaluations requested by the Member States were completed and presented to the INSC committee in 2019.

## How is it implemented?

The Directorate-General for International Cooperation and Development is the lead DG for the directly managed implementation of the programme.

## **NUCLEAR COOPERATION II**

## INSTRUMENT FOR NUCLEAR SAFETY COOPERATION

## What is nuclear cooperation?

The EU supports the promotion of a high level of nuclear safety, radiation protection and the application of efficient and effective nuclear material safequards in non-EU countries, with priority given to accession and neighbouring countries.

The Instrument for Nuclear Safety Cooperation (INSC) was created to support the EU's efforts in relation to the continuous improvement of nuclear safety by promoting an effective nuclear safety culture; implementing the highest nuclear safety and radiation protection standards; and establishing frameworks and methodologies for the application of efficient and effective safeguards for nuclear material in non-EU countries. The programme also supports EU efforts relating to the responsible and safe management of spent fuel and radioactive waste, including its transportation, treatment, processing, storage and disposal, along with the decommissioning and remediation of former nuclear sites and installations.

# **O**

## **Specific objectives**

- The promotion of an effective nuclear safety culture and implementation of the highest nuclear safety and radiation protection standards, and the continuous improvement of nuclear safety.
- Responsible and safe management of spent fuel and radioactive waste, namely transport, pretreatment, treatment, processing, storage and disposal, and the decommissioning and remediation of former nuclear sites and installations.
- The establishment of frameworks and methodologies for the application of efficient and effective safeguards for nuclear material in non-EU countries.

### Why is it necessary?

The promotion of the highest level of nuclear safety is crucial for the safety and the security of the population and the environment of the EU. The Fukushima Daichii accident in 2011, as well as the Chernobyl disaster in 1986, showed that all accidents have transboundary effects and impact the international community widely. Access to nuclear or radioactive materials is a global security concern, and evidence exists that non-state actors are trying to have access to such materials. The INSC has successfully contributed to the reduction of risks by providing support to regulatory authorities in particular, with priority given to accession countries (Turkey and western Balkan partners) and countries in the European neighbourhood area (Armenia, Belarus, Egypt, Georgia, Iraq, Jordan, Morocco and Ukraine) engaged in nuclear power generation. It also includes health and environmental measures aimed at helping the population that suffered from the Chernobyl accident in Ukraine and Belarus.

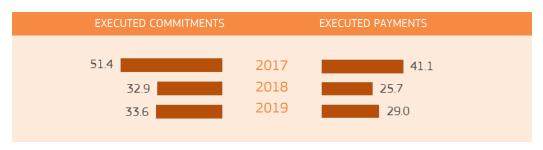
New challenges have to be addressed, in addition to the ongoing EU actions aiming at establishing or enhancing

independent and competent regulatory authorities that will guarantee the safe use of nuclear energy and promoting sound safeguarding systems to enforce the non-proliferation regime. Emergency preparedness systems need to be put in place. Training and tutoring are essential to ensure the correct management of nuclear power generation.

In all these domains, the EU has long experience in nuclear safety and security and in the use of the highest safety standards. Moreover, it is in the EU's interest to extend the *acquis communautaire* in the field of nuclear energy to non-EU countries, especially with respect to the carrying out of stress tests in the EU's neighbourhood and abroad.

## Outlook for the 2021-2027 period

The Commission presented a proposal for a Council regulation establishing a European Instrument for Nuclear Safety, complementing the Neighbourhood, Development and International Cooperation Instrument, for the next multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Nuclear safety culture and radiation protection standards - regulatory documents produced with the support of EU expertise		> 100%	8	36 compared to a target of 8
Responsible and safe management of spent fuel and radioactive waste – regulatory documents produced with the support of EU expertise		> 100%	9	18 compared to a target of 9
Nuclear safeguard authorities benefiting from Commission-funded projects		> 100%	3	4 compared to a target of 3

### Where are we in the implementation?

- The Commission adopted 43 actions for 2016-2019 to be implemented in Armenia, Belarus, Bosnia and Herzegovina, Egypt, Georgia, Ghana, Indonesia, Iran, Jordan, Mongolia, the Philippines, Serbia, Thailand, Ukraine and Vietnam, along with regional projects in Central and South-East Asia, southern Africa, the Balkans and Gulf countries
- In line with the multiannual indicative programme, these actions are carried out in the context of the four pillars: promotion of nuclear safety culture (20 actions), safe management of spent fuel and radioactive wastes (13 actions), nuclear materials safeguards (six actions) and support measures (five actions).
- The 2019 annual action programme covered seven actions addressing the promotion of nuclear safety culture, the safe management of radioactive waste and support measures implemented in Armenia, Georgia, Iran, Ukraine, and Central and South-East Asia. The contribution to the environmental remediation account managed by the European Bank for Reconstruction and Development (EUR 10 million) was paid in 2019.

#### **Performance assessment**

- The competence of staff working in the nuclear area is of utmost importance to ensure that the use of nuclear technology is safe. The training and tutoring actions, which transfer EU knowledge to students and young professionals, trained more than 2 400 staff in the beneficiary countries between 2014 and 2019. Some 33% of these were women, which contributes to the gender equality goal in a highly specialised scientific area. This confirms the success of the programme.
- The Central Asian states have inherited 1 billion tonnes of hazardous processing waste, which are highly toxic chemical and radioactive residues left behind and unsafely stored in uranium legacy sites. The EU flagship programme for the remediation of the legacy sites is now mature, with the completion of the necessary feasibility studies and environmental impact assessments. The first two remediation projects in Kyrgyzstan will begin in 2020.
- Under the technical assistance to the Commonwealth of Independent States programme and the INSC programme, the European Union has contributed to the New Safe Confinement. This is a giant arch-shaped structure that covers the damaged Chernobyl Unit 4 in order to prevent any further radioactive release and to contain the remotely operated equipment for the ultimate removal of the damaged reactor and radioactive material.
- The first project supporting the Iranian Nuclear Regulatory Authority started in July 2017, and is running smoothly in a very cooperative atmosphere. Two follow-up projects are ongoing to establish the Nuclear Safety Centre in Tehran, in compliance with the EU's commitment to the implementation of the joint comprehensive plan of action, and to perform stress tests at the Bushehr nuclear power plant. Another capacity-building project was adopted under the 2019 annual action programme, demonstrating the commitment of the EU to the full implementation of the joint comprehensive plan of action, and a fifth project will be submitted under the 2020 annual action programme.
- The INSC has been relevant for improving nuclear safety in non-EU countries aligned to EU policies and priorities and addressing specific needs. Measuring nuclear safety is inherently difficult, but the instrument produced concrete examples of success on the ground. The setting-up in 2015 of a multilateral environmental remediation account on remediating legacy mining waste in Central Asia is an example of how the INSC addresses needs in coordination with international donors and organisations.
- Even if the programme is fit for its objectives, programming documents can become more informative for non-experts without constraining flexibility. The direct and mainstreamed support provided for environmental protection, sector management and gender equality deserves wider visibility and recognition.

25	36	18	4
countries benefited from EU support in 2019 for developing a culture of safety for nuclear energy.	regulatory documents were produced by the beneficiary countries during 2014-2019, with the support of EU expertise. These documents are the final step for major projects.	documents were produced with the EU's support in the area of nuclear waste during 2014-2019. These documents are evidence of the transfer of EU expertise.	national and international authorities benefited from EU-funded projects in 2019, passing on the EU's expertise in the area of safeguards.

Decision (EU) 2019/420 of the European Parliament and of the Council

#### **MORE INFORMATION**

http://europa.eu/!vF44kU

#### FINANCIAL PROGRAMMING

(million FUR)

2014	14.9
2015	19.9
2016	8.1
2017	11.4
2018	6.0
2019	12.6
2020	63.7
Total	136.8

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the current UCPM legislation was carried out in 2017. For further information please consult: http://europa.eu/!gD68jG

## How is it implemented?

DG European Civil Protection and Humanitarian Aid Operations is the lead DG for the implementation of the programme. The programme is implemented through direct management (grants and procurement).

## **CIVIL PROTECTION**

### UNION CIVIL PROTECTION MECHANISM - HEADING 4

## What is the UCPM under Heading 4?

The European Union Civil Protection Mechanism (UCPM) facilitates the cooperation in disaster response among 34 European states (EU Member States, Iceland, Montenegro, North Macedonia, Norway, Serbia and Turkey). When activated, the mechanism coordinates, through the Emergency Response Coordination Centre of the European Commission, the assistance that the UCPM participating states can provide to disaster-stricken countries all over the world. The support provided through the UCPM can take the form of in-kind assistance, deployment of specially equipped teams, or assessment and coordination experts sent into the field.

Under Heading 4, the UCPM supports rapid and efficient disaster response interventions in the event of major disaster in non-EU countries. It also supports disaster prevention and preparedness activities in eligible non-EU countries, the primary beneficiaries of which are the European neighbourhood policy countries and Instrument for Pre-Accession Assistance beneficiary countries, not yet participating in the UCPM.

The aim of the mechanism is to support, coordinate and supplement the actions of the participating states in the field of civil protection with a view to improving the effectiveness of systems for preventing, preparing for and responding to natural and man-made disasters. It focuses on reducing the loss of human life and the environmental, economic and material damage caused by disasters through a comprehensive approach covering: disaster prevention, preparedness and response; improving the understanding of disaster risks through cooperation on risk assessment and planning, and the gradual development of a culture of disaster prevention; and improving the preparedness for disasters through training, exercises, exchange of best practices and similar activities.

## **Specific objectives**

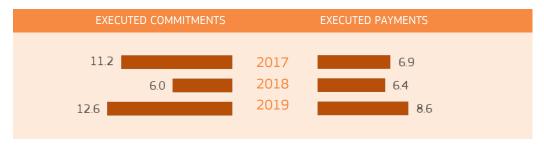
- To achieve a high level of protection against disasters by preventing or reducing their effects by fostering a
  culture of prevention and by improving cooperation between the civil protection and other relevant services.
- To enhance preparedness in non-EU countries to respond to disasters.
- To facilitate rapid and efficient response in the event of disasters or imminent disasters.
- To increase public awareness of and preparedness for disasters.

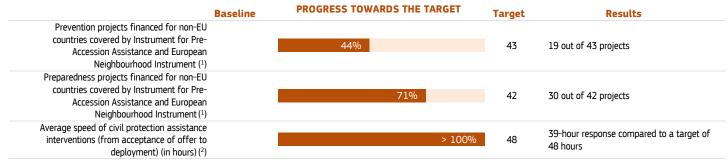
## Why is it necessary?

Disasters know no borders. A well-coordinated response at European level is necessary to avoid duplication of relief efforts and ensure that assistance meets the real needs of the affected region. Civil protection assistance consists of governmental aid delivered in the immediate aftermath of a disaster aiming to reduce the loss of human life and the environmental, economic and material damage. For a coherent, predictable, cost-effective and more visible EU response to disasters, the European Response Capacity was set up, ready to help everywhere in the EU and in non-EU countries, when needed.

## Outlook for the 2021-2027 period

The Commission proposed the inclusion of funding related to the internal and external dimensions of civil protection in a specific cluster – 'crisis response' – under Heading 5, 'Security and Defence'.





% of target achieved by the end of 2019

## Where are we in the implementation?

- Concerning the international dimension of the UCPM, the activities were implemented as planned in the UCPM legislation and the Commission implementing decision in all areas, disaster prevention, preparedness and response.
- In 2019, six prevention and preparedness projects were financed to support countries' efforts to improve their disaster risk management. Moreover, the UCPM was activated on 17 occasions by non-EU countries during the year.
- During 2019 the new UCPM legislation entered into force, without negatively affecting the implementation of the instrument. Although the bulk of the
  legislative review focused on the internal dimension, the external component of the UCPM was also reinforced with references to closer cooperation with
  neighbours in all areas.
- In addition, as part of the EU's response to the COVID-19 outbreak, the Commission proposed the reinforcement of the UCPM in non-EU countries with EUR 45 million in 2020, so as to support the repatriation of EU citizens.

#### Performance assessment

- The UCPM has shown a strong performance over recent years in the following areas.
  - In the area of prevention and preparedness, cooperation with enlargement and European neighbourhood policy countries has been strengthened. Of
    particular relevance is the relaunched cooperation with the southern neighbourhood under the framework of the Union for the Mediterranean
    Secretariat. In 2018, two administrative arrangements were signed, one with Tunisia and one with Georgia, showcasing the political will to further
    strengthen the cooperation on disaster management.
  - In the area of response, most of the activations of the UCPM were requested by non-EU countries (85% of the total number of activations in 2019).
     This shows the international relevance that the UCPM has acquired over the years.
- As part of the plan to revamp the prevention and preparedness grant programme, a new system was created whereby projects have to be more targeted and have a greater impact. As a result, fewer projects are being financed, but with higher financing. Since the duration of the projects is 24 months, it is too early to assess whether this new approach has been effective.
- There have been relevant challenges during the last years, as listed below.
  - o The UCPM was not always in a position to respond to activation in the neighbourhood and enlargement countries. However, the reinforced UCPM, and notably the development of the rescEU reserve, can offer further possibilities for responding to disasters in non-EU countries.
  - Attendance of UCPM training was not always optimal, in part due to the level of knowledge of English in the targeted countries. The Commission has
    put in place supporting measures, such as organising training in Arabic and French.
  - None of the prevention proposals in non-EU countries for 2019 were successful in the evaluation process in the context of the new approach to
    prevention and preparedness projects. To ensure that successful applications can be put forward in the next calls, feedback and additional guidance to
    potential applicants have been provided.

17	EUR 10.5 million	3	2	400	38
activations of the UCPM outside the EU occurred in 2019.	was committed to support response operations outside the EU during 2019.	prevention and preparedness projects were financed in 2019.	EU peer reviews on disaster risk management were conducted in 2019 (Algeria and Tunisia).	EU rescuers/staff were deployed in Mozambique in 2019 following the landfall of tropical cyclone Idai.	activations of the Copernicus Emergency Management Service occurred in 2019.

<sup>(1)</sup> Cumulative results for 2014-2019 compared to cumulative milestones for 2014-2020.

<sup>(2)</sup> Average of results for 2014-2019.

Regulation (EU) No 375/2014 of the European Parliament and of the Council

#### MORE INFORMATION

http://europa.eu/!VG49Xu

#### FINANCIAL PROGRAMMING

(million EUR)

12.7
7.4
9.3
17.4
20.1
18.8
20.6
106.4

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the programme was carried out in 2017. For further information please consult:

http://europa.eu/!QK39JQ

### How is it implemented?

DG European Civil Protection and Humanitarian Aid Operations is the lead DG for the implementation of the programme. The programme is implemented through direct management (grants and procurement).

## **EU AID VOLUNTEERS**

#### EU AID VOLUNTEERS INITIATIVE

#### What is 'EU aid volunteers'?

The EU aid volunteers initiative brings together volunteers and organisations from different countries, providing practical support to humanitarian aid projects and contributing to strengthening the local capacity and resilience of disaster-affected communities.

The programme incentivises and fosters collaboration, exchange of knowledge and good practices, by building partnerships between organisations in the field of humanitarian aid. Organisations that wish to participate in capacity building projects need to form consortia composed of a minimum of two EU-based organisations and two organisations based in non-EU countries. Technical assistance projects require the participation of three organisations based in the EU. Furthermore, setting up dedicated on-site training of selected volunteers to prepare them for deployment creates a strong *esprit de corps* among European volunteers from different countries, who are trained together in groups. This is further strengthened in the course of the implementation of the programme through the network of former and current EU aid volunteers and the participating sending and hosting organisations, in order to enhance learning and further professionalisation of the sector.

The possibility of doing an apprenticeship with a non-governmental organisation based in the EU ahead of deployment will provide volunteers with an opportunity to engage or even seek out a professional future in the field of humanitarian aid.



## **Specific objectives**

## Supporting education and training

- To contribute to increasing and improving the capacity of the EU to provide humanitarian aid.
- Improvement of the skills, knowledge and capabilities of volunteers in the field of humanitarian aid and the terms and conditions of their engagement.
- To build up the capacity of hosting organisations and to foster volunteering in non-EU countries.
- Communication of the EU's humanitarian aid principles agreed in the European Consensus on Humanitarian Aid.
- Enhancement of coherence and consistency of volunteering across Member States in order to improve opportunities for EU citizens to participate in humanitarian aid activities and operations.

## Why is it necessary?

The number, scope and complexity of humanitarian crises worldwide, both natural and man-made, have increased significantly over the years, and that trend is likely to continue. Humanitarian organisations need more well-trained people to carry out practical action that helps communities affected by disaster. The EU aid volunteers initiative provides opportunities for citizens from the EU to volunteer in humanitarian aid projects worldwide. The initiative also supports humanitarian aid organisations by strengthening their capacity to prepare for and respond to humanitarian crises.

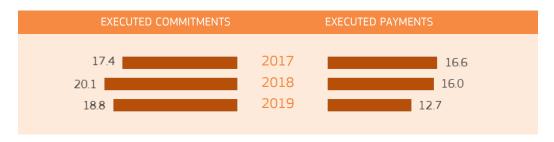
The EU added value comes in the form of:

- bringing together EU citizens from different Member States for joint contributions to humanitarian aid operations:
- fostering transnational cooperation of humanitarian aid organisations and stakeholders in implementing the actions of the initiative;

- allowing for economies of scale through synergies and complementarities with other relevant national, international and EU programmes and policies;
- providing for a tangible expression of European values, in particular of solidarity with people who are most vulnerable and in need;
- contributing to reinforcing active EU citizenship by empowering EU citizens of various ages and backgrounds to engage in humanitarian aid activities.

#### Outlook for the 2021-2027 period

The Commission proposed the integration of humanitarian volunteering into the European Solidarity Corps for the next multiannual financial framework. This integration will contribute to streamlining and increasing the synergy of volunteering programmes.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Number of EU aid volunteers trained (¹)		24%	4 300	1 016 out of 4 300 volunteers trained
Number of EU aid volunteers deployed (1)		18%	4 175	760 out of 4 175 volunteers
Number of hosting and sending organisations participating in the EU aid volunteers initiative $(^1)$		69%	635	439 out of 635 organisations
Certified sending organizations applying the EUAV standards (1)		31%	169	52 out of 169 organisations

<sup>%</sup> of target achieved by the end of 2019

## Where are we in the implementation?

- Due to the slow start of the EU aid volunteers initiative in 2015, the budget requests in the annual work programmes for the years 2017-2019 were reduced compared to the initial financial programming. This reduction and the experience gained from previous years of implementation allowed for the improvement of the use of the operational budget in 2018 (99%) and 2019 (98%).
- Two calls for proposals were published in 2019 under the annual work programme 2019: one for projects in the field of capacity building and technical
  assistance and one for the deployment of and apprenticeships for EU aid volunteers. The training for candidate EU aid volunteers was carried out, and external
  evaluators supported the evaluation of applications submitted in response to the two calls for proposals and the evaluation of requests for certification and
  recertification.
- An information day to promote the calls was organised, along with support measures, including the maintenance of the EU aid volunteers platform for project management, and networking, communication and outreach activities. Examples of the activities include a public information session on International Volunteer Day in December 2019 and social media campaigns to promote the volunteering vacancies on the EU aid volunteers platform.

#### Performance assessment

- The start of the implementation of the EU aid volunteers initiative was delayed for about a year, due to the adoption of the implementing regulation in November 2014. The first volunteers were only deployed starting from December 2015 / January 2016.
- After the launch of the initiative, the uptake of this new programme was below expectations. The EU aid volunteers initiative introduced a thorough certification mechanism that requires sending and hosting organisations to prove that they have procedures and policies in place to meet the high volunteering standards of the programme. This certification mechanism had not existed during the pilot phase. Consequently, the targets set for numbers of organisations certified and volunteers trained and deployed were too challenging and were not met.
- This situation required an ongoing effort to support the organisations in order to achieve higher volunteer deployment numbers. Over the course of the period several simplifications were implemented:
  - o the mandatory minimum number of members of a project consortium was reduced from six to four;
  - o the maximum funding amount for deployment projects was doubled;
  - the certification procedure was simplified as far as possible;
  - o the e-form for the submission of proposals was simplified;
  - an electronic tool to register candidates for the different training sessions was introduced.
- The 2019 call for proposals will result in the deployment of 424 volunteers in 2020. This is still below the 450 planned for in the annual work programme and far below the original target of 1 125 volunteers in 2020. These deployments will be substantially delayed due to the COVID-19 outbreak.
- With regard to capacity building and technical assistance projects, the funding provided by the EU aid volunteers initiative strengthens the abilities of organisations intending to deploy EU aid volunteers, and ensures that they comply with the standards and procedures set under the initiative. In 2019 projects were funded to support 50 organisations through capacity building projects, and 8 organisations through technical assistance. This number is lower than planned, because funding was moved from the capacity building / technical assistance strand to the deployment strand and fewer projects were funded.
- In the report on the interim evaluation (COM(2018) 496), the Commission acknowledged the need to improve the consistency of the approach to volunteering in non-EU countries with that of other EU volunteering schemes. Coherence and synergies with the European Voluntary Service and the European Solidarity Corps should be sought. For the new multiannual financing period it was therefore proposed to integrate the EU aid volunteers initiative into the European Solidarity Corps.

424	58	182	9
volunteers will be deployed in 40 countries around the world in 2020, as a result of the 2019 call for proposals. However, these deployments will be substantially delayed due to the COVID-19 outbreak.	organisations will be participating in the projects selected in 2019: 4 projects for capacity building (involving 50 organisations) and 1 project for technical assistance (involving 8 organisations).	organisations had been certified by the end of 2019 (52 sending and 130 hosting organisations).	face-to-face training sessions organised in 2019, with 446 candidate volunteers attending and an overall satisfaction rate of 88%.

- The new project 'forests' started in 2019 and provides for the deployment of 27 EU aid volunteers to reinforce forest management in Congo, Ghana, Guinea and Vietnam. Volunteers will conduct studies to assess the vulnerability of forest-dependent communities, taking into account the effects of climate change, and will organise seminars with local actors to plan intervention strategies together. More information can be found on this website: https://europa.eu/!wk96rc
- Additional stories about what volunteers are doing in the field can be found on this website: https://europa.eu/!Rf68Nh

<sup>(1)</sup> Cumulative results for 2014-2019 compared to cumulative milestones for 2014-2020

Regulation (EU) No 2017/1601 of the European Parliament and of the Council

#### **MORE INFORMATION**

https://europa.eu/!uM34Nt

#### FINANCIAL PROGRAMMING

(million EUR)

2017	275.0
2018	25.0
2019	25.0
2020	25.0
Total	350.0

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

## How is it implemented?

The Directorate-General for International Cooperation and Development is the lead DG for the implementation of the programme through regional investment platforms.

## SUSTAINABLE DEVELOPMENT

### EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT

## What is sustainable development?

In the framework of the external investment plan, the European Fund for Sustainable Development supports investments in Africa and EU's neighbourhood. This initiative was inspired by the investment plan for Europe launched in 2015.

The European Fund for Sustainable Development is the first pillar of the external investment plan, which also aims to enhance technical assistance in partner countries (pillar 2) and to improve the investment climate and overall policy environment in those countries (pillar 3).

The overall aim of the European Fund for Sustainable Development is to contribute to the goals of the United Nations' 2030 Agenda for Sustainable Development, in particular poverty eradication, as well as the commitments under the recently revised European neighbourhood policy. By supporting investments in Africa and the neighbourhood, the fund also aims to address specific socioeconomic root causes of migration, including irregular migration. It will also contribute to the sustainable reintegration of migrants voluntarily returning to their countries of origin and to the strengthening of transit and host communities. The fund aims to foster the creation of decent jobs, economic opportunities and entrepreneurship, and green and inclusive growth with a particular focus on gender equality and the empowerment of women and young people.

The European Fund for Sustainable Development is implemented through two regional investment platforms: the African investment platform and the neighbourhood investment platform, which combine financing from the existing external blending facilities for Africa and the Neighbourhood with a newly developed EFSD Guarantee.

Under the EFSD Guarantee, the Commission provides partial guarantees to eligible counterparts, which in turn provide support to downstream beneficiaries through a wide range of financial instruments, including loans, guarantees, counterguarantees, capital market instruments and other forms of credit enhancement, insurance, equity or quasi-equity participation.



## Specific objectives

The European Fund for Sustainable Development's purpose as an integrated financial package is
to support – through the supply of financing capacity in the form of grants, guarantees and other
financial instruments to eligible counterparts – investments and increased access to financing
starting in African and neighbourhood partner countries.

## Why is it necessary?

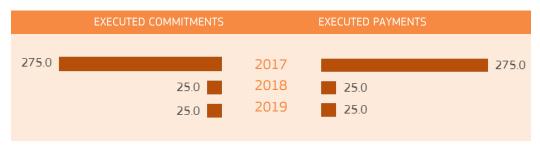
The European Fund for Sustainable Development is a bold new approach to supporting sustainable and innovative investment, going beyond the classical development assistance and building on experience of existing blending facilities to maximise additionality, deliver innovative products and catalyse private-sector investment. It encourages private investors to contribute to sustainable development in countries outside of Europe. The fund aims to:

- contribute to achieving sustainable development in the partner countries in a coherent and consistent manner;
- target socioeconomic sectors, in particular sustainable infrastructure (including energy, water, transport, information and communications technology, the environment, social infrastructure and human capital), and provide finance for micro, small and medium-

- sized enterprises with a particular focus on the creation of decent jobs;
- assist in developing economically and financially viable projects to attract investment;
- help to improve the business environment in partner countries by supporting reforms and economic governance;
- contribute to addressing the root causes of irregular migration and strengthen the EU's partnerships in Africa and the neighbourhood countries.

## Outlook for the 2021-2027 period

To streamline the existing instruments for EU external actions, the Commission has proposed to include this instrument within the Neighbourhood, Development and International Cooperation Instrument for the new multiannual financial framework.



#### Where are we in the implementation?

- The entire available budget of EUR 1.54 billion for the EFSD Guarantee was allocated in 2018 to 28 selected proposals. The first guarantee agreement was signed in Vienna on 18 December 2018 with the Dutch development bank FMO (Financieringsmaatschappij voor Ontwikkelingslanden) for the NASIRA Risk-Sharing Facility.
- By the end of 2019, the Commission had signed four guarantee agreements with its partner financial institutions for a total amount of EUR 195 million.
- Overall, programmes and projects validated by the European Fund for Sustainable Development's governance by the end of 2019 are expected to mobilise around EUR 47 billion of investments, thus exceeding the EU's target of unlocking EUR 44 billion initially planned for 1 year later, i.e. 2020.
- Where needed, these programmes may be refocused in order to contribute to a robust and targeted EU response to support partner countries' efforts in tackling the coronavirus pandemic.

#### Performance assessment

- In 2017, the Commission established a first set of investment windows for the EFSD Guarantee, which were subsequently endorsed by the fund's strategic and operational boards. These cover five areas: (1) sustainable energy and connectivity; (2) financing for micro, small and medium-sized enterprises; (3) sustainable agriculture, rural entrepreneurs and agribusiness; (4) sustainable cities; and (5) digital for development.
- Following the establishment of the investment windows, partner financial institutions were invited to suggest investment programmes to be covered by the EFSD Guarantee. The response by the financial institutions was very positive: the Commission received 46 proposals from 12 partner institutions for a total value of more than EUR 3.5 billion, thus exceeding the current entire capacity of the EFSD Guarantee by over EUR 2 billion.
- Based on the information provided by the financial institutions in their proposals, the 28 guarantee tools approved to date by the fund's governance are expected to contribute to the creation of close to 4 million jobs. They should also contribute to reducing carbon emissions by 6 000 kilotonnes a year and generate 4 + GW, particularly in renewable energy.
- The Commission has established a results measurement framework for the fund pending agreement with its partner financial institutions. The framework has already been used in the guarantee agreements signed to date. It covers three levels: (1) the fund as a whole, including both the EFSD Guarantee and the blending operations; (2) the investment platforms and investment windows; and (3) the investment programmes under the EFSD Guarantee and the projects under the blending operations.
- The Commission is responsible for monitoring and reporting under the first two levels, based on a set of predefined indicators. At programme and project level, the reporting on expected and actual operational results is the responsibility of the lead financial institution. The list of indicators and the frequency and format of reporting are part of the guarantee agreements signed with the financial institutions.

4	EUR 75 million	EUR 40 million	EUR 50 million	EUR 30 million
guarantee agreements were signed in the course of 2019.	has been made available through FMO's NASIRA Guarantee Facility, to provide access to affordable loans for women, young people and migrant entrepreneurs.	has been made available through FMO's ventures programme guarantee agreement, to guarantee venture capital to start-up companies, in particular those led by young entrepreneurs in the digital space.	has been made available through the European Bank for Reconstruction and Development's framework to scale up renewable energy investments, in order to increase energy generation from renewable energy sources in neighbourhood countries and assist in the implementation of the Paris Agreement climate goals.	has been made available through Cassa Depositi e Prestiti and the African Development Bank's archipelagos guarantee agreement, to provide access to finance across Africa for high-potential small businesses by piloting capital market solutions.

<sup>(92)</sup> Payments related to amounts committed in 2017 and 2018 were actually made at the beginning of the following year, in accordance with Article 12 (7) of the Financial Regulation.

Council Decision 2014/137/EU

## MORE INFORMATION

http://europa.eu/!dR38cH

#### **FINANCIAL PROGRAMMING**

(million EUR)

2014	24.8
2015	30.9
2016	31.4
2017	31.9
2018	32.4
2019	32.9
2020	33.5
Total	217.8

## OVERALL EXECUTION (2014-2019)



## Evaluations/ studies conducted

Commitments

The midterm evaluation of the Greenland decision was carried out within the framework of the midterm review of the external financing instruments. For further information please consult: https://europa.eu/!gg94QN

## How is it implemented?

The Directorate-General for International Cooperation and Development is the lead DG for the implementation of the programme through budget support.

## **GREENLAND**

#### COOPERATION WITH GREENLAND

## What is cooperation with Greenland?

Located between the North Atlantic and the Arctic Ocean, Greenland is the world's largest island. It is an autonomous territory within Denmark, and is the only Danish territory associated with the EU. Between 1973 and 1985 Greenland was part of the EU. Following a referendum held in 1982 it withdrew from the EU, and is now associated with it under the overseas association decision. Greenland is eligible for funding from the EU's general budget through the EU-Greenland Partnership. This allows strong relations between the partners to continue and responds to global challenges, making it possible to develop a proactive agenda and pursue mutual interests. The partnership defines, in particular, the framework for policy dialogue on issues of common interest, such as:

- global issues concerning, inter alia, energy, climate change and environment; natural resources, including raw materials; maritime transport; and research and innovation;
- Arctic issues.

The education, vocational training and post-elementary school system was chosen as the concentration sector for cooperation between the EU and Greenland for 2014-2020. This ensures Greenland's continuous economic progress in an increasingly globalised world economy by providing a critical mass of qualified, flexible people and a competitive workforce. Increased productivity in the working-age population will reduce the growing pressure on public finances resulting from the increasing share of elderly people in the population. Furthermore, a highly educated and skilled labour force will reduce the economic dependence on single sectors and is a prerequisite for development and inclusive growth in emerging sectors.



## **Specific objectives**

- To support and cooperate with Greenland in addressing its major challenges, in particular the sustainable diversification of the economy, the need to increase the skills of its labour force, including scientists, and the need to improve Greenlandic information systems in the field of information and communications technologies.
- To contribute to the capacity of the Greenlandic administration to formulate and implement national policies, in
  particular in new areas of mutual interest as identified in the programming document for sustainable
  development.

### Why is it necessary?

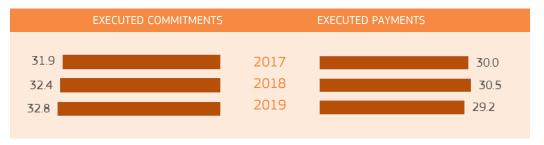
As the EU is the only donor besides Denmark, the support allocated through the partnership brings an EU perspective to the development of Greenland and will contribute to the strengthening of close and long-lasting ties with the territory.

Greenlanders enjoy the citizenship of the Member State to which they are constitutionally linked (Denmark), and subsequently hold EU citizenship, therefore the corresponding parts of the Treaty on European Union apply to them. European Union support strengthens the position of Greenland as an advanced outpost of the EU, based on the common values and history that link the

two partners. Through the framework of relations and dialogue with Greenland, the EU has gained a better understanding of the conditions in the Arctic, enabling it to better formulate relevant actions and policies, while Greenland supports the EU's application for an observer seat on the Arctic Council.

#### Outlook for the 2021-2027 period

The Commission has proposed to include this programme within the new association of the EU with overseas countries and territories for the new multiannual financial framework.



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Completion rate for high school, vocational education and training and higher education	51100	<0%	60.0%	50.7% compared to 60.0%
% of target achieved by 2018				

### Where are we in the implementation?

- The financing agreement for the 2019 programme to support the Greenland education sector was signed with the government of Greenland on 2 December 2019. The 2019 annual work plan was presented by the government of Greenland, and approved. Subsequently, the fixed tranche for the 2019 programme was paid in December 2019.
- The 2018 annual implementation report as prepared by the government of Greenland provides adequate proof of programme implementation. The achievement rate was higher than for the previous year.
- It is compulsory for children in Greenland to attend school up to the age of 15, and in general the full participation of boys and girls is achieved. For 2021 the priorities will be for the government of Greenland to adopt educational reform and start to introduce 12 years of compulsory education. In addition, the implementation of the Law on Higher Education will be completed.
- Among the activities undertaken in 2018 was the work on increasing the use of information technology in elementary schools.
- In June 2019 the Public Procurement Law was adopted by the Ministry of Finance of the government of Greenland. This is an achievement in the context of the 2018-2020 public finance management reform plan, and a key element for Greenland to maintain its eligibility for budget support.
- In December 2019 the Commission adopted the Capacity Facility Greenland, with a budget of EUR 2.64 million. This project will support the government of Greenland in increasing its capacity for planning and programming external aid programmes, support its participation in Arctic forums and support the private sector in improving its capacity to attract external capital.
- Three policy dialogue meetings were held: one in Greenland (June 2019 in Tasiilaq, East Greenland and Nuuk); and two in Brussels (6-8 February 2019 and 10-12 March 2020). For each meeting an *aide-memoire* was signed between the government of Greenland and the Commission.
- Following the signature of the financing agreement for the Capacity Facility Greenland early in 2020, this project will be implemented in the 2020-2022 period. The emphasis in 2020 will be on increasing staffing in key ministries (especially the Ministries of Finance, Industry and Foreign Affairs), training new and existing staff to draft evidence-based policies and providing the private sector with a facility to allow it to improve business and investment plans in order to attract capital.

#### Performance assessment

- Cooperation was good, especially with the key Ministries of Finance, Education and Industry, and the Department of Foreign Affairs, as well as with the relevant stakeholders in the government of Denmark, but the general objectives of cooperation with Greenland have only partially been met.
- The programme has not yet resulted in the diversification of Greenland's economy, which is still very much dependent on the fisheries sector for economic development, trade and domestic revenue. This is mainly due to the lack of major investment in the minerals sector, with only two small mines having begun operations in the past 2 years.
- Greenland has witnessed sustained economic growth in the past 5 years, and has nearly achieved full employment. This situation affects the success of the education support programme, as high-school graduates consider employment opportunities more attractive than continuing their education.
- Similarly, youngsters, especially men, can find employment in the booming fisheries sector after completing their schooling. Of all students completing their studies in higher education, 72% are women and 28% are men.
- An educated and skilled labour force is necessary to reduce the economic dependence on a single sector, and is a prerequisite for development and inclusive growth.
- One of the main priorities of the programme was a continued focus on improving the quality of elementary education, in order to provide children with a sound basis for lifelong learning. However, the political goals of lifting the quality of the elementary-school system has not been fully achieved, and further efforts are needed
- The government will continue its focus on accessibility to education, including a continuation of the work on examining how distance learning can contribute to both a higher level of accessibility and a higher quality of education, especially for, but not limited to, the elementary- and high-school levels.

25%	57%	72%	92%	93%
of the total government budget in 2019 was for education and training, while in 2014 it stood at 15%.	of 16-to-18-year-olds being outside the education system in 2018 shows that education challenges remain pertinent.	of students completing their higher education are women and 28% are men, due the higher participation of men in the traditional occupations of hunting and fishing.	of total exports were for fisheries products in 2018. Fisheries remain a prominent feature in the economy of the country.	of civil servants are (long- term) residents, ensuring the capacity of the Greenlandic administration to formulate and implement national policies.

Ad hoc decisions under Articles 209, 212 and 213 of the Treaty on the Functioning of the European Union

#### **MORE INFORMATION**

http://europa.eu/!Uy76Wq

#### YEARLY BUDGETED AMOUNTS (1)

Updated in January 2020 (million EUR)

2014	38.3
2015	0.5
2016	0.4
2017	40.3
2018	10.6
2019	0.1
2020	20.0
Total	110.2

(1) MFA is predominantly provided in loans, underpinned by guarantees from the EU budget. MFA funds disbursed 2014-2019: Loans: EUR 4 616.0 million Grants: EUR 53.0 million

#### OVERALL EXECUTION OF MFA GRANTS (2014-2019)



## Evaluations/ studies conducted

All final reports of completed *ex*post evaluations of MFA operations
are published at:

https://europa.eu/!pP67Jx

## How is it implemented?

DG Economic and Financial Affairs is the lead DG for the implementation of the programme through budget support measures (loans, grants or a combination of the two).

## **MACRO-FINANCIAL ASSISTANCE**

### FINANCIAL STATEMENT FOR THE MACRO-FINANCIAL ASSISTANCE

#### What is MFA?

Macro-financial assistance (MFA) is a form of financial aid extended by the EU to partner countries experiencing a balance-of-payments crisis. It takes the form of medium/long-term loans or grants, or a combination of the two, and is only available to countries benefiting from a disbursing International Monetary Fund programme. MFA is designed for countries that are geographically, economically and politically close to the EU. These include candidate and potential candidate countries, countries bordering the EU covered by the European neighbourhood policy and, in certain circumstances, other non-EU countries.



## **Specific objectives**

 To provide macro-financial assistance to non-EU countries in resolving their balance-of-payments crises and restoring external debt sustainability.

## Why is it necessary?

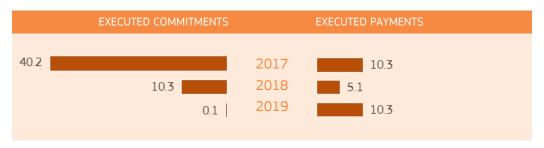
The financial assistance provided under MFA operations and the policy measures attached to them aim at promoting macroeconomic and political stability in the EU's neighbourhood. The policy measures associated with MFA cover selected provisions related, where applicable, to the accession-related agreements, stabilisation and association agreements, association agreements, partnership and cooperation agreements and European neighbourhood policy action plans or equivalent documents. They also cover other conditions aimed at fostering a sustainable balance of payments and budgetary position, raising potential growth, promoting integration and regulatory convergence with the EU and strengthening public finance management.

MFA complements other EU assistance and maximises its effectiveness by alleviating the risks of disruption of the regular EU cooperation framework while at the same time laying down the basis for structural change and sustainable economic and social development of the beneficiary countries. MFA is also complementary to the other EU crisis response mechanisms (e.g. the Instrument for Stability and humanitarian aid) and European Investment Bank lending.

## Outlook for the 2021-2027 period

The Commission proposed for MFA to maintain its current legal status, with assistance granted on a case-by-case basis.

## Voted budget execution of MFA grants (in million EUR)



	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Official foreign exchange reserves – Jordan (months of imports)		86%	7.4	6.4 out of 7.4 months
Official foreign exchange reserves – Tunisia (months of imports)		87%	3.1	2.7 out of 3.1 months
Current account balance – Jordan	-9.4%	75%	-6.2%	-7.0% compared to -6.2% balance
Current account balance – Tunisia		<0%	-9.4%	-11.1% compared to -9.4% balance
External debt – Jordan		> 100%	73.0%	69.1% debt compared to a target of 73.0%
External debt – Tunisia		> 100%	93.0%	89.4% debt compared to a target of 93.0%

% of target achieved by the end of 2018

NB: Given the specificities of MFA, a precise assessment of its impact is difficult to make, as effects on macroeconomic variables over time cannot be solely attributed to MFA operations. In addition, as MFA is a short-term crisis-related instrument spanning 2 to 3 years maximum, it is not possible to quantify its objectives beyond the horizon of the MFA operations or, at most, of the beneficiary countries' programmes agreed (or to be agreed) with the International Monetary Fund.

## Where are we in the implementation?

During the course of 2019, the Commission made important progress in the implementation of a number of MFA operations, including the following.

- Jordan II (EUR 200 million in loans). The first tranche (EUR 100 million) was disbursed in October 2017, while the second tranche (EUR 100 million) was disbursed in July 2019.
- Tunisia II (EUR 500 million in loans). The first tranche (EUR 200 million) was disbursed in October 2017; the second tranche (EUR 200 million) was disbursed in June 2019; and the third and final tranche (EUR 150 million) was disbursed in October 2019.
- Moldova (EUR 60 million in loans and EUR 40 million in grants). The first tranche (EUR 20 million in loans and EUR 10 million in grants) was disbursed in October 2019. The remaining instalments may follow in 2020 provided the required conditions are fulfilled.
- Jordan III (EUR 500 million in loans). The new MFA was adopted by the co-legislators on 15 January 2020. Negotiations on the memorandum of understanding with the Jordanian authorities are ongoing. The assistance is expected to be implemented in three instalments during 2020 and 2021.
- On 22 April 2020, the Commission adopted a new proposal for a EUR 3 billion MFA package for 10 enlargement and neighbourhood partners to help them to limit the economic fallout of the COVID-19 pandemic. The assistance would take the form of medium-term loans provided to Albania, Bosnia and Herzegovina, Georgia, Jordan, Kosovo (93), Moldova, Montenegro, North Macedonia, Tunisia and Ukraine. The proposal is subject to adoption by the European Parliament and the Council of the European Union.

#### Performance assessment

- The evaluations carried out so far conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of external sustainability, macroeconomic stability and the achievement of structural reforms through conditionality in the recipient country. In most cases, MFA operations had a positive effect on the balance of payments of the beneficiary country and contributed to relaxing their budgetary constraints. They also led to a slightly higher economic growth.
- An important attribute of the EU MFA versus alternative sources of financing is its highly concessional terms, i.e. relatively low interest rates, long maturity and a long grace period. This generates fiscal space and contributes to public debt sustainability in the beneficiary countries.
- The *ex post* evaluations also confirm that previous MFA programmes were implemented efficiently, and were well coordinated with other EU programmes and with programmes of other donors (notably the International Monetary Fund and the World Bank). The EU's MFA complements and is conditional on the existence of an adjustment and reform International Monetary Fund programme in the beneficiary country. MFA policy conditionality is separate from the International Monetary Fund conditionality, but is complementary and/or reinforcing.
- However, given its specificities, MFA cannot be linked directly to identifiable outputs, and its concrete achievements are therefore difficult to assess, as effects on macroeconomic variables over time cannot be solely attributed to MFA operations.
- MFA disbursements are sometimes delayed compared to initial expectations. External factors that might be impacting programme timelines include:
  - the beneficiary country not fulfilling the political preconditions;
  - o the International Monetary Fund programme in the beneficiary country being off-track or having expired;
  - o the implementation of agreed reforms being affected by capacity constraints and institutional weaknesses;
  - changes of government, resulting in shifting policy priorities.
- The evaluations also note the shortcomings of each MFA operation, with the most common being the operation's lack of visibility and, in some cases, the speed of the legislative approval process. The Commission will further consider the identified limitations in the upcoming MFA meta-evaluation planned for 2020.

EUR 4.6 billion	EUR 3.8 billion	EUR 800 million	EUR 380 million
in funds was disbursed from 2014 to 2019 to support the financial stability of EU partner countries.	in loans has been committed for Ukraine under four MFA operations since 2014 in the context of the conflict in eastern Ukraine.	in loans was disbursed to Tunisia between 2014 and 2019 to support the country in responding to the economic downturn following the 2011 revolution and the economic and political transition process that ensued.	in loans was disbursed to Jordan between 2014 and 2019 to support the country dealing with pressing economic and social issues arising from regional conflicts and the refugee flows from Syria and Iraq.

<sup>(93)</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Regulation (EU) No 1309/2013 of the European Parliament and of the Council

#### **MORE INFORMATION**

https://europa.eu/!jG47dp

### ANNUAL CEILING AMOUNTS (1)

(million EUR)

120.4
159.9
165.6
168.9
172.3
175.7
179.3
1 142.2

(1) Amounts 2014 and 2015 after deduction of amounts used for cases under the 2007-2013 MFF

## OVERALL EXECUTION (2014-2019)



EUR 1 142.2 million



## Evaluations/ studies conducted

A report on the activities of the EGF in 2017 and 2018 was published in 2019. For further information please consult: https://europa.eu/!TB67Bq The midterm evaluation of the EGF was completed in 2018. For further information please consult: https://europa.eu/!Vx38pj

## How is it implemented?

DG Employment, Social Affairs and Inclusion is the lead DG for the implementation of the fund.

## **EGF**

## EUROPEAN GLOBALISATION ADJUSTMENT FUND

#### What is the EGF?

The European Globalisation Adjustment Fund (EGF) supports workers made redundant as a result of major structural changes in world trade patterns due to globalisation or the negative effects of global economic and financial crises.

The EGF is an emergency relief instrument. It co-finances active labour market policy measures organised by the Member States such as job guidance, careers advice, coaching, training courses and assistance for dismissed workers in setting up their own business. These services help the workers reposition themselves on the labour market and return to employment as quickly as possible by enabling them to update their knowledge and skills or benefit from other suitable means, such as mobility allowances or childcare allowance.

## **Specific objective**

To contribute to smart, inclusive and sustainable economic growth and to promote sustainable employment in
the EU by enabling the EU to demonstrate solidarity with and to support workers who have been made
redundant and self-employed persons whose activity has ceased as a result of major structural changes in world
trade patterns due to globalisation or as a result of a global financial and economic crisis.

## Why is it necessary?

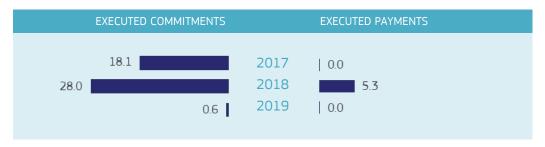
The EGF addresses the adverse effects of globalisation, strengthens overall participation in the labour market and demonstrates the EU's solidarity with the workers affected. The EU's involvement through the EGF allows it to complement national and European Social Fund resources available for the reintegration of workers made redundant as a consequence of trade-related globalisation and a global financial and economic crisis. According to the EGF's midterm evaluation, the evidence gathered from EGF cases demonstrates that it provides support to dismissed workers that is additional to what would have been available in the absence of the fund. The volume of the effects is particularly significant. Namely, the EGF provides additional resources to Member States, as it adds to existing mainstream restructuring assistance programmes and services of labour market actors, without replacing existing resources. The EGF does this by:

 substantially increasing the overall number and variety of services that would not otherwise be available to redundant workers through national funding and programming;

- enabling partnerships on cases in order to provide flexibility that would not be possible without the EGF;
- reinforcing the intensity of the package of measures provided to redundant workers through national resources;
- enabling the leveraging in additional volume of in-kind support (i.e. quality assurance, certification, etc.);
- supporting existing national actions by extending the duration of national restructuring assistance measures:
- supporting more young people not in education, employment or training than would otherwise be possible.

### Outlook for the 2021-2027 period

The Commission has proposed a continuation of this fund with a much greater scope and flexibility.



#### **Key performance indicators**

	Baseline	PROGRESS TOWARDS THE TARGET	Target	Results
Redundant workers reintegrated into employment following EGF-supported measures		> 100%	50%	65% of redundant workers reintegrated compared to a target of 50%

% of target achieved by the end of 2019

#### Where are we in the implementation?

- Between 2017 and 2019, 14 applications were submitted by 10 Member States. In 2019, due to divergent views on the justification of the case, an application from Belgium did not reach a qualified majority in the Council, and therefore the EGF support could not be mobilised as proposed by the Commission.
- Thirteen applications (nine of which came under the trade-related globalisation criterion and four under the economic and financial crisis criterion), covering 11 different sectors, resulted in the mobilisation of EUR 41 million for the benefit of 12 896 targeted workers and 1 155 young people not in employment, education or training. The greatest number of workers targeted were in the machinery and equipment sector (2 285), followed by retail trade (2 225) and air transport (1 858).

#### Performance assessment

- In 2019, only one application was submitted. Given the high cyclicality in EGF applications, this could be because of fewer massive layoffs due to globalisation and the overall improvement of the economic situation in the Member States, facilitating the reintegration of workers into the labour market.
- According to the Member States' final reports received between 2017 and 2019, on average, 61% of the workers assisted have taken up new employment
  following an EGF intervention. However, the reintegration rate in individual cases varied from 40% to 92% depending on the economic sector and on the area
  concerned, as it is influenced by the absorption capacities of local and regional labour markets. To improve the efficiency of the measures while assessing the
  applications for EGF funding, the Commission advises Member States to ensure that they reflect the needs of the local or regional labour market.
- As demonstrated by the EGF cases in Finland (Rauma, Broadcom, Computer Programming, Microsoft and Retail) for which the final reports were submitted between 2017-2019, the key elements for the successful implementation of EGF assistance include: (1) wide-ranging consultation in the preparation and implementation of the EGF measures; (2) experience within the ministry responsible and the regional network of labour offices and regional development offices in identifying the beneficiaries and planning and implementing the EGF measures; (3) service providers experienced in the EGF; (4) very quick reaction by the Member State to the dismissals.
- The areas for improvement identified in the 2014-2020 midterm evaluation include the lengthy mobilisation procedure and difficulties that Member States face in providing the extensive background analysis of the triggering event (globalisation or crises) required for the mobilisation of financing. These concerns are addressed in the Commission proposal for the next long-term budget, according to which the EGF must base its support solely on the significant impact criterion, set at a minimum of 250 displaced workers.

#### Concrete examples of achievements

61%	92%
is the average rate of workers assisted who have taken up new employment following EGF intervention, according to the 2017-2019 final reports.	is the rate of workers assisted who have found employment again in the 2017 EGF case in Finland.

#### **LEGAL BASIS**

Council Regulation (EC)
No 2012/2002, amended by
Regulation (EU) No 661/2014 and
Regulation (EU) No 461/2020 of
the European Parliament and of

#### MORE INFORMATION

http://europa.eu/!NT86TG

#### YEARLY BUDGET AMOUNTS (1)

(million EUR)

2014	126.7
2015	82.8
2016	81.5
2017	1 241.2
2018	181.6
2019	343.6
2020	50.0
Total	2 107.4

(¹) EUSF can be activated in case of need and as such are not predictable and programmable. The instrument has a ceiling of EUR 500 million (2011 prices) per year, of which unused parts can be carried-over to the following year under specific conditions.

#### Evaluations/ studies conducted

An external in-depth *ex post* evaluation to assess the financial assistance provided by the European Union Solidarity Fund in 2002-2016 was completed in 2019 (SWD(2019) 187).

#### How is it implemented?

The Directorate-General for Regional and Urban Policy is the lead DG for the implementation of the programme. The programme is implemented through shared management for Member States or indirect management for countries negotiating their accession to the EU.

#### **SOLIDARITY FUND**

#### **EUROPEAN UNION SOLIDARITY FUND**

#### What is the European Union Solidarity Fund?

The European Union Solidarity Fund, created in 2002, is activated upon request of an eligible Member State when major or regional natural disasters eligible for aid from the fund occur, such as earthquakes, floods, droughts, forest fires or storms. Eligibility is essentially determined by total direct damage, which must exceed a threshold specific to each Member State or country negotiating their accession to the EU. It is set at national level (major disasters) or at NUTS 2 regional level (regional disasters). The number and size of eligible disasters determine the amount of spending in a given year. The total annual budgetary allocation to the fund laid down in the multiannual financial framework is a ceiling, rather than a spending target. The fund is therefore not programmable as it entirely depends on the unpredictable occurrence, nature and magnitude of these disasters.

The Commission may not activate the European Union Solidarity Fund upon its own initiative. Financial assistance from the fund is mobilised from appropriations raised by the European Parliament and the Council over and above the normal EU budget appropriations. This ensures that in each case the aid comes as an expression of solidarity with the full backing of Member States and the Parliament, not just as an administrative act of the Commission.

The fund can be used to (re)finance public emergency and recovery operations from day one of the disaster, such as restoring basic infrastructure to working order, providing temporary accommodation and funding rescue services to help the population affected, securing of preventive infrastructure (e.g. dams/dykes) and cleaning-up operations. In order to minimise the administrative burden on countries struggling with a serious disaster and to maximise the budgetary effect, there are no programming and no national co-financing requirements. In April 2020 – in response to the coronavirus pandemic – the thematic scope of the fund was extended to major public health emergencies.



#### **Specific objective**

To grant financial assistance to Member States or countries negotiating their accession to the EU in the event of
a major natural disaster with serious repercussions on living conditions, the natural environment or the economy
for the financing of emergency operations undertaken by the public authorities in support of the affected
population.

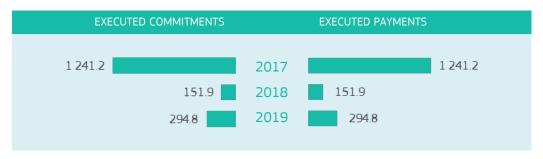
#### Why is it necessary?

Solidarity is one of the core values of the EU and a guiding principle of the European integration process. The fund is a concrete demonstration of solidarity between Member States in times of acute need caused by the occurrence of a severe natural disaster or health crisis by providing financial assistance to Member States and countries negotiating their accession to the EU.

#### Outlook for the 2021-2027 period

The Commission proposed to include the fund within the instruments outside the ceiling for the next multiannual financial framework, with an annual maximum amount of EUR 600 million (in 2018 prices) and the possibility to use unused portions in the following year.

#### Voted budget execution (in million EUR)



#### Where are we in the implementation?

- The European Union Solidarity Fund contribution depends on the scale of the disaster: 2.5% is allocated for the part of total direct damage up to the 'major disaster' threshold and 6% for the part of the damage exceeding the threshold. Accordingly, for regional disasters and disasters accepted under the 'neighbouring country' provision, the fund contribution is 2.5% of total direct damage.
- In 2018, the Commission received four applications, from Bulgaria relating to flooding in 2017, from Cyprus relating to the drought in 2017-2018, from Italy relating to the floods of 2018 and from Romania relating to flooding of 2018. Bulgaria received a financial contribution amounting to EUR 2.3 million in November 2018. For the other applications, the fund's financial contribution of almost EUR 294 million responded to flooding in Romania and severe weather in Italy and in Austria. The application from Cyprus was found not to meet the criteria and consequently had to be rejected.
- In 2019, the Commission received four applications for aid: from Austria related to extreme weather conditions of 2018, from Greece related to storms in Crete in 2019, from Portugal related to Hurricane Lorenzo in the Azores in 2019 and from Spain related to extreme weather at the end of 2019. Austria received the payment of the fund's financial contribution amounting to EUR 8 million in October 2019.
- Under the terms of the European Union Solidarity Fund regulation as revised in 2014, when submitting their application, since 2015 Member States have had the possibility to request an advance payment of 10% of the anticipated aid amount, limited to a maximum of EUR 30 million. Consequently, a payment of EUR 1.2 million was mobilised for the advance payments regarding Greece (Crete, 2019) and Portugal (Hurricane Lorenzo, 2019). Greece received the advance payment of the fund's financial contribution amounting to EUR 0.45 million in August 2019 and the balance payment amounting to EUR 4 million in February 2020. Portugal received the advance payment of the fund's financial contribution amounting to EUR 0.8 million in late December 2019, with the balance payment still pending confirmation of findings.
- In response to the COVID-19 outbreak, the scope of the fund has been extended as of 1 April 2020 to encompass major public health emergencies. Further to the adoption of the amending Regulation (EU) 2020/461 of 30 March 2020, it will be one of the instruments used to respond to the impact of the crisis in 2020. Up to EUR 800 million could be made available to countries that are seriously affected to finance assistance to the population (medical, health sector and civil-protection-type measures) and measures taken to contain the spreading of the disease.

#### Performance assessment

• An external in-depth *ex post* evaluation of the European Union Solidarity Fund was completed in May 2019 with the adoption of a Staff Working Document (SWD(2019) 187). The purpose was to assess the implementation and performance of the financial assistance provided by the fund over the 2002-2016 period. The evaluation confirmed the effectiveness of the fund and the positive effects of synergies between it and other EU policy instruments for disaster risk management. It further concluded that the fund brings clear EU added value as a toolkit for disaster intervention and that consideration should be given to policy actions that increase the potential for the fund to intervene.

#### Concrete examples of achievements

EUR 151 million	EUR 294 million
was paid out in 2018 for nine applications relating to disasters that all occurred in the course of 2017: Bulgaria (flooding), Greece (earthquakes in Lesbos and Kos, two separate cases), Spain (fires in Galicia), France (Hurricanes Irma and Maria), Latvia (flooding), Lithuania (flooding), Poland (storm) and Portugal (major forest fires).	was paid out in 2019 for three applications relating to disasters that occurred in the course of 2018: severe weather in Italy and Austria and flooding in Romania.

# Annex 2: Mainstreaming and tracking of cross-cutting priorities

The EU budget addresses specific policy needs through one or several programmes. The horizontal nature of some policy objectives, however, requires their deeper integration throughout the budget. This is particularly true for climate mainstreaming and biodiversity tracking.

#### Climate mainstreaming

#### Why do we do it?

The fight against climate change is, by its very nature, a fight that transcends national boundaries. In order to develop new clean technology, deploy the best solutions and adapt our economies in favour of a more sustainable path, action at EU level is needed. EU action enjoys significant economies of scale, pulling together the resources to reach critical mass and building a stronger position in the international arena.

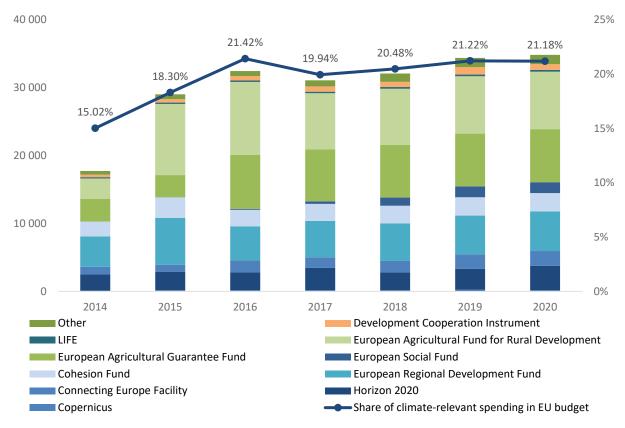
#### What do we do?

In the 2014-2020 multiannual financial framework, the Commission implemented an innovative approach to dedicating resources to the fight against climate change: 'climate mainstreaming'. This means that programmes in all policy areas must consider climate priorities in their design, implementation and evaluation phases. With a target of ensuring 20% of the EU budget expenditure is contributing to climate goals, all programmes are designed to implement the following two types of measures.

- Adaptation. This is about finding solutions and ensuring preparedness for the adverse effects of climate change, taking appropriate action to prevent or minimise the damage they can cause or taking advantage of any opportunities that may arise.
- **Mitigation.** This consists of actions that limit the magnitude of long-term climate change. Climate change mitigation generally involves reductions in emissions of greenhouse gases.

In this context, 'climate proofing' is the practice of making sure that buildings and infrastructure are well adapted to the changes in the environment. It is applied across the EU budget in the programmes supporting infrastructures. In addition, to guarantee that the EU budget financing does not have a harmful effect on the environment, an 'exclusion list' of projects that cannot be financed is also included in the common provisions regulation.

#### How much do we spend?



NB: All amounts in million EUR. *Source:* European Commission.

To track the EU budget expenditure, an internationally recognised methodology is used: the Organisation for Economic Co-operation and Development's 'Rio markers'. Under this methodology, for each project/objective/strand/programme a coefficient of either 0%, 40% or 100% is applied to reflect the different degrees to which climate considerations have been integrated into the expenditure. The EU budget mitigates its potential negative impact on the climate by embedding climate considerations in every programme, through climate proofing and the 'exclusion list' of projects.

For the period 2014-2020 the EU budget has dedicated EUR 211 billion to the fight against climate change, i.e. 19.83%.

#### What have we achieved?

1.3 million tonnes decrease	30 000 registered users	79% of total EU agricultural area
in CO <sub>2</sub> equivalent thanks to Cohesion Fund investments.	of Copernicus Climate Change Service.	subject to at least one 'greening' obligation, increasing the environmental impact of the measure.

Horizon 2020 projects address technology development and market barriers, and accelerate the uptake of renewable energy technologies. On a regional basis, CoolHeating supported the implementation of small modular heating and cooling grids in south-eastern Europe using improved business strategies and innovative financing schemes. The project 'best practices and implementation of innovative business models for renewable energy aggregators' explored the aggregation of various distributed renewable energy sources. WinWind project partners drafted a number of good-practice measures based on those from their own countries to improve social acceptance of wind energy in the target regions. Biomass is also a valuable source of renewable energy, and so

Securechain ensured optimal management of the EU's woody biomass supply chain. LIFES 50plus focused on floating 5-10 MW wind turbines installed at water depths ranging from 50 metres to about 200 metres. In a climate-neutral EU, power generation should be fully decarbonised by 2050, with more than 80% of the EU's electricity produced by renewable energy.

- Thanks to the European Regional Development Fund and the Cohesion Fund, by end 2018 an estimated annual decrease in greenhouse gas emissions of 1.3 million tonnes of CO<sub>2</sub> equivalent was achieved, and the energy consumption classification for 174 000 households was improved.
- The European Social Fund also contributes to climate objectives, notably through greater support for training and labour market measures linked to green jobs. For example, in Czechia, the European Social Fund supported 111 projects in the coal regions with a total allocation of EUR 21.3 million. More concretely, in North Moravia, the public employment service implemented a European Social Fund-supported project called 'Outplacement', which supported 265 miners by providing them with training in welding, driving or gaining a professional licence and other skills.
- Under the common agricultural policy, the 'greening' layer of direct payments accounts for 30% of Member States' annual direct payment ceilings and covers annual obligations that are beneficial for the environment and climate (e.g. crop diversification, maintenance of permanent grassland), and the dedication of 5% of arable land to ecologically beneficial areas ('ecological focus areas'). As of 2018, 79% of the total EU agricultural area was subject to at least one 'greening' obligation, increasing the environmental impact of the measure.
- In 2018, a total of 3.4 million hectares of agricultural and forest land was covered by management contracts contributing to carbon sequestration or conservation. This equals 89.5% of the 2023 target of 4 million hectares.
- The LIFE 'agri adapt' project aims to increase the resilience of EU agriculture to climate change by demonstrating sustainable best-practice adaptation measures with an ecosystem-based approach at farm level. The project aims to adapt 120 farms by its end.
- Under the Development Cooperation Instrument, the global climate change alliance plus initiative, as
  a thematic flagship initiative, will continue to enhance vulnerable partner countries' resilience to the
  effects of climate change and to enable them to engage in low-carbon development processes by
  supporting them.
- Climate-related administrative expenditure is not accounted for in the mainstreaming estimates. The European Commission is committed to sustainability. Thus, through the eco-management and audit scheme system, the Commission implements a monitoring programme to assess, measure, monitor and reduce the environmental impact of its daily activities. The Commission has achieved significant results, such as the following (results refer to the Brussels site during the period 2005-2018) (94):
  - energy for buildings = -65% (MWh/person);
  - $CO_2$  emissions for buildings = -87% (tonnes/person);
  - since August 2009, 95% of the Commission's total electricity consumption in Brussels has come from 100%-renewable sources.

#### **Biodiversity tracking**

#### Why do we do it?

To halt and reverse the decline of biodiversity in the EU is a major objective of the EU, as also provided for in the political guidelines from Commission President von der Leyen. Protecting biodiversity is a global issue that requires transnational intervention and coordination. The preservation of biodiversity ensures the long-term stability of ecosystems and enables sustainable preservation of natural resources for future generations.

<sup>(94)</sup> For more details, please consult the environmental statement of the Commission (https://ec.europa.eu/environment/emas/pdf/other/ES2019\_consolidated\_volume\_web\_edition\_optimised.pdf).

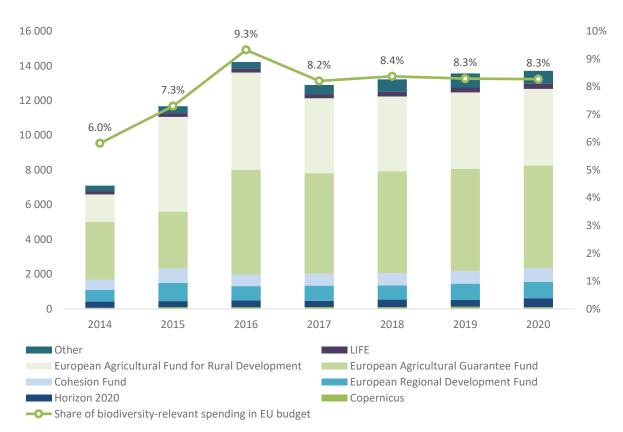
Tackling biodiversity loss and restoring ecosystems requires significant investments, including ones to ensure a more resilient society and combat the emergence of diseases linked to ecosystem degradation and wildlife trade. Nature-based solutions – including ecosystem restoration – have the potential to provide a significant proportion of the mitigation potential needed to meet our international climate objectives in a very cost-effective way.

#### What do we do?

This important strategic political ambition is also reflected in the European Green Deal and the European Green Deal investment plan (2020).

The upcoming **EU 2030 biodiversity strategy** and the post-2020 global biodiversity framework provide further orientation for financing and resource mobilisation to support biodiversity. The EU finances the protection of biodiversity by integrating the objectives of the EU 2030 biodiversity strategy into the whole of the EU budget, both within the EU via the main funding instruments and outside the EU through external action funding.

#### How much do we spend?



NB: All amounts in million EUR. *Source:* European Commission.

To track the EU budget expenditure, an internationally recognised methodology is used: the Organisation for Economic Co-operation and Development's 'Rio markers'. Under this methodology, for each project/objective/strand/programme a coefficient of 0%, 40% or 100% is applied to reflect the different degrees to which biodiversity considerations are integrated into the expenditure.

For the period 2014-2020 the EU budget has dedicated EUR 85 billion, or 8% of the multiannual financial framework, to the fight against biodiversity loss.

#### What have we achieved?

Improving conditions of 186 different species	Almost 3 million hectares of natural habitats	16% of agricultural land contributing to biodiversity
is the aim of 262 LIFE actions.	supported under EU cohesion policy.	in 2018, thanks to the requirements of their management contracts. This is very close to the 2023 target of 17%.

#### Annex 3:

## Risk at payment/closure reported in the 2019 annual activity reports

#### Main concepts

The Commission's multiannual control strategies involve both preventive and corrective measures to ensure the sound financial management of EU funds (see **chart** below).

#### Preventive and corrective measures

#### **OBJECTIVES**

- Ensure legality and regularity of transactions
- Ensure an antifraud strategy and measures
- Ensure economy, efficiency and effectiveness
- Safeguard
  assets and
  information
- Produce reliable reporting

#### **CONTROLS**

#### **Preventive measures**

#### EX ANTE EX POST

#### Simplification of programmes

E.g. fixed-amount grants

#### Prevention of double funding

E.g. each beneficiary cannot receive more than one grant (per project)

### Problem detection; funding suspension and corrections

E.g. desk checks of cost claims and invoices E.g. actions to remedy Member States' systems

#### Fraud proofing

E.g. European Anti-Fraud Office reviewing programmes

Avoiding fraud-prone provisions in legislation and

programmes

#### Awareness

E.g. anti-fraud training

## Corrective measures EX POST

## Problem detection; financial recoveries or corrections

E.g. audits of beneficiaries or of Member States

## Simplification of future programmes (based on lessons learnt)

E.g. fixed amounts for grants

#### Fraud investigation; recoveries or corrections

E.g. European Anti-Fraud Office pursuing fraud cases

#### Main features of the Commission's control strategies

Source: European Commission.

**Preventive measures** take place before the Commission makes the payment. They result mostly from controls (called *ex ante* controls) carried out by the Member States and entrusted entities before submitting expenditure to the Commission, and by the Commission before accepting and reimbursing expenditure, clearing pre-financing (i.e. transferring its ownership to the beneficiary) and making interim/final payments. As required by Article 74(5) of the financial regulation, all financial operations are subject to controls before payment, under all management modes.

Examples of such preventive measures are the recovery of unused pre-financing, the (partial) rejection of costs claimed, and the financial corrections made by Member States before declaring the expenditure to the Commission.

The intensity, in terms of frequency and/or depth, of these controls depends on the risks and costs involved. Consequently, for low-risk transactions *ex ante* controls usually take the form of desk reviews rather than onsite controls at the premises of the beneficiary. Indeed, for such transactions, on-site controls would entail a prohibitive cost compared to the expected benefit.

In shared management, the possibility of interruptions/suspensions of payments to Member States in the event of serious deficiencies detected by national or EU audits in the management and control systems has a preventive character. In addition, the Commission provides training and guidance to Member State authorities on the eligibility aspects of grants and procurement.

Corrective measures take place after the Commission has made the payment or accepted the expenditure. In line with Article 74(6) of the financial regulation, these result from controls (called *ex post* controls) that are typically performed on-site, on a sample basis, and are either representative or based on a risk assessment. In shared management, the Commission will perform system audits of Member States' controls and/or the work of the audit bodies after a risk analysis. These audits may lead to financial corrections and recoveries of irregular expenditure (95).

For an analysis of the actual financial corrections and recoveries made during the 2019 reporting year itself, see Annex 5, 'Key considerations for the protection of the EU budget'.

Sources and root causes of errors detected by the Commission or by the Member States are also taken into account when preparing future (simplified) legislation and when (re)designing controls in order to further reduce the level of error in the next generation of funding programmes.

#### Risk at payment

The risk at payment quantifies any errors that remain after preventive controls have been applied and payments have been made (96), but before corrective measures have been applied. These errors are typically detected by Commission departments through audits or surveys. Measurement at this stage allows for the errors to be corrected and for additional preventive measures (e.g. additional guidance for Member States, entrusted entities or beneficiaries) to be taken, if necessary, and to gauge the effectiveness of the (*ex ante*) controls and to adapt them if needed.

Each department estimates its error rate per programme or other segment of payments. Some departments may use different terminology in their annual activity reports: 'adjusted error rates' is used by DG Agriculture and Rural Development and 'residual total error rates' is used by DG Regional and Urban Policy, DG Employment, Social Affairs and Inclusion and DG Maritime Affairs and Fisheries. Nevertheless, the departments use a consistent methodology to assess the risk of error in their financial operations based on the institutional framework in place. This is typically done through audits of sampled financial transactions, taking place after the payments, taking into account and assessing the results of audits carried out by programme authorities in the first instance under shared management. These reveal any errors that may have remained after the *ex ante* controls had been applied and make it possible to estimate those parts of

<sup>(95)</sup> NB: Such corrections are not sanctions and do not include the penalties and fines.

<sup>(96)</sup> Or equivalent, such as after the expenditure is accepted (i.e. registered in the Commission's accounting system) or after the prefinancing is cleared.

expenditure or revenue likely to be in breach of applicable regulatory and contractual provisions before any correction has taken place. This corresponds to the risk at payment for an individual programme or segment, as a percentage.

All types of error, either formal or material, are duly considered and may lead to further enhancements of the control systems in place. Furthermore, in terms of consequences for the EU budget, the Commission calculates the actual financial impact of the errors. This is not necessarily equal to the total value of the EU funding involved: for example it may only be equal to the amount of overpayment where a grant beneficiary has declared an amount above the reimbursement ceiling, to a pro rata amount of the EU funding where the EU only co-funds a grant, or even zero in the case of merely formal errors that have no financial impact. A special case of the latter is where formal errors occur in procurement procedures that do not necessarily preclude the possibility that the best offer was selected, that the output has been delivered in accordance with the contract and that the payments have been regular (97).

On the other hand, two departments (DG International Cooperation and Development and DG Neighbourhood and Enlargement Negotiations) carry out specific studies to determine their error rates, including all corrections until the end of the programmes. This is called the 'residual error rate' and corresponds in this case to a risk at closure. The departments obtain the error rate at payment by adding the estimated future corrections to the estimated risk at closure.

The risk at payment value is obtained by multiplying the relevant expenditure per programme or segment by the corresponding error rate.

For low-risk expenditure, where there are indications that the error rate might be close to zero (e.g. administrative expenditure, operating subsidies for agencies), it is nevertheless recommended to use an error rate of 0.5% as a conservative estimate.

The results per programme or segment are aggregated to provide, at the level of the department, the policy area and the Commission, the overall risk at payment value, which is the sum of all the amounts of risk at payment, and its percentage, which is the overall weighted average of the risk at payment as a percentage.

#### **Estimated future corrections**

Once an error is detected, it will subsequently be corrected – either via recovery or by being offset against future payments. However, as both detection and remedy may not be immediate, corrections will often not be made in the same financial year as the payment. Nevertheless, the multiannual control systems and corrective mechanisms ensure that any necessary corrections are made within the relevant programme's life cycle.

Because the majority of the programmes and control strategies are multiannual, the risk at payment determined in the first instance may therefore provide an incomplete picture, as errors can still be corrected over the course of a number of years after the payments have taken place, until the closure of the programme. In addition, corrections resulting from *ex post* controls rarely take place within the same financial year as the payment.

Therefore, in a second stage, departments estimate the percentage of future corrections they could still apply. These are the conservative and forward-looking estimates of the corrections that they will implement as a result of (*ex post*) controls in subsequent years.

<sup>(97)</sup> See the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement, C(2019) 3452 final, 14.5.2019.

The estimates of future corrections described here must not be confused with the actual financial corrections and recoveries made during 2019 (presented in Annex 5). Firstly, the scope of the actuals is broader as they include both preventive and corrective measures to protect the EU budget, not just *ex post* corrections. Secondly, the timing is different as the actuals relate to expenditure from previous years (during which errors may have been higher) as opposed to the estimated future corrections, which are calculated to relate only to 2019 expenditure.

For programmes with no set closure point (e.g. the European Agricultural Guarantee Fund) and for some multiannual programmes for which corrections are still possible after the end of the programmes (e.g. the European Structural and Investment Funds, including the European Agricultural Fund for Rural Development), all the corrections that remain possible are considered for this estimate.

To some extent, this estimate is based on the 7-year historical average of recoveries and financial corrections. However, where the departments are of the opinion that this is not the best available estimate of their *ex post* corrective capacity for their current activities, they adjust or replace their historical average. Any *ex ante* elements (e.g. recovery of unused pre-financing), one-off events, (partially) cancelled or waived recovery orders or other factors from the past years that would no longer be relevant for current programmes (e.g. higher *ex post* corrections of previously higher errors in earlier generations of grant programmes; current programmes with only *ex ante* control systems) may be taken out in order to arrive at the best and most conservative estimate of future corrections to be applied for the expenditure of the current programmes.

In 2019, most departments adjusted or replaced their historical average of corrections in order to arrive at their best conservative estimate of the future corrections to be applied to their relevant expenditure for the reporting year.

The types of adjustments made include reducing the 7-year period (e.g. for DG Agriculture and Rural Development, DG Maritime Affairs and Fisheries, DG International Cooperation and Development and DG Neighbourhood and Enlargement Negotiations), using an alternative estimation basis (e.g. for DG Agriculture and Rural Development, DG Maritime Affairs and Fisheries, DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion (98), plus the research group of departments), and assuming that future *ex post* corrections will be zero (e.g. for departments whose control systems consist of predominantly *ex ante* controls).

These future corrections can never be fully equal to the risk at payment. This is due to the fact that some of the errors may be of a formal nature, which, although important to address, does not always result in undue payments and therefore does not always give rise to financial corrections or recovery orders.

#### Risk at closure

This risk is estimated at programme closure (99), meaning that when all *ex post* controls are completed and corrections are applied, legally no further action may be taken.

The risk is obtained by deducting the estimated future corrections from the risk at payment, as a value and as a percentage. These amounts and percentages represent the most up-to-date estimation of the outcome to be expected by the closure of each programme. The estimation is forward-looking, anticipating the point when all future corrections have been made. The risk at closure is more representative of the multiannual corrective capacity of the Commission and of the real risk to the expenditure.

Similarly to the risk at payment, the results per programme or segment are aggregated to provide, at the level of the department, the policy area and the Commission, the overall risk at closure as a value, which is the sum of all the amounts of risk at closure, and as a percentage, which is the overall weighted average of the risk at closure as a percentage.

<sup>(98)</sup> These departments use their envisaged corrections identified for the specific operational programmes and accounting year affected.

<sup>(99)</sup> In the case of the common agricultural policy, the term 'final amount at risk' is used instead, to better reflect the fact that there is no set closure point for the European Agricultural Guarantee Fund measures.

## Main features of the Commission and the Court of Auditors approaches

The concepts above have been developed to fit the Commission's management context, but they largely converge with those used by the Court of Auditors in its audit approach, as shown by the following (see also the comparison in the table on the following page).

- The risk at payment is closest (100) to the Court of Auditors' 'estimated level of error'. In recent years, the Court of Auditors has recognised that the Commission figures are, in most cases, broadly in line with its own estimates and/or range (101).
- As a basis for calculating the amount(s) at risk, 'relevant expenditure' corresponds to the payments made, minus new pre-financing paid (still owned by the Commission) plus pre-financing paid in previous years and cleared (ownership transferred to the beneficiaries) during the financial year. This is fully in line with the Court of Auditors' approach (102).
- The 'materiality threshold' set, in most cases, at 2% of the relevant expenditure (103), is also in line with the Court of Auditors' methodology (104).

In addition, in order to be able to provide bottom-up management assurance, and to identify and address issues in specific areas, the Commission calculates the error rates per programme (or other relevant segment) for the same accounting year as the one assessed by the Court of Auditors. This means that the Commission's information on error rates is more detailed than that of the Court of Auditors. Moreover, the Commission's methodology takes into account the multiannual nature of the spending programmes for the risk at closure, especially the fact that errors not identified at the point of payment for the specific accounting year under assessment can still be detected and corrected in the subsequent year(s).

<sup>(100)</sup> European Court of Auditors, 2018 annual report, paragraph 1.35.

<sup>(101)</sup> European Court of Auditors, 2017 annual report, paragraphs 1.32, 1.34 and 1.36.

 $<sup>(^{102})</sup>$  European Court of Auditors, 2018 annual report, Annex 1.1 (on methodology), paragraph 13.

<sup>(103)</sup> The only exceptions are: (a) 1% for revenue (by DG Budget; stricter in view of the very large amounts); and (b) the range of 2-5% for the Horizon 2020 programme (by the research-related departments; see details in Section 2.3.1 of the report).

<sup>(104)</sup> European Court of Auditors, 2018 annual report, Annex 1.1 (on methodology), paragraph 21.

	European Commission management perspective	European Court of Auditors audit perspective
Roles	<ul> <li>Provide annual management assurance</li> <li>Identify weaknesses and take action on a multiannual basis</li> <li>Protect the EU budget</li> </ul>	<ul> <li>Provide an audit opinion on the legality and regularity of financial transactions of a specific year</li> </ul>
Level of granularity	<ul> <li>Error rate for the EU budget as a whole and individual error rates for each department and policy area under Headings 1 to 5, plus for revenue</li> </ul>	<ul> <li>Error rate for EU budget as a whole and individual error rates for Headings 1a, 1b, 2 and 5, plus for revenue</li> </ul>
	<ul> <li>Error rates calculated per policy area, programme and/or relevant (sub)segments</li> </ul>	<ul> <li>Expenditure and revenues of the year</li> </ul>
	<ul> <li>Expenditure and revenue of the year (or 2 years for research) with a multiannual perspective</li> </ul>	
Multiannuality	• Two error rates (risk at payment and risk at closure (105); multiannuality prospectively taken into account for the risk at closure through estimated future corrections for all programmes	<ul> <li>One error rate (most likely error)</li> <li>Multiannuality retroactively taken into account, only through financial corrections implemented for closed programmes</li> </ul>
Materiality threshold	<ul> <li>2%</li> <li>Except for revenue (1%) and for Horizon 2020 (between 2% and 5%)</li> </ul>	• 2%
More information	Annex 3 to this report	Annex 1.1 to the Court of Auditors' annual report

Comparison between perspectives of the Commission and the European Court of Auditors

## These approaches can lead to differences between the error rates reported by the Court of Auditors and those reported by the Commission.

This is especially true when the Court of Auditors detects procurement errors and/or the late availability of supporting documents for grants, in a (few) sampled transaction(s): it extrapolates the impact to the whole multiannual financial framework heading or to the whole EU budget, which often amplifies the significance of such errors.

Given its carefully determined segmentation, the Commission, when detecting such errors, is able to extrapolate them more precisely to the areas where they are most likely to appear. It is thus able to give a more nuanced view of the level of error across the payments made and to identify exactly where the errors occurred and, therefore, what remedial actions are needed.

See some examples per policy area in Section 2.3.1 of the report.

<sup>(105)</sup> For the spending related to the common agricultural policy, the term 'final amount at risk' is used, as the measures under the European Agricultural Guarantee Fund are not 'closed'.

#### Main data for 2019

#### Relevant expenditure from the EU budget

The amount of the Commission's 'relevant expenditure' from the **EU budget** is determined to be in line with the Court of Auditors' scope of transactions reviewed (106). In this approach, pre-financing and retentions are only taken into account when the final recipient of EU funds has provided evidence of their use and the Commission (or another institution or body managing EU funds) has accepted the final use of the funds (by clearing the pre-financing or releasing the amount retained), because this is where errors of legality or regularity may occur. Therefore, the risks at payment and at closure are determined against this amount.

## Other expenditure added to obtain the Commission's consolidated budget

In order to show a complete picture of the funds for which the Commission is responsible, the expenditure made under the **European Development Fund** has been added to this report. This is a budget separate from the EU budget, currently co-managed by **five departments**. In Tables B and C, the corresponding European Development Fund expenditure is included in the policy areas and the departments concerned (still mainly DG International Cooperation and Development, plus DG European Civil Protection and Humanitarian Aid Operations, DG Education, Youth, Sport and Culture, the Education, Audiovisual and Culture Executive Agency, and the Joint Research Centre).

These tables also show the expenditure related to the four **EU Trust Funds**: the EU Trust Fund for the Central African Republic, the EU Regional Trust Fund in Response to the Syrian Crisis, the EU Emergency Trust Fund for Africa and the EU Trust Fund for Colombia (see also Annex 11). In Table B, this expenditure is included in the external relations policy area. In Table C, it is included in DG International Cooperation and Development, DG Neighbourhood and Enlargement Negotiations and DG European Civil Protection and Humanitarian Aid Operations. These **three departments** ensure the transparent and complete coverage of the relevant trust fund(s) in their annual activity reports, based on the reports from the trust fund managers. They make a distinction between their accountability for the contributions from the EU budget and/or the European Development Fund paid into the trust funds, on the one hand, and for the transactions made from the trust funds, i.e. with the funds collected from the EU budget, the European Development Fund and other donors, as a trust fund manager, on the other hand.

The following tables show:

- the amount of relevant expenditure for the whole Commission (see Table A) this is the basis against which the risk at payment and at closure are determined to be in line with the Court of Auditor's approach;
- a consolidated overview of the Commission's risk at payment/closure per policy area (see Table B) and per department (see Table C).

<sup>(106)</sup> European Court of Auditors, 2018 annual report, Annex 1.1 (on methodology), paragraph 13.

2019 (provisional) annual accounts	Payments made (a)	– New pre- financing (b)	+ Retentions made (c)	+ Cleared pre- financing (d)	– Retentions released (e)	= Relevant expenditure (f) = (a) – (b) + (c) + (d) – (e)
EU budget	154 719	- 32 748	4 673	22 196	- 4713	144 127
Contributions from the EU budget to the EU Trust Funds	<i>– 395</i>					<i>– 395</i>
European Development Fund	3 847	- 2 050		2 000		3 797
Contributions from the European Development Fund to the EU Trust Funds	- 600					<i>–</i> 600
EU Trust Funds	1 284	- 1 107		285		462
Commission total	158 856	- 35 905	4 673	24 481	- 4713	147 392

Table A: Amount of 'relevant expenditure' for the whole Commission (million EUR)

Source: Commission annual activity reports.

#### Specifications of columns (a) to (f)

- (a) All the payments made in 2019, including pre-financing, as registered in the Commission's accounting system.
- (b) Pre-financing paid by the Commission in 2019 (in line with Note 2.5.1, on 'Pre-financing', to the Commission's (provisional) annual accounts).
- (c) In cohesion, a 10% retention is made for all interim payments to the Member States. This is released once the Member States' accounts have been accepted by the Commission.
- (d) Pre-financings that have been cleared during the financial year. This means that the Commission has accepted the final use of the funds by clearing the advance.
- (e) Amount of the retention released in 2019 (see (b)) and, also in cohesion, the deductions of expenditure made by the Member States.

Relevant expenditure = (a) - (b) + (c) + (d) - (e).

#### Tables B and C: Risk at payment/closure, per policy area and per department

Compared to the previous annual management and performance reports (in which the grouping of Commission departments was kept stable over the years), this year three of the six policy areas have been adjusted slightly as follows, in order to bring them closer to the main ones used by the European Court of Auditors in its annual report:

- in 'natural resources', the payments made by DG Maritime Affairs and Fisheries, DG Environment and DG Climate Action have been added to those made by DG Agriculture and Rural Development (107);
- in 'economic, social and territorial cohesion', only the payments made by DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion (in the sense of budget Heading 1b) have been retained;
- in 'other internal policies', the payments made by DG Migration and Home Affairs have been added.

Nevertheless, given the very large budget shares of DG Agriculture and Rural Development, DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion compared to other departments, these modifications do not significantly change the magnitude of the groups' data or the conclusions for these policy areas for the previous and current year(s).

These policy areas as presented in Section 2 of this report differ slightly from the headings presented in Section 1. The split of the budget into the headings does not fully correspond to the budget as allocated to the 50 managing Commission departments and thus as accounted for in their management reporting. For the purposes of this report (a summary of the annual activity reports), each department is allocated in its entirety into (only) one of the six policy areas.

#### Specifications of the additional columns in Tables B and C

(a) to (f) Same as in Table A.

(g) Estimated risk at payment (as a value and as a percentage).

The two cohesion-related departments present a range of values, as follows:

- the lower value corresponds to the departments' risk at payment for the 2019 relevant expenditure based on their confirmed residual total error rate for the accounting year 2017/2018: 2.2% for cohesion as a whole, split between 2.4% for DG Regional and Urban Policy and 1.6% for DG Employment, Social Affairs and Inclusion;
- the upper value corresponds to a worst-case scenario (i.e. maximum risk), taking into account possible additional risks in parts of expenditure not reviewed under EU audits that indicate the possibility for higher error rates for some programmes: 3.1% for cohesion as a whole, split between 3.5% for DG Regional and Urban Policy and 2.2% for DG Employment, Social Affairs and Inclusion.

Beyond the cohesion departments, a few other departments also use a range of 'minimum-maximum' rates/amounts for their estimated risk at payment, but with rather minor variances between the two values.

- (h) Estimated future corrections (as a value and a percentage).
- (i) Estimated risk at closure (as a value and a percentage).

It should be noted that due to the rounding of values to the nearest million EUR, some financial data in the tables may appear not to fully add up.

<sup>(107)</sup> The area of agriculture comprises the European Agricultural Guarantee Fund market measures and European Agricultural Guarantee Fund direct aid payments (common agricultural policy pillar 1), and the European Agricultural Fund for Rural Development expenditure (common agricultural policy pillar 2). The agriculture expenditure (98%) still represents the bulk of the expenditure under this policy area.

Policy area	stnamyaq latoT (a)	bisq gnionsni7-91q <i>t</i> (d)	-noizehoo yd ebsm eno stnemtrageb bets (ɔ)	financing cleared	ons (partially) released د cohesion-related د departments (9)	elevant expenditure (a) – (b) + (c) + (d) – (g	Estimated risk at payment (g) = Average error rate applied to (f)	Estimated risk at payment g) = Average error rate applied to (f)	Estimated future corrections (h) = Adjusted rate of average recoveries and corrections applied to (f)	d future tions sted rate f ecoveries ections to (f)	Estimated risk at closure $(i) = (g) - (h)$	d risk at ure ) – (h)
		wəN		erq.			Lowest	Highest value	Lowest	Highest	Lowest	Highest value
Natural resources	59 205.8	295.6	65.3	365.1	70.4	59 270.1	1 100.9	1 100.9	1 026.9	1 026.9	73.9	74.0
						1	1.9%	1.9%	1.7%	1.7%	0.1%	0.1%
Economic, social and	53 455.3	10 154.4	4 607.7	4 107.6	4 642.8	47 373.4	1 055.4	1 492.0	527.8	964.3	527.7	527.7
territorial cohesion							2.2%	3.1%	1.1%	2.0%	1.1%	1.1%
External relations	13 623.8	9 378.3	0.0	7 555.5	0.0	11 801.0	119.5	119.5	31.7	31.7	87.8	87.8
							1.0%	1.0%	0.3%	0.3%	0.7%	0.7%
Research, industry, space,	16 875.8	10 051.9	0.0	8 212.9	0.0	15 036.8	292.6	293.2	71.4	71.4	221.3	221.9
energy and transport							1.9%	7.0%	0.5%	0.5%	1.5%	1.5%
Other internal policies	8 503.2	5 887.7	0.0	4 151.2	0.0	6 766.7	68.2	70.2	14.4	14.4	53.8	55.9
							1.0%	1.0%	0.2%	0.5%	0.8%	0.8%
Other services and	7 191.8	137.1	0.0	89.3	0.0	7 143.9	34.1	36.0	0.5	0.5	33.6	35.5
administration							0.5%	0.5%	0.0%	0.0%	0.5%	0.5%
Total 2019	158 855.6	35 905.0	4 673.0	24 481.5	4713.2	147 391.9	2 670.7	3 111.9	1 672.6	2 109.2	998.1	1 002.7
							1.8%	2.1%	1.1%	1.4%	0.7%	0.7%
Total 2018	156 748.5					150252.6	1.7%	%.	0.9%	%	3.0	0.8%

Table B. Risk at payment/closure per policy area for the whole Commission (2019, million EUR) Source: Commission annual activity reports.

Policy area	Department	eżnemyad lsżoT (a)	pre-financing paid (b)	etentions made by on-related departments (c)	bevsedo gnionsni?-e (b)	ons (partially) released y cohesion-related departments (e)	relevant expenditure a) – (b) + (c) + (d) – (e)	Estimated risk at payment (g) = Average error rate applied to (f)	d risk at nent age error ed to (f)	Estimated future corrections (h) = Adjusted rate of average recoveries and corrections applied to (f)	d future :tions ted rate of ecoveries ections I to (f)	Estimated risk at closure (i) = (g) – (h)	l risk at ire - <i>(h)</i>
			vəN	Ricohesio	had			Lowest	Highest value	Lowest	Highest value	Lowest	Highest value
Natural resources	DG Agriculture and Rural Development	58 063.9	32.8	0:0	7.0	0.0	58 038.1	1 096.3	1 096.3	1 026.4	1 026.4	6:69	6.69
	DG Climate Action	31.6	5.3	0:0	5.3	0.0	31.6	0.0	0.1	0.0	0.0	0.0	0.1
	DG Environment	152.1	9.69	0.0	212.1	0.0	294.6	1.8	1.8	0.5	0.5	1.3	1.3
	DG Maritime Affairs and Fisheries	958.2	187.8	65.3	140.6	70.4	6.506	2.8	2.8	0.1	0.1	2.7	2.7
Economic, social and territorial	DG Employment, Social Affairs and Inclusion	14 707.5	2 673.9	1 261.2	728.5	1 522.4	12 500.8	201.3	280.0	50.0	128.8	151.3	151.3
cohesion	DG Regional and Urban Policy	38 747.8	7 480.4	3 346.5	3 379.1	3 120.3	34 872.6	854.2	1 212.0	477.8	835.6	376.4	376.4
External relations	DG International Cooperation and Development	7 254.6	4 637.3	0.0	3 675.4	0.0	6 292.7	6.69	6.69	13.5	13.5	56.5	56.5
	DG European Civil Protection and Humanitarian Aid Operations	2 184.4	1 711.3	0:0	1 542.5	0.0	2015.6	16.7	16.7	6.9	6.9	6.6	6.6
	Service for Foreign Policy Instruments	729.9	639.0	0:0	541.5	0.0	632.5	8.9	8.9	2.5	2.5	6.3	6.3
	DG Neighbourhood and Enlargement Negotiations	3 437.3	2 385.1	0.0	1 792.2	0:0	2 844.4	23.9	23.9	8.8	8.8	15.1	15.1

		l .		<b>10</b>	_			<b>1</b> 00	10		
Estimated risk at closure (i) = (g) – (h)	Highest value	0.1	28.1	27.3	6:0	12.6	11.0	46.3	4.5	30.7	60.4
Estimated risk closure (i) = (g) – (h)	Lowest	0.1	27.5	27.3	6:0	12.6	11.0	46.3	4.5	30.7	60.4
d future tions ed rate of ecoveries ections to (f)	Highest value	0:0	11.3	3.4	2.1	8.9	1.8	11.0	3.7	7.4	23.8
Estimated future corrections (h) = Adjusted rate of average recoveries and corrections applied to (f)	Lowest	0.0	11.3	4.8	2.1	6.8	1.8	11.0	3.7	7.4	23.8
d risk at ient age error ied to (f)	Highest value	0.1	39.4	30.8	3.0	19.3	12.8	57.3	8.3	38.2	84.1
Estimated risk at payment (g) = Average error rate applied to (f)	Lowest	0.1	38.8	30.8	3.0	19.3	12.8	57.3	8.3	38.2	84.1
relevant expenditure (a) – (b) + (c) + (d) – (e)		15.9	1 242.1	1 095.2	976.8	1 609.7	2 141.2	2 946.5	526.3	1616.2	2 882.7
ions (partially) released y cohesion-related departments (e)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
bearealo gnionsniit-e (b)	14	3.9	700.3	605.0	884.5	415.6	1 887.8	1 635.8	203.1	1 064.7	816.1
yd absm enoifnafa estnamfraqab bafslar-no (c)	g Sisədoo	0.0	0.0	0:0	0.0	0:0	0.0	0:0	0.0	0.0	0:0
bisq gnionsni1-91q w (d)	/əN	5.6	974.7	940.6	749.4	818.4	1 900.6	1 866.3	192.0	1 589.1	1 020.8
Total payments (מ)		17.6	1 516.5	1 430.8	841.7	2 012.5	2 154.0	3 177.0	515.2	2 140.7	3 087.4
Department		DG Trade	DG Communications Networks, Content and Technology	Executive Agency for Small and Medium- sized Enterprises	DG Energy	European Research Council Executive Agency	DG Internal Market, Industry, Entrepreneurship and SMEs	Innovation and Networks Executive Agency	DG Mobility and Transport	Research Executive Agency	DG Research and Innovation
Policy area			Research, industry, space,	energy and transport							

1152   411   0.0   27.1   0.0   101.2   0.7   0.0	Policy area	Department	Total payments (a)	bisq gnionsniî-ərq w (d)	yd əbsm znoitnətə stnəmtraqəb bətslər-no (2)	bөчвөlว gniɔnвniʔ-ө (b)	ions (partially) released y cohesion-related departments (e)	relevant expenditure (a) – (b) + (c) + (d) – (e)	Estimated risk at payment (g) = Average error rote applied to (f)	d risk at nent age error ed to (f)	Estimated future corrections (h) = Adjusted rate of average recoveries and corrections applied to (f)	d future tions ted rate of ecoveries rections	Estimated risk at closure (i) = (g) – (h)	l risk at ıre – <i>(h)</i>
Consumers, Health, Agriculture and Food Executive Agency         115.2         41.1         0.0         27.1         0.0         101.2         0.7         0.7           DG Communication Agriculture and Food Executive Agency         127.4         12.3         0.0         11.1         0.0         126.3         0.6         0.6           DG Education, Youth, South and Culture Executive Agency and Culture Executive Agency         740.7         596.4         0.0         500.9         0.0         645.3         10.3         10.3           DG Economic and Culture Executive Agency         1408.2         56.9         0.0         3.3         0.0         1354.5         0.0         0.8         0.0         645.3         10.3				/əN	Recohesion	γd			Lowest	Highest value	Lowest	Highest value	Lowest	Highest value
DG Communication 1274 123 00 11.1 0.0 126.3 06 06 06 06 Sport and Culture Executive, Youth, S 224.6 3 162.1 0.0 2 084.7 0.0 2 147.2 24.9 24.9 Sport and Culture Executive, Addiovisual and Culture Executive Addiovisual and Figure 1408.2 56.9 0.0 3.3 0.0 1354.5 0.0 0.8 Financial Affairs 180.0 1358 0.0 1203.2 0.0 1695.5 26.6 26.6 Consumers Agency 2 1662.1 0.0 1358 0.0 171.8 2.4 2.4 Consumers Agency 2 204.2 0.0 131.6 0.0 171.8 2.4 2.4 2.4 Consumers 2 26.4 26.5 26.6 26.6 26.6 26.6 26.6 26.6 26.6	Other internal policies	Consumers, Health, Agriculture and Food Executive Agency	115.2	41.1	0.0	27.1	0.0	101.2	0.7	0.7	0.2	0.2	0.6	9.0
Education, Youth, S 3246		DG Communication	127.4	12.3	0.0	11.1	0.0	126.3	9:0	9.0	0.0	0.0	9.0	9.0
Audiovisual and Culture Executive Agency  Agen		DG Education, Youth, Sport and Culture	3 224.6	3 162.1	0.0	2 084.7	0.0	2 147.2	24.9	24.9	0.2	0.2	24.7	24.7
DG Migration and Financial Affairs         1408.2         56.9         0.0         3.3         0.0         1354.5         0.0         1354.5         0.0         1203.2         0.0         156.5         26.6		Education, Audiovisual and Culture Executive Agency	740.7	596.4	0:0	500.9	0.0	645.3	10.3	10.3	2.1	2.1	8.2	8.2
DG Migration and Home Affairs         2 154.5         1 662.1         0.0         1 203.2         0.0         1 695.5         26.6 <td></td> <td>DG Economic and Financial Affairs</td> <td>1 408.2</td> <td>56.9</td> <td>0.0</td> <td>3.3</td> <td>0.0</td> <td>1354.5</td> <td>0.0</td> <td>0.8</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.8</td>		DG Economic and Financial Affairs	1 408.2	56.9	0.0	3.3	0.0	1354.5	0.0	0.8	0.0	0.0	0.0	0.8
DG Justice and Consumers		DG Migration and Home Affairs	2 154.5	1 662.1	0.0		0.0	695	26.6	26.6	9.7	9.7	16.9	16.9
DG Health and Food Safety         435.9         204.2         0.0         179.5         0.0         411.1         2.0         3.3           DG Taxation and Customs Union         116.7         12.7         0.0         9.7         0.0         113.7         0.6         0.6           S and Customs Union         12.5         0.0         0.0         0.0         0.0         0.1         0.1         0.1         0.1		DG Justice and Consumers	180.0	139.8	0.0	131.6	0.0	171.8	2.4	2.4	6:0	6.0	1.4	1.4
DG Taxation and 116.7 12.7 0.0 9.7 0.0 113.7 0.6 0.6 Customs Union  DG Budget 22.6 0.0 0.0 0.0 0.0 22.6 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1		DG Health and Food Safety	435.9	204.2	0.0	179.5	0.0	411.1	2.0	3.3	1.0	1.0	1.0	2.2
ss and DG Budget 22.6 0.0 0.0 0.0 0.0 22.6 0.1 0.1		DG Taxation and Customs Union	116.7	12.7	0.0	9.7	0.0	113.7	9.0	9.0	0.2	0.2	0.4	0.4
DG Commostition 12.7 0.4 0.0 0.2 0.0 12.7 0.1 0.1	Other	DG Budget	22.6	0:0	0:0	0.0	0.0	22.6	0.1	0.1	0.0	0.0	0.1	0.1
	services and	DG Competition	13.7	0.4	0.0	0.3	0.0	13.7	0.1	0.1	0.0	0.0	0.1	0.1

Department	Total payments (a)	bisq pnionsni1-91q w (b)	yd absm znoiżnata etalated departments (c)	bersedo gnionsnii-e (b)	ions (partially) released yo cohesion-related departments (e)	l relevant expenditure (a) – (b) + (c) + (e)	Estimated risk at payment (g) = Average error rate applied to (f)	d risk at ent rge error ed to (f)	Estimated future corrections (h) = Adjusted rate of average recoveries and corrections	d future :tions ted rate of ecoveries 'ections 1 to (f)	Estimated risk at closure (i) = (g) – (h)	1 risk at ure ) – (h)
		/9N		٦d			Lowest	Highest value	Lowest	Highest value	Lowest	Highest value
	16.9	0.0	0.0	0.0	0.0	16.9	0.1	0.1	0.1	0.1	0.0	0.0
	327.1	0.0	0.0	0.0	0.0	327.1	1.6	1.6	0.0	0.0	1.6	1.6
	0.3	0.0	0:0	0:0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
	9.3	0.0	0.0	0.0	0.0	9.3	0.0	0.0	0.0	0.0	0.0	0.0
	91.6	25.3	0.0	2.0	0.0	71.3	0.3	0.3	0.0	0.0	0.3	0.3
	58.4	48.3	0:0	41.4	0.0	51.6	0.3	0.3	0.1	0.1	0.2	0.2
14	298.6	0.0	0.0	0.0	0.0	298.6	0.0	1.5	0.0	0.0	0.0	1.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0:0	0.0	0.0	0.0
	237.4	0.0	0:0	0.0	0.0	237.4	1.2	1.2	0.1	0.1	1.1	1.1
1-7	383.1	0.0	0:0	0.0	0.0	383.1	1.5	1.9	0.1	0.1	1.4	1.8

Policy area	Department	eżnemysq lsżoT (a)	/ pre-financing paid (b)	stentions made by n-related departments (c)	rinancing cleared	bezseler (ylkitraq) eno betslerenoizeoto entrantradeb (e)	relevant expenditure (a) – (b) + (c) + (d) – (e)	Estimated risk at payment (g) = Average error rate applied to (f)	d risk at nent nge error ed to (f)	Estimated future corrections (h) = Adjusted rate of average recoveries and corrections applied to (f)	ed future ctions ted rate of ecoveries rections	Estimated risk at closure (i) = (g) – (h)	d risk at ure ) – (h)
			wəN		<sub>91</sub> q			Lowest value	Highest value	Lowest	Highest value	Lowest	Highest value
	Office for Infrastructure and Logistics in Luxembourg	105.9	0.0	0:0	0.0	0.0	105.9	0.5	0.5	0.0	0.0	0.5	0.5
	European Anti-Fraud Office	33.0	8.7	0.0	5.5	0.0	7.72	0.1	0.1	0.0	0.0	0.1	0.1
	Publications Office	43.1	0.0	0:0	0.0	0.0	43.1	0.1	0.1	0.0	0:0	0.1	0.1
	Office for the Administration and Payment of Individual Entitlements	5 393.0	0.0	0.0	0.0	0.0	5 393.0	27.0	27.0	0.0	0.0	27.0	27.0
	DG Interpretation	60.7	0.4	0:0	0.5	0:0	8.09	0.3	0.3	0.0	0:0	0.3	0.3
	Secretariat-General	9.6	2.6	0.0	2.5	0.0	9.7	0.1	0.1	0.0	0.0	0.1	0.1
	Legal Service	4.0	0.0	0.0	0.0	0.0	4.0	0:0	0.0	0:0	0:0	0.0	0:0
	Structural Reform Support Service	83.2	51.3	0.0	36.1	0.0	62.9	0.8	0.8	0.1	0.1	0.8	0.8
TOTAL		158 855.6	35 905.0	4 673.0	24 481.5	4713.2	147 391.9	2 670.7	3 111.9	1 672.6	2 109.2	998.1	1 002.7

Table C. Risk at payment/closure per department for the whole Commission (2019, million EUR)

Source: Commission annual activity reports.

## Annex 4: Reservations reported in the 2019 annual activity reports

#### Concept

Within the context of their overall assurance-building process, authorising officers by delegation perform a detailed analysis for each segment of their portfolio. At the end of each financial year, they determine the residual error rate (108) for each programme. This residual error rate is based on the ('gross') detected error rate, but takes into account any corrections made so far. Where this residual error rate is above the materiality threshold, the authorising officers duly qualify their declarations of assurance with a reservation. This is in line with the European Court of Auditors' approach (109).

Reservations are keystones in the accountability building. They are an indicator of the Commission's transparency concerning any challenges or weaknesses encountered and their potential financial impact. That reservations lead to the qualification of a declaration of assurance in an annual activity report is part of sound financial management. They are also a tool to address weaknesses that remain. Although most reservations are prompted by findings regarding management and control of past payments, they also have a positive preventive effect, with action plans being developed to mitigate future risks and to strengthen control systems.

Furthermore, the number of reservations is not an indicator of the quality of the financial management. This is partly because there is no direct link between the number of reservations and their financial impact, and also because some weaknesses trigger multiple reservations. For example, multiple reservations may arise from programme segments implemented by more than one department, or because the weakness resulting in a 'new' reservation for the current programming period is a continuation of one from a previous programming period. However, this reporting method provides more precision and transparency.

#### 2019 reservations

For the 2019 reporting year, all 50 authorising officers by delegation ( $^{110}$ ) declared they had reasonable assurance ( $^{111}$ ). Of the 50 authorising officers by delegation, 39 issued unqualified declarations of assurance, while 11 issued qualified declarations with a total of 18 reservations for the programme or specific area in their portfolio affected by a weakness (see chart below). These reservations affect revenue as well as expenditure. In all cases, the authorising officers by delegation concerned adopted action plans to address the underlying weaknesses and mitigate the resulting risks. The situation regarding reservations can be summarised as follows.

• Of the 18 reservations for 2019, 17 are recurrent (112) and only one is new (by DG Maritime Affairs and Fisheries, for the European Maritime and Fisheries Fund, in a single Member State). For all

<sup>(108)</sup> At the time of reporting, some of the corrective measures have already been implemented, while others will be in the next few year(s). Therefore, the residual error rate is based on the detected error rate but takes into account those corrections that have already been made up to the end of the reporting year. It is an 'intermediate' type of error rate between estimated risk at payment and estimated risk at closure, up to the time of reporting in the management cycle.

<sup>(109)</sup> European Court of Auditors, 2018 annual report, Annex 1.1 (on methodology), paragraph 21.

<sup>(110) &#</sup>x27;The authorising officer shall be responsible in the Union institution concerned for implementing revenue and expenditure in accordance with the principle of sound financial management, including through ensuring reporting on performance, and for ensuring compliance with the requirements of legality and regularity and equal treatment of recipients.' (Financial regulation, Article 74(1)).

<sup>(111)</sup> https://ec.europa.eu/info/publications/annual-activity-reports\_en

<sup>(112)</sup> Recurring from previous year(s), mainly because the root causes of the material level of error can be partially mitigated, but not fully eradicated, under the current programmes' frameworks.

reservations, the impact on the 2019 expenditure has been (re)calculated, but eight reservations are entirely or partially non-quantified (113).

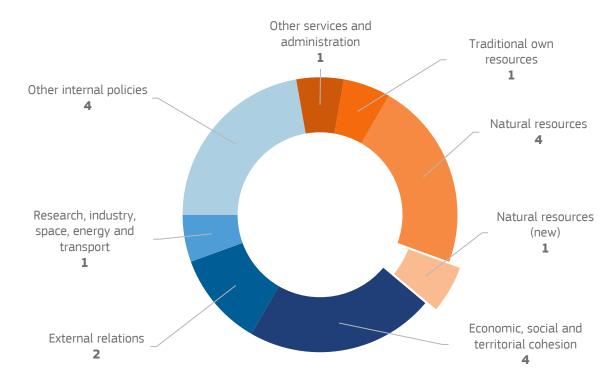
- Six reservations were lifted because the underlying weaknesses had been resolved. These concerned previous issues with three entrusted entities, with a Member State, with an executive agency's control system and with a programme's high error rate which have been duly addressed.
- For 17 other previous reservations the 'de minimis' rule was applied, whereby reservations are no longer considered meaningful under certain conditions (see box below). These were mostly related to 2007-2013 'legacy' programmes in the fields of research, competitiveness, education and culture, and external relations (114).

#### Introduction of a 'de minimis' rule for reservations as from 2019

Further to the decision by the Corporate Management Board on 30 April 2019, a 'de minimis' rule for reservations has been introduced (115).

Reservations related to cases with a residual error rate above the 2% materiality threshold are deemed not substantial for segments that represent less than 5% of the department's total payments and have a financial impact of less than EUR 5 million. Therefore, quantified reservations which do not exceed both thresholds are not needed (<sup>116</sup>). This applies especially but not exclusively to the legacy programmes.

Nevertheless, full transparency of the management reporting remains ensured, and even this significant reduction in the number of reservations from 2018 to 2019 only has a very limited financial impact. Indeed, as this mostly concerned legacy programmes, which are being phased out, the total financial impact of the 17 reservations lifted by applying this rule would have only been EUR 15.2 million, or a mere 1.4%, of the total financial impact of all 2019 reservations.



#### Number of reservations by policy area (2019)

Source: European Commission annual activity reports.

<sup>(113)</sup> Reservations are non-quantified when the financial impact is zero, when it is not possible to assess the financial impact accurately, or when the effect is only reputational.

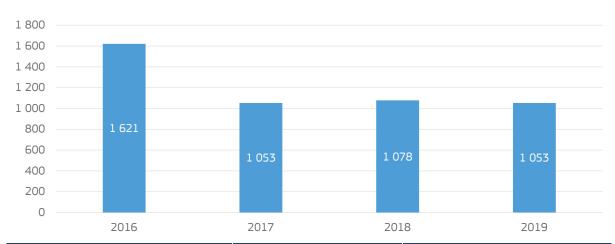
<sup>(114)</sup> In addition to those previous reservations lifted, one potential new reservation was also avoided by applying the de minimis rule: for the Consumers, Health, Agriculture and Food Executive Agency's legacy 'health' programme (financial impact of EUR 0.1 million).

<sup>(115)</sup> Announced in the 2018 annual management and performance report (p. 173).

 $<sup>(^{116})</sup>$  Without prejudice to maintaining a reservation for reputational reasons, if applicable.

#### Financial impact of reservations

In cases where the residual error rate is above the materiality threshold, the financial impact resulting from a reservation is obtained by multiplying the relevant programme or segment's expenditure by the residual error rate. The total amount for 2019 (EUR 1 053 million; 2% lower than in 2018) is comparable to the level of the previous 2 years. The composition and evolution of the financial impact over the years is presented in the table and chart below.



Policy area	Total payments in 2019	Financial impact of the reservations
Natural resources	59 206	655
Economic, social and territorial cohesion	53 455	363
External relations	13 624	16
Research, industry, space, energy and transport	16 876	8
Other internal policies	8 503	12
Other services and administration	7 192	0
Total	158 856	1 053
Impact out of current programmes out of to	tal	1 045
Impact of legacy programmes out of total		8
Policy area	Total own resources in 2019	Financial impact of the reservations
Own resources	146 570	_

Financial impact ('exposure') from the 2016, 2017, 2018 and 2019 quantified reservations (million EUR) Source: European Commission annual activity reports.

#### Full list(s) of reservations

The tables below present the 18 reservations for 2019.

- For the 13 reservations related to the current programmes for 2014-2020, see Table D.
- For the 4 reservations related to the legacy programmes for 2007-2013, see Table E.
- For the 1 reservation related to the revenue side of the EU budget, see Table F.

In addition for the 23 reservations that were lifted in 2019 see:

- For the 6 2018 reservations lifted in 2019 because the underlying issues had been resolved, see Table G.
- For the 17 2018 reservations lifted in 2019 by application of the de minimis rule, see Table H.

Source: Commission annual activity reports.

Policy area	Description of reservation	Department	Impact on legality and regularity	Financial impact (million EUR)
Natural resources	European Agricultural Guarantee Fund market measures (7 elements of reservation in 6 Member States)	DG Agriculture and Rural Development	Quantified	47.6
	European Agricultural Guarantee Fund direct payments (17 paying agencies in 9 Member States)	DG Agriculture and Rural Development	Quantified	307.6
	European Agricultural Fund for Rural Development expenditure for rural development measures (21 paying agencies in 18 Member States)	DG Agriculture and Rural Development	Quantified	288.4
	2014-2020 European Maritime and Fisheries Fund (1 programme in 1 Member State)	DG Maritime Affairs and Fisheries	Reservation issued in 2019 Quantified	11.3
	EU emissions trading system registry – security weakness	DG Climate Action	Non-quantified	_
Economic, social and territorial cohesion	2014-2020 European Regional Development Fund / Cohesion Fund (59 programmes in 13 Member States and 8 European territorial cooperation (*) programmes)	DG Regional and Urban Policy	Quantified; non- quantified for 1 European territorial cooperation programme	228.7
	2014-2020 European Social Fund, Youth Employment Initiative, Fund for European Aid to the Most Deprived (30 programmes in 9 Member States)	DG Employment, Social Affairs and Inclusion	Quantified	134.3
External relations	Direct management grants	DG Neighbourhood and Enlargement Negotiations	Quantified	15.7
	Projects in Libya and Syria for which no assurance building is possible (no staff access to projects or auditor access to documents)	DG Neighbourhood and Enlargement Negotiations	Non-quantified	_

Policy area	Description of reservation	Department	Impact on legality and regularity	Financial impact (million EUR)
Research, industry, space, energy and transport	(None)			
Other internal policies	Non-research grant programmes	DG Justice and Consumers	Quantified	1.7
	Non-research grant programmes	DG Migration and Home Affairs	Quantified	7.2
	2014-2020 management and control systems for the Asylum, Migration and Integration Fund (in 2 Member States) and the Internal Security Fund (in 6 Member States)	DG Migration and Home Affairs	Quantified, with the exception of one Member State for which the reservation is not quantifiable	2.5
Other services and administration	Technical support funds – direct management grants to non-pillar- assessed beneficiaries	DG Structural Reform Support (formerly Structural Reform Support Service)	Quantified	0.1
Total				1 045.1

#### Table D: 2019 reservations related to the current programmes for 2014-2020 $\,$

<sup>(\*)</sup> The European territorial cooperation series of programmes, funded by the European Regional Development Fund, is one of the key instruments of the EU supporting cooperation across borders through project funding.

Policy area	Description of reservation	Department	Impact on legality and regularity	Financial impact (million EUR)
Natural resources	(None)			
Economic, social and territorial cohesion	2007-2013 European Regional Development Fund / Cohesion Fund / Instrument for Pre- Accession Assistance (9 programmes in 6 Member States, plus 1 Instrument for Pre- Accession Assistance / cross- border cooperation programme)	DG Regional and Urban Policy	Non-quantified	_
	2007-2013 European Social Fund (6 programmes in 4 Member States)	DG Employment, Social Affairs and Inclusion	Non-quantified	_
External relations	(None)			
Research, industry, space, energy and transport	Seventh framework programme for research and technological development	DG Research and Innovation	Quantified	8.2
Other internal policies	<ul> <li>2007-2013 general programme 'solidarity and management of migration flows', including:</li> <li>European Integration Fund (in 3 Member States)</li> <li>European Refugee Fund (in 4 Member States)</li> <li>European Return Fund (in 3 Member States)</li> <li>External Borders Fund (in 6 Member States)</li> </ul>	DG Migration and Home Affairs	Quantified for European Refugee Fund Belgium; non- quantified for the others	0.2
Other services and administration	(None)			
Total				8.3

Table E: 2019 reservations related to the legacy programmes for 2007-2013  $\,$ 

Policy area	Description of reservation	Department	Impact on legality and regularity	Financial impact (million EUR)
Revenue	Inaccuracy of the traditional own resources amounts transferred to the EU budget	DG Budget	Non-quantified	_

Table F: 2019 reservation related to the revenue side of the EU budget

Policy area	Description of <i>2018</i> reservation	Department	Impact on legality and regularity	Financial impact ( <i>2018</i> , million EUR)
Natural resources	2007-2013 European Fisheries Fund (1 programme in 1 Member State)	DG Maritime Affairs and Fisheries	Non-quantified	_
Economic, social and territorial cohesion	(None)			
External relations	Programmes managed by the African Union Commission involving a significant level of procurement	DG International Cooperation and Development	Quantified	5.0
Research, industry, space, energy and transport	Competitiveness of small and medium-sized enterprises programme grants	Executive Agency for Small and Medium-sized Enterprises	Quantified	1.6
Other internal policies	Internal control system partially functioning	Education, Audiovisual and Culture Executive Agency	Non-quantified	_
	European Asylum Support Office – management and control system weaknesses	DG Migration and Home Affairs	Non-quantified	_
	European Border and Coast Guard Agency – procurement and control system weaknesses	DG Migration and Home Affairs	Non-quantified	_
Other services and administration	(None)			
Total				6.6

 $Table \ G\!: 2018 \ reservations \ that \ were \ lifted \ during \ 2019 \ because \ the \ underlying \ issues \ had \ been \ resolved$ 

Policy area		Description of 2018 reservation	Department	Impact on legality and regularity	Financial impact (million EUR)
Natural resources		(None)			
Economic, social and territorial cohesion		(None)			
External relations		Direct management grants – cross-delegation (and indirect management grants)	DG International Cooperation and Development	Quantified	3.2
		Instrument for Cooperation with Industrialised Countries	Service for Foreign Policy Instruments	Quantified	3.9
Research, industry, space, energy and transport		Research Fund for Coal and Steel	DG Research and Innovation	Quantified	1.6
	Seventh framework programme for research and technological development	Seventh framework programme – including funds paid to Active and Assisted Living Association and Electronic Components and Systems for European Leadership Joint Undertaking	DG Communication s Networks, Content and Technology	Quantified	0.7
		Seventh framework programme – including its funds paid to European Global Navigation Satellite Systems Agency and cross- delegation	DG Internal Market, Industry, Entrepreneurshi p and SMEs	Quantified	0.0
		Seventh framework programme	DG Migration and Home Affairs	Quantified	0.5
		Seventh framework programme	DG Energy	Quantified	0.7
		Seventh framework programme	DG Mobility and Transport	Quantified	0.3
		Seventh framework programme – space and security	Research Executive Agency	Quantified	1.3
		Seventh framework programme – small and medium-sized enterprises	Research Executive Agency	Quantified	0.7

Policy area		Description of 2018 reservation	Department	Impact on legality and regularity	Financial impact (million EUR)
	Competitive- ness and innovation programme	Competitiveness and innovation programme	DG Internal Market, Industry, Entrepreneurshi p and SMEs	Quantified	0.2
		Competitiveness and innovation programme – information and communications technology policy support programme	DG Communication s Networks, Content and Technology	Quantified	0.0
		Competitiveness and innovation programme – intelligent energy Europe	Executive Agency for Small and Medium-sized Enterprises	Quantified	0.0
		Competitiveness and innovation programme – eco-innovation	Executive Agency for Small and Medium-sized Enterprises	Quantified	1.4
Other internal policies	Education, Youth, Sport and Culture	2007-2013 lifelong learning programme	Education, Audiovisual and Culture Executive Agency	Quantified	0.0
		2007-2013 culture programme	Education, Audiovisual and Culture Executive Agency	Quantified	0.5
		2007-2013 Tempus programme	Education, Audiovisual and Culture Executive Agency	Quantified	0.2
Other services and administration		(None)			
Total		,			15.2

Table H: 2018 reservations that were lifted during 2019 by application of the de minimis rule (  $^{117}$ )

(117) In addition to the previous reservations lifted, one potential new reservation was also avoided by applying the de minimis rule: for the Consumers, Health, Agriculture and Food Executive Agency's legacy 'health' programme (financial impact of EUR 0.1 million).

### Annex 5: The multiannual control cycle protecting the EU budget

This annex describes the functioning of the preventive and corrective mechanisms provided for in EU legislation and the actions taken by the Commission services to protect the EU budget from illegal or irregular expenditure. It also provides a best estimate of the effects these mechanisms generate and indicates how Member States are involved and impacted. The following information focuses primarily on the results of the Commission's supervisory tasks, but also provides an insight into the results of Member States' controls.

When implementing the EU budget it is especially important to prevent – or detect and subsequently correct – system weaknesses leading to errors, irregularities or fraud. The Commission and – for programmes under shared management – Member State authorities take preventive and corrective measures (i.e. financial corrections and recoveries) as provided for in EU legislation to protect the EU budget from illegal or irregular expenditure – see also Annex 3.

The primary objective of financial corrections and recoveries is to ensure that only expenditure in accordance with the legal framework is financed by the EU budget.

#### 1. Key considerations for the protection of the EU budget

One important objective of the Commission is to ensure cost-effectiveness when designing and implementing management and control systems that prevent or identify and correct errors. Control strategies should therefore maintain higher, more frequent scrutiny in riskier areas and ensure cost-effectiveness.

The confirmed financial corrections and recoveries for 2019 amount to EUR 1 942 million. During 2013 to 2019 the average amount of confirmed financial corrections and recoveries was EUR 3 102 million, which represents 2.1% of the average amount of payments made from the EU budget. In addition, for cohesion policy funds, for 2014 to 2020, the Member States have themselves applied corrections totalling EUR 670 million, in line with the regulatory provisions, which increase programme managing authorities' accountability and significantly strengthen the Commission's position on protecting the EU budget from irregular expenditure.

The figures reported confirm the success of the multiannual preventive and corrective activities undertaken by the Commission and the Member States by demonstrating that these activities ensure that the EU budget is protected from expenditure that is in breach of law.

Under shared management, the Member States are primarily responsible for identifying any amounts unduly paid and recovering them from beneficiaries. Controls carried out by Member States represent the first layer of control in the activities to protect the EU budget. The Commission can apply preventive measures and/or financial corrections on the basis of irregularities or serious deficiencies identified by Member State authorities, on the basis of its own verifications and audits or European Anti-Fraud Office investigations, or as a result of audits by the European Court of Auditors.

For the **Cohesion Fund** and the **European Agricultural Fund for Rural Development**, the vast majority of the financial corrections confirmed/implemented in 2019 relate to the 2007-2013 programme period. The corrections confirmed or implemented during the year relate to errors and irregularities detected in 2019 or in previous years. Overall, 98.6% of the total financial corrections confirmed had been implemented by the end of 2019.

#### 1.1. Agriculture and rural development

For the **European Agricultural Guarantee Fund**, the average correction rate for Commission financial corrections under conformity clearance of accounts from 1999 to the end of 2019 was 1.7% of expenditure (all of which are net financial corrections).

Net corrections leading to a reimbursement to the EU budget are characteristic of agriculture and rural development (the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development). In 2019 the main corrections related notably to specific deficiencies in the Integrated Administration and Control System in some Member States, insufficient checks on eligibility criteria in some rural development measures, issues detected in the checks to establish access to the aid claimed and in the on-site checks in the fruit and vegetable sector and deficiencies in cross-compliance controls and in the application of sanctions.

The Commission applies a number of available preventive instruments such as the interruption, suspension and reduction of EU financing with a view to better protecting the EU budget and incentivising Member States to reduce irregular payments. In 2019, the Commission issued common agricultural policy-related decisions for interruptions of EUR 4 million, for the reduction of payments of EUR 68 million, and for suspensions of EUR 0.33 million. Reductions include amounts for late payments or ceiling overruns by Member States.

As regards the **European Agricultural Guarantee Fund**, the Member States where, for example, the Integrated Administration and Control System, including the Land Parcel Identification System, does not reach the necessary quality level are required to put in place appropriate action plans; they risk suspension of reimbursements should the action plan not be properly implemented.

For the European Agricultural Fund for Rural Development, the Commission interrupts payments in the event of problems and also has recourse to suspensions and reductions. Similarly as for the European Agricultural Guarantee Fund, Member States are asked to put in place action plans where serious deficiencies are detected in the management and control system; they face the same risk of suspensions as for the European Agricultural Guarantee Fund should they not follow through properly.

In general, the Commission is implementing an ambitious simplification process which has already begun to reduce complexity and the administrative burden and will continue to do so, contributing to further reducing the risk of error.

In addition to the financial corrections, Member States' own reductions before payments to beneficiaries amounted to EUR 542 million at the end of the 2019 financial year.

#### 1.2. Cohesion

As regards the 2007-2013 funds of the **European Regional Development Fund**, the **Cohesion Fund** and the **European Social Fund**, at the end of 2019 the combined rate of financial corrections, based on Commission supervision work only, amounted to 2.1% of the allocations made.

For cohesion policy, net corrections are rather the exception, due to the different legal framework compared to that of agriculture and type of budget management (reinforced preventive mechanism). Where the Commission identifies individual irregularities (including ones of a systemic nature) or serious deficiencies in the Member State management and control systems, it can apply financial corrections (including at a flat rate) with the purpose of restoring a situation where all or part of the expenditure declared for co-financing from the European Regional Development Fund, the Cohesion Fund or the European Social Fund and reimbursed by the Commission is in line with the applicable rules.

During the 2000-2006 and 2007-2013 programming periods, Member States were able to replace irregular expenditure with new expenditure if they took the necessary corrective actions and applied the related financial correction. If the Member State did not have such additional expenditure to declare, the financial correction resulted in a net correction (i.e. loss of EU assistance), in particular at closure. In contrast, a Commission financial correction decision (in case the Member State continued to disagree on the need for a correction) always had a direct, net impact on the Member State: the Member State had to pay the amount

back and its financial allocation was reduced (i.e. the Member State could not spend as much money throughout the programme period). For the European Social Fund, there are still 27 programmes for the 2000-2006 programming period and 17 for the 2007-2013 period with outstanding pending recoveries and administrative and judicial proceedings at Member State level, mainly for Germany and Italy. The full closure is in progress.

The European Court of Auditors assessed the effectiveness of the preventive and corrective measures taken by the Commission in the cohesion policy for 2007 to 2013 (118) and concluded that, overall, the Commission had made effective use of the measures at its disposal to protect the EU budget from irregular expenditure and that the Commission's corrective measures put pressure on Member States to address weaknesses in their management and control systems.

The regulatory provisions for the **2014-2020 programming period** significantly strengthen the Commission's position on protecting the EU budget from irregular expenditure.

This is mainly due to the set-up of the assurance model for the 2014-2020 programming period, which reduces the risk of a material level of error appearing in the accounts submitted on a yearly basis. In fact, the new legal framework provides for the increased accountability of programme managing authorities, which have to perform sound management verifications in time for the submission of programme accounts each year. During the accounting year the Commission retains 10% of each interim payment until the finalisation of the national control cycle. Member States have the opportunity to correct the declared expenditure during the accounting year by withdrawing the irregular expenditure and replacing it with a new, regular one. In addition, financial corrections in the accounts, as preventive or corrective measures, provide more assurance.

It is in the Member States' best interests to ensure the timely identification of deficiencies in the functioning of the management and control system and in the reporting of reliable error rates, since the Commission will make net financial corrections if Member States have not appropriately addressed any deficiencies before submitting their annual accounts to the Commission. The co-legislator however set strict conditions for the application of such net financial corrections, which the Commission needs to scrupulously assess and respect in each case.

For 2014 to 2020, the Member States themselves applied financial corrections in 2019 totalling EUR 527.0 million for the European Regional Development Fund / Cohesion Fund, while the financial corrections imposed for the European Social Fund / Youth Employment Initiative and the Fund for European Aid to the Most Deprived amounted to EUR 134.4 million. The financial corrections reported for the European Maritime and Fisheries Fund amounted to EUR 8.3 million.

In addition, Member States have deducted from the accounts significant amounts that were under ongoing assessments of legality and regularity and for which the programme's certifying authorities were therefore not in a position to certify the legality and regularity of the expenditure at the time of submitting the accounts, as per their regulatory obligation.

#### 1.3. Direct and indirect management

The Commission has established a control framework for direct and indirect management which focuses on *ex ante* checks on payments, in-depth *ex post* checks carried out at the beneficiaries' premises after costs have been incurred and declared, and verification missions to international organisations. Net corrections leading to a reimbursement to the EU budget are characteristic of programmes under direct and indirect management.

Specific control frameworks are put in place for spending under direct and indirect management, primarily covering the grant management process, because this addresses existing risks.

<sup>(118)</sup> European Court of Auditors, Protecting the EU budget from irregular spending: The Commission made increasing use of preventive measures and financial corrections in cohesion during the 2007–2013 period – Special report No 4/2017.

#### 2. Overview of ex ante and ex post controls

#### 2.1. Ex ante controls

Prevention is the first line of defence against errors. The Commission's key preventive mechanisms include interrupting and suspending payments (119) as well as carrying out *ex ante* controls leading to the rejection of ineligible amounts before the Commission accepts the expenditure and makes payments. The Commission is focusing more and more on such preventive measures with a view to better protecting the EU budget. These also serve as incentives for Member States to reduce irregular payments. In 2019, the confirmed preventive measures amounted to EUR 416 million and the implemented preventive measures amounted to EUR 483 million. These included *ex ante* controls such as deductions before payment/acceptance by the Commission, Member State deductions from new expenditure declared to the Commission ('at-source' deductions) and other *ex ante* adjustments which, if not performed, would otherwise have led to expenditure being incurred that was not in line with the legal framework.

Fund	Value of preventive measures confirmed
Agricultural policy:	0
European Agricultural Guarantee Fund	0
Rural development	0
Cohesion policy:	0
European Regional Development Fund	0
Cohesion Fund	0
European Social Fund	0
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0
European Agricultural Guidance and Guarantee Fund	0
Internal policies	210
External policies	200
Administration	6
Total	416

Fund	Value of preventive measures implemented
Agricultural policy:	0
European Agricultural Guarantee Fund	0
Rural development	0
Cohesion policy:	68
European Regional Development Fund	67
Cohesion Fund	0
European Social Fund	0
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0
European Agricultural Guidance and Guarantee Fund	0
Internal policies	210
External policies	200
Administration	6
Total	483

#### Overview of preventive measures for 2019 (million EUR)

NB: Due to the rounding of figures to the nearest million EUR, some financial data in the tables above may appear not to add up. *Source*: European Commission.

<sup>(</sup>  $^{119}\!$  ) These are not reported in the tables below but in a separate section in Annex 5.

#### 2.2. Ex post controls

Where preventive mechanisms are not effective, the Commission, as part of its supervisory role, applies corrective mechanisms. The Commission's main corrective mechanisms include *ex post* controls on amounts it has accepted and paid out. In shared management these lead to financial corrections, and in direct and indirect management they result in recoveries from final recipients. In 2019, the confirmed corrective measures amounted to EUR 1.5 billion and the implemented corrective measures amounted to EUR 2.4 billion. These include the recovery orders issued, the implementation of the results of the *ex post* controls in cost claims and invoices, the financial corrections applied and the replacement of expenditure ('withdrawals').

Fund	Value of corrective measures confirmed
Agricultural policy:	710
European Agricultural Guarantee Fund	343
Rural development	367
Cohesion policy:	739
European Regional Development Fund	443
Cohesion Fund	68
European Social Fund	299
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0
European Agricultural Guidance and Guarantee Fund	(72)
Internal Policies	63
External Policies	14
Administration	0
Total	1 526

Fund	Value of corrective measures implemented
Agricultural policy:	1 500
European Agricultural Guarantee Fund	1 138
Rural development	362
Cohesion policy:	819
European Regional Development Fund	324
Cohesion Fund	88
European Social Fund	479
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0
European Agricultural Guidance and Guarantee Fund	(72)
Internal Policies	68
External Policies	15
Administration	0
Total	2 402

#### Overview of corrective measures for 2019 (million EUR)

NB: Due to the rounding of figures to the nearest million EUR, some financial data in the tables above may appear not to add up. *Source:* European Commission.

#### From confirmation to implementation

The workflow of preventive and corrective mechanisms applied by the Commission involves two significant steps: the confirmation phase and the implementation phase. For example, a deduction before the acceptance of expenditure is **confirmed** as soon as it is decided by the relevant Commission services, while a financial correction is only confirmed once it is accepted by the Member State or decided by an official Commission decision.

Some preventive and corrective mechanisms are implemented during the year in which they are confirmed, but in most cases the beneficiary of the spending programme has, based on EU legislation, time to comment or provide additional material on proposed corrections/deductions/rejections. Once this adversarial process is

finalised the Commission needs to recover the amount corresponding to the correction proposed and therefore the implementation takes place a year, or often several years, after confirmation (120).

A financial correction is considered **implemented** when it has been applied and recorded in the Commission accounts, which, in the following cases, means that the financial transaction has been validated by the authorising officer responsible: deduction of the financial correction from the amounts declared by the Member State in an interim or final payment claim; a recovery order and/or cancellation of the commitment appropriation(s) corresponding to the financial correction amount (121).

#### 2.3. Preventive and corrective measures applied in 2019

The table below provides a complete picture (including one-off measures) of all preventive and corrective measures applied during 2019 to protect the EU budget – amounting to **EUR 1.9 billion confirmed** and **EUR 2.9 billion implemented**. These amounts cover preventive actions and corrective actions made during 2019 irrespective of the year in which the initial expenditure was made.

Fund	Total payments from EU budget <i>in</i> 2019 (million EUR)	Total amounts confirmed <i>in</i> 2019 (million EUR)	% of payments made from the EU budget	Total amounts implemented <i>in 2019</i> (million EUR)	% of payments made from the EU budget
Agricultural policy:	58 098	710	1.2%	1 500	2.6%
European Agricultural Guarantee Fund	43 885	343	0.8%	1 138	2.6%
Rural development	14 213	367	2.6%	362	2.5%
Cohesion policy:	53 169	739	1.4%	887	1.7%
European Regional Development Fund	29 559	443	1.5%	391	1.3%
Cohesion Fund	8 812	68	0.8%	88	1.0%
European Social Fund	13 939	299	2.1%	479	3.4%
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	859	1	0.1%	1	0.1%
European Agricultural Guidance and Guarantee Fund	0	(72)	n/a	(72)	n/a
Internal policies	27 045	273	1.0%	278	1.0%
External policies	10 108	214	2.1%	215	2.1%
Administration	10 381	6	0.1%	6	0.1%
Total	158 801 (*)	1 942	1.2%	2 885	1.8%

Overview of financial corrections and recoveries for 2019, including financial corrections at source

NB: Due to the rounding of figures to the nearest million EUR, some financial data in the table above may appear not to add up. (\*) Excludes EUR 295 million paid out under the 'Special instruments' heading.

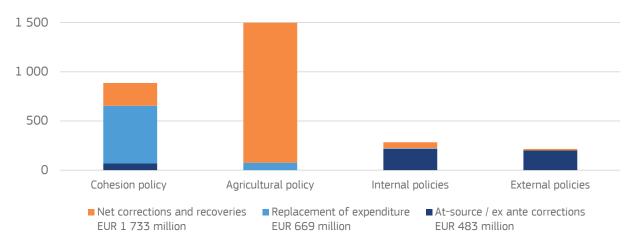
Source: European Commission.

<sup>(120)</sup> For the common agricultural policy, the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, Member States may, under certain conditions, be granted the option to repay financial corrections in instalments, which is the main reason for the difference in confirmed and implemented financial corrections in 2019.

<sup>(121)</sup> In cohesion-related funds this is not always a 'net' reimbursement to the EU budget, as Member States have the option to replace the ineligible expenditure with new eligible expenditure.

In addition, for **cohesion policy funds**, for 2014 to 2020, the Member States have applied corrections totalling EUR 527.0 million for the **European Regional Development Fund / Cohesion Fund**, while the financial corrections imposed for the **European Social Fund / Youth Employment Initiative** and the **Fund for European Aid to the Most Deprived** amounted to EUR 134.4 million. The financial corrections reported for the **European Maritime and Fisheries Fund** amounted to EUR 8.3 million.





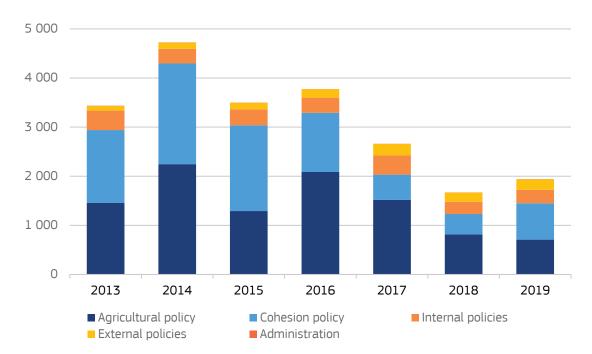
Types of financial corrections and recoveries implemented in 2019 (million EUR) Source: European Commission.

Net corrections leading to a reimbursement of the amounts previously paid from the EU budget are characteristic of agriculture and rural development and of direct and indirect management. For **agriculture**, in **2019** the Commission continued to apply the net financial corrections in the same way as in previous years.

For **cohesion** policy, net corrections were, prior to the 2007-2013 programming period, the exception. They were only applied in cases where Member States were not able to replace irregular expenditure with new expenditure or, after the corresponding contradictory procedure, they did not agree to implement the financial corrections proposed by the Commission. Under the legal framework for 2014 to 2020, the Commission is to apply net financial corrections – even if the Member State has agreed to the proposed corrections – where EU/Court audits detect that a serious deficiency leading to a material level of risk in reimbursed expenditure remained undetected, uncorrected and unreported by the Member State. In all other circumstances, the Commission will continue to apply financial corrections as before, meaning that the Member State can still reuse the funds if it accepts the corrections and has sufficient additional new expenditure to replace the amounts withdrawn as irregular.

The Commission applies a number of available preventive instruments such as the interruption, suspension and reduction of EU financing with a view to better protecting the EU budget and incentivising Member States to reduce irregular payments.

#### Multiannual character of EU spending programmes



Confirmed cumulative financial corrections and recoveries for 2013-2019 (million EUR) Source: European Commission.

Cumulative figures provide more useful information on the significance of corrective mechanisms used by the Commission because they take into account the multiannual character of most EU spending and neutralise the impact of one-off events.

For the **European Agricultural Guarantee Fund**, the average correction rate for Commission financial corrections under conformity clearance of accounts for 1999 to the end of 2019 was 1.7% of expenditure (all of which are net financial corrections) – see 'Agriculture and rural development – Cumulative figures'.

For the 2007-2013 **European Regional Development Fund, Cohesion Fund** and **European Social Fund**, at the end of 2019 the combined rate of financial corrections, based on Commission supervision work only, amounted to 2.1% of the allocations made – see 'Cohesion policy – Cumulative figures'.

For 2013 to 2019 the average amount of confirmed financial corrections and recoveries was EUR 3.1 billion, or 2.1% of the average amount of payments made from the EU budget, while the average amount implemented in this period was EUR 3.3 billion or 2.2% of the payments.

#### 3. Financial corrections and recoveries at the end of 2019

#### 3.1. Overview of financial corrections and recoveries for 2019

The table below provides a complete picture (including one-off measures) of all the preventive and corrective measures confirmed and implemented during 2019 to protect the EU budget – EUR 1.9 billion confirmed and EUR 2.9 billion implemented. These amounts cover preventive actions and corrective actions made during 2019, irrespective of the year in which the initial expenditure was made.

Multiannual financial framework heading	Total EU budget payments in 2019 (million EUR)	Total financial corrections confirmed in 2019 (million EUR)	Total recoveries <i>confirmed</i> in 2019 (million EUR)	Total financial corrections and recoveries confirmed in 2019 (million EUR)	% of payments made from the EU budget	Total financial corrections <i>implemented</i> in 2019 (million EUR)	Total recoveries implemented in 2019 (million EUR)	Total financial corrections and recoveries implemented in 2019 (million EUR)	% of payments made from the EU budget
Smart and inclusive growth	75 535	810	224	1 035	1.4%	928	229	1 187	1.6%
European Regional Development Fund	29 559	443	I	443	1.5%	391	1	391	1.3%
Cohesion Fund	8812	89	I	89	0.8%	88	I	88	1.0%
European Social Fund	13 939	299	I	299	2.1%	479	I	479	3.4%
Internal policies	23 225	n/a	224	224	1.0%	n/a	229	229	1.0%
Sustainable growth: natural resources	59 521	251	403	653	1.1%	1 091	350	1 441	2.4%
European Agricultural Guarantee Fund	43 885	141	202	343	%8'0	982	156	1 138	7.6%
Rural development	14213	181	186	367	7.6%	181	181	362	2.5%
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	859	0	0	1	0.1%	0	0	П	0.1%
European Agricultural Guidance and Guarantee Fund	I	(72)	0	(72)	n/a	(72)	0	(72)	n/a
Internal policies	564	n/a	14	14	2.5%	n/a	13	13	2.3%
Security and citizenship	3 2 5 6	13	20	33	1.0%	13	22	35	1.1%
Migration and home affairs	800	13	I	13	1.6%	13	1	13	1.6%
Internal policies	2 456	n/a	20	20	%8'0	n/a	22	22	%6'0
Global Europe	10 108	n/a	217	217	2.1%	n/a	218	218	2.2%
External policies	10 108	n/a	217	217	2.1%	n/a	218	218	2.2%
Administration	10 381	n/a	4	4	%0.0	n/a	4	4	%O'O
Administration	10 381	n/a	4	4	0.0%	n/a	4	4	0.0%
Total	158 801 (*)	1074	898	1 942	1.2%	2 062	823	2 885	1.8%

Overview of financial corrections and recoveries for 2019 NB: Due to the rounding of figures to the nearest million EUR, some financial data in the table above may appear not to add up.

(\*) Excludes EUR 295 million paid out under the 'Special instruments' heading.

#### Agriculture and rural development

The **financial corrections** confirmed by the Commission in 2019 (<sup>122</sup>) reflect the improvements observed over recent years in the management and control systems of the Member States, also confirmed by the constantly decreasing level of error in the expenditure. The conformity clearance processes have been accelerated and corrections for past cases applied (<sup>123</sup>) and hence the level of financial corrections is stabilising. As regards correcting irregularities committed by beneficiaries, Member States must record and report on the **recovery** (<sup>124</sup>) of amounts unduly spent, as part of the annual financial clearance. Recovering irregular payments directly from the final beneficiaries is the sole responsibility of the Member States.

#### Cohesion

#### 2007-2013 programming period

For the **European Regional Development Fund / Cohesion Fund** in 2019, EUR 514.2 million in financial corrections was confirmed in the context of the closure of the programmes as a result of the Commission's supervisory activities. The good progress made on closure in 2019 enabled the implementation of financial corrections amounting to EUR 457.5 million.

As of the end of 2019, the cumulative amount of financial corrections for 2007 to 2013 confirmed by Member States as a result of the Commission's supervisory activities is EUR 4.3 billion (125), with an implementation rate of 98%.

For the **European Social Fund**, 94.3 % of financial corrections confirmed in 2019 and previous years have been implemented, leaving an amount of EUR 97.8 million still to be implemented for the remaining programmes under the progressing closure. The total amount of financial corrections implemented stands at EUR 210.4 million. The total amount of financial corrections confirmed stands at EUR 30.6 million.

The total amount of cumulative financial corrections confirmed for the **European Fisheries Fund** stands at EUR 28 million in 2019, including EUR 2 million to be implemented at closure.

#### 2014-2020 programming period

For the **European Regional Development Fund / Cohesion Fund** programmes for which expenditure was declared for the accounting year 1 July 2018 to 30 June 2019, there were no net financial corrections imposed by any Commission decision. However, the Member States themselves applied financial corrections to the accounts following the completion of their national control cycle.

This shows that the new system allows expenditure found to be irregular to be excluded from annual accounts. In 2019 a total of EUR 3.41 billion was deducted either from interim payment applications or directly from the accounts. Out of this, around 15.5% (EUR 527.0 million) was corrected as a result of audits. The remaining amounts removed from the accounts were mainly (at least 55%) due to different ongoing assessments under Article 137(2) of the common provisions regulation of expenditure previously declared during the accounting year, but also due to additional management verifications and corrections of clerical errors.

In addition, in 2019, following the Commission and national controls and audits, financial corrections were applied to certified expenditure in previously accepted accounts, thus confirming the effective functioning of the multiannual corrective capacity of the 2014-2020 programmes.

<sup>(122)</sup> For the purposes of calculating its corrective capacity in the annual activity report, DG Agriculture and Rural Development only takes into account the executed amounts related to conformity clearance decisions adopted by the Commission and published in the Official Journal of the European Union, and deducts the corrections in respect of cross-compliance infringements.

<sup>(123) &#</sup>x27;Past cases' refers to conformity clearance enquiries that had been opened before 1 January 2014 and had been pending for a considerable length of time and therefore covered several financial years, resulting in substantial financial corrections being decided during the period where DG Agriculture and Rural Development made an effort to close all such old cases.

<sup>(124)</sup> As regards recoveries by Member States, DG Agriculture and Rural Development uses the amounts reported in the debtor's ledgers.

<sup>(125)</sup> This amount does not include financial corrections at source.

For the European Social Fund, for the accounting year 1 July 2018 to 30 June 2019, 187 European Social Fund / Youth Employment Initiative programmes certified a total expenditure of EUR 18 868.1 million by 31 July 2019, while 26 Fund for European Aid to the Most Deprived programmes certified expenditure amounting to EUR 404.1 million. Following the submission of the annual accounts by 1 March 2020, the amount of the expenditure deducted by the Member States was EUR 1 079.6 million for the European Social Fund / Youth Employment Initiative and EUR 10.6 million for the Fund for European Aid to the Most Deprived. Out of these amounts, deductions of EUR 132.9 million and EUR 1.5 million, respectively, were made by the Member States from the annual accounts, together with withdrawals and recoveries implemented during the accounting year as a result of financial corrections following national and EU audit work.

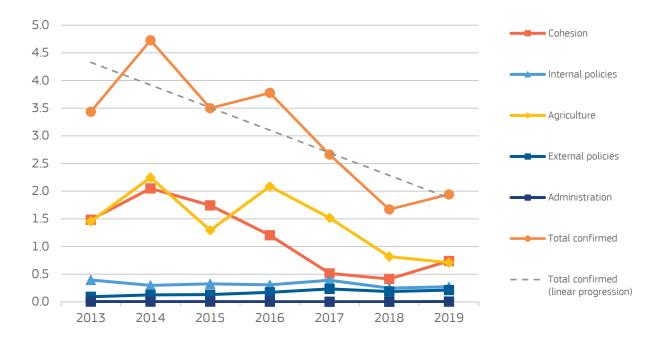
The financial corrections reported for the **European Maritime and Fisheries Fund** amounted to EUR 8.3 million. An additional EUR 71.2 million was deducted from the accounts due to ongoing legality and regularity assessments, and also due to additional management verifications and corrections of clerical errors.

## 3.2. Cumulative financial corrections and recoveries to the end of 2019

Cumulative figures provide useful information on the significance of the corrective mechanisms used by the Commission, particularly because they take into account the multiannual character of programmes and projects and neutralise the impact of one-off events.

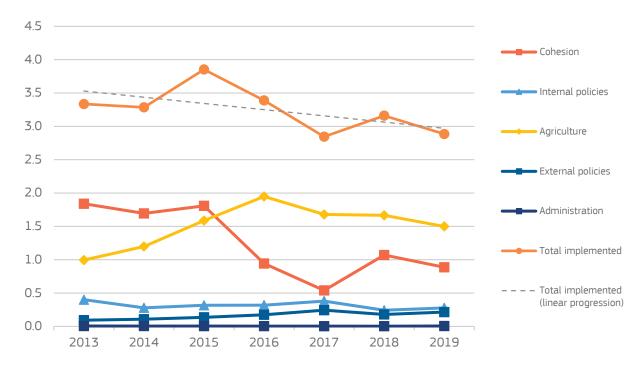
#### 2013-2019 programming period

The charts below show the evolution of financial corrections and recoveries confirmed and implemented during the last 7 years.



Confirmed financial corrections and recoveries for 2013-2019 (billion EUR)

The average **confirmed** financial corrections and recoveries (for 2013-2019) amount to EUR 3.1 billion, which represents 2.1% of the average amount of payments made from the EU budget.



Financial corrections and recoveries implemented for 2013-2019 (billion EUR)

The average amount of financial corrections and recoveries **implemented** for 2013 to 2019 was EUR 3.3 billion, which represents 2.2% of the average amount of payments from the EU budget in that period.

#### Percentage of implementation of financial corrections at the end of 2019

		rmed finan EUR) for pr			Cumulated European Agricultural Guarantee Fund	Confirmed financial corrections at end of	Implemen tation % at end of	Confirmed financial corrections at end of 2018	Implemen tation % at end of
	1994- 1999	2000- 2006	2007- 2013	2014- 2020	decisions (million EUR)	2019 (million EUR)	2019	(million EUR)	2018
Agricultural policy	_	143	1 612	56	14 529	16 341	100.0%	16 040	95.9%
European Agricultural Guarantee Fund	_	_	_	_	14 529	14 529	100.0%	14 410	95.4%
Rural development	_	143	1 612	56	n/a	1811	100.0%	1 630	100.0%
Cohesion policy	2 083	9 387	7 328	_	n/a	18 798	97.4%	18 060	96.5%
European Regional Development Fund	1 143	5 916	4 421	_	n/a	11 480	97.7%	11 036	98.1%
Cohesion Fund	268	852	1 296	_	n/a	2 417	95.2%	2 349	94.1%
European Social Fund	569	2 380	1 584	_	n/a	4 532	97.8%	4 233	93.4%
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	100	140	28	-	n/a	268	99.3%	267	99.3%
European Agricultural Guidance and Guarantee Fund	3	99	0	_	n/a	102	100.0%	174	100.0%
Other	_	0	56	3	n/a	59	100.0%	46	99.6%
Total	2 083	9 531	8 996	59	14 529	35 198	98.6%	34 146	96.2%

 $\label{lem:cumulative} \text{Cumulative confirmed financial corrections and their implementation percentage to the end of 2019}$ 

#### **Cumulative recoveries 2013-2019**

The tables below provide the amounts of recoveries confirmed and implemented for the period 2013-2019.

See also 'Impact on the EU budget', below.

Fund	Year							
Fullu	2013	2014	2015	2016	2017	2018	2019	
Agricultural policy:								
European Agricultural Guarantee Fund	227	213	117	100	195	138	202	
Rural development	139	165	206	242	113	178	186	
Cohesion policy	83	35	5	10	2	3	0	
Internal policies	393	293	302	303	386	247	261	
External policies	93	127	132	173	234	188	214	
Administration	6	5	5	4	3	3	6	
Total (*)	941	838	767	833	933	757	868	

Confirmed recoveries for 2013-2019 (million EUR)

Fund	Year							
ruliu	2013	2014	2015	2016	2017	2018	2019	
Agricultural policy:								
European Agricultural Guarantee Fund	155	150	155	118	131	132	156	
Rural development	129	167	152	43	84	315	181	
Cohesion policy	81	32	7	12	2	3	0	
Internal policies	398	274	293	313	374	241	265	
External policies	93	108	136	175	244	179	215	
Administration	6	5	5	4	3	3	6	
Total (*)	862	736	749	665	837	873	823	

#### Implemented recoveries for 2013-2019 (million EUR)

(\*) NB: The amounts disclosed for 2013 and 2014 are based on a different methodology, which has been subsequently refined to better identify and track recoveries.

#### 3.3. Impact of financial corrections and recoveries

#### Impact on the EU budget

Financial corrections and recoveries may or may not have an impact on the EU budget.

**Replacement of expenditure** refers to the possibility under cohesion legislation for Member States to replace ineligible expenditure with new, eligible expenditure, thereby not losing EU funding (i.e. this is not a net correction as there is no return of money to the EU budget).

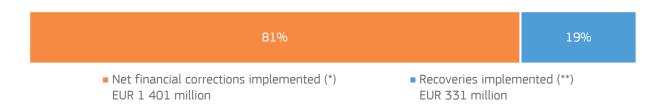
A net financial correction is a correction that has a net impact on the EU budget (i.e. the corrected and recovered amounts are reimbursed to the EU budget).

Agriculture and rural development corrections (for the European Agricultural Guarantee Fund, the European Agricultural Fund for Rural Development and the European Agricultural Guidance and Guarantee Fund) almost always lead to a reimbursement to the EU budget whereas, due to the legal framework, for cohesion policy, the return of previously paid amounts to the EU budget were generally the exception during the implementation of the programmes.

Under the legal framework applicable for cohesion policy up to the end of the 2007-2013 programming period, a real return of cash to the EU budget only occurs:

- if Member States were unable to present sufficient eligible expenditure;
- after the closure of programmes where the replacement of ineligible expenditure by eligible was no longer possible;
- in the event of a disagreement with the Commission.

However, a significant change was introduced for the 2014-2020 period: the Commission has an obligation to apply a net financial correction when serious deficiencies in the effective functioning of the management and control system not previously detected, reported or corrected at Member State level are discovered by EU audits after the submission of the assurance packages. In such cases, unlike in previous programming periods, the possibility for the Member State to accept the correction and to reuse the EU funds in question is removed.



#### Impact on the EU budget (2019)

- (\*) The main expenditure chapters concerned are 0502, 0503, 0504, 1303, 1304, 0402, 1106 and 1803.
- (\*\*) Excluding at-source recoveries. The main expenditure chapters concerned are 0502, 0503, 1303, 1304, 0402 and 1106. For more information on recoveries, see 'Cumulative recoveries 2013-2019' above.

Revenues arising from net financial corrections and recoveries are treated as assigned revenue (126); the Commission also implements recoveries at source by deducting ineligible expenditure (identified in previous or current cost claims) from payments made. In general, assigned revenue goes back to the budget heading or fund from which the expenditure was originally paid and may be spent again, but it is not earmarked for specific Member States.

#### 4. Agriculture and rural development

#### 4.1. Preventive actions

#### **Preventive actions by the Member States**

A compulsory administrative structure has been set up at the Member State level. The management, control and payment of the expenditure are entrusted to accredited paying agencies. Compliance with strict accreditation criteria is subject to constant supervision by the competent national authority (at ministerial level). The directors of paying agencies are required to provide an annual management declaration on the completeness, accuracy and veracity of the accounts, along with a declaration that the system in place provides reasonable assurance of the legality and regularity of the underlying transactions. The annual accounts, the functioning of the internal control procedures and the legality and regularity of the expenditure

 $<sup>(^{126})</sup>$  Article 21(3)(b) of the financial regulation.

of paying agencies are verified and certified by the certification bodies (independent external audit bodies), which also review compliance with the accreditation criteria. The management declarations are also verified by the abovementioned certification bodies, which are required to provide an annual opinion. For each support scheme financed by the **European Agricultural Guarantee Fund** or the **European Agricultural Fund for Rural Development**, the paying agencies apply a system of exhaustive *ex ante* administrative controls and on-site checks prior to any payment. These checks are carried out in accordance with precise rules set out in the sector-specific legislation. For the majority of these aid schemes Member States are required to send statistical information on the checks carried out and their results to the Commission on a yearly basis.

#### **Preventive actions by the Commission**

The Commission applies a number of available preventive instruments such as the interruption, suspension and reduction of EU financing with a view to better protecting the EU budget and further incentivising Member States to reduce irregular payments. The Commission may interrupt payments for the second pillar (the European Agricultural Fund for Rural Development) and reduce or suspend the payments for both pillars (the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development).

Firstly, where the declarations of expenditure or the annual accounts do not enable the Commission to establish whether the expenditure has been effected in accordance with EU rules, the Commission may reduce or suspend the payments to the Member State under both pillars.

Secondly, the Commission may reduce or suspend monthly (**European Agricultural Guarantee Fund**) or interim (**European Agricultural Fund for Rural Development**) payments where 'one or more of the key components of the national control system in question do not exist or are not effective due to the gravity or persistence of the deficiencies found' (127) (or if there are similar serious deficiencies in the system for the recovery of irregular payments) and:

- either the deficiencies are of a continuous nature and have already been the cause of at least two financial correction decisions; or
- the Commission concludes that the Member State concerned is not in a position to implement the
  necessary remedial measures in the immediate future, in accordance with an action plan with clear
  progress indicators to be established in consultation with the Commission.

For the **European Agricultural Fund for Rural Development**, the common provisions regulation (<sup>128</sup>) also provides for the interruption of interim payments by the authorising officer by delegation (i.e. the Director-General) as an additional, quick, reactive tool in the event of concerns about the legality and regularity of payments. In 2019, payments of a total of EUR 4 million were interrupted for Czechia, Lithuania, Austria and Romania, and payments of EUR 0.247 million and EUR 0.084 million were also suspended for Czechia and Romania, respectively.

For the **European Agricultural Guarantee Fund**, the schedule of the monthly payments would not allow for such an interruption procedure. For the European Agricultural Guarantee Fund in 2019, the Commission decided to reduce payments by EUR 68 million due to ceiling overruns, missed deadlines and eligibility issues. There were no suspensions or reductions in the monthly payments that were due to deficiencies in the control system in 2019.

The interruptions and reductions/suspensions are provisional. Where relevant, these are accompanied by an audit. If the deficiency is confirmed, the relevant expenditure is definitively excluded from EU funding by the application of a financial correction under the conformity clearance procedure.

<sup>(127)</sup> Article 41 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy (OJ L 347, 20.12.2013, p. 549).

<sup>(128)</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund (OJ L 347, 20.12.2013, p. 320).

#### 4.2. Corrective actions

For the **European Agricultural Guarantee Fund**, financial corrections are executed by deducting the amounts concerned from the monthly payments made by the Commission in the 2nd month following the Commission decision on a financial correction to the Member State concerned.

For the **European Agricultural Fund for Rural Development**, the financial corrections are executed through a recovery order requesting the Member State concerned to reimburse the amounts to the EU budget; they are mostly executed by a set-off in the reimbursement in the following quarter. It therefore occurs that decisions adopted at the end of year N are only executed at the beginning of year N+1.

Furthermore, the execution of the decision may be delayed due to instalment and deferral decisions. In 2019, a total of EUR 146 million was scheduled for recovery in three annual instalments.

## 4.3. Deficiencies identified in Member States' management and control and measures undertaken

The main root causes of errors leading to corrections have been:

- errors of non-compliance;
- eligibility conditions not being met;
- breaches of procurement rules.

These were addressed by putting in place action plans that identify the deficiencies for the paying agencies concerned and establish remedial actions for them to implement.

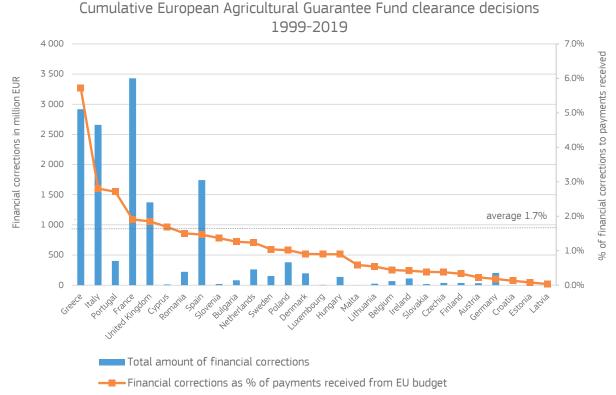
In general, the Commission has launched an ambitious simplification process intended to reduce complexity and the administrative burden, which will also contribute to bringing the risk of error further down.

#### 4.4. Cumulative figures

Concerning the **European Agricultural Guarantee Fund**, the average correction rate per financial year from 1999 to 2019 has been 1.7% of expenditure. Once decided by the Commission, the corrections are implemented automatically unless a Member State has been granted the possibility of paying in three annual instalments.

Member State	European Agricultural Guarantee Fund payments received from EU budget (million EUR)	Payments received as % of total payments from EU budget	Cumulated European Agricultural Guarantee Fund financial corrections at end 2019 (million EUR)	Financial corrections as % of payments received from EU budget	Financial corrections for Member State as % of total amount of financial corrections
Belgium	15 184	1.7%	67	0.4%	0.5%
Bulgaria	6 437	0.7%	81	1.3%	0.6%
Czechia	9 989	1.1%	38	0.4%	0.3%
Denmark	21 629	2.5%	196	0.9%	1.4%
Germany	112 906	12.9%	204	0.2%	1.4%
Estonia	1 251	0.1%	1	0.1%	0.0%
Ireland	26 823	3.1%	112	0.4%	0.8%
Greece	51 053	5.9%	2 918	5.7%	20.1%
Spain	118 724	13.6%	1 742	1.5%	12.0%
France	179 896	20.6%	3 430	1.9%	23.6%
Croatia	1 192	0.1%	2	0.1%	0.0%
Italy	94 780	10.9%	2 658	2.8%	18.3%
Cyprus	682	0.1%	12	1.7%	0.1%
Latvia	1 966	0.2%	1	0.0%	0.0%
Lithuania	4 742	0.5%	26	0.5%	0.2%
Luxembourg	666	0.1%	6	0.9%	0.0%
Hungary	15 208	1.7%	136	0.9%	0.9%
Malta	60	0.0%	0	0.6%	0.0%
Netherlands	21 192	2.4%	262	1.2%	1.8%
Austria	14 767	1.7%	34	0.2%	0.2%
Poland	37 451	4.3%	380	1.0%	2.6%
Portugal	14 829	1.7%	402	2.7%	2.8%
Romania	14 683	1.7%	221	1.5%	1.5%
Slovenia	1 481	0.2%	20	1.4%	0.1%
Slovakia	4 683	0.5%	18	0.4%	0.1%
Finland	11 109	1.3%	37	0.3%	0.3%
Sweden	14 739	1.7%	153	1.0%	1.1%
United Kingdom	74 097	8.5%	1 373	1.9%	9.4%
Total	872 218	100%	14 529	1.7%	100%

Cumulative financial corrections for the European Agricultural Guarantee Fund decided under conformity clearance of accounts from 1999 to the end of 2019, by Member State



Cumulative financial corrections for the European Agricultural Guarantee Fund under conformity clearance of accounts from 1999 to the end of 2019, compared to payments received from the EU budget

#### 4.5. Member States' corrections

Member States are required to put in place the following systems for *ex ante* controls and reductions or exclusions of financing.

- For each aid support scheme financed by the European Agricultural Guarantee Fund or the European
  Agricultural Fund for Rural Development, ex ante administrative and on-site checks are performed
  and dissuasive sanctions are applied in the event of non-compliance by the beneficiary. If on-site
  checks reveal a high number of irregularities, additional controls must be carried out.
- In this context, the most important system by far is the Integrated Administration and Control System. In the financial year 2019, the Integrated Administration and Control System covered 83.9% of European Agricultural Guarantee Fund and rural development expenditure.
- Detailed reporting by Member States to the Commission on the checks that they carry out and on the sanctions applied is provided for in the legislation and enables the degree of error found by Member States at the level of the final beneficiaries to be calculated for the main aid schemes.

These reports from the Member States disclosed the preventive effect of the *ex ante* administrative and onsite controls carried out, which led to corrections amounting to EUR 541.75 million. The biggest corrections are related to Spain (EUR 113 million), Italy (EUR 79 million) and France (EUR 74 million).

Member State	Member State's own corrections to European Agricultural Guarantee Fund market measures	Member State's own corrections to European Agricultural Guarantee Fund direct payments	Member State's own corrections to European Agricultural Fund for Rural Development	Member State's total own corrections in 2019
Belgium	1.30	1.82	2.54	5.66
Bulgaria	0.04	30.22	10.01	40.27
Czechia	0.05	1.05	3.14	4.25
Denmark	0.12	0.97	1.97	3.07
Germany	3.48	8.10	13.62	25.20
Estonia	0.01	0.81	4.07	4.88
Ireland	0.18	1.18	4.37	5.73
Greece	3.36	10.02	6.50	19.88
Spain	20.18	72.66	20.14	112.98
France	35.35	18.32	20.23	73.90
Croatia	7.53	7.57	9.13	24.23
Italy	17.52	45.05	15.96	78.54
Cyprus	0.45	0.95	0.18	1.59
Latvia	0.03	0.96	0.88	1.86
Lithuania	0.00	1.99	2.79	4.78
Luxembourg	0.00	0.27	0.18	0.45
Hungary	4.14	8.65	7.69	20.49
Malta	0.01	0.03	0.06	0.10
Netherlands	0.40	9.04	1.34	10.79
Austria	0.84	0.35	3.25	4.44
Poland	0.57	15.50	6.36	22.43
Portugal	8.49	3.04	7.29	18.82
Romania	0.62	18.54	13.89	33.04
Slovenia	0.22	0.25	1.07	1.53
Slovakia	0.25	1.76	1.57	3.58
Finland	0.40	1.79	2.04	4.23
Sweden	0.06	1.72	2.31	4.08
United Kingdom	0.20	5.99	4.78	10.97
Total	105.79	268.61	167.35	541.75

Member States' own corrections in 2019, applied before payments to beneficiaries were executed, in addition to Commission reporting (million EUR)

#### 5. Cohesion policy

#### 5.1. Preventive actions

The regulations for all programming periods enable **the Commission to apply preventive measures**, i.e. payment interruptions (<sup>129</sup>) and suspensions, and financial corrections. The Commission policy on interruption and suspension of payments operates on a preventive basis, triggering the interruption of interim payments as soon as there is evidence to suggest a significant deficiency in the management and control system of all or part of an operational programme, thus avoiding the reimbursement by the EU budget of amounts which might be affected by serious irregularities. As regards **European Regional Development Fund / Cohesion Fund** and **European Social Fund** programmes, it is worth underlining that the remedial action plans agreed by the Member States as a result of the Commission's supervisory activities also have a preventive impact on expenditure already incurred by beneficiaries and registered at national level in the certifying authority's accounts, but not yet declared to the Commission. For such expenditure, the certifying authority applies the financial correction requested by the Commission prior to declaring expenditure. Expenditure declared to the Commission is thus already the net amount (i.e. without irregular amounts.)

Similarly, warning letters sent out by the Commission when system deficiencies are identified before a payment claim is submitted to the Commission may also have a preventive effect in protecting the EU budget, but no amount is reported by the Commission / Member States in such cases as this effect is more difficult to quantify.

Interruptions and suspensions are only lifted on the basis of reasonable assurance of the implementation of corrective measures and/or after financial corrections have been implemented. For the 2007-2013 programming period, under the closure process the suspension of payments has been merged with the closure process itself.

In view of the regulatory changes for 2014 to 2020 (in particular, the relationship between Article 83, on interruption, and Article 142, on suspensions, of the common provisions regulation; and two new elements in the regulation – the annual closure of accounts and the 10% retention on reimbursement of interim payments (Articles 130 and 139)), DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion agreed to follow a common approach regarding interruption of payments, as a balanced solution that protects the EU budget against serious irregularities and serious deficiencies in the management and control system. This ensures a residual error rate of below 2% and the possibility for the Commission to apply net financial corrections should its audit directorates (or the European Court of Auditors) identify serious deficiencies subsequent to the submission of the accounts not identified, reported or corrected by the Member State.

Under the agreed approach, an interruption is necessary only where a serious deficiency in the management and control system would require a correction higher than 10% or where the irregularity would have serious financial consequences (an impact of above 10% of the programme's financial allocation or above the threshold of EUR 50 million), according to Article 83(1)(a) of the common provisions regulation. If no payment claim is submitted, a warning letter of the potential interruption of the payment deadline is to be sent. A warning letter is also sent for cases with an estimated risk to the EU budget of below 10%. In the event of system deficiencies, the Member State is requested to take the necessary measures to improve the system, and in the event of irregularities the Member State is required to not include related expenditure in the interim claims and in the account until the legality and regularity of the expenditure is confirmed.

<sup>(129)</sup> Except for the 2000-2006 period.

#### **Interruptions**

For cohesion, at this stage of **the 2007-2013 programming period**, since the submission of the closure packages at the end of March 2017, no further interim payments have been processed. Once the Member State has sent an application for payment of the final balance, that application replaces all pending applications for interim payments. As of that moment, the Commission's obligation to honour pending applications for interim payments ceases. Consequently, an interruption or suspension decision in relation to applications for interim payments or the lifting of an existing suspension decision is no longer necessary. It should be noted that the Member State is nevertheless required to take the necessary action to solve all deficiencies identified during the closure procedure. The interruptions and suspension cases will be monitored during the closure of their respective programmes and the suspension decisions will be formally repealed after the closure of the programmes.

For **the 2014-2020 programming period**, there were 20 interruptions (19 new and 1 carried over from 2018) for the **European Regional Development Fund / Cohesion Fund** programmes in 2019, and 6 warnings of interruptions. In 2019, 16 interruptions and 3 warnings of interruptions were lifted.

For the European Social Fund / Youth Employment Initiative and the Fund for European Aid to the most Deprived, 12 interruption decisions were adopted in 2019. In addition, 16 warning letters were sent to the Member States concerned.

For the European Maritime and Fisheries Fund there were four open cases of interruptions for a total amount of EUR 6.2 million, three of which relate to a lack of compliance with the management and control system, as per Article 83(1)(a) of the common provisions regulation. The fourth case relates to the application of Article 100(1) of the European Maritime and Fisheries Fund in a case of non-compliance with the common fisheries policy obligations. The cases are currently being followed up on in close cooperation with the Member States concerned.

#### **Suspensions**

For the **2014–2020 programming period**, there were seven pre-suspensions concerning the reliability of performance data and one suspension decision concerning *ex ante* conditionality for the **European Regional Development Fund / Cohesion Fund** programmes. Two pre-suspensions concerning the reliability of performance data were lifted.

For the European Social Fund / Youth Employment Initiative and the Fund for European Aid to the most Deprived, one suspension decision was adopted in 2019 and five pre-suspension letters were sent to the Member States.

For the **European Maritime and Fisheries Fund** there is only one suspension (related to Ireland) as of 31 December 2019, for a total amount of EUR 6 million.

#### 5.2. Corrective actions

For cohesion policy, where the Commission identifies individual irregularities (including those of a systemic nature) or serious deficiencies in the Member State management and control systems, it can apply financial corrections with the purpose of restoring a situation where all of the expenditure declared for co-financing from the European Regional Development Fund, the Cohesion Fund or the European Social Fund and reimbursed by the Commission is in line with the applicable rules.

During the 2000-2006 and 2007-2013 programming periods, Member States were able to replace irregular expenditure with new expenditure if they took the necessary corrective actions and applied the related financial correction. If the Member State did not have any such additional expenditure to declare, the financial correction resulted in a net correction (a loss of funding). In contrast, a Commission financial correction decision always had a direct and net impact on the Member State: the Member State had to pay the amount back and its financial allocation was reduced (i.e. the Member State could spend less money throughout the programming period).

Net corrections were rather the exception under the 2007-2013 framework, due to the legal framework and type of budget management (reinforced preventive mechanism). The regulatory provisions for the 2014-2020 period significantly strengthen the Commission's position on protecting the EU budget from irregular expenditure. This is mainly due to the set-up of the new annual assurance model, which reduces the risk of a material level of error. In fact, the new legal framework provides for increased accountability for programme managing authorities, which have to perform sound management verifications in time for the submission of the programme accounts each year. The Commission retains 10% of each interim payment until the finalisation of the whole national control cycle. It is in the best interests of the Member States to ensure the timely identification of serious deficiencies in the functioning of the management and control system and in the reporting of reliable error rates, since **the Commission makes net financial corrections** where Member States have not appropriately addressed any deficiencies before submitting their annual accounts to the Commission.

## 5.3. Deficiencies identified in Member States' management and control and measures undertaken

As mentioned above, under shared management, Member States are primarily responsible for the effective and efficient functioning of the management and control systems at the national level. Nevertheless, the Commission seeks to ensure that the national systems prevent errors before certification, and it takes a number of actions (such as capacity-building actions) in Member States, pursuing the single audit approach further, carrying out complementary risk-based audits and exercising strict supervision over programme management, using the available legal tools, such as **interruptions**, **suspensions** and, where necessary, **financial corrections** 

During the 2007-2013 period, the Commission put in place targeted actions to improve the administrative capacity in the Member States; these have continued over the 2014-2020 period. Cross-cutting initiatives to mitigate the main risks and weaknesses identified include the following.

**A general administrative capacity-building initiative.** The initiative contains the following ongoing or already implemented measures.

- The Technical Assistance and Information Exchange Instrument, an exchange tool for regional policy practitioners/experts from authorities managing and implementing European Regional Development Fund and Cohesion Fund programmes in the Member States. In this framework, 208 peer-to-peer exchanges were carried out by December 2019, involving 3 232 participants, from all EU Member States. These exchanges should help Member States improve the quality and the legality of spending and accelerate the absorption of funds.
- A strategic training programme for managing, certifying and audit authorities and intermediate bodies on the implementation of the 2014-2020 regulations: 1 150 participants, from all Member States, had attended the six different training modules held by the end of 2019, and a total of 38 2-day training sessions have been held at the premises of DG Regional and Urban Policy.
- A competency framework for the efficient management and implementation of the European Regional Development Fund and the Cohesion Fund, aimed at supporting further professionalisation of the fund management. The framework is accompanied by a self-assessment tool, which is a flexible instrument enabling employees to assess their own level of proficiency in each of the skills required for their job. The assessment results can be aggregated at the institutional level, thereby providing a basis for the preparation of learning and development plans. The self-assessment tool and user quidelines, as well as other support documents, are available in 21 EU languages.
- Phase 1 of a pilot project on frontloading administrative capacity building has been implemented in close cooperation with the Organisation for Economic Co-operation and Development. Five managing authorities, from Bulgaria, Greece, Spain, Croatia and Poland, received assistance to develop roadmaps to enhance administrative capacity building. The key findings of the pilot project are detailed in a synthesis report drafted by the Organisation for Economic Co-operation and Development, and the project's recommendations to managing authorities, national authorities and the Commission are aimed at improving the management and implementation of European Structural and Investment Funds in the 2021-2027 programming period. The Commission has signed an agreement with the Organisation for Economic Co-operation and Development for phase 2, under which selected actions from the roadmap will be implemented. Furthermore, a draft practical toolkit on how to develop roadmaps for administrative capacity building will provide support to Member States.
- Prevention of fraud and corruption. Focusing on awareness raising and practical tools and instruments to fight fraud and corruption, such as data-mining tools, open data and intensified cooperation with civil society organisations; finalising a study on appropriate anti-fraud and anti-corruption practices in the management of the funds applied in the Member States; launching a study identifying good practices and developing capacity-building tools for prevention of fraud/corruption.
- Pilot integrity pacts. An integrity pact is an innovative tool developed by Transparency International to help governments, businesses and civil society fight corruption in public contracting. It is based in an agreement between a contracting authority and economic operators bidding for public contracts that they will abstain from corrupt practices and will conduct a transparent procurement process. To

ensure accountability and legitimacy, a civil society organisation monitors the process to ensure that all parties comply with their ethical commitments throughout the entire project life cycle, i.e. from the drafting of the terms of reference to the closure of the project. Currently, 18 pilot integrity pacts are being implemented in 11 Member States (Bulgaria, Czechia, Greece, Italy, Latvia, Lithuania, Hungary, Poland, Portugal, Romania and Slovenia), showing some significant first results.

- A dedicated action plan on public procurement. For strengthening capacity in the field of public procurement, in close cooperation with DG Internal Market, Industry, Entrepreneurship and SMEs, other departments dealing with the European Structural and Investment Funds and the European Investment Bank. The action plan includes 41 actions (22 concluded; 19 ongoing), some of which are:
  - the promotion of transparency and open data on public procurement by implementing pilot projects with the European Bank for Reconstruction and Development in some Member States;
  - the provision of support to post-2020 programme negotiations (via the enabling condition for public procurement etc.);
  - actions to ensure a level playing field and training for Member States on strategic public procurement;
  - o an overview of the typology of public procurement errors reported by national audit authorities and errors detected by DG Regional and Urban Policy auditors;
  - the promotion of strategic procurement (e.g. smart, green and inclusive procurement or procurement involving small and medium-sized enterprises) in cohesion policy in cooperation with the Organisation for Economic Co-operation and Development.
- A state aid action plan designed in close cooperation with DG Competition. This aims at increasing awareness and understanding of the impact of state aid on cohesion policy, improving the cooperation between the various actors involved in the monitoring of state aid in the Member States, and providing proactive support to the EU Member States and regions in the correct application of state aid rules. It includes measures for:
  - o the reviewing of existing good practices and their dissemination;
  - o strategic training programmes, including expert and country-specific seminars;
  - tailor-made assistance to Member States, offering them expert support.

As regards the **European Social Fund**, ineligible costs continue to be the main source of error, together with ineligible projects/beneficiaries, followed by public procurement issues. The Commission has initiated targeted measures to address the root causes of errors in these areas.

#### **5.4.** Cumulative figures

## Cohesion policy: European Regional Development Fund / Cohesion Fund and European Social Fund 2007-2013

A lower volume of financial corrections reflects an improvement in the capacity of the management and control systems to detect problems and to correct errors before expenditure is declared to the Commission, as shown by the lower error rates for cohesion policy in the 2007-2013 period than in the 2000-2006 period. Reference is also made to the corrections imposed by Member States in this period.

Member State	European Regional Development Fund / Cohesion Fund + European Social Fund (million EUR) contribution amount	% of contribution amount out of total contributions	Financial corrections confirmed (million EUR)	Financial corrections as % of total European Regional Development Fund / Cohesion Fund + European Social Fund contributions	Financial corrections imposed as % of total financial corrections
Belgium	2 059	0.6%	27	1.3%	0.4%
Bulgaria	6 595	1.9%	159	2.4%	2.2%
Czechia	25 819	7.5%	847	3.3%	11.6%
Denmark	510	0.1%	0	0.0%	0.0%
Germany	25 458	7.4%	194	0.8%	2.7%
Estonia	3 403	1.0%	16	0.5%	0.2%
Ireland	751	0.2%	24	3.2%	0.3%
Greece	20 210	5.8%	579	2.9%	7.9%
Spain	34 521	10.0%	928	2.7%	12.7%
France	13 546	3.9%	88	0.6%	1.2%
Croatia	858	0.2%	1	0.1%	0.0%
Italy	27 940	8.1%	543	1.9%	7.4%
Cyprus	612	0.2%	2	0.3%	0.0%
Latvia	4 530	1.3%	67	1.5%	0.9%
Lithuania	6 775	2.0%	0	0.0%	0.0%
Luxembourg	50	0.0%	0	0.1%	0.0%
Hungary	24 893	7.2%	1 190	4.8%	16.3%
Malta	840	0.2%	12	1.4%	0.2%
Netherlands	1 660	0.5%	0	0.0%	0.0%
Austria	1 170	0.3%	16	1.4%	0.2%
Poland	67 186	19.4%	795	1.2%	10.9%
Portugal	21 412	6.2%	97	0.5%	1.3%
Romania	18 782	5.4%	1 043	5.6%	14.3%
Slovenia	4 101	1.2%	50	1.2%	0.7%
Slovakia	11 483	3.3%	477	4.2%	6.5%
Finland	1 596	0.5%	0	0.0%	0.0%
Sweden	1 626	0.5%	1	0.1%	0.0%
United Kingdom	9 878	2.9%	133	1.4%	1.8%
European territorial cooperation	7 956	2.3%	12	0.2%	0.2%
Total	346 220	100%	7 300	2.1%	100%

European Regional Development Fund / Cohesion Fund and European Social Fund confirmed financial corrections for the 2007-2013 programming period, as of 31 December 2019, by Member State

As the 2007-2013 programmes are multi-funds, no split is given between European Regional Development Fund and Cohesion Fund data in the table above.

#### 1 400 6.0% European Regional Development Fund / Cohesion Fund + European received Social Fund total financial corrections in million EUR 000 00 00 00 00 <math display="inline">005.0% contributions 4.0% 3.0% average 2.1% of financial corrections out of 2.0% 1.0% 0.0% European Social Fund total financial corrections European Regional Development Fund / Cohesion Fund total financial corrections

#### Programming period 2007-2013

Member States' confirmed cumulative financial corrections as of 31 December 2019 for the European Regional Development Fund / Cohesion Fund and European Social Fund for programming period 2007-2013, compared to contributions received

-% of financial corrections to contributions

For the European Regional Development Fund / Cohesion Fund programmes, the Commission has imposed financial corrections of around EUR 5.7 billion (130) cumulatively since the beginning of the 2007-2013 programming period (including EUR 1.4 billion in financial corrections applied by the Member States, before or when the expenditure was declared to the Commission, as a result of requested remedial actions). The main Member States concerned are Hungary (EUR 1 143 million), Czechia (EUR 777 million), Poland (EUR 637 million), Romania (EUR 582 million), Spain (EUR 553 million), Greece (EUR 485 million), Italy (EUR 435 million) and Slovakia (EUR 432 million).

For the **European Social Fund**, the Member States with the highest amount of cumulative financial corrections confirmed are Romania (EUR 461 million), Spain (EUR 376 million), Poland (EUR 158 million) and Italy (EUR 108 million). At this stage of the implementation and at the closure of the programmes the cumulative amount of financial corrections confirmed stands at EUR 1.583 billion, representing 2% of the European Social Fund's declared expenditure at close. The cumulative amount of the financial corrections implemented stands at EUR 2 995 million (EUR 1 509 million implemented at Member State level and EUR 1 486 million implemented by the Commission), representing around 3.8% of the declared expenditure.

<sup>(130)</sup> Including financial corrections at source.

#### 5.5. Member States' corrections

## Financial corrections declared by the Member States for the cohesion policy period 2014-2020 $(^{131})$

In February 2020 the Member State authorities submitted the certified accounts for the accounting year 1 July 2018 to 30 June 2019. According to the information received in the assurance packages, following the results of the audit of operations, for the **European Regional Development Fund / Cohesion Fund** the Member States have applied financial corrections totalling EUR 527.0 million. The financial corrections imposed for the **European Social Fund / Youth Employment Initiative** and the **Fund for European Aid to the most Deprived** amounted to EUR 134.4 million, while for the **European Maritime and Fisheries Fund** EUR 8.3 million was reported in 2019.

Member State	European Regional Development Fund / Cohesion Fund	European Social Fund — Youth Employment Initiative / Fund for European Aid to the Most Deprived	European Maritime and Fisheries Fund	Total
Belgium	2.3	0.5	0.0	2.8
Bulgaria	11.9	0.8	1.6	14.3
Czechia	7.0	0.0	0.7	7.7
Denmark	_	0.0	0.0	0.0
Germany	16.0	5.4	0.0	21.5
Estonia	1.3	0.0	0.0	1.3
Ireland	1.5	-	0.0	1.5
Greece	27.9	7.8	0.0	35.7
Spain	76.3	62.2	0.2	138.6
France	65.3	8.1	0.4	73.8
Croatia	0.1	2.7	1.4	4.2
Italy	52.7	7.6	_	60.2
Cyprus	0.1	0.0	_	0.1
Latvia	0.1	0.0	0.0	0.1
Lithuania	3.3	0.5	_	3.9
Luxembourg	_	_	_	0.0
Hungary	13.1	9.1	_	22.2
Malta	0.0	0.0	_	0.0
Netherlands	0.1	_	0.0	0.1
Austria	14.8	0.1	0.0	14.9
Poland	8.8	0.9	_	9.7
Portugal	109.6	3.0	2.9	115.5

<sup>(131)</sup> This information was sent in the assurance packages received in February 2020 for the 5th accounting year and is still under assessment by the Commission services (information as reported by the Member States, pending verification by the Commission).

Member State	European Regional Development Fund / Cohesion Fund	European Social Fund — Youth Employment Initiative / Fund for European Aid to the Most Deprived	European Maritime and Fisheries Fund	Total
Romania	69.7	10.9	0.2	80.8
Slovenia	1.0	0.0	0.0	1.1
Slovakia	34.8	0.5	0.1	35.4
Finland	0.1	0.0	0.2	0.3
Sweden	0.0	0.0	0.0	0.0
United Kingdom	7.4	14.1	0.4	21.9
European territorial cooperation	1.9	_	_	1.9
Total implemented	527.0	134.4	8.3	669.6

Financial corrections for the accounting year 1 July 2018 to 30 June 2019 reported by Member States for the cohesion policy period 2014-2020, in addition to Commission reporting (million EUR)

#### 6. Direct and indirect management

For direct and indirect management expenditure, the Commission has control frameworks in place to prevent, detect, correct and thus deter irregularities at the different stages of the grant management process in order to achieve both operational and financial objectives. An overview of the controls made in two key areas of direct and indirect management expenditure, research and international aid, are given below.

For **research expenditure**, the control framework applicable to both direct (132) and indirect (133) management modes starts with the development of a work programme, which goes through a wide-ranging consultation process to ensure that it best meets the expectations of all stakeholders and will maximise the research outcome. Following the evaluation of proposals, further controls are then carried out as the selected proposals are translated into legally binding contracts. Project implementation is monitored throughout the lifetime of the project. Payments against cost claims are all subject to *ex ante* checks according to standard procedures, which include an audit certificate given by a qualified auditor. As well as standard controls, additional, targeted controls can also be carried out based on the information received and the risk of the transaction.

A main source of assurance comes from in-depth *ex post* checks carried out on a sample of claims, at the beneficiaries' premises, after costs have been incurred and declared. A large number of such in-depth checks are carried out over the lifetime of the programme. Any amounts paid in excess of what is due are recovered, and systemic errors are extrapolated to all of the beneficiary's ongoing EU-funded projects.

In the field of **international cooperation and development**, the Commission has established a control framework to prevent, detect, correct and thus deter irregularities at the different stages of the implementation of funding, applicable to both management modes, direct and indirect (<sup>134</sup>), used for this implementation. This strategy starts with choosing the most appropriate tool when drafting the planning documents and the financial decisions, and leads into the actual checks carried out at all stages of the implementation. From the point of view of financial control, the system is made up of a number of instruments systematically applied to the implementation of contracts and grants for all management modes: *ex ante* checks on payments, audits carried out by the Commission and provided for in an audit plan, expenditure verifications carried out prior to payments by beneficiaries of grants, verification missions to international organisations and an overall *ex post* control on the basis of the residual error rate study carried out every year.

The EU's financial interests are therefore safeguarded by, in addition to all the other possible means offered by the financial regulation, the Commission's *ex ante* control of individual transactions as well as subsequent controls or audits, and by the resulting recovery of any unduly disbursed funds where the agreed procedures have not been respected, or where the activities were not eligible for EU financing.

<sup>(132)</sup> I.e. the research budget is implemented by the Commission and executive agencies.

<sup>(133)</sup> I.e. the implementation of the research budget is entrusted to joint undertakings.

<sup>(134)</sup> I.e. the budget implementation is carried out by international organisations.

#### 7. Detailed information on financial corrections and recoveries

#### 7.1. Net financial corrections 2019

#### Confirmed

Multiannual financial framework heading	Net financial corrections confirmed in 2019 (*)	Financial corrections with replacement of expenditure, and other corrections confirmed in 2019	Total financial corrections confirmed in 2019
Smart and inclusive growth	281	529	810
European Regional Development Fund	1	443	443
Cohesion Fund	0	68	68
European Social Fund	280	19	299
Sustainable growth: natural resources	251	0	251
European Agricultural Guarantee Fund (**)	141	_	141
Rural development	181	_	181
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0	_	0
European Agricultural Guidance and Guarantee Fund	(72)	_	(72)
Security and citizenship	6	7	13
Migration and home affairs	6	7	13
Total	537	536	1 074

#### Confirmed net financial corrections in 2019, by multiannual financial framework heading (million EUR)

NB: Due to the rounding of figures to the nearest million EUR, some financial data in the table above may appear not to add up.

#### **Implemented**

Multiannual financial framework heading	Net financial corrections implemented in 2019	Financial corrections with replacement of expenditure, and other corrections implemented in 2019	Total financial corrections implemented in 2019
Smart and inclusive growth	304	654	958
European Regional Development Fund	35	356	391
Cohesion Fund	0	88	88
European Social Fund	269	210	479
Sustainable growth: natural resources	1 091	0	1 091
European Agricultural Guarantee Fund	982	_	982

<sup>(\*)</sup> A total of EUR 235 million remains to be classified and is treated as non-net corrections in this table.

<sup>(\*\*)</sup> For the purposes of calculating its corrective capacity in the annual activity report, DG Agriculture and Rural Development only takes into account the amounts related to conformity clearance decisions adopted by the Commission and published in the Official Journal of the European Union, and deducts the corrections in respect of cross-compliance infringements

Multiannual financial framework heading	Net financial corrections implemented in 2019	Financial corrections with replacement of expenditure, and other corrections implemented in 2019	Total financial corrections implemented in 2019
Rural development	181	_	181
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0	_	0
European Agricultural Guidance and Guarantee Fund	(72)	_	(72)
Security and citizenship	6	7	13
Migration and home affairs	6	7	13
Total	1 401	661	2 062

Implemented net financial corrections in 2019, by multiannual financial framework heading (million EUR)

NB: Due to the rounding of figures to the nearest million EUR, some financial data in the table above may appear not to add up.

The impact of the correction mechanism varies depending on the type of budget implementation, the sectorial management and the financial rules of the policy area. In all cases, the correction mechanisms aim to protect the EU budget from expenditure incurred that is in breach of law.

#### 7.2. Breakdown of flat-rate corrections 2019

Flat-rate corrections (135) are a valuable tool used when the related amount cannot be quantified on the basis of a representative statistical sample or when the impact of individual errors on expenditure cannot be quantified precisely. However, this means that a Member State subject to a flat-rate correction normally bears the financial consequences as these corrections are not directly linked to individual irregularities at project level, i.e. there is no individual final beneficiary to recover monies from.

Multiannual financial framework heading	Total financial corrections confirmed	Flat-rate financial corrections (*) confirmed in 2019	Total financial corrections implemented	Flat-rate financial corrections (*) implemented in 2019
Agriculture				
European Agricultural Guarantee Fund	141	5	982	458
European Agricultural Fund for Rural Development	181	18	181	18
Cohesion				
European Regional Development Fund and Cohesion Fund (**)	511	137	479	137
European Social Fund	299	280	479	301

<sup>(135)</sup> For the European Regional Development Fund / Cohesion Fund, flat-rate corrections should be seen as an estimation of the financial corrections (flat-rate and/or extrapolated) that are not directly linked to individual operations/projects. It also needs to be underlined that in some cases the amounts of corrections communicated by the Member States cover both individual and flat-rate/extrapolated corrections; for reporting purposes these amounts are included under the typology (individual or flat-rate) that is considered prevalent. These two limitations do not have an impact on the reliability of the global amounts reported.

Multiannual financial framework heading	Total financial corrections confirmed	Flat-rate financial corrections (*) confirmed in 2019	Total financial corrections implemented	Flat-rate financial corrections (*) implemented in 2019
Financial Instrument for Fisheries Guidance / European Fisheries Fund / European Maritime and Fisheries Fund	0	0	0	0
European Agricultural Guidance and Guarantee Fund	(72)	_	(72)	_
Internal policies	13	8	13	8
Total	1 074	448	2 062	921

Flat-rate financial corrections in 2019, by multiannual financial framework heading (million EUR)

- (\*) Includes extrapolated corrections.
- (\*\*) Breakdown of flat-rate corrections only available for 2007-2013 multiannual financial framework.

#### 7.3. Breakdown of at-source financial corrections 2019

Member State	At-source financial corrections confirmed in 2019	At-source financial corrections implemented in 2019
Belgium	0.3	0.3
Czechia	_	67.2
Hungary	_	0.1
TOTAL	0.3	67.6

At-source financial corrections in 2019 (million EUR)

At-source financial corrections are applied by the Member State authorities before or at the same time that new expenditure is declared to the Commission. In the majority of cases they are the result of flat-rate corrections imposed for deficiencies in the management and control system, identified following the Commission audits  $(^{136})$ .

The main at-source financial correction implemented in 2019 concerns the **European Regional Development Fund** (in Czechia, for EUR 67 million).

<sup>(136)</sup> As a result, the eligible expenditure declared to the Commission is capped at the amount established after the deduction of the flatrate correction.

## 7.4. Breakdown by Member State: Financial corrections in 2019 compared to EU payments received

Member State	Payments received from the EU budget in 2019 (million EUR)	Financial corrections confirmed in 2019 (million EUR)	Financial corrections confirmed in 2019 as % of payments received from the EU budget in 2019	Financial corrections implemented in 2019 (million EUR)	Financial corrections implemented in 2019 as % of payments received from the EU budget in 2019
Belgium	1 245	15	1.2%	17	1.3%
Bulgaria	2 238	20	0.9%	19	0.9%
Czechia	5 017	1	0.0%	92	1.8%
Denmark	1 063	0	0.0%	0	0.0%
Germany	9 233	1	0.0%	1	0.0%
Estonia	1 018	7	0.7%	7	0.7%
Ireland	1 758	5	0.3%	5	0.3%
Greece	4 740	(46)	(1.0%)	415	8.8%
Spain	10 947	(8)	(0.1%)	180	1.6%
France	12 159	68	0.6%	120	1.0%
Croatia	1 997	2	0.1%	2	0.1%
Italy	10 711	567	5.3%	632	5.9%
Cyprus	201	0	0.0%	0	0.0%
Latvia	1 343	0	0.0%	0	0.0%
Lithuania	1 428	1	0.1%	2	0.2%
Luxembourg	86	0	0.5%	0	0.5%
Hungary	5 973	138	2.3%	134	2.2%
Malta	198	0	0.2%	0	0.2%
Netherlands	986	12	1.2%	12	1.2%
Austria	1 545	10	0.6%	19	1.2%
Poland	16 989	65	0.4%	129	0.8%
Portugal	4 520	20	0.5%	27	0.6%
Romania	5 530	151	2.7%	166	3.0%
Slovenia	846	0	0.0%	0	0.0%
Slovakia	2 294	9	0.4%	35	1.5%
Finland	1 127	0	0.0%	0	0.0%
Sweden	1 288	17	1.3%	19	1.5%
United Kingdom	6 034	17	0.3%	25	0.4%
European territorial cooperation	178	1	0.8%	1	0.8%
Total	112 693	1 074	1.0%	2 062	1.8%

Financial corrections compared to EU payments received in 2019, by Member State  $\,$ 

# 7.5. Agricultural funding amounts recovered from final beneficiaries by the Member States in 2019 and used in the calculation of the corrective capacity

Member State	European Agricultural Guarantee Fund recoveries	European Agricultural Fund for Rural Development recoveries	Total recoveries 2019
Belgium	1.64	0.89	2.53
Bulgaria	3.55	5.99	9.54
Czechia	1.32	3.03	4.35
Denmark	1.20	0.74	1.94
Germany	11.54	9.02	20.56
Estonia	0.33	1.88	2.21
Ireland	4.24	2.06	6.30
Greece	6.61	2.99	9.60
Spain	12.52	5.88	18.40
France	31.66	5.13	36.79
Croatia	1.67	2.28	3.94
Italy	41.00	41.63	82.64
Cyprus	0.30	0.03	0.34
Latvia	0.32	0.52	0.83
Lithuania	2.00	1.61	3.61
Luxembourg	0.26	0.24	0.50
Hungary	3.76	4.34	8.11
Malta	0.03	0.09	0.13
Netherlands	2.37	0.13	2.49
Austria	1.83	3.09	4.92
Poland	5.78	10.32	16.10
Portugal	5.91	10.50	16.41
Romania	8.39	17.46	25.86
Slovenia	0.44	0.74	1.17
Slovakia	1.07	1.60	2.68
Finland	1.06	1.09	2.15
Sweden	0.25	0.14	0.39
United Kingdom	4.74	6.67	11.41
Total	155.80	140.10	295.90

Member States' financial recoveries from final beneficiaries of agricultural funding in 2019 (million EUR)

For the European Agricultural Fund for Rural Development, the figures are taken from the debtors' ledger (recovered amount plus interest), as reconciled at the end of March 2020. Only recoveries to the European Agricultural Fund for Rural Development (2007-2013 and 2014-2020) are taken into account. For the European Agricultural Guarantee Fund, the figures represent amounts recovered from the beneficiaries by the Member States and reimbursed to the Commission as assigned revenue ('implemented' amounts).

The recovered amounts presented above include recoveries due to cross-compliance infringements. However, for the purposes of calculating the corrective capacity, such recoveries are excluded.

### Annex 6: Assurance provided by the Internal Audit Service

The work of the Internal Audit Service, its principal findings and recommendations, and the information from the Audit Progress Committee contribute to the overall assurance-building process at Commission level. The Audit Progress Committee supports the Commission by ensuring the independence of the internal auditor and that audit recommendations are properly taken into account and appropriately followed up.

In 2019, the Internal Audit Service produced an annual internal audit report, in line with Article 118(4) of the financial regulation, which: (i) summarised the performance audits completed in 2019, (ii) presented the overall opinion on financial management for the year 2019, (iii) recalled the contribution of the Internal Audit Service to the annual activity reporting of the Commission's departments and the executive agencies and (iv) reported on progress in implementing its audit recommendations.

#### Financial management: internal auditor's overall opinion

As required by its mission charter, the Commission's Internal Audit Service issued an overall opinion, which is based on the audit work it had carried out in the area of financial management in the Commission during the previous 3 years (2017-2019) and also takes into account information from other sources, namely the reports from the European Court of Auditors. Based on this audit information, the internal auditor considered that, in 2019, the Commission had put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance on the achievement of its financial objectives. However, the overall opinion is qualified with regard to the reservations the authorising officers by delegation made in their declarations of assurance and issued in their respective annual activity reports.

In arriving at the overall opinion, the internal auditor also considered the combined impact of all amounts estimated to be at risk at payment as calculated by the authorising officers by delegation, as these go beyond the amounts put under reservation. The overall amounts at risk are the best estimation by authorising officers by delegation for the amount of the expenditure authorised that was not in conformity with the applicable contractual and regulatory provisions at the time of the payment in 2019.

In their annual activity reports, the directorates-general estimate amounts at risk to total between EUR 2.68 billion and EUR 3.11 billion approximately. This corresponds to between 1.8% and 2.1% of total expenditure from the Commission budget, the European Development Fund and the EU Trust Funds in 2019 and therefore just above a materiality of 2% as defined in the instructions for the preparation of the 2019 annual activity reports.

These amounts at risk at payment in 2019 do not yet include any financial corrections and recoveries related to deficiencies and errors that the Commission departments will detect and correct in the coming years due to the multiannual corrective mechanisms built into the Commission's internal control systems.

Given these elements, the internal auditor considers that the EU budget is therefore adequately protected in total and over time. The COVID-19 outbreak and the Commission's response to it did not affect the Commission's ability to protect the EU budget during 2019. It may however do so in 2020 and the following years as *ex post* corrective measures that have led to corrections in the past may become less effective (affecting corrective capacity) (see also the related emphasis of matter below).

Without further qualifying the opinion, the internal auditor added the following two 'emphases of matter', highlighting issues that require particular attention.

(i) Implementation of the EU budget in the context of the current crisis related to the COVID-19 pandemic: need for a detailed assessment of emerging risks and for the definition and implementation of corresponding mitigating measures.

The health, social, economic and financial situation created by the COVID-19 pandemic entails potentially high, cross-cutting risks for the institution as regards the implementation of the EU budget and the delivery of its policy priorities.

The Commission is accountable for the implementation of the EU budget. This includes the operations conducted prior to the crisis (as part of the 2014-2020 multiannual financial framework), for which adequate controls (*ex post* in particular) still need to be performed, and during the crisis itself, on assurance, compliance and performance aspects.

As the crisis continues, this context poses challenges, in particular as regards:

- the implementation of the budget in compliance with the applicable legal framework, due to changing rules and evolving regulations, urgent procedures, use of exceptional measures, difficult conditions and/or limited availability of financial and human resources;
- the extent to which the necessary controls and verifications, whether at the level of the Commission, Member States, non-EU countries, implementing partners and/or beneficiaries, can be performed as intended due to logistical constraints such as the need for full and timely access to information and documentation, problems in undertaking missions / on-site checks and the ability of implementing partners and beneficiaries to continue their normal activities;
- the potential impact on the Commission's current and future corrective capacity, due to the very challenging economic situation, which will need to be tackled at EU and national levels, including the possible bankruptcies of final beneficiaries, which could make it difficult to recover undue amounts.

The assurances provided on the financial management of the EU budget are multiannual in nature and depend on the robustness of the corresponding control strategies at different levels. These are based on risk assessments of the specific programmes and related budget operations, *ex ante* and *ex post* controls on expenditure, supervision strategies regarding third parties implementing policies and programmes, together with the implementation of the corrective capacity to protect the EU budget.

To ensure the budget is duly protected in the face of these unprecedented challenges, the Commission's directorates-general and services should (i) duly assess the risks caused by the COVID-19 pandemic related to financial management in terms of assurance, compliance with the legal framework and the corrective capacity of the multiannual systems, as well as performance; and (ii) define and implement adequate mitigating measures, such as adjusting or redefining their control strategies.

(ii) Supervision strategies regarding third parties implementing policies and programmes.

Although the Commission remains fully responsible for ensuring the legality and regularity of expenditure and sound financial management (and also the achievement of policy objectives), it has increasingly relied on third parties to implement its programmes. This is mostly done by delegating the implementation of the EU's operational budget or certain tasks to countries outside the EU, international organisations or international financial institutions, national authorities and national agencies in Member States, joint undertakings, non-EU bodies and EU decentralised agencies. Moreover, in certain policy areas, alternative funding mechanisms such as financial instruments are (planned to be) increasingly used and entail specific challenges and risks for the Commission, as also highlighted by the European Court of Auditors.

To fulfil their overall responsibilities, the directorates-general have to oversee the implementation of the programmes and policies and provide guidance and assistance where needed. Therefore, they have to define and implement adequate, effective and efficient supervision/monitoring/reporting activities to ensure that the delegated entities and other partners effectively implement the programmes, adequately protect the financial interests of the EU, comply with the delegation agreements, where applicable, and that any potential issues identified are addressed as soon as possible.

The Internal Audit Service continued to recommend in a number of audits in 2019 that the control strategies and supervisory arrangements of the relevant directorates-general should set out the priorities and the need

to obtain assurance on sound financial management in those EU and non-EU bodies more clearly. Although actions have been taken in recent years both at the level of the central services and at that of the relevant directorates-general to mitigate the risks identified as a result of audit work, further improvements are still needed in some areas.

In this context, the Commission directorates-general should continue their efforts to identify and assess the risks involved in delegating tasks to third parties and pursue effective and efficient supervisory activities by further developing the relevant control strategies. This is relevant not only for the activities delegated under the current 2014-2020 multiannual financial framework, but even more so in view of the expected increase in the use of equity, guarantee and risk-sharing instruments in the next, 2021-2027 multi financial framework.

The Internal Audit Service will monitor the developments regarding the impact of the COVID-19 crisis and the reliance on third parties for the implementation of programmes, on the current and the new (revised) multiannual financial framework, the updated political priorities and the Commission's financial management. This will be done as part of the Internal Audit Service's updates of the periodic (strategic) risk assessments and resulting audit plans.

#### Results of performance audits by the Internal Audit Service

With a view to contributing to the Commission's performance-based culture and greater focus on value for money, the Internal Audit Service carried out performance audits and audits that included important performance elements (comprehensive audits) in 2019 as part of its 2019-2021 strategic audit plan.

The Internal Audit Service made recommendations to help improve the overall performance of several key processes in the following areas.

- Supervision strategies regarding the implementation of programmes by third parties. The 2019 audits provide a mixed picture in this area, with weaknesses identified (in three out of five audits completed in 2019). In DG Energy and DG Mobility and Transport, the Internal Audit Service audits did not give rise to any critical or very important recommendations concerning the supervision. However, the Internal Audit Service issued recommendations on supervision strategies in specific areas regarding the performance framework of the European Union Finance for Innovators Instrument (DG Research and Innovation); the fruit and vegetable regime, in relation to the Member States (DG Agriculture and Rural Development); and the monitoring of the implementation and performance of 2014-2020 operational programmes in relation to the Member States (DG Employment, Social Affairs and Inclusion, DG Regional and Urban Policy and DG Maritime Affairs and Fisheries).
- Control strategies of selected directorates-general and services. The Internal Audit Service identified in its audits in this area several weaknesses as regards: the planning and design of the control activities for a specific programme (an Executive Agency for Small and Medium-sized Enterprises programme on environment and climate action); the monitoring and follow-up of audits (DG International Cooperation and Development, DG Neighbourhood and Enlargement Negotiations); the effectiveness of the control strategy (DG European Civil Protection and Humanitarian Aid Operations for ensuring regularity and sound financial management in the *ex ante* controls as well as in *ex post* audits); the closure of mandates for common foreign security policy missions and the specific mitigating measures applied for the implementation of the EU budget delegated to the non-pillar-assessed mission in Somalia (Service for Foreign Policy Instruments); and the set-up, planning and execution of the audit activity and the clearance of accounts (DG Migration and Home Affairs).
- Human resources management processes. Although action had already been taken in several areas following audits performed by the Internal Audit Service, the issues identified in previous years were also identified in two of the three human resources audits performed in 2019 (mainly as regards task and skills mapping, workload assessment and staff allocation in DG Taxation and Customs Union and the European Anti-Fraud Office, and as regards the human resources strategy in DG Taxation and Customs Union and the implementation of the human resources strategy in the European Anti-Fraud Office). In contrast, the human resources audit in DG Trade did not give rise to any critical or very important recommendations. Two other audits (of site management in the Joint

Research Centre and of the efficiency and effectiveness of the Health and Food Audits and Analysis Directorate in DG Health and Food Safety) revealed specific issues related to the staffing in the audited areas.

These audits confirmed that in the area of human resources management both the corporate and the operational directorates-general and services need to assume the responsibility for the tasks relating to their respective roles (DG Human Resources and Security for the design of the policies, development of centralised tools and provision of specific assistance and support; and directorates-general and services – at directorate-general level or for specific business processes – for the design and implementation of adequate human resources strategies to support the achievement of their objectives).

- Information technology management processes. Several audits focused on information technology project management practices. While two audits on this topic (of DG Informatics and DG Education, Youth, Sport and Culture) did not identify any significant performance issues, one issue—concerning governance practices for the monitoring of programmes and projects—was identified in the audit in the Publications Office. In the European Anti-Fraud Office, overall, the controls in place for information technology project management practices did not provide sufficient assurance to mitigate the risks, and five very important weaknesses were identified.
- **Better regulation.** No significant performance issues were identified in the several areas audited in relation to the better regulation framework (i.e. the digital single market policy proposals of DG Communications Networks, Content and Technology, the impact assessments in DG Justice and Consumers, the evaluation and studies by DG Climate Action and DG Environment and the monitoring of EU law implementation by DG Taxation and Customs Union), except for specific issues related to the procurement of evaluations and studies in DG Environment.
- Assessment of the implementation of the new internal control framework in the Commission in selected directorates-general. The results of a series of limited reviews performed by the Internal Audit Service in six directorates-general and offices were satisfactory overall, as none gave rise to any critical or very important recommendations.
- Performance-related issues in other processes. A number of weaknesses were identified and
  recommendations issued by the Internal Audit Service in various other areas, such as: the quality
  review function in Eurostat; the internal control system underpinning the processes for reviewing the
  unit costs methodology used by Member States to finance veterinary and plant health programmes
  and emergency measures in DG Health and Food Safety; specific areas of the management of
  international activities in DG Environment; specific issues related to the management of recovery
  orders (the management of insolvencies and bankruptcies, and the offsetting process) in DG Budget.

### Contribution of the Internal Audit Service to the annual activity reporting of the authorising officers by delegation

The Internal Audit Service issued **limited conclusions on the state of internal control** to every directorate-general and service (137) in February 2020. These limited conclusions contributed to the 2019 annual activity reports of the directorates-general and services concerned. They draw on the audit work carried out in the last 3 years and cover all open recommendations issued by the Internal Audit Service.

The Internal Audit Service's conclusions on the state of internal control in the directorates-general are limited to the management and control systems that were audited in the past 3 years (2017-2019).

<sup>(137)</sup> Except for DG Defence Industry and Space; Inspire, Debate, Engage and Accelerate Action; and the UK Task Force.

#### Follow-up of previous Internal Audit Service recommendations

The Internal Audit Service's follow-up work confirmed that, overall, recommendations are being implemented satisfactorily by the Commission's directorates-general, services and executive agencies and the control systems in the audited departments are improving.

Of the 245 recommendations (classified as critical, very important or important) **still in progress** in the Commission departments at the cut-off date of 31 January 2020 (representing 13% of the total number of accepted recommendations over the past 5 years), none are classified as critical and 71 are rated as very important. Out of these 71 recommendations, only six were long overdue (i.e. still open more than 6 months after the original implementation date), representing 0.3% of the total number of accepted critical and very important recommendations of the past 5 years.

Once management reports the recommendations as completed, the Internal Audit Service conducts follow-up audits to assess the effectiveness of their implementation. As a result, the Internal Audit Service concluded that 98% of the recommendations followed up during 2015 to 2019 had been adequately and effectively implemented by the auditees.

# Annex 7: Summary of the work and conclusions of the Audit Progress Committee

An updated Audit Progress Committee charter was adopted by the College of Commissioners in February 2020. It largely builds on the strengths of the previous charter, keeping the mandate and the composition of the Audit Progress Committee stable (138) while reflecting the required changes in the internal membership as a result of the new Commission taking office on 1 December 2019.

The Audit Progress Committee has focused its work on four key objectives set out in its 2019 and 2020 work programmes, namely: considering the audit planning of the internal auditor; analysing the results of internal and external audit work to identify potentially significant risks, including in a thematic manner; monitoring the follow-up mitigation of significant residual risks identified by audit work; and ensuring the independence of the internal auditor and monitoring the quality of internal audit work.

The Audit Progress Committee is satisfied as to the independence and quality of internal audit work and that the internal auditor's planning adequately covers the audit universe and continues to cover the key risk areas. The Audit Progress Committee observed, based on the analysis prepared by the internal auditor, the high level of convergence between the critical risks identified by management and the high risks identified by the Internal Audit Service. The Audit Progress Committee also expressed satisfaction about the further increase in the quality and coherence of the list of critical risks as identified by management in response to the Committee's previous requests for improvements.

The committee welcomed that the Internal Auditor's overall opinion for 2019 is positive and is qualified only with regard to the management reservations as expressed in the annual activity reports of the Authorising Officers by Delegation. For the fifth year in a row the Internal Auditor includes an emphasis of matter relating to outsourcing ('externalisation'). The committee has highlighted its concerns about such risks on numerous occasions, and again reiterated that efforts to mitigate them through adequate control strategies and tools need to be continued as a matter of priority. The committee also took note of and expressed support for the newly raised emphasis of matter on the implementation of the EU budget in the context of the ongoing crisis related to the COVID-19 pandemic. It held a dedicated discussion on the associated new and emerging risks, as well as their potential impact on the wider control environment, audit conditions and assurance building in general.

The committee took note of the Internal Auditor's overall conclusion on performance audits, in particular concerning the supervision strategies regarding the implementation of programmes by third parties, control strategies of selected Commission departments, information technology and human resources management processes, and better regulation initiatives. The committee noted with satisfaction the thematic convergence with its own priorities and that most of the highlighted key audit findings had been discussed by the committee or were scheduled for discussion at its future meetings.

The Audit Progress Committee noted that all of the audit recommendations issued by the Internal Auditor in 2019 were accepted by the management and satisfactory action plans were being implemented to address the risks identified.

No critical recommendations were issued by the internal auditor during the reporting period.

The Committee continued to closely follow up on the issues raised in its previous annual reports, as detailed below:

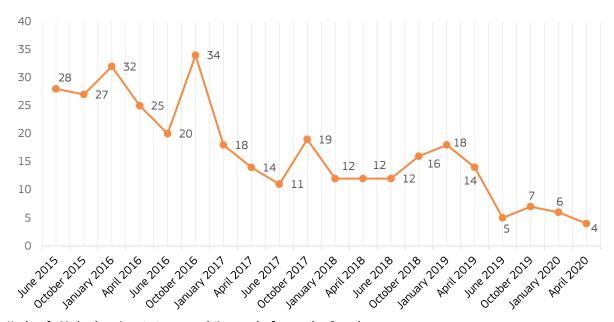
• the Audit Progress Committee welcomed the fact that all recommendations from the internal auditor's report on the Commission's governance/oversight arrangements concerning risk

<sup>(138)</sup> The Audit Progress Committee comprises nine members. A maximum of six are Members of the Commission, and at least three are external members with proven professional expertise in audit and related matters. Half of the Commission membership of the Audit Progress Committee is renewed half way through the term. Contracts with external members are drawn up each year.

management, financial reporting and the *ex post* verification/audit function had been fully implemented and closed;

- in the area of performance, all three very important internal audit recommendations to Eurostat as
  concerns the production process and the quality of statistics other than those produced by that
  service were implemented during the reporting period;
- the Audit Progress Committee noted with satisfaction that the long-outstanding recommendations addressed to the Office for the Administration and Payment of Individual Entitlements concerning the budget of the European Anti-Fraud Office's Supervisory Committee were fully implemented and had been closed.

The effective implementation rate of the internal auditor's recommendations (i.e. 98% for recommendations issued from 2015 to 2019) is high. The number of very important audit recommendations that are overdue by more than 6 months has fallen considerably over recent years, from an average of 28 in the period between June 2015 and October 2016 to an average of 14 since January 2017, as shown in the chart below.



Number of critical and very important recommendations overdue for more than 6 months

Source: European Commission.

During the reporting period, the Audit Progress Committee continued to scrutinise the state of play of the implementation of the European Court of Auditors' recommendations, including the follow-up of the Court's audit findings on the reliability of the EU consolidated accounts.

With the recent updates applied to its charter, the Audit Progress Committee has evolved into a mature and effective actor in the Commission's governance structures. The newly established Audit Progress Committee for the 2019-2024 period will ensure that it continues to play its important role in enhancing governance, organisational performance and accountability across the entire organisation, throughout the term of the Commission.

## Annex 8: Compliance with payment time limits

The **statutory time limits** for payments are laid down in the financial regulation (<sup>139</sup>). There are also some exceptionally applied time limits which are detailed in sector-specific regulations.

Article 116 of the financial regulation provides that payments to creditors must be made within deadlines of 30, 60 or 90 days, depending on how demanding and complicated it is to test the deliverables against the contractual obligations. Most of the payments have to be executed within 30 days; these represented a global average of 89% of payments in 2017, 2018 and 2019. For contracts and grant agreements for which payment depends on the approval of a report or a certificate, the time limit for the payment periods is no longer automatically suspended until the report or certificate in question has been approved.

The period of 2 months remains valid for payments under Article 87 of the regulation laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (140).

Compliance with payment time limits has been reported on by the departments in their annual activity reports since 2007 (141). In accordance with the applicable rules, the payment times reported in this annex have been calculated as follows.

- For payments related to contracts and grant agreements signed before 2013, the time limits specified in the 2007 financial regulation relate to:
  - where the payment is contingent upon the approval of a report, the time from approval of the report until payment;
  - where no report is required, the time from reception of the payment request until payment.

For payments related to contracts and grant agreements signed from 2013 on, the time limits in the 2018 financial regulation relate to:

 the time from reception of the payment request until payment, both where no report is required and where payment is contingent upon the approval of a report.

The **Commission's global average payment time** is monitored by the accounting officer. It has evolved as follows in recent years.

	2017	2018	2019
Global average net payment time	20.4 days	18.4 days	16.3 days
Global average gross payment time	23.3 days	21.5 days	19.1 days

Commission's global average payment times, with all time limits combined, over the past 3 years

The data show that the global average net payment time, combining all time limits, of the Commission departments is below 30 days for the past 3 years and has steadily decreased since 2016. Departments are encouraged to continue their efforts in this regard and to implement follow-up measures whenever payment time problems are identified. The provision of the global average gross payment time is a new feature,

<sup>(139)</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1).

<sup>(140)</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (0J L 210, 31.7.2006, p. 25).

<sup>(141)</sup> Based on available data in the corporate accounting system as of the end of the financial year 2007.

following a recommendation from the Ombudsman. It represents the average time taken to pay, including any period of suspension.

The table below illustrates the evolution of the *late* payments, i.e. payments made after the expiry of the statutory time limit, in recent years for all payments combined. The data used have been extracted from the corporate accounting system.

	2017	2018	2019
Share of payments that were late	10.4%	7.6%	5.0%
Share in value of late payments out of value of total payments	3.1%	3.3%	2.2%
Average number of days overdue (*)	39.6 days	45.5 days	42.4 days

Evolution of Commission's late payments, with all time limits combined, over the past 3 years

(\*) I.e. number of days over the statutory time limit.

The number of late payments and the amounts associated with them have decreased significantly since 2016. This is believed to be partly the result of the more stringent requirements associated with the 2018 financial regulation. Another reason relates to the sufficient availability of payment appropriations. However, the average number of days overdue (delays are calculated in days), for all time limits combined, increased in 2018.

Concerning the **interest paid for late payments** (142) (see figures in the table below), **the total amount paid by the Commission remained stable in 2019**. The higher amount in 2017 was mainly the consequence of interest paid in 2017 by DG International Cooperation and Development after a Court of Justice case.

	2017	2018	2019
Interest paid on late payments (EUR)	824 421	385 468	380 653

In general, payment delays and interest paid are a consequence of payment shortages. For that reason, DG Budget has summarised some possible measures that could be applied by the authorising officer to actively manage payment appropriations.

Other causes of late payments include the complexities of evaluating the supporting documents that are a prerequisite for all payments. This is particularly onerous when the supporting documents are reports of a technical nature (as was the case for, on average, 11% of the payments in 2017, 2018 and 2019), which sometimes have to be assessed by external experts. Other causes are associated with difficulties in coordinating the financial and operational checks of payment requests and issues with the management of payment suspensions.

The 2009 communication establishing internal Commission payment targets provided a clear incentive to services to reduce their payment times. There is scope for reducing payment times even further. When setting up action plans in this area, departments should focus on further reducing late payments from their current levels of 5% of the number of payments and of 2.2% of the value of the payments. **The aim should be to meet the statutory payment time for every payment.** 

<sup>(142)</sup> Payments of late interests are no longer conditional upon the presentation of a request for payment (with the exception of amounts below EUR 200).

The following table gives a detailed overview of the suspensions of payment.

	2017	2018	2019
Total number of suspensions	26 173	24 643	24 765

Suspensions are a tool that allows the authorising officer responsible to temporarily withhold the execution of a payment because the amount is not due, because of the absence of appropriate supporting documentation or because there are doubts about the eligibility of the expenditure concerned. It is a basic tool for the authorising officer in the payment process for avoiding irregular or erroneous payments and is fundamental in ensuring sound financial management and protecting the EU's financial interests.

# Annex 9: Summary of waivers of recoveries

In accordance with **Article 101(5) of the financial regulation**, the Commission reports each year to the budgetary authority on the waivers it has granted in an annex to the summary of the annual activity reports.

The table below shows the total value and the number of waivers above and below EUR 60 000 in the financial year 2019.

The individual annual activity reports provide more details on the individual waivers above EUR 60 000.

EU budget area	Department	Total value of waivers (EUR)	valu w	nber (left) and e (right, EUR) of aivers above EUR 60 000	(right, El	left) and value UR) of waivers EUR 60 000
	DG Communications Networks, Content and Technology	2 775 513.99	13	2 340 136.24	18	435 377.75
	DG Communication	6 905.99			1	6 905.99
	DG Competition	1 152 250.00	2	1 152 250.00		
	DG International Cooperation and Development	2 432 435.69	11	1 843 447.70	28	588 987.99
	DG Education, Youth, Sport and Culture	66 034.77	1	66 034.77		
	Education, Audiovisual and Culture Executive Agency	724 818.47	2	222 199.24	27	502 619.23
	DG Economic and Financial Affairs	321 558.00	1	321 558.00		
	DG Energy	3 142.71			1	3 142.71
	DG Environment	214 037.32	2	176 055.77	5	37 981.55
	European Research Council Executive Agency	673 035.56	1	673 035.56		
	Service for Foreign Policy Instruments	677 150.44	5	617 442.04	3	59 708.40
	DG Internal Market, Industry, Entrepreneurship and SMEs	35 117.10			1	35 117.10
	Executive Agency for Small and Medium- sized Enterprises	201 385.20	1	201 385.20		
	Innovation and Networks Executive Agency	15 551.90			1	15 551.90

	DG Neighbourhood and Enlargement Negotiations	1 251 347.08	4	968 680.38	18	282 666.70
	Office for the Administration and Payment of Individual Entitlements	50 275.50			17	50 275.50
	DG Research and Innovation	817 146.41	2	817 146.41		
	Legal Service	109 455.79			10	109 455.79
	DG Structural Reform Support	182 310.10			16	182 310.10
		11 709 472.02	45	9 399 371.31	146	2 310 100.71
European		Total value of		mber (left) and		(left) and value
Development Fund		waivers (EUR)	w	e (right, EUR) of vaivers above EUR 60 000		UR) of waivers EUR 60 000
		waivers (EUR) 3 001 628.61	w	aivers above		
Fund  European  Development			S Nui valu w	vaivers above EUR 60 000	below 5 Number (right, E	EUR 60 000
Fund  European Development Fund  Guarantee		3 001 628.61  Total value of	S Nui valu w	aivers above EUR 60 000 2 940 684.44  mber (left) and e (right, EUR) of raivers above	below 5 Number (right, E	60 944.17 (left) and value UR) of waivers

### Annex 10: Report on negotiated procedures

#### **Legal basis**

**Article 74(10) of the financial regulation** (143) requires authorising officers by delegation to record contracts concluded under negotiated procedures. Furthermore, the Commission is required to annex a report on negotiated procedures to the summary of the annual activity reports referred to in Article 74(9) of the financial regulation.

#### Methodology

A distinction has been made between the 47 departments which normally do not provide external aid and the three departments (DG International Cooperation and Development, DG Neighbourhood and Enlargement Negotiations and the Service for Foreign Policy Instruments) which conclude procurement contracts in the area of external relations (using a different legal basis: Chapter 3 of Title VII of the financial regulation) or award contracts on their own account, but outside the territory of the European Union.

These three departments have special characteristics as regards data collection from their EU delegations (decentralised services, etc.), the total number of contracts concluded and thresholds to be applied for the recording of negotiated procedures (EUR 20 000), as well as the option of using negotiated procedures in the framework of the Rapid Reaction Mechanism (in cases of extreme urgency). For these reasons, a separate approach has been used for procurement contracts awarded by these three departments.

#### Overall results of negotiated procedures recorded

#### The 47 departments, excluding 'external relations'

On the basis of the data received, the following statistics were registered: 92 negotiated procedures with a total value of EUR 341 million were processed out of a total of 763 procurement procedures (negotiated, restricted or open) for contracts over EUR 60 000 with a total value of EUR 3.02 billion.

For the Commission, the average proportion of negotiated procedures in relation to all procedures amounts to 12.1% in number (10.8% in 2018), which represents 11.3% of all procedures in value (4.4% in 2018). The assessment of negotiated procedures compared with the previous year shows an increase in the order of 1.3 percentage points in terms of relative number and a decrease of 6.8 percentage points in terms of relative value.

An authorising department shall report to the institution if the proportion of negotiated procedures awarded in relation to the number of the contracts is 'distinctly higher than the average recorded for the institution', i.e. if it exceeds the average proportion by 50% or if the increase from one year to the next is over 10% in proportion. Thus, the reference threshold for this year is **18.1%** (16.2% in 2018).

Seven departments exceeded the reference threshold and seven increased their number of negotiated procedures by more than 10% in proportion with last year, with five among them exceeding the reference

<sup>(143)</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1).

threshold as well. It should be noted that, out of these nine departments, five concluded between one and four negotiated procedures and the low total number of procedures conducted (below or equal to seven) makes their average high; consequently, their respective results are to be considered to not be significant. Two departments, although they did not exceed the reference threshold, increased their number of negotiated procedures by more than 10% in proportion with last year.

It should be noted that 21 departments did not use any negotiated procedure, including 8 that did not awarded any contracts worth over EUR 60 000 in 2019.

#### The three 'external relations' departments

On the basis of the data received, the following statistics were registered: 94 negotiated procedures for a total value of contracts of EUR 113 million were processed out of a total of 365 procedures for contracts over EUR 20 000 with a total value of about EUR 864 million.

For the three 'external relations' departments, the average proportion of negotiated procedures in relation to all procedures amounts to **25.8%** in number (35.6% in 2018), which represents **13.1%** of all procedures in value (11.7% in 2018). Compared with the previous year, these departments have registered a decrease of **9.8** percentage points in number of negotiated procedures in relation to all procedures and an increase of **1.4** percentage points in terms of relative value.

An authorising service shall report to the institution if the proportion of negotiated procedures awarded in relation to the number of the contracts is 'distinctly higher than the average recorded for the institution' i.e. if it exceeds the average proportion by 50%, or if the increase from one year to the next is over 10% in proportion. Thus, the reference threshold for this year is fixed at 38.6% (53.3% in 2018), which one of the three departments exceeds.

None of the three departments presented an increase of over 10% in the proportion of negotiated procedures compared to the last year.

#### Analysis of the justifications and corrective measures

The number of negotiated procedures in 2019 compared to 2018 increased slightly (from 86 to 92), despite the decrease in the number of procurement procedures (from 798 to 763). Overall, this is a positive result.

The following categories of justifications for the use of a negotiated procedure have been presented by the departments exceeding the thresholds.

- Similar services/works as provided for in the initial tender specifications. One service in charge of large interinstitutional procurement procedures realises during the implementation of the contract that the needs initially foreseen do not match with the consumption trend during the execution of the contract. Therefore, the lead service must start a negotiated procedure on behalf of all institutions to increase the ceiling of the framework contract in question. One relevant example of such a justification was the obligations of the Commission under Regulation 377/2014 with an initial predefined budget.
- Objective situations of the economic activity sector, where the number of operators may be very limited or there may be a monopoly (for reasons of specific technical expertise, exclusivity rights, highly specialised markets, where competition is limited to very few economic operators or is even completely absent, etc.). Monopolies may be related to technical compatibility requirements of previous purchases of scientific equipment, for example contracts for maintenance and upgrades that the Commission cannot give to any other organisation aside from the original equipment contractor, which holds the intellectual property rights. Another example is in the case of comparability of results, and when a laboratory is accredited with the International Organization for Standardization Standard 17025, calibration and maintenance of the equipment must be carried out by the original manufacturer. Situations of technical captivity may also arise especially in the information technology domain (due to absence of competition for technical reasons and/or because

of the protection of exclusive rights related to the purchase of proprietary licences or the maintenance and continuity of existing applications, i.e. upgrades, etc.).

- Unsuccessful open or restricted procedures, leading to a negotiated procedure.
- Additional services not included in the initial contract, but which become necessary due to unforeseen circumstances.

The following regular available measures are proposed or implemented by DG Budget and other departments concerned in order to limit the use of negotiated procedures when other alternatives may be available:

- Improved programming of procurement procedures.
- **Improvement of the system of evaluation of needs** the Commission's central services will continue their policy of active communication and consultation with the other Commission departments, institutions, agencies and other bodies along the following lines:
  - permanent exchange of information via regular meetings with user services and agencies in appropriate forums;
  - ad hoc detailed surveys prior to the initiation of (interinstitutional) procurement procedures for the evaluation of needs;
  - better estimates of needs for interinstitutional framework contracts and better monitoring with semester consumption reports from user services or agencies.
- **Training and improved interservice communication** DG Budget's Central Financial Service provides regular practical training sessions on procurement and community of practice sessions.
- Regular update of standard corporate model documents and guidance documents on procurement.
- Building of an end-to-end corporate eProcurement solution.

### Annex 11: EU Trust Funds

In accordance with Article 252 of the financial regulation, this annex contains a comprehensive and detailed report to the European Parliament and to the Council on the activities supported by European Union Trust Funds and on their implementation and performance, as well as on their accounts.

The financial regulation allowed the European Commission to create and administer EU Trust Funds in the field of external action: these are multi-donor trust funds for emergency, post-emergency or thematic actions. A trust fund is both a legal arrangement and a distinct financial structure relying on a pool funding mechanism, in which several donors jointly finance an action on the basis of commonly agreed objectives and reporting formats. Trust funds have many advantages, such as flexibility, speed of decision-making and the option of pooling funding from different sources and donors, in addition to the following:

- EU Trust Funds enhance the international role of the EU and strengthen the visibility and efficiency of its external action and development assistance;
- a faster decision-making process in the selection of the measures to be implemented in comparison
  with traditional multiannual programmes devoted to development cooperation; this can prove crucial
  in emergency and post-emergency actions the categories of measures (together with thematic
  actions) for which EU Trust Funds may be established;
- the ability to leverage additional resources to devote to external action, since the establishment of an EU Trust Fund requires at least one additional donor.

Donors to an EU Trust Fund may be individual Member States as well as other entities. The pooling of resources could also increase coordination between different EU donors in selected areas of intervention, for example if individual Member States decide to channel at least part of their national bilateral assistance through EU Trust Funds.

In order for an EU Trust Fund to be created, it must meet a number of conditions, including EU added value (i.e. its objectives can be better met at EU level than at national level), additionality (i.e. the trust fund should not duplicate already existing and similar instruments) and managerial advantages.

The constitutive act of the EU Trust Fund signed by the European Commission and the donors details some important features of the trust fund, including its specific objectives, the rules for the composition and the internal rules of its board, and the duration of the trust fund, which is always limited. EU Trust Funds have so far all been set up for an initial 60 months (5 years), apart from the EU Trust Fund for Colombia, which was set up (in December 2016) for 4 years. All current EU Trust Funds have a closure date by the end of 2020. However, existing projects will still continue until the end of 2023 or 2024.

Financial contributions to an EU Trust Fund are placed in a specific bank account. EU Trust Funds are not integrated into the EU budget, but their management needs to be in accordance with the financial regulation to the extent necessary to ensure proper use of public resources. The European Commission is empowered to adopt delegated acts laying down detailed rules on the management, governance and reporting of the EU Trust Funds.

EU Trust Funds are implemented directly by the European Commission, which is authorised to use up to 5% of the resources pooled in a trust fund to cover its management costs. In the case of emergency or post-emergency EU Trust Funds, budget implementation may also be indirect, with the option to entrust relevant tasks to other entities, such as non-EU countries and their designated bodies or international organisations and their agencies. In addition to the specific objectives of a given trust fund, implementation must comply with the principles of sound financial management, transparency, proportionality, non-discrimination and equal treatment.

Each EU Trust Fund has its own governing board, which decides on the use of the pooled resources. The board ensures the representation of the donors and is chaired by the European Commission, whose positive vote is

required for the final decision on the use of the resources. Member States that do not contribute to the trust fund along with the European Parliament are invited to participate as observers. An EU Trust Fund acts collectively on behalf of the EU and all the contributors to its financing.

As far as control and audit mechanisms are concerned, the provisions of the financial regulation and its rules of application include a series of safeguards. For example, each year EU Trust Funds are subject to an independent external audit. In addition, the powers of the European Court of Auditors and of the Commission's internal auditor over EU Trust Funds are the same as those they exercise over the other activities of the European Commission.

With regard to reporting obligations, the European Commission is to submit an annual report on each EU Trust Fund to the European Parliament and to the Council. The annual report must be exhaustive and include detailed information on the activities supported by the trust fund, their implementation and their performance, as well as their accounts. The Commission also reports on a monthly basis to the European Parliament and to the Council on the budgetary implementation of the EU Trust Funds.

The following EU Trust Funds have been established.

- European Union Trust Fund for the Central African Republic. 'The Bêkou Trust Fund'; established in 2014.
- European Union Regional Trust Fund in Response to the Syrian Crisis. Established in 2014.
- European Union Emergency Trust Fund for Stability and Addressing Root Causes of Irregular Migration and Displaced Persons in Africa. 'The Africa Trust Fund'; established in 2015.
- European Union Trust Fund for Colombia. 'The Colombia Trust Fund'; established in 2016.

#### The Bêkou Trust Fund

The Bêkou Trust Fund ('bêkou' meaning 'hope' in Sango, the primary language spoken in the Central African Republic) was established on 15 July 2014 by the European Union (represented by the Commission's DG International Cooperation and Development and DG European Civil Protection and Humanitarian Aid Operations and by the European External Action Service) and three of its Member States: Germany, France and the Netherlands. The fund was established with the objective of supporting all aspects of the country's exit from crisis and its reconstruction efforts. Furthermore it was designed, taking into consideration the need to better link the reconstruction/development programmes with the humanitarian response (bringing together relief, rehabilitation and development), to rebuild the capacity of the country.

By 31 December 2019, France, Germany, Italy, the Netherlands and Switzerland had contributed to this EU Trust Fund. The total amount of pledges from external donors, the European Development Fund and the EU budget reached over EUR 295 million.

The priority sectors that the trust fund supports include basic services, notably in health, agricultural development, the restoration of national and local administrations, economic recovery and reconciliation within Central African society. By the end of 2019, the Bêkou Trust Fund had funded actions of a total value of EUR 253 million in commitments.

Furthermore, the Court of Auditors published a special report in which it assessed the justification for the establishment of the fund, its management and the achievement of its objectives so far. Despite a limited number of shortcomings, it concluded that the decision to set up the fund was appropriate under the given circumstances. It should be noted that this was the first EU Trust Fund ever set up. The Court recommended the Commission to develop further guidance on the choice of aid vehicle, to improve donor coordination, selection procedures and performance measurement and to optimise administrative costs.

#### The Syrian Crisis Trust Fund

The EU Regional Trust Fund in Response to the Syrian Crisis was established on 15 December 2014.

By way of a revised Commission establishment decision in December 2015, and subsequent adoption by the Trust Fund Board in March 2016, the scope of the trust fund has been expanded to also cover support to internally displaced persons in Iraq fleeing the crisis involving Iraq, Syria and Da'esh, to provide flexibility to also support affected countries with hosting non-Syrian refugees, and to provide support in the western Balkans to non-EU countries affected by the refugee crisis.

At the end of 2019, the following donors contributed to the trust fund: the EU budget, 22 Member States and one non-EU country, with the amount of the total contributions made available reaching EUR 1.9 billion. By the end of 2019 the contributions from the EU budget amounted to more than EUR 1.7 billion, while the contributions received from Member States and other donors amounted to EUR 190 million, including EUR 24.7 million from Turkey. Projects are mainly focusing on education, livelihoods and health, covering a total of EUR 1.9 billion, of which EUR 1.5 billion has been contracted to the trust fund's implementing partners on the ground. The main benefiting region and countries are the Middle East (receiving 42% of total contracted amount) and Turkey (19%), Lebanon (18%) and Jordan (12%).

The trust fund has also been an important implementation channel for the Facility for Refugees in Turkey, with some 5% of the facility's budget having been funnelled via the trust fund.

These programmes support the needs of refugees and host communities for basic education and child protection, training and higher education, better access to healthcare and improved water and waste-water infrastructure, along with supporting projects promoting resilience, economic opportunities and social inclusion.

#### The Africa Trust Fund

The EU Trust Fund for Africa was established on 12 November 2015. It provides a rapid, flexible and effective response to root causes of irregular migration and displaced persons in Africa as well as to the crisis in the regions of the Sahel and Lake Chad, the Horn of Africa and North Africa. It has since been extended to Côte d'Ivoire, Ghana and Guinea.

It aims to help foster stability and contribute to better migration management. In line with the EU's development-led approach to forced displacement, it also helps address the root causes of destabilisation, forced displacement and irregular migration by promoting economic and equal opportunities, security and development.

The EU provides support to the three regions to face the growing challenges of demographic pressure, environmental stress, extreme poverty, internal tensions, institutional weaknesses, weak social and economic infrastructures and insufficient resilience to food crises, which have in some places led to open conflict, displacement, criminality, radicalisation and violent extremism, along with irregular migration, trafficking in human beings and the smuggling of migrants.

The EU Trust Fund for Africa benefits a comprehensive group of African countries crossed by the major migration routes. These countries are part of the following regional operational windows.

- **Window A.** The Sahel and Lake Chad: Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Ghana, Guinea, Mali, Mauritania, Niger, Nigeria, Senegal and The Gambia.
- **Window B.** The Horn of Africa: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania and Uganda.
- **Window C.** North Africa: Algeria, Egypt, Libya, Morocco and Tunisia.

In addition to the countries mentioned above, neighbouring African countries may also benefit, on a case-by-case basis, from EU Trust Fund for Africa projects with a regional dimension, in order to address regional migration flows and related cross-border challenges.

Activities funded under the EU Trust Fund for Africa are being implemented through a range of operating partners, including EU Member States cooperation agencies, non-governmental organisations and international organisations. Several implementation modalities have been envisaged: delegated cooperation, calls for proposals, budget support, blending and direct awards in particular situations. The priorities of the EU Trust Fund for Africa have been identified through a dialogue with African partners and relevant local, national and regional stakeholders.

As of 31 December 2019, nearly EUR 4.7 billion has been made available for commitments, of which EUR 4.2 billion, or 90%, has been committed, with a split of nearly EUR 1.9 billion (40%) for the Sahel and Lake Chad window, nearly EUR 1.4 billion (30%) for the Horn of Africa and EUR 0.7 billion (15%) for North Africa, as well as EUR 0.2 billion (5%) for regional and other programmes. Contracts have been signed with implementing partners for a total amount of more than EUR 3.5 billion.

In total 28 EU Member States and two other donors (Norway and Switzerland) had, by the end of 2019, contributed EUR 569 million to this EU Trust Fund. Contributions through EU instruments and European Development Funds amount to EUR 4 104 million.

#### The Colombia Trust Fund

The signature of the constitutive agreement of the EU Trust Fund for Colombia took place on 12 December 2016. At the end of 2019 the EU Trust Fund had close to EUR 94 million from the EU budget at its disposal, plus a total of EUR 27 million in contributions from 21 EU Member States and Chile.

The Colombia Trust Fund has commitments amounting to a total of EUR 95 million, and EUR 77 million had been contracted by 31 December 2019.

The trust fund will help to support the implementation of the peace agreement in the early post-conflict recovery and stabilisation phases. The overall objective is to help Colombia to secure a stable and lasting peace, to rebuild its social and economic fabric and to bring renewed hope to its people.

**The EU Trust Funds' annual reports by their trust fund managers** (as authorising officers by subdelegation) provide more details on the activities of the EU Trust Funds. They can be found as annexes to the annual activity reports of the Commission's DG International Cooperation and Development and DG Neighbourhood and Enlargement Negotiations.

#### **DG International Cooperation and Development**

- **Bêkou Trust Fund.** The EU Trust Fund for the Central African Republic
- Africa Trust Fund. Horn of Africa window
- Africa Trust Fund. Sahel and Lake Chad window
- **Africa Trust Fund.** North Africa window (management cross-subdelegated to DG Neighbourhood and Enlargement Negotiations)
- Colombia Trust Fund

#### **DG Neighbourhood and Enlargement Negotiations**

Syrian Crisis Trust Fund

### Key terms

TERM	DEFINITION
Agency	<ul> <li>An executive agency is a body governed by EU public law and which has its own legal personality, to which the Commission entrusts, under its own control and responsibility, certain tasks relating to the management of EU programmes.</li> <li>A decentralised agency is a body governed by EU public law and which has its own legal personality. A decentralised agency is subject to the external control of the Court of Auditors and to the annual discharge from the European Parliament.</li> </ul>
Annual management and performance report	The annual report providing a comprehensive overview of the performance, management and protection of the EU budget. The Commission, by adopting this report, takes overall political responsibility for the management of the EU budget.
Appropriations	Amount of commitments/payments that can be committed/paid after receipt of contributions.
Basic act	An act of secondary law (regulation, directive or decision) laying down the objectives and conditions for budget implementation. It usually relates to the type of action (programmes).
Budget execution	Consumption of the budget through expenditure and revenue operations.
Budgetary commitment	The reserving of appropriations to cover subsequent specific payments.
Direct management	A form of implementation of the EU budget where the implementation is carried out by the Commission or one of its executive agencies.
Discharge	Decision by which the European Parliament closes an annual budget execution process, on the basis of a recommendation from the Council and a declaration of assurance from the Court of Auditors. It covers the accounts of all the EU's revenue and expenditure, the resulting balance, and assets and liabilities, as shown in the balance sheet.
Draft budget	The proposal of the European Commission for an annual financial plan drawn up according to budgetary principles, which provides forecasts and authorises an estimate of future costs and revenue and expenditures, with detailed descriptions and justifications (the latter in 'budgetary remarks'). Once adopted, the <b>voted budget</b> will be available in the following year for the intended purpose.
Evaluation	Tool to provide a reliable and objective assessment of how efficient and effective interventions financed from or guaranteed by the EU budget have been or are expected to be. Commission services assess the extent to which interventions have achieved their policy objectives, and how their performance could be improved in the future.

TERM	DEFINITION
Financial instrument	Means of providing EU financial support from the budget to address one or more of the EU's specific policy objectives through a risk-sharing mechanism. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees or other risk-sharing instruments and may, where appropriate, be combined with other forms of financial support or with funds under shared implementation.
Grant	A direct financial contribution, by way of donation, from the budget to finance either an action intended to help achieve an objective of an EU policy or the functioning of a body that pursues an aim of general European interest or has an objective corresponding to part of an EU policy.
Heading	A group of EU activities covering a broad category of expenditure under the multiannual financial framework. The current multiannual financial framework (2014-2020) is composed of six headings, as follows.  • Heading 1. 'Smart and inclusive growth', which has two subheadings: (a) Competitiveness for growth and jobs and (b) Economic, social and territorial cohesion.  • Heading 2. 'Sustainable growth — Natural resources', which includes agriculture, fisheries and the environment.  • Heading 3. 'Security and citizenship'.  • Heading 4. 'Global Europe'.  • Heading 5. 'Administration'.  • Special instruments. These are for areas that fall outside the multiannual financial framework ceilings or its other headings.
Implementation rate	Share of available amounts committed or paid compared to the amount of the voted budget.
Indirect management	A form of implementation of the EU budget based on entrustment by the Commission of one or more third parties (e.g. non-EU countries, international organisations, European Investment Bank Group).
Joint undertaking	A legal EU body established under the Treaty on the Functioning of the European Union. The term can be used to describe any collaborative structure proposed for the 'efficient execution of Union research, technological development and demonstration programmes'.
Payment appropriations	Amount of money covering expenditure due in the year, arising from legal commitments entered into in the current year and/or earlier years.
Programme	Set of related measures and activities for implementing EU policies. EU policies are implemented through a wide range of programmes and funds providing financial support to hundreds of thousands of beneficiaries – farmers, students, scientists, non-governmental organisations, businesses, towns, regions, etc.
Shared management	A form of implementation of an EU fund or programme where the task of management is delegated to EU Member States (as opposed to direct management). This applies to the vast majority of EU-funded projects.

TERM	DEFINITION
Special instruments	A means of providing EU financial support from the budget to allow the EU to react to specified unforeseen circumstances or to allow the financing of clearly identified expenditure that cannot be financed within the limits of the ceilings available for one or more headings. The mobilisation of special instruments is subject to a decision by the budgetary authority, acting on a proposal for a transfer from the 'reserve' title to the item concerned.

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