Ref. Ares(2020)2202021 - 23/04/2020

European Commission

2019

Annual Activity Report

DG Maritime Affairs and Fisheries

Table of Contents

THE DG IN BRIEF

The Directorate-General for Maritime Affairs and Fisheries (DG MARE) designs and implements the **Sustainable Blue Economy**[1] and the **Common Fisheries Policy** (CFP). In line with the CFP and the United Nations' Sustainable Development Goals (SDGs) – in particular SDG 14 'Conserve and sustainably use the oceans, seas and marine resources for sustainable development' – DG MARE designs and implements an **Ocean Policy** that supports the EU's **leading role in tackling the growing ocean challenges** both in the EU and internationally.

DG MARE contributes to the effective and efficient delivery of the Commission's political priorities. The Commission's **strong commitment to the sustainability, security and prosperity of our oceans** is reflected in DG MARE's main priorities:

- ensuring that the ocean resources are used sustainably;
- ensuring that coastal communities and the fishing sector have a prosperous future;
- stimulating a Sustainable Blue Economy, and
- promoting Ocean Governance at international level.

DG MARE's work in 2019 was guided by President Juncker's Agenda for Jobs, Growth, Fairness and Democratic Change[2] and his Mission Letter[3] to Commissioner Karmenu Vella who was in charge of the Environment, Maritime Affairs and Fisheries portfolio until the new Commission took office on 1 December 2019. As of this date, Virginijus Sinkevičius took over as the Commissioner for Environment, Oceans and Fisheries for the mandate 2019-2024.

In this Annual Activity Report, the Director-General of DG MARE reports to the College of Commissioners on the performance of his duties during 2019.

DG MARE has 322 staff members[4] organised in five directorates[5], which report directly to the Director-General: Mr João Aguiar Machado (until 30 September) and since then Mr Bernhard Friess in a capacity as Acting Director-General. The Director for General affairs and Resources is in charge of risk management and internal control for the DG.

The **main partners** for DG MARE are:

- public bodies (other EU institutions, Member States and their national or regional administrations, coastal regions and third countries);
- the blue economy industries, including fishing and aquaculture, and related organisations;

---

1 'Sustainable blue economy' means all sectoral and cross-sectoral economic activities throughout the single market related to oceans, seas, coasts and inland waters, covering the Union's outermost regions and landlocked countries, including emerging sectors and non-market goods and services and being consistent with Union environmental legislation (COM(2018)390 – article 3 (2) (15)).

2 https://ec.europa.eu/commission/sites/beta-political/files/juncker-political-guidelines-speech_en.pdf

3 https://ec.europa.eu/commission/commissioners/sites/cwt/files/vella_en.pdf

4 Situation at 31.12.2019: establishment plan posts and external personnel (contract agents and Seconded National Experts).

5 The five directorates cover: Maritime Policy and Blue Economy (directorate A), International Ocean Governance and Sustainable Fisheries (B), Fisheries Policy in the Atlantic, North Sea, Baltic and Outermost Regions (C), Fisheries Policy in the Mediterranean and Black Seas (D), and General Affairs and Resources (E).

- scientific advisory bodies, such as the International Council for the Exploration of the Sea (ICES) and the Scientific, Technical and Economic Committee for Fisheries (STECF);
- a wide range of maritime stakeholders (e.g. maritime professions, non-governmental organisations and civil society, marine and maritime research, academia), and
- the public at large, namely consumers and European citizens, especially in coastal regions.

DG MARE also works closely with the Advisory Councils[6], the European Fisheries Control Agency (EFCA)[7], the Executive Agency for Small and Medium-sized Enterprises (EASME)[8], other Commission services as well as administrations of partner countries and international organisations.

The major part of the DG's **budget** is implemented under shared management (80% of payments in 2019). For the 2014-2020 period, the European Maritime and Fisheries Fund (EMFF) is the main instrument to support the Common Fisheries Policy and the Maritime Policy. The European Fisheries Fund (EFF) was its predecessor for the 2007-2013 programming period. Member States implement the budget, and establish management and control systems to ensure correct programme implementation.

As to the financial management of DG MARE, the residual error rates for expenditure 2019 under shared management were 0.42% for the EMFF and 0.00% for the EFF (compared to 1.57% and 0.92% respectively in the AAR 2018).

This Annual Activity Report (AAR) describes **DG MARE's main achievements in 2019** and the challenges it faced. It mirrors the 2019 Management Plan that translates the DG's mission into general and specific objectives. An account is given of how these objectives have been achieved, with the resources DG MARE had at its disposal. Progress is measured through key performance indicators. The AAR also covers management aspects and assesses the effectiveness of DG MARE's internal control framework.

---

6 https://ec.europa.eu/fisheries/partners/advisory-councils

7 https://www.efca.europa.eu/

8 https://ec.europa.eu/easme/en

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG MARE to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties[9].

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

The mission of DG MARE is to develop the potential of the European maritime economy and to secure sustainable fisheries, a stable supply of seafood, healthy seas and prosperous coastal communities – for today's Europeans and for future generations. This involves promoting an integrated approach to all maritime policies with a view to foster the blue economy; and formulating the development and implementation of the Common Fisheries Policy – the cornerstone of our actions for a sustainable exploitation of fisheries resources.

The United Nations' 2030 Agenda for Sustainable Development identified the conservation and sustainable use of the oceans, seas and marine resources as one of the 17 Sustainable Development Goals (SDG 14).[10] Oceans are a source of life to our planet. They produce food and oxygen, and regulate the climate. They also offer opportunities to boost economic growth and jobs. However, the ocean's capacity to provide these benefits is at risk because of pollution, rising water temperatures, and overexploitation of its resources. It is therefore DG MARE's mission to help keeping our oceans healthy, clean and safe whilst creating the best conditions for maritime activities.

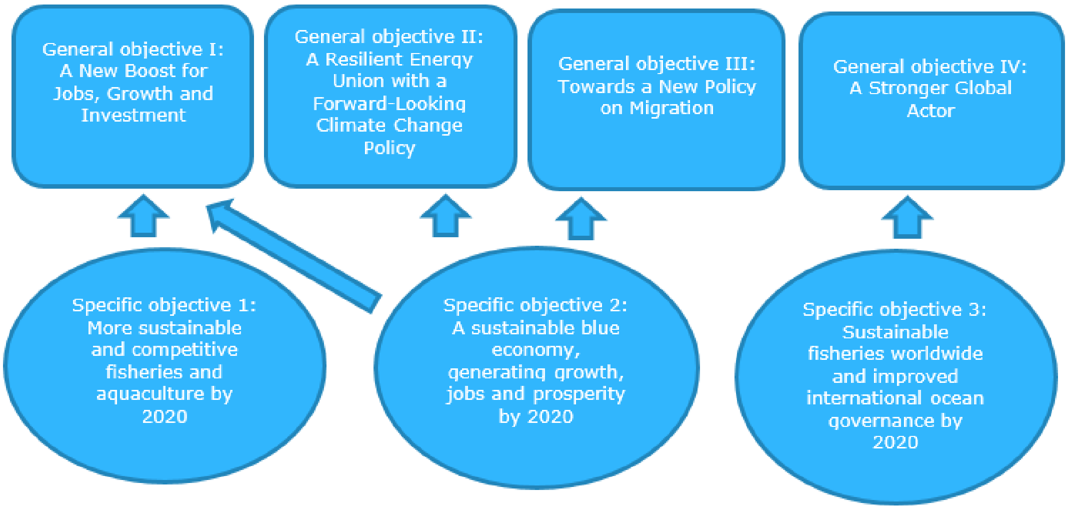
Our work in 2019 reflected the EU's strong commitment to the sustainability, prosperity and security of our oceans, as outlined in the DG's Strategic Plan for 2016-2020[11]. We focused on four general objectives – each corresponding to one of the ten priorities outlined in President Juncker's political guidelines[12] – and on three specific objectives. The graph below illustrates the links between specific and general objectives. The impact and result indicators used to measure progress are explained in the performance tables in Annex 12.

[9] Article 17(1) of the Treaty on European Union.

[10] https://www.un.org/sustainabledevelopment/oceans/

[11] https://ec.europa.eu/info/publications/strategic-plan-2016-2020-maritime-affairs-and-fisheries_en

[12] https://ec.europa.eu/commission/sites/beta-political/files/juncker-political-guidelines-speech_en.pdf



Among our actions undertaken in 2019 towards these objectives, we want to highlight the following:

A key deliverable was the adoption of the **new technical measures regulation**[13]. The rules are now aligned to the reformed Common Fisheries Policy to better ensure sustainable fishing and to protect the marine environment. Rules have also been simplified and the initative to elaborate measures that go beyond the baseline of the new regulation has been "decentralised" to Member States. Two other important legislative proposals are still being discussed by the co-legislators: the proposal revising the fisheries control system and the proposal for a European Maritime and Fisheries Fund 2021-2027.

As in previous years, we managed the **fisheries policy** in pursuit of achieving maximum sustainable yield (MSY) for fish stocks by 2020. DG MARE has been successful in meeting the CFP's sustainability target (MSY) in the fishing opportunities regulations adopted by the Council in October and December 2019 for the vast majority of stocks. Consequently, in 2020, more than 99% of the fish landed by EU fisheries in the Atlantic, North Sea and Baltic Sea are sustainable. Recent economic data show that sustainable fisheries pay off in terms of higher and stable yields, fleet profitability and jobs. This explains why our proposals on the fishing opportunities for 2020 in the Atlantic and North Sea, the Baltic Sea and the Mediterranean and Black Seas, underpinned by scientific advice and a socio-economic impact analysis, could be successfully negotiated in Council. In addition, emergency measures closed the Eastern Baltic cod fishery for the second half of the year. Still further efforts are needed to reach MSY for all commercially exploited stocks in all seabasins.

Multiannual management plans are crucial instruments for the implementation of the Common Fisheries Policy with the objective of ensuring the sustainability of our marine resources and fisheries sector. 2019 saw the final approval and entry into force of 2 new plans: a management plan for demersal fisheries in the Western Mediterranean Sea, the first such plan in the Mediterranean, and a management plan for the Western Waters of the Atlantic.

As last year, preparations for **Brexit** and the future relationship with the United Kingdom in the area of fisheries were among the core tasks of DG MARE. The EU's fisheries management will clearly be impacted by the withdrawal of the United Kingdom from the EU. We therefore continued to prepare for a final agreement on an orderly withdrawal, for the negotiations on our future cooperation, as well as for the possibility that the withdrawal agreement would not be ratified. In the context of the

13 Regulation (EU) No 2019/1241 on technical measures.

latter, the co-legislators have adopted the two following contingency measures:

- the use of the European Maritime and Fisheries Fund for affected fleets, and
- the amendment of the rules on the sustainable management of the external fishing fleets, to allow for fishing authorisations for Union vessels fishing in United Kingdom waters and fishing operations of United Kingdom fishing vessels in Union waters.

As a **global ocean leader**, one of the EU's strategic priorities is to ensure that the ocean and its resources globally are managed in a sustainable way. A first progress report taking stock of the EU's international Ocean Governance Communication[14] showed international cooperation on oceans is taking place, strengthening the role of the EU as a global leader. On 18 July, a second **ocean partnership** was signed **between the EU and Canada**, while the implementation of the first such agreement with China continued with the first EU-China Ocean Partnership Forum held in September. Good progress was made in the negotiations of an international treaty under the United Nations Convention on the Law of the Sea for the conservation and sustainable use of marine biodiversity in areas beyond national jurisdiction (**BBNJ**). Together with the ratification of the **Arctic** Fisheries Agreement, the organisation of a successful Arctic Forum in Umea, Sweden, were important milestones in our Arctic Policy.

In **regional fisheries management organisations** (RFMOs), we promoted better ocean governance, compliance and science-based fisheries management, including the ecosystem-based approach and the precautionary approach. We have achieved substantial progress: 88% of the conservation measures adopted by these organisations in their annual meetings were in line with the best available scientific advice. As a result, 16 out of 19 selected tuna and tuna-like stocks under the purview of RFMOs are at healthy levels. The General Fisheries Commission for the Mediterranean (GFCM) continued its path towards sustainable fisheries with the adoption of 15 recommendations upon EU proposals, including a management plan for demersal species in the Adriatic.

Our **fight against illegal, unreported and unregulated (IUU) fishing** remained a priority. A close cooperation and dialogue helped Thailand and Taïwan to successfully complete their action plan and overcome the shortcomings so that both were removed from the list of countries pre-identified as non-cooperating in the fight against IUU fishing. New formal dialogues (yellow cards) have been opened with Ecuador and Panama (first case ever of recidivism in the framework of the IUU Regulation since its adoption). In addition, the Commission honoured its commitment and launched in May an EU-wide IT system, named CATCH, for the submission of catch certificates.

The **sustainable fisheries partnership agreements** concluded between the EU and third countries project sustainability internationally. In 2019, we renewed the Protocols with Sao Tomé e Principe, Senegal and Seychelles (including the renewal of the Agreement). At the end of 2019, 13 such agreements were in force.[15] Negotiations with Mauritania, Madagascar and Kiribati are ongoing.

The uptake of the **European Maritime and Fisheries Fund** (EMFF) 2014-2020 has significantly improved, although it largely varies between Member States. The fund clearly facilitates the implementation of the Common Fisheries Policy and the Maritime Policy, but it is too early to quantify its overall impact.

Several of our actions under the **maritime policy** contributed to boosting investments

[14] JOIN(2016)49 of 10.11.2016

[15] Greenland, Morocco, Mauritania, Cabo Verde, Senegal, Gambia, Guinea-Bissau, Liberia, Ivory-Coast, São Tomé and Principe, Seychelles, Mauritius, and Cook Islands.

in a sustainable blue economy. Latest figures show that 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. Aquaculture is a strong and growing sector in terms of production and profits. Member States also better integrate aquaculture in their spatial planning. We continued our work to deliver on tailor-made blue economy strategies that take into account the specific strengths and weaknesses of each EU sea basin. But European prosperity and peace also depends on safe, secure and clean oceans. To achieve this goal, maritime security requires excellent cooperation between coastguard authorities, agencies and other regional, national or European authorities. With the EU Maritime Security Strategy Action Plan efficiency of operations at sea improved.

The European Maritime Day 2019 in Lisbon was highly successful in reaching out to citizens and stakeholders on maritime policy. The conference focused on boosting a **sustainable blue economy** and also saw the presentation of the second EU Blue Economy report[16]. Diversifying Member States' economies beyond land and along their coasts is crucial for the EU to achieve the Sustainable Development Goals set by the United Nations for 2030 and delivering smart, sustainable and inclusive growth worldwide. This was also demonstrated in the successful **conference on Community Led Local Development** in December, which showcased the importance of coastal development strategies financed under the EMFF.

b) Key Performance Indicators (KPIs)

The five KPIs include four operational indicators (KPI 1 to KPI 4) and one management indicator (KPI 5). All indicators stem from the DG MARE Strategic Plan for 2016-2020. They are used to measure progress towards the achievement of our operational and organisational objectives respectively.

Key performance indicator 1.

Specific measurement of Growth for Fisheries:

Economic growth potential and environmental sustainability measured by the proportion (Atlantic) or number of stocks (Mediterranean and Black Sea) that are fished at MSY levels

This indicator measures the potential for yield (fish catches) derived from the sustainable exploitation of marine biological resources. Fishing at MSY (Maximum Sustainable Yield) means fishing at a rate such that the average long-term catches are the highest that the stock can provide over the long-term. This ensures higher and more stable revenue for fishermen. The fishing mortality rate is the annual catch divided by the annual average biomass of exploitable fish in the sea.

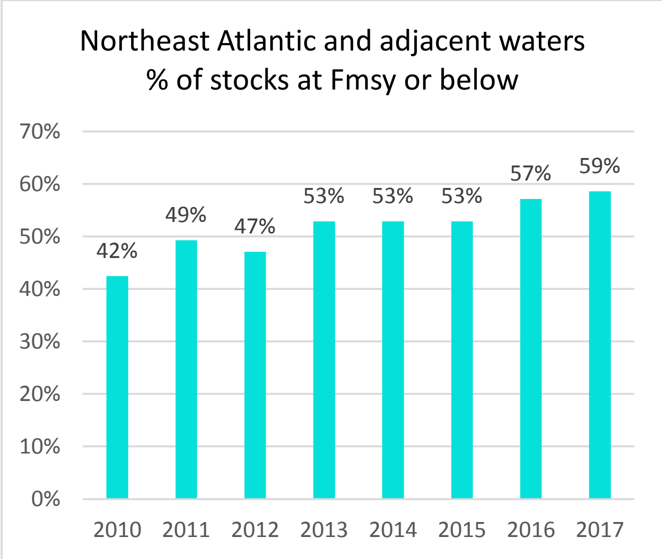
Source of data:

- Communication from the Commission to the European Parliament and the Council on the State of Play of the Common Fisheries Policy and Consultation on the Fishing Opportunities for 2020 (COM(2019)274)[17];
- STECF report 19-01 "Monitoring the performance of the Common Fisheries Policy"[18].

[16] https://blueindicators.ec.europa.eu/published-reports_en

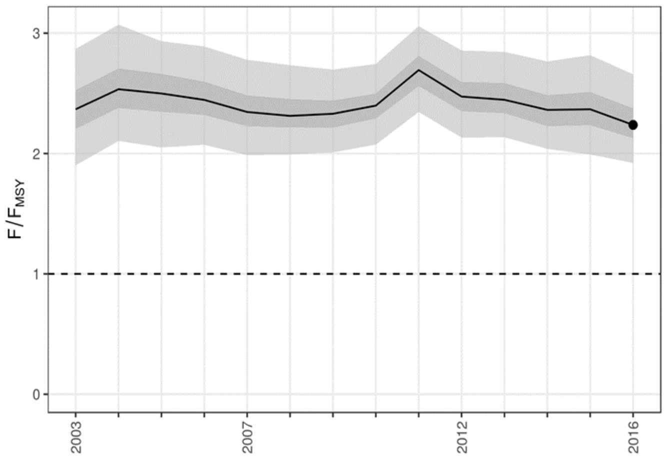
[17] https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1582114321805&uri=CELEX:52019DC0274

[18] https://stecf.jrc.ec.europa.eu/reports/cfp-monitoring/-/asset_publisher/oz5O/document/id/2484866?inheritRedirect=false

<table>
<tr>
<th>Baseline 2013[19]
(updated with data available at end of 2019)</th>
<th>Interim milestone</th>
<th>Target: by 2020 at the latest</th>
</tr>
<tr>
<td>


The state of stocks managed or fished together with Norway or in Coastal States arrangements was similar to the state of stocks managed exclusively by the EU.

Trend in F/Fmsy in Mediterranean and Black Seas[20]
(source: Policy Statement for 2020 (SWD(2019)205, figure 4))



Average fishing mortality compared to MSY values (where=1 for F=FMSY), means that the stock is fished at Fmsy (F=FMSY); where >1 means that the stock is classified as overfished in relation to the CFP Fmsy objective), for stocks in the Mediterranean and Black Seas.
</td>
<td>No interim milestones have been set in EU legislation.</td>
<td>Exploitation of fish stocks at MSY rate by 2020.

Target set by Article 2 of Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the CFP.</td>
</tr>
</table>

[19] Methodology used to assess the situation of fish stocks, and its outcomes: see SWD(2016)199 accompanying the Communication from the Commission to the European Parliament and the Council – Consultation on the fishing opportunities for 2017 under the Common Fisheries Policy (COM(2016) 396).

[20] Based on 47 stocks. Dark grey zone shows the 50% confidence interval; the light grey zone shows the 95% confidence interval.

Key performance indicator 2.

Specific measurement of Jobs for Fisheries:

Employment created and maintained with support from the European Maritime and Fisheries Fund (EMFF).

This indicator measures the direct effects of the EMFF on employment. It does not measure changes in employment due to external factors.

Source of data:

- Annual Economic Reports (AER), STECF
- Member States' EMFF Annual Implementation Reports (AIRs)

Baseline 2012-2013	**Interim milestone 2017**[21]	**Target 2023**[22]	**Situation at 31/12/2017**[23]	**Latest known results 31/12/2018 (latest data)**[24]
Fisheries: 110,096 in Full Time Equivalent (FTE) Source: 2013, AER fishing fleet.	• 0 FTE created	• 4,668 jobs created in FTE (jobs created represent 4% of the baseline employment)	• 61 FTE created	• 452 FTE created
	• 35,910 FTE maintained	• 27,183 FTE jobs maintained	• 1,826 FTE maintained	• 6,517 FTE maintained
Aquaculture: 34,400 FTE Source: 2012, AER aquaculture (freshwater aquaculture is not included).	• 310 FTE created	• 3,505 jobs created in FTE (jobs created represent 4% of the baseline employment)	• 129 FTE created	• 483 FTE created
	• 22,462 FTE maintained	• 23,480 FTE jobs maintained	• 103 FTE maintained	• 1,969 FTE maintained
Coastal communities: 140,000 FTE Source: No data requested in context indicators. 100% of jobs in fisheries are in coastal areas. 90% of jobs in aquaculture are in coastal Member States and at least 95% of jobs are in coastal areas.	• 890 FTE created	• 2,924 jobs created in FTE due to Community-led Local Development	• 139 FTE created	• 1,052 FTE created
	• 6,000 FTE maintained	• 8,326 FTE jobs maintained	• 355 FTE maintained	• 6,975 FTE maintained

21 Data source: Member States' Annual Implementation Reports.

22 Target value for 2023 based on the sum of national targets form the latest adopted version of Member States' operational programmes.

23 Data source: Member States' Annual Implementation Reports 2017 (period 2014-end 2017) as submitted in May 2018.

24 Data source: Member States' Annual Implementation Reports 2018 (period 2014-end 2018) as submitted in May 2019. See also the EMFF Programme statement for the draft budget 2021.

Key performance indicator 3.

Specific measurement for the EU as Stronger Global Actor in fisheries:

Improvement in global fisheries governance, measured by the sustainable management of emblematic tuna and tuna-like species as per relevant scientific advice.

This indicator measures to what extent some highly significant tuna and tuna-like species (Bigeye tuna, Bluefin tuna, Skipjack tuna, Yellowfin tuna, Pacific Bluefin tuna and swordfish) are fished at sustainable levels (Fcurr/Fmsy ≤ 1) in relevant geographical areas (Atlantic Ocean, Indian Ocean and Pacific Ocean). Progress in the sustainable management of the stocks is a direct result of EU action in the relevant RFMO[25] for a number of years.

Source of data: Annual stock situation in scientific reports of RFMOs concerned.

Baseline 2013	**Interim milestone 2017**	**Target 2020**	**Latest known results 2019**
14 out of 19 selected stocks are at sustainable levels.	15 stocks	19 stocks Target set by DG MARE.	16 stocks Source: DG MARE

[25] RFMOs which manage highly-migratory species, mainly tuna: http://iccat.int/en/, http://iotc.org/, https://www.wcpfc.int/, http://iattc.org/, http://www.ccsbt.org/site/

Key performance indicator 4. **Result indicator 1: EU investment relating to the blue economy expressed as percentage of total European Structural and Investment Funds (ESIF).** An analysis of ESIF operational programmes indicated that of the 120 categories of spending, only 3 (2 on ports and one that included ocean energy) could be directly linked to the blue economy, apart from the funding that the EMFF will bring to fisheries and aquaculture and other maritime issues. The same goes for Smart Specialisation Strategies. Nevertheless, maritime projects could fit easily into many of the other categories – support to SMEs, research infrastructure, wind energy, making use of cultural or natural heritage to enhance attractiveness for tourism etc. Initial estimates suggest about 3% of total structural and investment funding could be spent on maritime issues. DG MARE has been raising awareness of these opportunities through events in all the sea basins and now the work has been taken up by regional and national administrations in the countries concerned. **Source of data**: Reports sent by Management Authorities and accessed through Infoview.			
Baseline 2015	**Interim milestone 2017**	**Target 2023**	**Latest known results 2019**
3% of total Source: estimate based on analysis of the Member States' ESIF operational programmes.	4% of total	5% of total Target set by DG MARE.	The latest information suggests that spending in these areas is lower than the 2017 milestone of 4% (cf. Annual Activity Report 2018). At present, it is not possible to estimate the proportion with any reliability because the Managing Authorities do not provide this information to the Commission. This would require a sampling of Managing Authorities, which is not planned for the near future.

Key performance indicator 5. **Estimated residual total error rate (RTER)[26].** **Source of data:** 2019 Annual Activity Report RTER as confirmed by DG MARE.		
Baseline	**Target**	**Latest known results 2019**
The estimated residual error rate below 2% of cumulative interim payments made during each financial year. Source: 2014 AAR	The estimated residual error rates should remain below the materiality criteria throughout the period 2016-2020.	For the EMFF, the residual total error rate (RTER) without advances to financial instruments of the amount chargeable to the Funds for the accounting year 2017-2018 is 0.42%.

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

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

To ensure the achievement of policy and management objectives, the Commission has adopted a set of internal control principles, based on international good practice. The financial regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles. DG MARE has assessed its internal control systems during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to principle 4, related to staff allocation. Please refer to AAR section 2.1.3 for further details.

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

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

d) Provision of information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner(s) on management matters, the main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of Commissioner Sinkevičius, responsible for Environment, Oceans and Fisheries.

[26] The RTER is "the best estimation of the value of the total expenditure which was not in conformity with the applicable regulatory and contractual provisions after corrective measures have been implemented; expressed as a percentage of the total expenditure".

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF THE COMMISSION'S GENERAL OBJECTIVES AND DG'S SPECIFIC OBJECTIVES

1.1 Fisheries conservation

The key objective of fisheries management under the Common Fisheries Policy[27] is to **ensure sustainable fisheries** and a thriving EU fishing fleet. In order to achieve this, the fishing pressure on stocks should be aligned as soon as possible, and by 2020 at the latest, to the objective of maintaining stocks at levels that can produce Maximum Sustainable Yield (MSY). Efforts to achieve these objectives continued in 2019 and progress towards the objectives is highlighted in the Commission's Policy Statement for 2020.[28]

In the North-East Atlantic, North Sea and Baltic Sea[29], fishing pressure on stocks is limited by setting total allowable catches (TACs) with the aim of allowing a healthy future for the fish stocks' biomass. For 2020, the Council set 62 out of 78 TACs (representing 81% of all TACs of Fmsy-assessed stocks) in line with MSY, compared to 59 in 2019, and 47 out of the 53 stocks managed by the EU alone are set at MSY. In terms of amounts of fish landed, 99.4% of expected 2020 landings, for which the EU sets the fishing opportunities alone, will come from stocks fished at sustainable levels.

Healthier stocks have boosted the economic performance of the EU fleet, bringing in €1.3 billion net profits in 2017 (latest data, see section 1.2). This shows that sustainable fisheries pays off: substantial catch increases were decided for more than 25 valuable stocks. A success story is the Northern hake: today fishers can catch twice as much as in 2008. Also the emergency measures agreed in 2015 for Northern seabass have led to MSY fishing after only three years.

Scientific advice had demonstrated that cod is at risk in the Eastern Baltic Sea and is not expected to recover before 2024, even with no fishing at all. This is due not only to fishing pressure but also to degraded ecosystems resulting from pollution and effects of climate change. The Commission responded with first emergency measures in July[30] prohibiting to fish Eastern Baltic cod until end of the year. In October, following the Commission's proposal, the Council decided on unprecedented restrictions for 2020 by reducing the allowed catches for Eastern Baltic cod by 92%. Stronger catch restrictions

[27] Article 2 of Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy

[28] Communication from the Commission to the European Parliament and the Council on the State of Play of the Common Fisheries Policy and Consultation on the Fishing Opportunities for 2020 (COM(2019)274 and SWD(2019)205)

[29] Reference to 'North-East Atlantic' covers FAO area 27 and includes the waters of the Baltic Sea, North Sea, Irish Sea, Celtic Sea and adjacent waters.

[30] Commission Implementing Regulation (EU) 2019/1248 of 22 July 2019 establishing measures to alleviate a serious threat to the conservation of the eastern Baltic cod (Gadus morhua) stock

also apply to recreational fishers. The measures aim at rebuilding the stock, but they will also inevitably lead to redundant fleet capacities and to severe adverse socio-economic impacts for the local fishing communities. In October, the Commission proposed[31] to allow, under strict conditions, support from the European Maritime and Fisheries Fund for scrapping fishing vessels that are highly affected by the closure of the Eastern Baltic Cod fishery. The proposal is pending negotiations with the co-legislators.

In the **Mediterranean Sea**, 41 out of the 47 fish stocks assessed were exploited beyond sustainable levels in 2018, with on average, fishing pressure around 2.3 times higher than their respective Fmsy. Recent data suggest that there has been a decreasing trend in the average F/Fmsy rate since 2011[32], which could indicate a small improvement in exploitation.[33]

In the **Black Sea**, 6 out of the 8 assessed shared stocks remain overfished, with the exception of sprat and rapa whelk.

These figures show that, while significant progress has been achieved in the North-East Atlantic, in the Mediterranean and Black Seas continued efforts are needed to ensure that all stocks are rebuilt and managed at sustainable levels. In 2019, further significant steps were taken towards this objective:

- For the first time, the Commission proposed **fishing opportunities for the Mediterranean and Black Seas**.[34] The Council agreed by Regulation (EU) 2019/2236[35] to reduce by 10% the fishing effort for demersal stocks in the Western Mediterranean, in line with the multiannual plan. For the Adriatic, the fishing effort for demersal stocks was reduced and catch limits for small pelagics set, through the implementation of the recommendations adopted by the General Fisheries Commission for the Mediterranean (GFCM). For the Black Sea, quotas were agreed for the two most important commercial species, sprat and turbot, shared between Bulgaria and Romania.
- Also for the first time, a **multiannual management plan** was put in place for **demersal fisheries in the Western Mediterranean Sea**.[36] The plan reflects the Commission's political commitment from the MedFish4Ever Declaration to save the Mediterranean fish stocks, whilst ensuring long-term profitability of this fleet and protecting some 16,000 jobs in the region. Without this plan, more than 90% of the stocks assessed would be overfished by 2025.

  There was no progress in the Council on the multiannual management plan for small pelagic stocks in the Adriatic. The European Parliament had adopted its position in November 2018. Pending a decision by the co-legislators, the bad situation of small pelagics in the Adriatic was mitigated by emergency measures taken by the GFCM and implemented in the fishing opportunities

---

[31] COM(2019)564, 2019/0246 (COD)

[32] After the observed peak in 2011, where F/FMSY has reached its highest historical level, there is a somewhat decreasing trend in overexploited stocks. The STECF also concludes that stocks from the Mediterranean and Black Seas remain in a very poor situation, although there is a slight improvement in terms of fishing pressure and stock biomass.

[33] STECF-Adhoc-19-01 (see before).

[34] https://ec.europa.eu/commission/presscorner/detail/en/ip_19_6035

[35] https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1579625649447&uri=CELEX:32019R2236

[36] Regulation (EU) 2019/1022 of the European Parliament and of the Council of 20 June 2019 establishing a multiannual plan for the fisheries exploiting demersal stocks in the western Mediterranean Sea and amending Regulation (EU) No 508/2014. Commission proposal: COM(2018)115, 2018/0050(COD).

regulation for 2019. In January 2020, the Commission proposed to withdraw its proposal in the framework of the Commission 2020 Work Programme[37].

- Important steps were also taken towards a **improved fisheries governance** in the Mediterranean and Black Seas:
  - During the 2019 High-level Conference (11-12 June, Marrakech)[38], 16 Mediterranean riparian countries and the EU re-committed to implement the 2017 MedFish4Ever[39] roadmap for sustainable fisheries and aquaculture in the coming 10 years.
  - The General Fisheries Commission for the Mediterranean (4-8 November, Athens)[40] adopted a series of binding decisions establishing multiannual management measures for red coral and key fisheries, such as turbot in the Black Sea, blackspot seabream, Adriatic demersal fisheries, deep water red shrimp fisheries in the Strait of Sicily, dolphinfish fisheries with fish aggregating devices, as well as measures to protect vulnerable marine ecosystems and cetaceans.
  - The GFCM recommendations from 2015, 2016 and 2017 were transposed into EU law by Regulation (EU) 2019/982[41].

In 2019, we also achieved other important results, contributing to sustainable fisheries:

- A new Regulation[42] establishes **technical measures** to protect the marine ecosystem, marine habitats and to avoid by-catches of non-commercial and sensitive species (e.g. whales, dolphins, porpoises, marine seabirds). For the first time, quantitative indicators will measure the effectiveness of the technical measures. Rules were simplified to improve compliance with the fisheries rules, in particular the landing obligation. Fishers have now a stronger say in deciding on the best technical measures for sustainable fishing adapted to their local context. The regulation bans the use of pulse fishing gear from 1 July 2021, but Member States may prohibit or restrict the use of pulse fishing within their coastal waters sooner.
- The **landing obligation** applies fully to EU fishing fleets since 1 January 2019. The practice of throwing unwanted fish back into the sea has therefore ended, with a few strict exceptions. All catches of regulated commercial species on-board (including by-catch) must now be landed and counted against the Member States' quota. Rules to support the implementation of the landing obligation are laid down in multiannual plans and in discard plans developed on the basis of joint recommendations from the Member States concerned. The Commission adopted four discard plans in 2019: on demersal fisheries in the

---

[37] COM(2020) 37

[38] https://ec.europa.eu/fisheries/press/gfcm-high-level-conference-medfish4ever-initiatives-advances-and-renewed-commitments-11-12_en

[39] 2017 MedFish4Ever Declaration: https://ec.europa.eu/fisheries/sites/fisheries/files/2017-03-30-declaration-malta.pdf

[40] http://www.fao.org/gfcm/news/detail/en/c/1249991/

[41] https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1579624286145&uri=CELEX:32019R0982

[42] Regulation (EU) 2019/1241 of the European Parliament and of the Council of 20 June 2019 on the conservation of fisheries resources and the protection of marine ecosystems through technical measures.

North Sea[43], demersal fisheries in South-Western waters[44] and in North-Western waters[45], and on clams in certain Italian waters[46].

Two new **multiannual management plans** were formally adopted by the co-legislators and entered into force, which are crucial instruments for the implementation of the Common Fisheries Policy. In March, the multiannual plan for Western Waters introduced new rules to manage fishing in both the North and South Western Waters of the Atlantic.[47] A management plan for demersal fisheries in the Western Mediterranean Sea was adopted in June.[48]

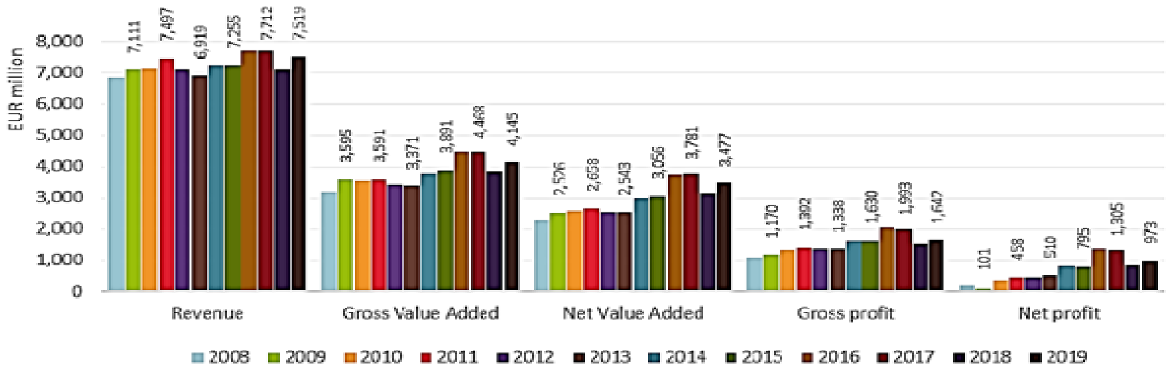
1.2 Balance between fishing capacity and fishing opportunities

The 2019 Annual Economic Report on the EU fishing fleet[49] contains official data for 2017 (latest data), preliminary data for 2018 and projections for 2019. It is a valuable source of economic data and analysis on the performance of the EU fishing fleets.

In 2017, the **EU fishing fleet** numbered 83,323 vessels with a combined gross tonnage of 1.56 million tonnes and engine power of 6.3 million kilowatts. Of these, 65,567 vessels were active in 2017. The fleet counted 151,981 fishers, corresponding to 107,807 full time jobs. Overall, employment in the EU fish-harvesting sector continues to decline, with also less jobs in the ancillary sectors of the fishing communities. The decline is due to the lower fishing capacity but also the better technical efficiency of the fishing vessels. A total of 5.3 million tonnes of seafood were landed, worth €7.6 billion.

The profitability of the EU fishing fleet is the main indicator to measure its economic performance. The EU fleet continued to be **highly profitable** in 2017, with an estimated €1.3 billion of net profits, or **16.9% of the revenue**. Net profits are well above the targets we had set for 2017 (9% on average) and 2023 (10% on average).

Figure: Trends in the main economic performance indicators for the EU fishing fleet from 2008 to 2019 (2018 and 2019 results are projections based on modelling and preliminary data)
Source: 2019 Annual Economic Report on the EU fishing fleet (STECF 19-06), p. 39



[43] C(2019)7078 of 01.10.2019

[44] C(2019)7046 of 01.10.2019

[45] C(2019)7048 of 01.10.2019

[46] C(2019)6197 of 28.08.2019

[47] Regulation (EU) 2019/472 of the European Parliament and of the Council of 19 March 2019 establishing a multiannual plan for stocks fished in the Western Waters and adjacent waters, and for fisheries exploiting those stocks.

[48] Regulation (EU) 2019/1022 of the European Parliament and of the Council of 20 June 2019 establishing a multiannual plan for the fisheries exploiting demersal stocks in the western Mediterranean Sea and amending Regulation (EU) No 508/2014.

[49] STECF 19-06: https://op.europa.eu/en/publication-detail/-/publication/ca63ab82-c3bf-11e9-9d01-01aa75ed71a1

The higher profits of the EU fishing fleet can be attributed to several factors:

- progress towards sustainable fisheries. As fish stocks are more abundant, landings per unit of effort (such as the number of fishing days, number of hooks, nets) are higher and the operational costs lower.
- higher average first sale prices for a number of commercially important fish species, and consumers buying more expensive fish species.
- lower fuel costs result from lower fuel consumption and relatively low fuel prices. Fuel efficiency (in kg landed per litre of fuel) increased by 20% over 2008-2017. This implies that EU fleets tend to reduce carbon footprint.

Economic performance stagnates in the fleet segments that depend on overfished stocks as per the report – **fishing sustainably is more profitable**. The increasing number of stocks at maximum sustainable yield (MSY) seem to improve the economic performance of the fleets concerned.

There is also better economic performance of the distant water fleets, of the outermost regions' fleets, and, for first time, of the Mediterranean Sea fleets. Despite this overall improvement, 20% of the EU fleet segments registered net losses because they depend on over-exploited stocks and/or suffer from structural problems. There are significant differences between at sea basin level, with the Atlantic North Western Waters having the highest performance and the Baltic Sea the lowest.

As regards the **social dimension** of our fisheries policy, we finalised the Commission report on the progress by Member States to become a party to the International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel.[50] Member States are encouraged to finalise the ratification procedures, and to support the Commission in its work to promote safety on board and at sea. In May, DG MARE organised a workshop with the International Labour Organization on the Work in Fishing Convention No. 188. We also participated in different social dialogue meetings throughout the year.

1.3 Ocean Governance

With its oceans agenda, the EU undertakes actions for ocean governance as part of the United Nations' (UN) 2030 Agenda. Our policies contribute in particular to **Sustainable Development Goal (SDG) 14 dedicated to life below water, SDG 2 on food security and SDG 6 to address climate change and its impacts.**

The **first progress report on Ocean Governance**[51], presented in March, shows that the 50 actions for safe, secure, clean and sustainably managed oceans are successfully being implemented overall. On 19 March, a high-level conference "Oceans – the future of our blue planet" was co-organised by the European Parliament and the European Commission[52]. The Council adopted its Conclusions on Oceans and Seas in November[53].

The EU and Canada signed an **ocean partnership** in July[54]. It confirms the longstanding cooperation on ocean affairs and fisheries, also in respect of the Arctic

50 COM(2019)157 of 28.03.2019

51 JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Improving International Ocean Governance – Two years of progress (JOIN(2019)4 of 15.03.2019)

52 https://www.europarl.europa.eu/news/en/headlines/eu-affairs/20190213STO26336/future-of-the-blue-planet-parliament-conference-on-oceans

53 https://www.consilium.europa.eu/media/41384/st14249-en19.pdf

54 https://ec.europa.eu/maritimeaffairs/press/eu-and-canada-conclude-ocean-partnership-

and the Indigenous Peoples. Both parties commit to fight illegal fishing, marine pollution and climate change. Commenting on the new agreement, Karmenu Vella, European Commissioner for the Environment, Maritime Affairs and Fisheries said:

> ''The vast challenges our oceans face have been one of the priorities of my mandate – from climate change to plastic pollution to illegal fishing. No country, or region, can tackle these problems alone. I am delighted that, together, EU and Canada are leading the way to healthier oceans.''

At the first **EU-China Blue Partnership Forum for the Oceans** (5 September, Brussels), Chinese and European stakeholders defined joint actions that will implement the first Ocean Partnership with China. Three high-level dialogues with China took place between June and September 2019.

The EU **Arctic** Forum[55] (3 October, Umeå, Sweden) was jointly organised by DG MARE, the European External Action Service and Sweden. Building on the achievements of the EU Arctic policy in recent years, the event was an opportunity to assess recent developments, to discuss the challenges ahead and to provide a strategic outlook for the years to come, with a focus on international cooperation, the climate-environment-ocean nexus, sustainable investments, and connectivity in the Arctic. The event was followed the day after by the Annual Arctic Indigenous Peoples' Dialogue with interactive panel discussions. This is an important part of the EU's commitment to ensure that the views and rights of Arctic indigenous peoples are respected and promoted in the ongoing development of EU policies affecting the Arctic. The first meeting of signatories of the International Agreement to Prevent Unregulated High Seas Fisheries in the Central Arctic Ocean[56] (29-30 May, Canada) prepared a smooth entry into force of the Agreement. The EU was the second party to ratify the Agreement in March.

In the context of the second and third intergovernmental conference of negotiations, DG MARE coordinated a strong presence and represented the EU and its Member States in the negotiations for a new legally binding instrument under UNCLOS on the conservation and sustainable use of **Biodiversity Beyond National Jurisdictions (BBNJ)** (25 March-5 April and 19-30 August, UN).

Since 2014, the yearly Our Ocean conferences have brought together governments, business, science and civil society to make commitments for healthy, secure and sustainably used oceans. The over 1,400 voluntary commitments so far, worth €10 billion focus on climate change, marine protected areas, sustainable fisheries, maritime security, marine pollution, and a sustainable blue economy.

Building on the legacy of previous conferences, the main takeaway from the **Our Ocean conference (OOC) 2019** (23-24 October, Oslo)[57] is that strong sense of urgency has moved the emphasis from commitments to action. The conference identified practical measures to be taken in the areas of climate change, pollution and fisheries governance, making it clear that knowledge-based stewardship is essential to ensure protection of the oceans and the sustainability of the blue economy.

The 374 commitments agreed are worth more than USD 63 billion, a considerable increase compared to previous years. DG MARE hosted a side event on the signature

---

agreement_en

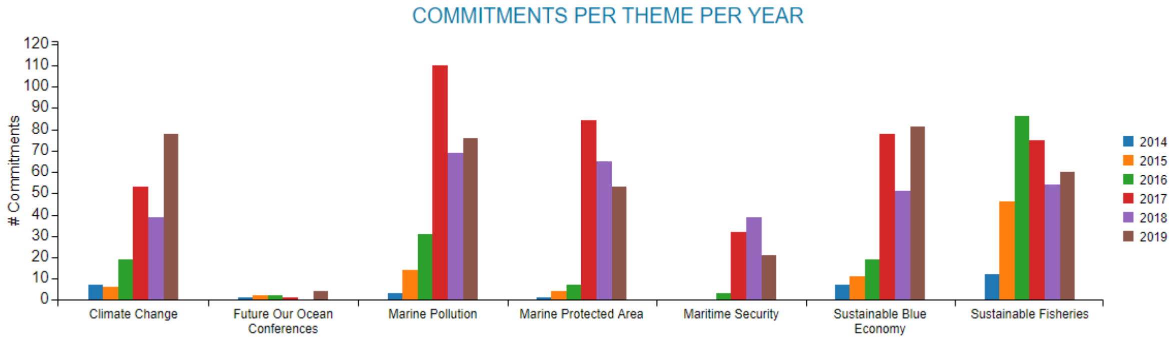
55 https://ec.europa.eu/info/events/eu-arctic-forum-2019-oct-03_en

56 https://ec.europa.eu/fisheries/eu-and-arctic-partners-enter-historic-agreement-prevent-unregulated-fishing-high-seas---frequently_en

57 https://ourocean2019.no/

of a €40 million EU-ACP-FAO fisheries project to boost sustainable fisheries and aquaculture in Africa, the Caribbean and the Pacific, and brought forward 22 commitments worth €700 million, on behalf of the EU. For the first time, the **Our Ocean Commitment Tracker**[58] was used. DG MARE has developed this IT tool in close consultation with past, current and future OOC hosts. The tool keeps track of all the OOC commitments. It was a big success at the conference and was passed on to Palau, the host for the OOC 2020.

Overview of Our Ocean commitments[59]:



Source: Our Ocean Commitment tracker

Ocean litter is one of the most pressing environmental problems not only in the EU but also in the rest of the world. Of the more than 300 million tons of plastic produced every year, 9 million tons end up as waste in the oceans and on the beaches. It is estimated that by 2050 there could be more plastic than fish in the sea. Ocean litter leads to significant costs and lost revenues for the public authorities, tourism and recreation, shipping and yachting, aquaculture, and fishers who need to spend time and money in cleaning ocean litter from their nets.[60]

Estimated economic impact of ocean litter in the EU:

Sector	Impact	Annual cost	(Lost) revenues
		EUR million or employees	Percentage
Fishing*	Lost revenue	162	2.1
Aquaculture	Lost revenue	2	0.04
Shipping	Repair costs	3.9	0.1
Tourism	Lost revenue	350	0.5
Tourism	Lost jobs	5,590	0.3
Government	Waste collection (packaging material)	4,000.0	6.3
Government	Waste remediation activities	6,000.0	3.7
Government	Coastal clean-up activities	194.6	3.2-10.5
Government	Fishing for litter	3.7	-

Source: The EU Blue Economy Report 2019, Table 14

In line with the Sustainable Development Goal 14 'life below water', all UN Member States pledge to prevent and significantly reduce marine pollution by 2025. The EU therefore adopted directive 2019/904 on single-use plastics[61]. It addresses the 10

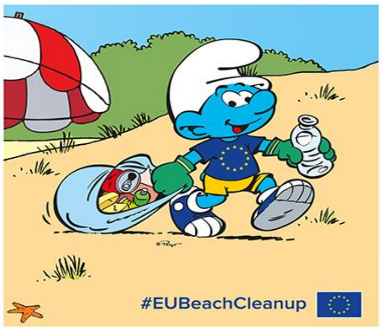
[58] https://www.ourocean2020.pw/commitments/

[59] The 'Future Our Ocean Conferences' in the graph shows the number of commitments made by participants in the 2019 Our Ocean Conference to host a future edition of the Our Ocean Conference.

[60] The EU Blue Economy Report 2019

[61] Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.

most found items on our beaches, including **lost fishing gear**, which accounts for some 27% of all beach litter. Member States have two years to turn the EU rules into national laws. Standards were set for recycling fishing gear. The posting on-line of maps of litter distribution in European waters through the European Marine Observation and Data Network (EMODnet) will help determine appropriate responses (see section 1.9).



A TRULY GLOBAL CAMPAIGN...

# events: 77	***# participants: > 40,000 (41,900 estimated)***
# countries: 69 (9 EU)	***# waste: > 850,000 kg (863,000 estimated)***

In the run-up to Our Ocean 2019, the EU organised a record number of beach cleaning actions across Europe and the world, as part of the **#EUBeachCleanUp** campaign. 77 actions took place in 69 countries. Over 40,000 people participated. Some 850 tons of waste were removed from the oceans and beaches.

1.4 Sustainable fisheries worldwide

In 2019, the Commission continued to deliver on its commitment to achieve more sustainable fisheries worldwide. 88% (57 out of 65)[62] of all **conservation measures adopted by Regional Fisheries Management Organisations** (RFMOs) to which the EU is a member were in line with best available scientific advice. Our 2020 target is 100%.

As regards our main indicator to measure progress, out of 19 emblematic tuna and tuna-like species, 16 stocks are fished at sustainable levels. Three stocks continue to be overfished:

- Since 2017, the **Indian Ocean** Tuna Commission (IOTC) has adopted measures to reduce catches of **yellowfin tuna** from the 2014 level by 5% to 15%, depending on the fishing gear. These measures have been ineffective, notably because of the many exemptions, and catches increased by 3% compared to 2014. A very ambitious proposal submitted by the EU at the IOTC annual meeting in 2019 to redress the situation of the stock was not adopted. The EU will continue to strive for the sustainability of this species.
- Concerning **bigeye tuna in the Atlantic Ocean**, the International Commission for the conservation of Atlantic Tunas (ICCAT) reduced the catch limit to 62,500 tonnes for 2020, decreasing to 61,500 tonnes in 2021. In addition, new measures were adopted to better manage fishing activities on fishing aggregating devices. Closure periods were decided to reduce the fishing mortality of juvenile bigeye tuna, bringing the stock to a sustainable level. This was achieved despite very strong initial divergences between Parties in these fisheries.
- The **Mediterranean swordfish** stock is overfished according to the 2017 stock assessment. The EU requested a stock assessment to review the catch limits from the 2017 recovery plan, which had been set above the EU proposal.

[62] In 2018: 52 out of 59 conservation measures adopted by RFMOs (88%).

Should the upcoming stock assessment in 2020 call for a reduction of the catches, this will be a main priority for the EU.

The North-East Atlantic Fisheries Commission (**NEAFC**) (12-15 November, London)[63] agreed a number of conservation and management measures for 2020, including an EU proposal to automatically add vessels identified within NEAFC as engaging in illegal, unreported and unregulated (IUU) fishing to IUU records of other RFMOs. The EU will be the first Party to fully implement the electronic transmission of fishing logbook and position information.

In November 2018, NEAFC adopted the **FLUX standard**[64] for data exchanges. With the FLUX standard, Regional Fisheries Management Organisations and countries around the world can for the first time use an IT tool to automate the collection and dissemination of the fishery catch data needed for sustainable fishery management and for detecting and fighting illegal, unreported and unregulated fishing. All exchanges take place via a central data exchange platform hosted by DG MARE. The exchange system FLUX Transportation Layer is now operational in the Commission and in 22 out of the 23 Member States concerned. It allows sending validated data in standard formats and content to the Commission. Data exchanges in these formats for fishing activity, for sales data, vessel position and aggregated catch data are either in place or progressing well in most Member States. Standardised formats for information on the fleet are already in place whereas those for fishing authorisations and inspection report standards can be expected by the end of 2020.

1.5 Fisheries agreements

At the end of 2019, **13 protocols to sustainable fisheries partnership agreements** (SFPAs) between the EU and third countries were in force (compared to 9 at the end of 2018.

The agreements allow EU vessels to fish surplus stocks that are not fished by local fishermen in the third country's waters. In return, the EU supports the partner countries to strenghten their fisheries governance. Besides fighting illegal, unreported and irregulated fishing, they also help developing the local economy. This way, they contribute to the United Nations' Sustainable Development Goals (SDGs), in particular with regard to ocean sustainability (SDG 14) and food security (SDG 2).

In 2019, we renewed the Protocols with Sao Tomé e Principe, Senegal and Seychelles (including the renewal of the Agreement). Negotiations continued with Mauritania, Madagascar and Kiribati, but no progress could be made as regards Gabon.

After adoption by the Council and consent given by the European Parliament, new Protocols started to apply with Morocco, Cabo Verde, Guinea-Bissau, The Gambia, Senegal and Sao Tomé e Principe.

The protocol with Mauritania was extended for one year so that an interruption of the fishing activities could be avoided, in line with the negotiation mandate.

[63] https://ec.europa.eu/fisheries/press/north-east-atlantic-fisheries-commission-adopts-conservation-and-enforcements-measures-2020_en

[64] In 2013, DG MARE launched the Fisheries Language for Universal Exchange (FLUX) project in a UN working group to produce a standard for fisheries data management.

A mandate to renew the Access agreement to Mayotte waters was adopted. To prepare for a negotiation mandate, ex-post and ex-ante evaluations of the Protocols with Liberia and the Cook Islands were launched. The evaluations assess the effectiveness, efficiency, economy and added value of the proposed SFPAs. Overall, they are considered beneficial to the EU but the extent depends on the agreement.

On some occasions negotiations took longer than expected. As a result, some ship-owners had to stop their fishing activities or modify their strategies, in the context of global competition between various long distant fishing fleets. This has led the Commission to start reviewing dormant agreements (The Gambia) so that the objective of a higher number of SFPAs could be met.

The number of **fishing authorisations** issued in the framework of the SFPAs in force:

- slightly increased to 412 authorisations issued in 2019 for 128 vessels in relation to tuna agreements, and
- increased from 343 to 470 authorisations for 207 vessels in mixed fisheries, essentially because of the reactivation of the SFPA with Morocco.

More than 50 licences have been attributed to non-EU vessels in the framework of access agreements concerning French Guyana and Mayotte waters. Around 245 direct authorisations ("private licences") for fishing activities in third countries (outside Union waters and where no SFPA applies) were notified to the Commission on the basis of the regulation on the sustainable management of external fishing fleets.[65]

As regards the **Northern agreements,** a mandate to open negotiations for a new fisheries agreement with Greenland was adopted in October.

1.6 Fight against IUU fishing

Illegal, unreported and unregulated (IUU) fishing causes huge damages: fish stocks collaps, marine ecosystems are destroyed, it leads to poverty in coastal regions. Importing two-thirds of what we consume, the EU is the world's biggest importer of fishery and aquaculture products. The EU cannot accept illegal products into its market. This is why fighting IUU fishing is part of the EU's international ocean governance policy and its commitment to achieve the **Sustainable Development Goal 14** for a sustainable use of the sea and its resources. We fight against IUU fishing with a zero-tolerance approach.

Based on the IUU Regulation[66], only fishery products that are certified as legal, can

[65] Regulation (EU) 2017/2403 of the European Parliament and of the Council of 12 December 2017 on the sustainable management of external fishing fleets, and repealing Council Regulation (EC) No 1006/2008.

[66] Council Regulation (EC) No 1005/2008 of 29 September 2008 establishing a Community system to

access the EU market. Currently, 92 third countries have notified to the EU their flag State competent authorities for the validation of catch certificates that are required to import fishery products to the EU. Using a system of green, yellow and red cards, the EU warns trading partners that they could be listed as a non-cooperating country in the fight against IUU fishing, if they do not comply with their obligations as flag, coastal, port and market State under international law. Since November 2012, the Commission entered into formal dialogues with 27 third countries, i.e. officially warned them of the need to take effective action to fight against IUU fishing (yellow card). Only a few countries have not shown the necessary reforms meaning that the fishery products caught by their vessels cannot be imported into the EU (red card).

A close dialogue with the EU helped Thailand to address its legal and administrative shortcomings in fisheries so that in 2019, the Commission could lift the yellow card it had issued in 2015.[67] Also Taiwan successfully implemented the action plan as proposed by the Commission.[68]

In 2019, Ecuador was notified (yellow card) that it should develop an enforcement and sanctioning system to address IUU fishing.[69] Also Panama was notified that it should ensure adequate control over the activities of its vessels to prevent and deter them from engaging in or supporting IUU fishing.[70] Panama is also to properly implement its enforcement and sanctioning system and the Port State Measures Agreement, and to adequately control its processing plants, especially those exporting to the EU. The country had already received a yellow card in November 2012, which was lifted in October 2014.

In May, the IT CATCH was launched at the Seafood Expo. This IT tool supports the EU Catch Certification Scheme by digitalising the submission of catch certificates and processing statements. It aims at improving control and verification by Member States at the EU borders. Relevant legal provisions to ensure the compulsory use of IT CATCH by all relevant EU stakeholders have been proposed as part of the revision of the EU Control Regulation.

Apart from bilateral cooperation, DG MARE supports the fight against IUU fishing - also in regional (RFMOs) and global fora. The participation on behalf of the EU in the second Meeting of the Parties on the Port State Measures Agreement (PSMA) in June, led to important decisions on coordination and cooperation in the fight against IUU under the Agreement, including on capacity building to developing countries. The EU will host the important review meeting of the PSMA in December 2020.

1.7 Control and enforcement

The success of the common fisheries policy depends very much on the **implementation of an effective fisheries control system**. The added value of this system is its contribution to a wide level playing field where the rules are applied in all fisheries in the same harmonised way across the EU.

The Commission has the responsibility to ensure that Member States correctly apply EU fisheries rules, including on control. Member States must ensure effective control systems and timely implementation of the control action plans decided by the

prevent, deter and eliminate illegal, unreported and unregulated fishing, amending Regulations (EEC) No 2847/93, (EC) No 1936/2001 and (EC) No 601/2004 and repealing Regulations (EC) No 1093/94 and (EC) No 1447/1999.

67 C(2018)9087 of 08.01.2019

68 C(2019)4585 of 27.06.2019

69 C(2019)7244 of 30.10.2019

70 C(2019)8868 of 12.12.2019

Commission. The risk of deficiencies in the national control systems is mitigated by a continuous monitoring through DG MARE audits and verifications in Member States, through ad-hoc dialogues, and in expert groups discussing control and compliance matters. If necessary, EU-Pilots or infringement procedures can be launched, or payments from the European Maritime and Fisheries Fund interrupted or suspended. For example, an external study on engine power verification by Member States[71], published in June 2019, led to EU-pilot letters to 15 Member States and regular letters to the 8 Member States that were not covered by the study.

By 2019, 11 **control action plans** were in force. In 2019, one action plan (for Lithuania) was closed and three new actions plans to address shortcomings in the fisheries control systems of Malta, Cyprus and Italy were put in place.[72] The action plans include roadmaps to make the Member States' control systems more effective.

The **specific control and inspection programmes** (SCIPs) established by Commission Decision (EU) 2018/1986 were fully implemented in coordination with the European Fisheries Control Agency (EFCA) and the Member States concerned, i.e. all coastal Member States. The SCIPs are established per sea-basin (except for Bluefin tuna) and implemented through joint deployment plans adopted by EFCA. The inspection and control priorities are set based on a risk assessment at sea-basin level and by fleet segment. The fisheries covered by the SCIPs include species under multiannual plans and those subject to the landing obligation.

In 2019, the co-legislator continued work on the **proposal to revise the EU fisheries control system**, adopted by the Commission in 2018.[73] The main objectives are to simplify controls but at the same time strengthen the enforcement provisions, to ensure better quality and sharing of fisheries data and information and to reduce administrative burden. The proposal also follows up on the recommendations made by the European Court of Auditors in Special Report n° 8/2017 "EU fisheries controls: more efforts needed".[74] The Commission proposal is still under negotiation with the co-legislators.

1.8 Structural support

The European Maritime and Fisheries Fund (EMFF) 2014-2020 supports both the Maritime Policy and the Common Fisheries Policy. Around 90% of the fund is delivered under shared management with the Member States through one operational programme per Member State (except Luxemburg) and some 10% is earmarked for projects directly managed by the Commission.

The EMFF implementation report 2018[75] is based on an analysis of the 2018 Annual Implementation Reports from the Member States and the 2018 annual review meetings at the end of 2019. It shows that implementation under **shared management** has advanced substantially compared to previous years. There is a positive trend in number of jobs maintained and created with EMFF support in fisheries, aquaculture and especially for community-led local development where the target was even exceeded. However, spending varies between Member States. Investments linked to the landing obligation remained relatively low.

In view of the risk of a no-deal Brexit, in March, the EMFF regulation was amended to

[71] https://op.europa.eu/en/publication-detail/-/publication/a867cbac-8e90-11e9-9369-01aa75ed71a1

[72] C(2019)570, C(2019)1382 and C(2019)1103

[73] COM(2018)368 of 30.05.2018

[74] https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41459

[75] EMFF Implementation report 2018 (December 2019): https://ec.europa.eu/newsroom/mare/document.cfm?doc_id=64052

authorise higher temporary cessation support. Other Member States were affected by severely declining fish stocks, notably in the Baltic Sea.

The performance review in accordance with articles 21-22 of the Common Provisions Regulation (EU) No 1303/2013 indicates that 70% of all EMFF Union Priorities achieved their milestones. Following the review, Member States had the opportunity to reallocate a portion of finance from priorities with poor implementation rates. Following these reallocations, there were only small changes to the overall balance of the financial distribution of the EMFF among Union Priorities.

In general, programme performance is assessed on a continuous basis, throughout the implementation period, by means of Annual Implementation Reports, Infosys data (compiled by the managing authority at operational level and submitted annually in accordance with article 97(1)(a) of the EMFF Regulation), all correspondence as well as meetings with the managing authorities and monitoring committees. Other internal or external sources e.g. national/EU audits, ECA, OLAF, complaints, media reports are also considered, where relevant[76].

Planned EMFF spending by Union Priority for 2014-2020[77]

Union Priority	Union Priority name	Total in €
1	Promoting environmentally sustainable, resource efficient, innovative, competitive and knowledge based fisheries	1,497,209,714
2	Fostering environmentally sustainable, resource efficient, innovative, competitive and knowledge based aquaculture	1,141,305,819
3	Fostering the implementation of the Common Fisheries Policy	1,102,937,838
4	Increasing employment and territorial cohesion	542,946,274
5	Fostering marketing and processing	1,037,107,124
6	Fostering the implementation of the Maritime Policy	69,273,722
7	Technical assistance	295,910,661
	TOTAL	**5,686,691,152**

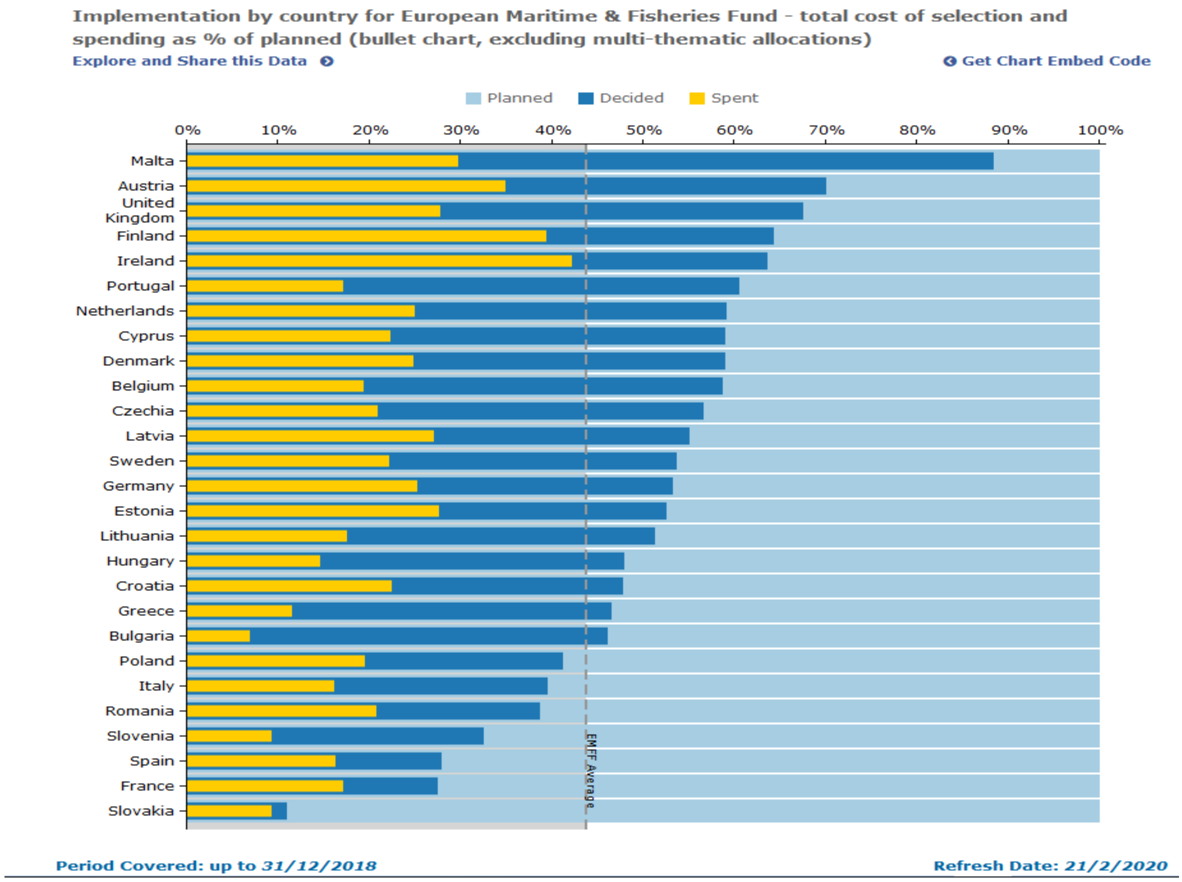
As of 31 December 2018[78], more than 32,000 operations have been financed under EMFF shared management. More than half of those are designed to help small and medium-sized enterprises in fisheries and aquaculture become more competitive. More than one third are also designed to preserve and protect the marine environment, and to promote resource efficiency. The increase to 32,000 operations at the end of 2018 illustrates the improved rate of implementation. In comparison, fewer than 1,000 operations were financed by the end of 2015, increasing to nearly 6,000 at the end of 2016 and to 18,000 at the end of 2017.

This chart presents the cumulative EU payments made up to date to the Member States for 2014-2020 up to the end of each year:

[76] See also section 2.1

[77] Based on Member States' operational programmes, as amended. These final allocations are fixed.

[78] The latest data is made available by Member States on 31 May each year in their Annual Implementation Reports. It corresponds to the state of implementation at the end of the preceding year.



The mid-term evaluations from Member States[79] show that in general, EMFF support brings added value: it is effective to help SMEs and sustainable fisheries and aquaculture, and it can make a major contribution to local development in and by fisheries communities.

The following examples show how EMFF support brings **added value** to projects:

- The EMFF is one of the EU funds supporting innovative **community-led local development** (CLLD)[80]. CLLD tackles global challenges through local action. It is a success story. The projects can change the lives of individuals and whole communities, even in remote or disadvantaged areas. Since 2013, fisheries local action groups (FLAGs) [81] have invested close to a €1 billion in some 25,000 small-scale projects that helped maintain or create close to 30,000 jobs. The results of CLLD were put in the spotlight during a major stakeholder conference entitled "Post- 2020: Local action in a changing world" (3-4 December, Brussels).[82] The 450 participants discussed how CLLD supports local action for more prosperous, inclusive and greener communities.

[79] SWD(2019)445

[80] Community-led local development (CLLD) is when local local people take the lead to work together on the sustainable development of fisheries, aquaculture and coastal areas. It was launched in rural areas with LEADER almost 30 years ago, successfully tried in fisheries and aquaculture areas in 2007-2013 and then integrated under all ESIF funds including the EMFF.

[81] Fisheries local action groups (FLAGs) are local partnerships that bring together the private sector, local authorities and civil society organizations. The FLAGs provide EMFF funding to local projects within the framework of a local development strategy designed by the FLAG in response to specific needs and opportunities identified locally.

[82] https://webgate.ec.europa.eu/fpfis/cms/farnet2/news-events/events/conferences/post-2020-local-action-changing-world-3-4-december-brussels_en

EVENT - Post-2020:
Local action in a
changing world,
3-4 December, Brussels

Virginijus Sinkevičius Commissioner for the Environment, Oceans and Fisheries said:

"CLLD is about empowering people, supporting citizens to find their own solutions to challenges in their communities. And this is very much in line with the way the new Commission will work."

- EMFF support is also making a difference in the protection of biodiversity and endangered species. The **Tarta-Tur**[83] (from "Turtle" in Italian and "Dolphin" in Latin) project brings together scientists from the Padoa University and fishers from Veneto. At the CLLD event, it won the award for the "Project with the Best Use of the CLLD Method". Over 200 fishers are involved into the observation and collection of data on endangered species. Fishers have also been trained on procedures to be adopted if they encounter protected species, especially if injured or in danger.
- **Fil&Fab**[84], a start-up company, works with partners to collect old fishing nets in Brest. With support from their local Fisheries Local Action Group and EMFF funding, Fil&Fab recycles nylon fishing nets into plastic for new products. In the first year, 4 tonnes of fishing nets were processed and 3 full-time jobs were created. At the CLLD event, Fil&Fab received the award for the "Best Project Strengthening the Local Economy".
- A German FLAG is supporting **Fishing for Litter**[85].

This project joins fisheries and nature conservation to remove marine litter from the Lower Saxon North Sea coast. Marine waste caught in fishing nets is collected in big bags on board of the small-scale cutters. Fishers can also deposit unwanted fishing gear. All waste is disposed free of charge in eight small ports in the FLAG area. The waste is sorted manually, looking for material

[83] https://webgate.ec.europa.eu/fpfis/cms/farnet2/on-the-ground/good-practice/short-stories/cooperating-preserve-protected-species-and-fishing_en

[84] https://webgate.ec.europa.eu/fpfis/cms/farnet2/on-the-ground/good-practice/short-stories/harbour-collection-recycling-old-fishing-nets_en

[85] https://webgate.ec.europa.eu/fpfis/cms/farnet2/on-the-ground/good-practice/projects/fishing-litter_en

to recycle. Researchers at the Magdeburg-Stendal University of Applied Sciences search for recycling solutions. By sorting and analysing "fished" waste, useful data is gathered to develop measures reducing the entry of litter into the North Sea.

As regards the **directly managed part of the EMFF**[86], first results of an on-going interim evaluation show that the EMFF support in 2014-2018 was relevant, effective and efficient to meet the objectives of the EU's maritime and fisheries policies. Stakeholders agreed that the actions could not have been done with less money or without EMFF support. Stakeholders appreciate actions such as the European Market Observatory for Fisheries and Aquaculture Products (EUMOFA), the European Marine Observation and Data Network (EMODnet) as sources of useful information.

After having adopted its proposal for a **new EMFF for 2021-2027**[87] in June 2018, the Commission closely followed the work of the European Parliament and the Council. The first trilogue meeting on the proposal took place on 19 November.

1.9 Blue economy

Diversifying Member States' economies beyond land and along their coasts is crucial for the EU to achieve the Sustainable Development Goals and delivering smart, sustainable and inclusive growth worldwide. The sustainability agenda has been the driver of our actions in support of the blue economy.

Six sectors have traditionally contributed to the blue economy:[88]

- extraction and commercialisation of marine living resources
- marine extraction of minerals, oil and gas (marine non-living resources)
- coastal tourism
- port activities (ports, warehousing and construction of water projects)
- shipbuilding and repair, and
- maritime transport.

The annual **EU Blue Economy reports**[89] are a valuable source of information on the performance of the different economic sectors. In addition, we launched the Commission's **Blue Indicators Online Dashboard**[90] that allows exploring and customising[91] the economic indicators used in the report. The new IT tool was presented at the European Maritime Day (16-17 May, Lisbon), the Commission's biggest maritime policy event.[92]

[86] Articles 15 and 125(b) of EMFF Regulation (EU) No 508/2014.

[87] COM(2018)390 of 12.06.2018

[88] Source: The EU Blue Economy Report 2019

[89] https://blueindicators.ec.europa.eu/published-reports_en

[90] https://blueindicators.ec.europa.eu/access-online-dashboard_en

[91] Various filters allow for the customisation of data in terms of sub-sector, activity, Member State, indicator and time period.

[92] https://european-maritime-day.b2match.io/

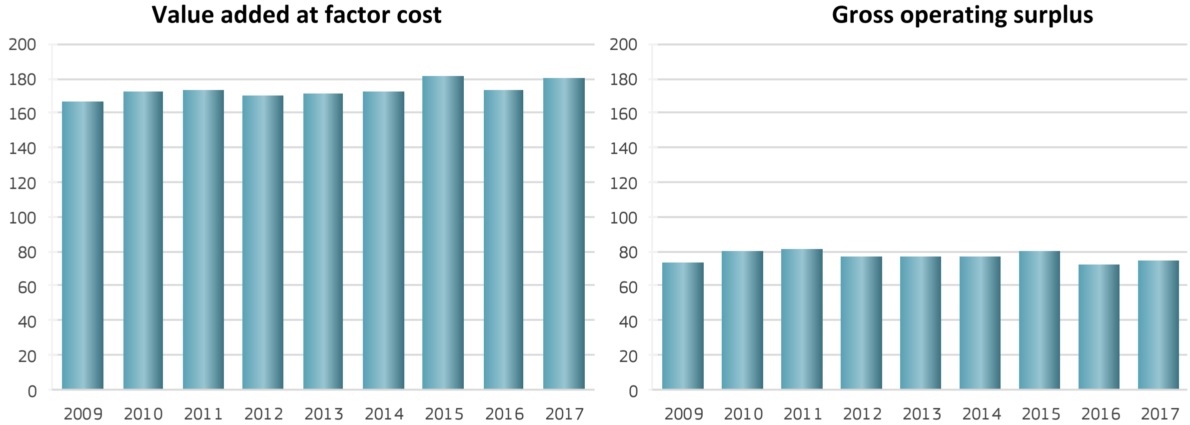
Table: EU Blue Economy established sectors, main indicators, 2017[93]
Source: The EU Blue Economy Report 2019, p. 8

Indicator	EU blue economy 2017 (latest data)
Turnover	€658 billion
Gross value added	€180 billion
Gross profit	€74.3 billion
Employment	4 million people
Net investment in tangible goods	€14.9 billion
Net investment ratio	24%
Average annual salary	€26,400

The six sectors in the blue economy generated €180 billion gross value added in 2017, an **8% increase compared to 2009**. Gross operating surplus (profit), at €74.3 billion, was 2% higher than in 2009 (see figure below). Total turnover[94] was €658 billion, 11% more than in 2009.

The blue economy directly employed **over 4 million people in 2017**, a 7.2% rise compared to 2009 and 14% more than in 2014. This increase was largely driven by coastal tourism, which saw an 11.3% increase in jobs compared to 2009. Port activities, with an increase of 26%, also contributed to this positive trend.

Figure: Size of the EU Blue Economy, € billion (data for 2017 are provisional)
Source: The EU Blue Economy Report 2019, p. 16



The **marine renewable energy** sector comprises different technologies at a different stage of development. Bottom-fixed offshore wind represents the most advanced technology. Other technologies such as floating offshore wind, tidal and wave energy technologies are all at an earlier stage of development in comparison to offshore wind. Starting with a few demonstration plants, the **EU offshore wind energy** has grown to a capacity of 18.5 GW between 2011 and end 2018 (see figure below)[95], with an **increase of 2.65 GW in 2018**. It represents about 91% of the worldwide capacity deployed[96]. Leading countries are the United Kingdom (44%), Germany (34%), Denmark (7%), Belgium (6.4%) and the Netherlands (6%).

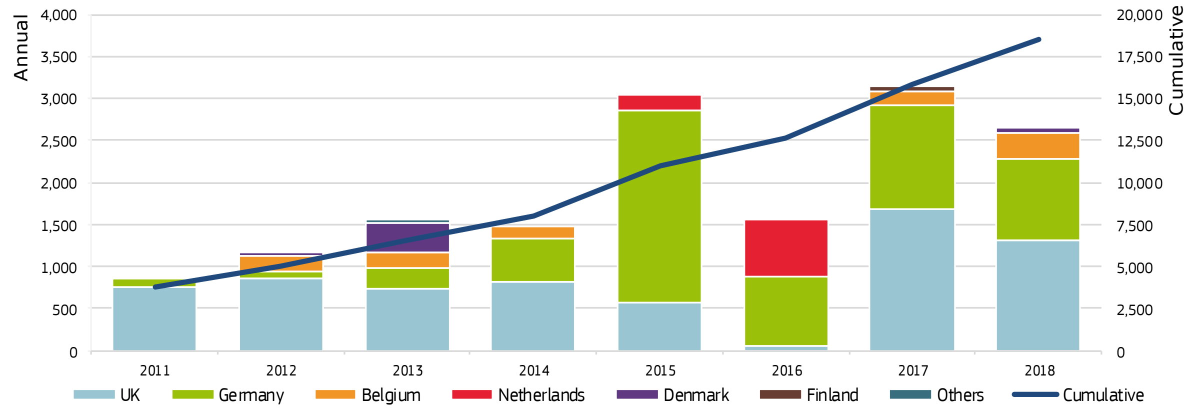
[93] Notes: Turnover calculated as the sum of the turnover in each sector; it may lead to double counting along the value chain. Nominal values. Direct impact only. Net investment excludes maritime transport and coastal tourism. Net investment ratio is defined as net investment to GVA.

[94] Considering turnover can lead to double counting along the value chain; this may particularly affect some sectors, such as Marine living resources and shipbuilding.

[95] Wind Europe (2019): Offshore Wind in Europe. Key trends and statistics 2018.

[96] Technology Development Report LCEO: Wind Energy (JRC, 2019).

Figure: Offshore wind energy installed capacity, MW
Note: Other Member States include Sweden, France, Spain, Ireland and Portugal.
Source: [The EU Blue Economy Report 2019, p. 62]

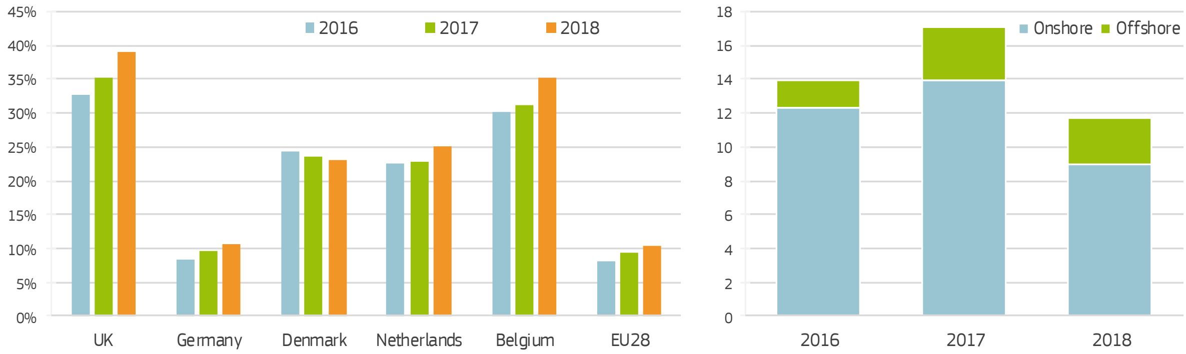


Offshore wind energy is gaining importance compared to onshore wind energy: in 2016 new offshore wind capacity represented 11.5% of the new wind capacity installed, reaching 23% in 2018. Offshore wind represents about 10% of the total installed wind energy capacity in the EU, growing from 8% in 2016. In 2018, 11 new offshore wind projects reached final investment decision for a total capacity of 4.24 GW and an investment of about €10.3 billion. In 2018, the average cost per MW has decreased to €2.43 million per MW. It is an indicator of the reducing cost of the technology.

Figure: Onshore vs. offshore wind energy in the EU
Source: [The EU Blue Economy Report 2019, p. 62]

Ratio of offshore over total wind energy, percentage

New installed capacity, GW

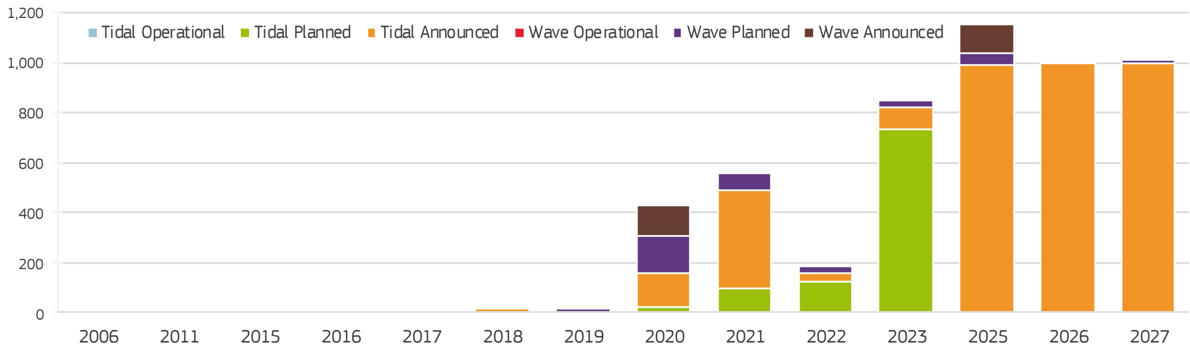


The continuous growth of the offshore wind energy sector is having a significant impact on job creation. The total employment is estimated at 183,000 jobs for 2017 (51% of the total wind energy employment) and 210,000 jobs for 2018.

The **ocean energy sector** (tidal and wave power) is still relatively small compared to the offshore wind energy sector. At the end of 2018, the total global ocean energy installed capacity was 55.8 MW, with most of it located in EU waters (38.9 MW)[97]. New ocean energy technologies are expected to lead to a significant increase of the deployed ocean energy capacity in the near future. About 5 GW of projects have been announced for up to 2030. The expected investment needs are estimated at over €18 billion.

[97] Tidal stream: 26.2 MW. Wave energy: 12.7 MW.

Figure: EU ocean energy projects, MW
Source: The EU Blue Economy Report 2019, p. 66



Over 430 companies in the EU are involved in different stages of the ocean energy supply chain, with an estimate of 2,250 jobs created in the sector across Europe (2016 figures, latest data).

Improved knowledge on **environmental monitoring** and possible impacts of ocean energy devices will facilitate licensing procedures and thus accelerate deployment. In addition to two ongoing projects since end 2018, DG MARE and EASME launched another call for proposals for environmental monitoring of ocean energy devices in September 2019, for projects to start by the summer of 2020.

In 2019, DG MARE undertook several actions to boost **investments in a sustainable blue economy**:

- raising awareness, for example during the European Maritime Day. The conference focused on boosting a sustainable blue economy and its contribution to growth, jobs and prosperity;
- fostering policy dialogue on maritime matters, notably in the Black Sea and in the Atlantic, and
- supporting programme development and investment through dedicated technical assistance mechanisms and events in sea basin regions.

Spatial planning of human activities at sea so they happen safely and sustainably is key to good ocean governance.

Source: https://webgate.ec.europa.eu/maritimeforum/en/frontpage/168

The Member States Expert group on maritime spatial planning and the Commission met twice in 2019 to assess progress in the implementation of the maritime spatial planning directive[98] and to identify further needs. With the help of EASME, DG MARE

[98] Directive 2014/89/EU of the European Parliament and of the Council of 23 July 2014 establishing a framework for maritime spatial planning.

launched an EMFF-funded study on an ecosystem-based approach and another study on monitoring and assessment tools for maritime spatial planning. Together with IOC UNESCO, DG MARE organised three editions of the International Forum on Maritime Spatial Planning in 2019.[99]

Given the specific strengths and weaknesses of each sea basin region in the EU, tailor-made Blue Economy strategies have been put in place. In 2019, we continued our work to deliver as follows:

- In line with *the 2018 mid-term review of the* ***Atlantic action plan***[100] *and* the feedback from stakeholders (annual conference on 12-13 November, Porto), the Atlantic Strategy Group re-oriented the priorities towards ports, marine renewable energy, ocean literacy, blue skills as well as on the environmental and climate change challenges (pollution, marine litter, coastal resilience, etc.).
- During the Annual Forum on the EU Strategy for the **Baltic Sea Region** (12-13 June, Gdańsk), DG MARE organised a seminar on investment opportunities in the region, in co-operation with the 'Race For The Baltic' foundation. Opportunities for investment in sustainable "blue" ventures were explored.
- The Blue Invest in the **Mediterranean** event (24 January, Malta) attracted some 300 participants from more than 40 countries. 20 excellent pitchers presented innovative blue economy products[101] and companies to investors such as the European Investment Bank and the World Bank.
- The annual Forum of the EU Strategy for the **Adriatic and Ionian Region** (7-8 May, Budva) highlighted the importance of blue growth. Around 20 proposals for projects were submitted by the 8 countries in different areas (blue technologies, sustainable fisheries and aquaculture, by-catch reduction, community-led local development, preservation of natural and cultural heritage and green energy for fishing vessels).
- A Common Maritime Agenda for the **Black Sea** was endorsed (21 May, Bucharest) by Bulgaria, Georgia, Moldova, Romania, Russia, Turkey and Ukraine. The goal is to cooperate on blue economy for a more sustainable and healthy ecosystem of the Black Sea. The Strategic Research and Innovation Agenda aims at boosting marine and maritime research and innovation in the region.
- The second meeting of the **Outermost Region Forum** (9 July, Brussels) was held by the EU to discuss progress achieved regarding the blue economy strategies. The focus was on social aspects, risks and opportunities for the blue economy, climate change adaptation and the potential of blue bio-economy in these regions.

In December, DG MARE allocated a grant to the UN Environment Finance Initiative UNEP FI to host and gather commitments from financial institutions and players regarding the 2017 **Sustainable Blue Economy Finance Principles**.

Innovation across all sectors of the blue economy is crucial for realising its growth and jobs potential. In 2014, the Commission set a target of developing a multi-resolution map of the entire seabed and overlying water column of European waters by 2020[102]. With the European Marine Observation and Data Network (**EMODnet**) we

[99] March 2019 in La Réunion (50 participants), May 2019 in Vigo, Spain (110 participants), November 2019 in Riga, Latvia, jointly with two regional Baltic MSP events (250 participants).

[100] SWD(2018)49

[101] E.g. storage applications for offshore energy, low-impact tourism, reducing fish mortality in aquaculture, lights that increase fishing selectivity, marine litter capture devices.

[102] COM(2014)254 of 13.5.2014

replace fragmented repositories of marine data in the EU by a system that is easily accessible, interoperable and free of restrictions on use. This reduces uncertainties on the behaviour of the sea. Business and public authorities for example use the digital maps to reduce uncertainty in storm surge forecasts in the North Sea.

1.10 Aquaculture

Aquaculture is a **strong and growing sector in the EU**, which has exceeded already in 2016 (latest available data)[103] the target DG MARE had set for 2020:

- 1.42 million tonnes of seafood were produced and sold in 2016 (+1.3% compared to 2015). The sales value was €4.89 billion (+ 5.9%);
- Profits doubled between 2014 and 2016 reaching €0.8 billion operating profit in 2016;
- Employment remained stable in terms of total employees (about 75,000) but continuously increased in terms of full-time equivalents (from 36,000 in 2013 to almost 44,000 in 2016, an annual increase of 6.6%).

EU aquaculture policy is developed and implemented through an **open method of coordination** (OMC), established under regulation (EU) No 1380/2013[104]. An interim evaluation of the OMC in the Member States (except Luxembourg) during 2013-2017[105] was finalised in January 2020 and found that:

- the OMC tools contributed to better strategic planning through national plans and more Horizon 2020 projects related to aquaculture. The **Strategic Guidelines for the sustainable development of EU aquaculture**[106] brought a stronger focus on aquaculture in EU policies and programmes, notably under the EUMOFA (see section 1.11).
- Member States are more aligned with EU policies and objectives and even have common goals across the EU. They have better integrated aquaculture in their spatial planning.
- the OMC has given the Commission a good understanding of the evolution of the aquaculture sector in the Member States.
- the main hindering factor to further develop aquaculture in the EU is the complexity of rules and procedures. Efficiency gains are possible with stronger communication and regional collaboration and simpler rules and procedures.

For the Member States to better implement the Strategic Guidelines, DG MARE organised good practice workshops in April and October to exchange experiences, share concerns and learn from each other.

[103] STECF 18-19: 2018 Economic Report of the EU Aquaculture Sector (latest data cover the year 2016). According to EUMOFA (EU Fish market, 2019 edition), aquaculture production in the EU reached 1.37 million tonnes in 2017, with a value of €5.06 billion. Compared to 10 years ago, its volume increased 11% and the value almost doubled, due to increased production and prices of some species, such as salmon and seabass.

[104] Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy.

[105] Commission Staff Working Document - Interim Evaluation of the Open Method of Coordination (OMC) for the Sustainable Development of EU Aquaculture (SWD(2020)6 and 7 of 14.01.2020).

[106] COM(2013)229 of 29.04.2013

1.11 Market policy

The Commission continued its work on providing advice and guidance to operators and managing authorities in implementing the EU market policy in line with the regulation on the **common organisation of the markets in fishery and aquaculture products**[107], and to provide market intelligence with the EUMOFA. The producer organisations and their production and marketing plans play a key role in the EU market policy. It is up to the Member States to check that the producer organisations recognised in their territory comply with the regulation. The Commission may do checks at its own initiative. Implementation of consumer information rules is also the task of Member States.

The 2019 evaluation of the **marketing standards for fishery and aquaculture products**[108] assessed whether the standards are still fit for purpose to achieve the objectives of the common market organisation (CMO).[109] It was found that the marketing standards are generally relevant, efficient and coherent and bring added value. However, the evaluation identified shortcomings regarding the effectiveness of the marketing standards framework in achieving the objectives set out in the CMO Regulation. In particular, while market demand for sustainable products is increasing, the current marketing standards are not sufficient to deliver on the objective of enabling the EU market to be provided with sustainable products. Moreover, a public consultation in the context of the evaluation called for more transparency of the marketing standards.

EUMOFA[110] continued to be the reference Observatory for fisheries and aquaculture markets. It is an online service developed by the European Commission and supported by the EMFF. The market intelligence tool provides regular weekly indicators, monthly market trends and annual structural data along the supply chain. The number of visits to the database in October 2019 was 3.807, the highest number of visits ever registered (30% more than in October 2018). The 2019 edition of the EU Fish Market report[111] provides an economic description of the whole EU fisheries and aquaculture industry. It is multilingual and accessible to all. It analyses EU market dynamics to support business decisions and policy-making and to increase market transparency and efficiency.

---

[107] Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products.

[108] SWD(2019)453 (evaluation) and SWD(2019)455 (executive summary).
External study published on 25.11.2019: https://op.europa.eu/en/publication-detail/-/publication/9480757a-100c-11ea-8c1f-01aa75ed71a1/language-en/format-PDF/source-110372510

The standards cover fresh and chilled fishery products, canned tuna and bonito as well as preserved sardine and sardine-type products.

[109] - to enable the EU market to be supplied with sustainable products,
- to facilitate the movement of goods within the internal market to realise its full potential,
- to improve the profitability of production, and
- to ensure a level playing field in the EU market so that imported products meet the same requirement and marketing standards as EU products.

[110] European Market Observatory for Fisheries and Aquaculture Products: https://www.eumofa.eu/

[111] https://www.eumofa.eu/documents/20178/157549/EN_The+EU+fish+market_2019.pdf

1.12 Maritime security

European peace and prosperity depends on safe, secure and clean oceans. To achieve this goal, **maritime security** requires excellent cooperation between coastguard authorities, agencies and other bodies at regional, national or European level.

To that end, the **European Coast Guard Functions Forum** (ECGFF) [112] gathers coast guard authorities from 25 EU Member States and Schengen associated countries, as well as EU coast guard functions[113]. The Forum celebrated 10 years of fruitful cooperation to address security challenges in EU waters (12-15 November, Venice). Building on the revised **EU Maritime Security Strategy (EUMSS) Action Plan**[114], adopted by the Council in June 2018, the Forum improves situational awareness, helps anticipate threats and risks and maximizes efficiency of operations at sea. As in previous years, DG MARE supported financially the activities of the EU and Mediterranean Coastguard Functions Fora. The EUMSS Action Plan is subject to regular reporting and implementation assessment. Based on the information produced by Member States and the EU institutions, we will draft the first implementing report by mid-2020.

Maritime surveillance under both maritime policies and fisheries policies is increasingly integrated with the work of the European Maritime Safety Agency and the European Border and Coast Guard Agency (FRONTEX) as well as the European Fisheries Control Agency. By cooperating in exchanging information, national and EU maritime authorities are stronger than when acting in isolation. This requires the technical ability to share information between systems that were developed independent from each other. The **Common Information Sharing Environment (CISE)** is doing exactly this. In September, the Commission published a staff working document to present its progress so far.[115] It shows that EUCISE2020[116] and the national projects have made good progress. In March 2019, EUCISE2020 moved from a research project into an operational system for information exchange between 40 authorities from 16 Member States. The involvement of military authorities allowed for discussion about civil-military exchange of information. A €3.5 million grant agreement was concluded with the European Maritime Safety Agency to make CISE fully operational by 2021.

---

112 https://ec.europa.eu/maritimeaffairs/press/european-coast-guard-functions-forum-ecgff-ten-years-fruitful-co-operation-address-security_en

113 European Border and Coast Guard Agency, European Maritime Safety Agency, European Fisheries and Control Agency, FRONTEX, EDA, SATCEN and Interpol.

114 https://ec.europa.eu/maritimeaffairs/policy/maritime-security_en

115 Commission Staff Working Document - Review of the Common Information Sharing Environment (CISE) for the maritime domain: 2014–2019 (SWD(2019)322).

116 http://www.eucise2020.eu/

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

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

The first subsection reports the control results and other relevant information that supports management's assurance on the achievement of the financial management and internal control objectives[117]. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive. It covers all activities, programmes and management modes relevant to the DG.

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

2.1 Financial management and internal control

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

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

- the reports by Authorising Officers by Subdelegation (AOSDs) in accordance with the AOSD Charter, together with questionnaires designed for the preparation of the Annual Activity Report;
- the reports on control results from management/audit authorities in Member States in shared management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross sub-delegation;
- the reports on control results from entrusted entities in indirect management, as well as the results of the DG's supervisory controls on the activities of these bodies;
- the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at the DG level;
- the reports on recorded exceptions, non-compliance events and any cases of ‘confirmation of instructions’ (Art 92.3 FR);
- the reports of the ex-post audit sector;
- the monthly reports to MARE management on budget implementation;
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG MARE[118].

In addition, there are regular dedicated meetings between the Director-General and the Internal Control Coordinator on financial management, audit and internal control matters.

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

2.1.1 Control results

This section is for reporting and assessing the elements identified by management which support the assurance on the achievement of the internal control objectives[119]. The DG's assurance building and materiality criteria are outlined in AAR Annex 4. Annex 5 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG MARE 2019 PAYMENTS					
Budget Management Type	Budget Activity	Paid Amount (€)	% of Total Paid Amount	Number of Payments	Average Paid Amount (€)
		(1)	(2)	(3)	(4)
		as per AAR annex 3, table 2	= (1) / Total (1)	as per AAR annex 3, table 6	= (1) / (3)
Shared	EMFF	757,209,309	79.03%	143	5,295,170
	EFF	5,059,476	0.53%	3	1,686,492
Total Shared Management		762,268,785	79.56%	146	5,221,019
Direct	SFPAs	136,734,978	14.27%	28	4,883,392
	Procurement and Grants	31,464,835	3.28%	458	68,701
	Other Expenditure	10,947,842	1.14%	257	42,599
Total Direct Management		179,147,655	18.70%	743	241,114
Indirect	EFCA Agency	16,747,000	1.75%	2	8,373,500
Total Indirect Management		16,747,000	1.75%	2	8,373,500
Total		**958,163,440**	**100%**	**891**	**1,075,380**

Overview – Shared management (80% of 2019 payments)

The most significant budget activity for DG MARE relates to the programmes under shared management, representing 80% of the DG's executed payments in 2019. Management relies on a number of complementary sources in its assessment of the effectiveness of the systems established by the Member States for the implementation of these programmes.

---

[118] See also section 1.8

[119] 1) Effectiveness, efficiency and economy of operations;2) *reliability of reporting; 3) safeguarding of assets and information*; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). *The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.*

At the beginning of each programming period DG MARE negotiated the programmes. DG MARE is in regular contact with the managing authorities and participates in Monitoring Committee meetings organised by the Member States. In the course of programme implementation, DG MARE receives and processes the payment claims and, where necessary, interrupts or suspends such claims and takes other safeguard measures foreseen by the applicable legislation as appropriate.

The Member States submit annual implementation reports throughout the programming period and a final implementation report at closure which are evaluated by DG MARE. In the context of the preparation of the AAR, the responsible Heads of Unit provide an opinion on the functioning of the management and control systems (MCS) in the Member States for which they are responsible.

European Maritime and Fisheries Fund (EMFF)

As regards the 2014-2020 period, the control of programme implementation is carried out by Member States. They are empowered to designate their managing and certifying authorities on the basis of a review by an independent audit body. In 2019, €601.8 million were paid in interim payments (the remainder is attributable to annual pre-financing).

European Fisheries Fund (EFF)

Member States had submitted their final payment applications by 31 March 2017 together with their closure declarations. Only once DG MARE has concluded its analysis of the material submitted (and any further information and clarifications) does it calculate a closing balance to be paid to, or recovered from, the Member State. This analysis has been concluded for 25 Member States in 2019, for another Member State (FI) in February 2020 and is expected to be finalised for the remaining Member State (IT) during the course of 2020. In 2019 three closing balances were paid out for an amount of €5.1 million.

Overview – Direct Management (19% of 2019 payments)

Sustainable Fisheries Partnership Agreements (14% of 2019 payments)

Sustainable Fisheries Partnership Agreements (SFPAs) are negotiated and concluded by the Commission, on behalf of the European Union. Under an SFPA the EU obtains access to a third country's exclusive economic zone (EEZ) for EU vessels which may carry out fishing activities. In return, the EU provides a financial contribution. This financial contribution is paid to each partner country annually, on the basis of the provisions set in the protocols.

Each year, the Commission identifies in its Draft Budget those agreements that will be in force the following year together with possible future agreements or renewals of protocols. In 2019, the total amount paid for SFPAs was €136.7 million. While the financial contributions for each SFPA in force are covered by the annual allocation on the operational line, the amounts for new and renewed SFPAs are put in the reserve and only transferred to the operational line once the relevant legal basis enters into force.

The level of a financial contribution is the result of a negotiation with the partner country and is based on several factors, such as the value of the opportunities offered to the EU fleet to fish in the partner's EEZ, as well as the level of support to the third country's efforts towards a more sustainable management of fisheries resources.

DG MARE’s management of SFPA’s relies on a number of controls performed to ensure that the financial contribution resulting from those negotiations represents a fair balance between the access to third country waters and the positive returns to the EU.

Procurement and Grants (3% of 2019 payments)

MARE implements the EMFF Annual Work Programme by concluding procurement contracts (i.e. public contracts for services, supplies) and grant agreements, (i.e. direct financial contributions from the EU budget awarded by way of donations to third-party beneficiaries, usually non-profit-making or international organisations, engaged in activities that serve DG MARE's policies).

The award of such contracts and grants are subject to the specific provisions laid down in the Financial Regulation and the extensive corporate guidance derived from it.

This expenditure is partially managed directly by DG MARE, while the majority is delegated to an executive agency, notably the Executive Agency for Small and Medium-sized Enterprises (EASME).

Within the Directorate General, the management of tendering and grants procedures is decentralised to the operational Units of the Directorate General.

An independent ex-ante verification is carried out centrally by a dedicated team that performs checks during the entire lifecycle of the procedure, i.e. it reviews drafts of the tendering documents and call for proposal specifications. A second ex-ante review of the procedures is performed before the award decisions are taken and contracts grant agreements are signed.

For all open procurement procedures, DG MARE has also established an independent advisory committee (the Procurement Examination Group) which examines all procedures above the procurement threshold and which advises the AOSDs on the legality and regularity of the procedures.

Other expenditure (1% of 2019 payments)

Other expenditure includes the compulsory contributions to Regional Fisheries Management Organisations (RFMO's), pilot projects as well as routine administrative expenditure.

Budget implementation tasks entrusted to other DGs and entities

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

Executive Agency – EASME – Direct management

As of 2014 EASME manages part of the EMFF direct management expenditure relating to the Maritime Policy, Scientific Advice and Fisheries Control and Enforcement.

The delegation to EASME has been concluded in a memorandum of understanding (MoU) between EASME and DG MARE. This MoU covers the reporting and supervising arrangements with regard to the functioning of the Agency such as a Steering Committee, chaired by DG GROW and composed of representatives of all 7 parent DGs, including DG MARE. Additionally, a dedicated member of staff is appointed in MARE, as in each of the parent DGs, to act as coordinator between MARE and the Agency.

A dedicated unit in EASME manages grant actions, procurement contracts, calls and evaluations in line with the adopted work programmes.

In 2019, EASME managed 66 actions (with payments totalling €37.4 million) stemming from the 2018 and 2019 DG MARE work programmes.

Union bodies - EFCA - Indirect management (2% of 2019 payments)

Although Union bodies have full responsibility for their own management, a number of reporting and supervising arrangements allow DG MARE to exercise its supervisory role.

The Commission and DG MARE in particular participate at different levels of governance within the Agency, from the Administrative Board to the Joint Deployment Plans. The Commission supervises the EFCA annual and multi-annual work programme, the Staff establishment plan and Budget. The Commission follows-up the discharge process by participating and, if necessary, intervening in the relevant parliamentary debates.

In 2019, the EU contribution to EFCA amounted to €16.7 million (see annex 8).

2.1.1.1 Effectiveness

(i) Legality and regularity of the transactions

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

DG MARE has no reported cases of confirmation of instructions (art 92.3 FR), cases of derogations from the principle of non-retroactivity (art 193.2 FR). Neither, cases of flat rates for indirect costs exceeding 7% (art 181.6 FR) to disclose and is not concerned by cases of financing not linked to costs (art 125.3) or by Financial Framework Partnerships exceeding 4 years (art 130.4).

2.1.1.1.1 Shared Management

European Maritime and Fisheries Fund (2014-2020)

Control objective

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual total error rate (RTER) does not exceed 2% for each accounting year.

The Directorate-General therefore assesses each operational programme in order to identify the need for reservations and corrective measures to be applied.

Further details on the criteria determining when a reservation is made are set out in Annex 4.

Source of information used to build up the assurance

For the 2014-2020 programming period, in addition to the information sources listed below, the main source of information is the assurance package that national authorities must provide each year by 15 February, from 2016 to 2025 included. This comprises the management declaration and annual summary, prepared by the managing authority, the certified accounts, prepared by the certifying authority, and the annual control report and audit opinion, prepared by the audit authority.

DG MARE also uses the following sources of information:

- MARE's audit work on the review of the reliability of the audit authorities;

- MARE's system and thematic audits;
- Relevant audit information received from DG REGIO, DG EMPL and/or the ECA;
- Annual implementation reports from the Member States;
- Monitoring committees and annual review meetings;
- Contacts with regional and national programme managers;
- OLAF.

A. Annual assurance – results

The annual assurance is mainly based on DG MARE's analysis of the assurance packages provided by the Member States' authorities by 15 February each year from 2016, in combination with the results from all audit information available throughout the year, such as the assessment of national system audit reports and reports from other Commission services. In particular, the audit authorities report a total error rate (TER), which is the rate prior to corrections, and a residual total error rate (RTER) which represents the error remaining in the accounts after corrections. Further details on the control cycle are disclosed in Annex 10.

Annual accounts 2017-2018 – Confirmation of error rates reported in 2018 AAR

In the 2018 AAR, DG MARE reported in Annex 10 the error rates as reported by the national audit authorities in the annual control reports relating to each of their respective operational programmes.

The desk review of the assurance packages and the analysis of all other information available, such as Commission audit work carried out throughout previous years and national system audit reports, give DG MARE a good view of the reliability that can be placed on the national audit authorities.

Results of compliance audits

Since the beginning of 2018, DG MARE has carried out compliance audits in 13 Member States. The remaining 14 Member States are planned to be covered during 2020 (eight) and 2021 (six). This means that by the end of 2021 DG MARE will have visited the audit authorities in relation to all 27 operational programmes.

For 2019, DG MARE had identified, via a risk assessment, those audit authorities for which the desk review of the assurance package should be complemented by a compliance audit (AT, CZ, DE, HR, MT NL, PL and RO). In addition, prior to the compliance audits, five fact-finding missions were carried out in 2019 in relation to the annual control report for the accounting year 2017-2018 (CY, ES, FR, PT, SI).

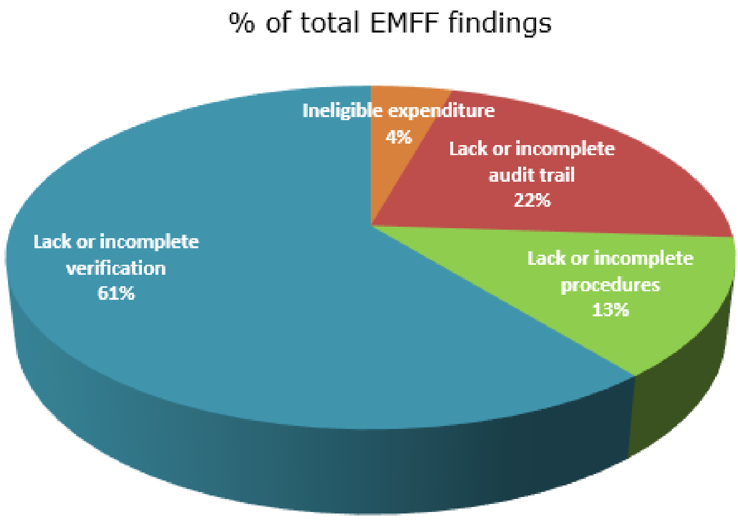
In the course of these audits, the error rates reported by the audit authorities in their annual control reports were verified and confirmed by DG MARE. All previously reported error rates were confirmed to be reliable, except the ones reported by one Member State (AT), where the confirmed TER was revised from 0.06% to 16.56% and the RTER was revised from 0.05% to 16.55%. This correction of the error rates was entirely due to one single project considered ineligible following the non-SME status of the beneficiary.

Given the relatively low budgetary importance of the Austrian Operational Programme, the increase of the RTER does not have a material impact on the weighted RTER reported in the 2018 AAR, resulting in a confirmed RTER for the accounting year 2017-2018 of 0.42% (KPI 5).

Therefore, DG MARE can conclude with reasonable assurance that, after the control cycle (national and Commission) has been completed, there is no overall material residual risk remaining in the 2017-2018 accepted accounts.

Typology of DG MARE findings (accounting year 2017-2018)

Findings made by DG MARE in relation to the work carried out by the audit authorities mainly relate to the "lack or incomplete verification" type of finding, as shown below:



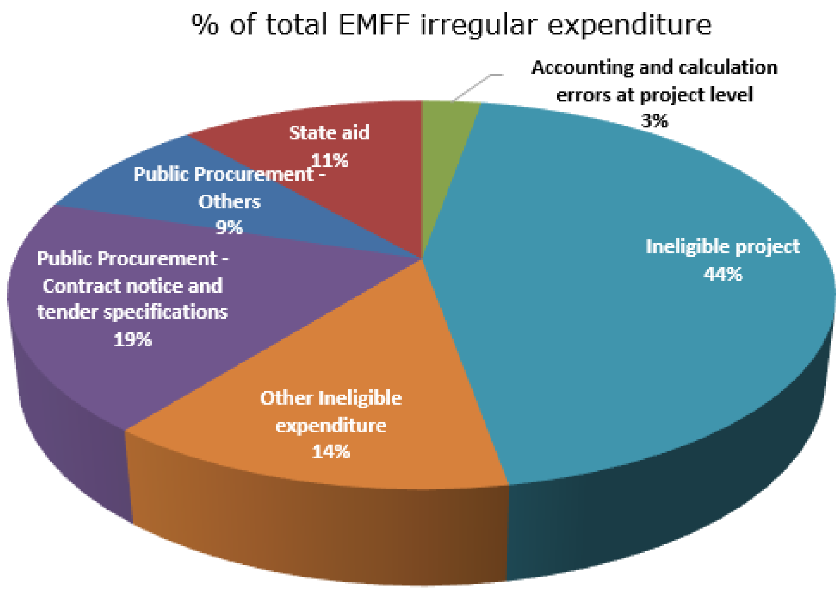
Typology of Audit Authorities' findings (accounting year 2017-2018)

The audit authorities have reported significant audit coverage through their audits of operations for the accounting year 2017-2018 by auditing 736 out of a total of 8.685 items in the population (payments claims / operations), representing 47% of the total declared expenditure.

This demonstrates that single auditing under shared management allows for a large audit coverage of beneficiaries and expenditure on-the-spot. At the same time the extended methodological guidance on statistical sampling tools recommended by the Commission helps the national audit authorities to keep a balanced level of audit work.

Moreover, following a common typology agreed and shared with the Commission (and now also aligned with the OLAF data base for reporting irregularities, IMS), the audit authorities reported on irregularities found in their audits of operations in accordance with this typology.

Of the total irregularities found relating to accounting year 2017-2018, 44% (in terms of irregular expenditure) relate to the "ineligible project" type of irregularity, as shown below:



Annual accounts 2018-2019 – Acceptance of accounts

During the last accounting year (from 1 July 2018 to 30 June 2019), expenditure was declared to the Commission by the Member States' certifying authorities for all 27 programmes.

26 audit authorities provided unqualified opinions on the accounts which are all acceptable.

One audit authority (FR) issued an adverse opinion on the accounts which will be followed up in accordance with the procedure pursuant to Article 139 of Regulation (EU) No 1303/2013.

Annual accounts 2018-2019 – First review of legality & regularity

DG MARE has carried out a first preliminary consistency review of the error rates reported by the Member States leading to the "reportable" error rates. Prior to this review fact-finding missions complemented the work for five Member States (DE, DK, FI, FR, IE).

In particular, as part of these checks, MARE assessed:

- the sampling methodologies and parameters used by the national audit authorities, analysis and treatment of errors identified;
- the adequacy of financial corrections impacting the calculation of the RTER;
- the appropriateness of the preventive and corrective actions to follow-up the interruptions and warnings issued by the Commission taken by the Member States' authorities;
- the consistency of audit conclusions reported by the audit authorities with the national system audit reports issued during the period, as well as with the results of the Commission's on-the-spot audit work;
- the adequate treatment of expenditure under on-going assessment in accordance with Article 137(2) CPR.

For 20 Member States the TER did not exceed 2%.

For the remaining seven Member States, the situation is as follows:

Member State	TER	Corrective actions taken and RTER below 2%
HR, PT, UK	Between 2% and 5%	✓
CZ, SK	Between 5% and 10%	✓
BG	Above 10%	✓
FR	Above 10%	✘

For Bulgaria, the majority of errors (86%) relate to procurement issues (public and private) detected and followed up by the audit authority during system audits and audits of operations. The Member State has applied exhaustive financial corrections in the present accounts leading to a RTER of 0%. In addition, adequate corrective and remedial actions and system improvements have already been implemented to prevent future irregularities.

In light of the mitigating factors referred to above, DG MARE considers that there is no material risk for the EU Budget in relation to the expenditure declared by the Member State. Therefore, the operational programme concerned is exceptionally not put under reservation, in accordance with Annex 4.

For France, the audit work carried out by the audit authority on the legality and regularity of the expenditure entered into the accounts has not been finalised and therefore, the related results and error rates are considered unreliable and inconclusive. Therefore, the programme has been put in reservation, in accordance with the materiality criteria set out in Annex 4. In addition, payments have been interrupted for this operational programme and the current accounts will only be accepted once the necessary financial corrections have been applied to decrease the residual total error rate to an acceptable level of 2%.

Other audit missions complementing the annual assurance

The single audit strategy also foresees thematic/targeted audits for programmes to cover horizontal areas.

For DG MARE, one thematic topic concerns the transfer of activities (surveillance and control, data collection, and markets) from a direct management to a shared management framework. In 2019, five related audit missions were carried out for data collection (FI, FR, LT, LV and SE) with overall positive results.

DG MARE also carried out three audit missions focussing on the effective implementation of proportionate anti-fraud measures (GR, HU and SK). These audits were very useful to assess the fraud risk assessments in the Member States. The contradictory procedures for all three audits are ongoing.

Finally, DG MARE carried out one audit (DK) to cover the specific requirements of the selection of projects and management verifications in relation to payment claims received from beneficiaries. The results of this audit were very positive.

Interruptions/suspensions of payments

As per 31/12/2019, there were 5 open cases of interruptions/suspensions for a total amount of €12.2 million. The cases are currently being followed up in close cooperation with the Member States concerned (IT, SK, HU, DK, IE). Further details relating to the individual cases are disclosed in Annex 10.

Financial corrections

There were no net financial corrections applied under the EMFF in the reporting year.

B. Payments made during the reporting year

Types of payments

In 2019, €155.4 million was paid out in pre-financing and €601.8 million was paid out in interim payments.

EMFF PAYMENTS MADE IN 2019 (€)				
Type of payment	Relating to the accounting year 2017-2018	Relating to the accounting year 2018-2019	Relating to the accounting year 2019-2020	2019 total payments made
	(1)	(2)	(3)	(4)
	as per SFC2014	*as per SFC2014*	*as per SFC2014*	*= (1) + (2) + (3)*
Annual pre-financing			155,375,687	155,375,687
Interim payments	14,242,852	330,889,398	256,701,373	601,833,623
Total	**14,242,852**	**330,889,398**	**412,077,060**	**757,209,310**

The Commission's assurance varies in accordance with the different types of payments made during the reporting year.

Pre-financing payments

The last initial pre-financing for the programmes was paid in 2016 in accordance with Article 134(1) of Regulation (EU) No 1303/2013. Furthermore, annual pre-financing payments for an amount of €155.4 million was paid in 2019 in accordance with Article 134(2) of Regulation (EU) No 1303/2013.

Pre-financing payments can be considered as not being 'at risk' from the legality and regularity perspective, due to the nature of these amounts still being assets of the European Commission which will be only transferred to Member States when 'cleared' in the Commission accounts at closure of programmes or at the moment of the acceptance of the accounts.

Interim payments made in 2019 in respect of the accounting year ended 30 June 2018

DG MARE made interim payments amounting to €14.2 million for one operational programme (DK) in respect of the 2017-2018 accounting year, following the lifting of a payment interruption.

Interim payments made in 2019 in respect of the accounting year ended 30 June 2019

DG MARE made interim payments amounting to €330.9 million for 26 programmes (all except SK) in respect of the 2018-2019 accounting year.

DG MARE has analysed the assurance packages received on 15 February 2020[120], namely the annual control reports and audit opinions, management declarations and annual summaries for the purpose of the assurance.

The documents provide: information on final audit reports and of management

120 Including those received by 1 March

verifications carried out, an analysis of the nature of errors and weaknesses identified in the MCS and corrective action/s (including financial corrections) taken or planned. As part of its assessment of the legality and regularity of expenditure, DG MARE analyses in depth, and provides its own opinion on, the information provided on the MCS, the audit strategy, systems audits, audits of operations, the audit authority's audit of the accounts, and the overall opinion provided.

Interim payments made in 2019 in respect of the accounting year ending 30 June 2020

DG MARE made interim payments amounting to €256.7 million for 22 programmes (all except AT, BE, FI, NL and SK) in respect of this period.

Reasonable assurance on these payments at this stage of implementation is provided by:

- The retention of 10% for 2014-2020 interim payments;
- Validation of the designation process by reliable and experienced audit authorities;
- Unqualified opinions submitted as part of the assurance packages;
- MCS that were shown to be generally effective during the previous programming period.

C. Overall assessment of the control system and conclusion

The set-up of the assurance model for the 2014-2020 programming period strengthens the Member States' accountability and reduces the risk of a material level of error in the accounts.

The retention of 10% from each interim payment made by the Commission ensures the protection of the EU budget during the year, before receipt of the assurance packages from the Member States. Moreover, the timely identification of deficiencies and the reporting of reliable error rates are in the Member States' best interests, given that the European Commission is now legally empowered to impose net financial corrections in cases where Member States did not address errors appropriately before submitting annual accounts.

The benefit of controls relates partially to the corrections, if any, made by the Member States at the Commission's request following its audit work. In this context, it must be pointed out that financial corrections are not an objective as such. A decreasing level of corrections over the years would not solely result from the quality and/or quantity of controls but could also reflect an improvement in sound financial management of the programme by the Member States.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated throughout the various control stages (notably the negotiation procedures of the programmes, which aim to ensure that the financed programmes contributed to the achievement of the policy objectives, the management of the programmes by the operational units of the DG, and the deterrent effect of ex-post controls). At the selection, implementation and monitoring stages, by ensuring compliance with the applicable rules and procedures, it is ensured that the underlying operations are legal and regular.

DG MARE has reasonable assurance on EU payments made for the 2014-2020 programming period in 2019 since they bear no risk (pre-financing) or, for the interim payments made, adequate mechanisms are in place to ensure that only legal and regular expenditure is included and certified in the annual accounts.

The confirmed EMFF error rate for the amount at risk at payment for the relevant expenditure 2019 is 0.42% and the confirmed error rate for the amount at risk at closure is 0.40%. Details per operational programme are included in Annex 10.

The reservation for one operational programme under the EMFF FR is duly followed up through the legal procedures available to protect the Union budget, i.e. (i) the application of the necessary financial corrections in relation to payment made during the reporting year and certified in the accounts and (ii) the interruption of payment applications for the current accounting period.

European Fisheries Fund (2007-2013)

Control objective

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error does not exceed 2%, at the end of the implementation of each programme.

Following the in-depth assessment of the closure documents received from Member States by 31 March 2017, a non-quantified reservation is made, where necessary, in accordance with the criteria as specified in Annex 4. Programmes are taken out of the reservation previously issued when the financial corrections necessary to cover the financial risks to the EU budget, have been identified, following the conclusions of the analysis of the closure declaration.

Assessment of closure packages

By 31 March 2017 Member States submitted their closure packages, consisting of the final payment claim, the final implementation report and the closure declaration, supported by a final control report. The closure declarations were based, in particular, on all audit work carried out since the start of the programming period (i.e. systems audits and audits of operations) and a calculation of the residual risk rate (RRR) at closure.

All Member States reported total projected error rates (TPERs) for the 2015-2016 period covered by the final control report and a RRR covering the entire programming period. The final date for eligibility of expenditure paid by the beneficiaries was 31 December 2015.

DG MARE carried out an in depth assessment, for each programme, of the information provided (in particular the audit opinion, the projected error rate covering the 2015 and 2016 expenditure and the RRR) and performed a number of ex-post closure fact-finding missions to obtain additional assurance on its reliability. By the end of 2019, this assessment was concluded for all 27 Member States and as a result, the necessary financial corrections were identified, where applicable. These financial corrections are being considered for the calculation of the final balance for the OPs in question once all other closure related issues have been sufficiently treated, in accordance with the DG MARE closure procedure.

The final balance either constitutes a final payment to the Member State or a recovery, wherever the payments made to the Member State so far, exceed the total eligible expenditure declared.

By the end of 2019 DG MARE had informed 25 Member States about the closure proposed. Of the remaining two letters, one (FI) was sent in February 2020 while the other (IT) is expected to be issued in the course of 2020.

Assurance results for 2019

For 2019, the amount at risk is estimated by applying the residual error rate communicated by the audit authorities at closure and confirmed by DG MARE to the "relevant expenditure", as set out in Annex 4. During 2019, following the finalisation of the closure procedure, three final balance payments were made amounting to €5 million (EE, LT, PT). For all these Member States a residual risk rate at closure has been established and confirmed by DG MARE.

The weighted residual risk rate for the EFF of 0.00% in the table below is based on relevant expenditure during the reporting year and taking into consideration the above mentioned confirmed residual risk rates at closure. Details on the amounts at risk as per Member State are disclosed in Annex 10.

For the remaining operational programmes, no payments were made during 2019; therefore, there is no amount at risk for these programmes for the reporting year.

Interruptions/suspensions of payments

Since closure was reached at 31 March 2017, no interim payments were made during the reporting year. For each OP, the payment of the balance at programme closure is only made once the final implementation report and the closure declaration are accepted, in accordance with Article 86(4) of the EFF Regulation. Therefore, there are no open interruptions or suspensions at closure[121].

Financial corrections

There were financial corrections applied amounting to €0.26 million under the EFF in the reporting year.

Follow-up of 2018 reservation

DG MARE issued a reservation concerning the European Fisheries Fund (EFF) 2007-13 management and control systems for the operational programme (OP) of Italy. At the time of the submission of the AAR 2018 the assessment of the annual control report (ACR) for the financial year 2014 was on-going (the ACR was received only in February 2019) and the final control report covering the financial years from 2015 until closure of the OP in 2017 and the related closure declaration were still outstanding (received in May 2019). Since no payments were made to Italy during the reporting year, the reservation was without any financial impact.

As soon as they were received, the related documents were thoroughly analysed in the context of the closure exercise and the analysis was complemented by a closure fact-finding mission at the end of June 2019. The purpose of this mission was to confirm and complement the results of the desk-based review and to obtain reasonable assurance that the work carried out by the audit authority was compliant with the regulatory requirements.

Following this analysis, DG MARE concluded on the acceptance of the closure declaration and identified the necessary financial corrections in order to address the legality and regularity issues of the expenditure included in the respective final payment claim. This financial correction will be taken into consideration for the calculation of the final balance. The next steps, including the financial correction procedure, will be carried out in accordance with the normal procedure foreseen for the EFF closure in Regulation (EC) No 1198/2006.

[121] An interruption or suspension decision in relation to applications for interim payment or the lifting of an existing suspension decision has become redundant since the underlying deficiencies or irregularities are dealt with in the course of the closure procedure.

Therefore, the reservation for the Italian OP is lifted.

Overall assessment at closure and conclusion

For the 27 programmes for which the closure declaration was considered acceptable, residual amounts at risk at closure are below materiality following, where necessary, identification of appropriate financial corrections to be applied at closure.

The weighted residual risk rate for the EFF is 0.00% for the remaining operational programmes for which payments were made during 2019.

Therefore, DG MARE has reasonable assurance on EU payments made for the 2007-2013 programming period in 2019.

2.1.1.1.2 Direct Management

Control objective

As regards legality and regularity, the standard quantitative materiality threshold of 2% of the executed payments is applied. In MARE, this applies to all non-compliance events detected throughout the year and with a quantifiable impact on legality and regularity. In addition to this quantitative criterion, significant weaknesses detected in the functioning of the internal control system or entailing significant reputational risks for the DG or the Commission are considered as materiality criteria. In assessing the significance of the weakness, MARE takes into account the nature and scope, duration, as well as the existence of mitigating controls and/or remedial actions. In this respect, MARE would consider as materiality criteria a 'critical' recommendation issued by auditors in the context of a final audit report, and which it has accepted, for which insufficient corrective action has been taken to implement the recommendation.

Sustainable Fisheries Partnership Agreements

Assurance building process

Payments relating to Sustainable Fisheries Partnership Agreements made during the year totalled €136.7 million, equivalent to 14% of all amounts paid by the DG.

At the end of 2019, a total number of 13 protocols to Sustainable Fisheries Partnership Agreements were in force, compared with 9 at the end of the previous year.

In 2019, SFPA-related negotiations took place with 5 countries. In 2019*,* negotiations have been successfully completed for the renewal of the SFPA Protocols with São Tomé e Principe, Senegal and Seychelles (including the renewal of the Agreement) and had started and are on going with Mauritania and Madagascar. The current protocol with Mauritania was extended for one year with a view to negotiating a new protocol. Also, a new agreement and protocol negotiated the previous year has been signed with Gambia.

Also in 2019, a mandate to open negotiations for a new SFPA with Greenland was adopted as well a mandate to renew the Access agreement to Mayotte waters. In addition, preliminary steps were taken in view of obtaining a negotiation mandate with Liberia and Cook Islands, through the launch of procedures for the ex-post and ex-ante evaluations of the SFPA Protocols with these countries

An essential element of an SFPA is the policy dialogue on fisheries between the EU and the partner country during the negotiation process and the lifetime of the protocol.

Through its controls, the DG ensures that the financial contribution resulting from the negotiations represents a fair balance between the access to third country waters and the positive returns for the EU.

Each agreement is negotiated under a formal mandate given to the Commission by the Council. The choice of the partner country, with which the EU negotiates a new agreement or the renewal of an existing one, is based on several factors, result from an ex-ante evaluation, including a sufficient demand from the EU side (Member States and industry) and the corresponding interest of the third country in such negotiations, as well as the practicalities of the agreement and protocol proposed.

The results of the evaluations of existing protocols are taken on board in the negotiations for the renewal of agreements, more notably in relation to the level of fishing opportunities agreed upon, the relevant technical provisions applicable and the rules regarding the implementation and monitoring of the multiannual sectoral programmes.

The amounts earmarked for sectoral support are negotiated on the basis of, on the one hand, the needs of the third countries concerned in terms of fisheries governance, and, on the other hand, their absorption capacity as it could be evaluated in the light of the levels of implementation achieved under the previous protocol.

The level of the financial contribution is based on two elements: the economic evaluation of the access by Community vessels to third country waters and fisheries resources, and the needs expressed by the partner country for supporting the implementation of a sustainable fisheries policy in its waters. A specific envelope of the financial contribution under the agreement is set aside to support the sectoral fisheries policy in the partner country.

Provided the negotiations are successful, the Commission and the third country initial the agreement and protocol. This is followed by a Council decision on provisional application, signature and conclusion. The Council with the consent of the European Parliament then concludes the agreements and protocols. A specific Council regulation is adopted allocating the available fishing possibilities and providing a breakdown per Member State and per category of vessel for the quota of fishing authorisations.

Most agreements and protocols establish a formal monitoring instrument in the form of a Joint Committee, which brings together the Commission and the third country authorities. This mechanism allows the multiannual programming of the fishery policy of the partner country to be evaluated and adapted in light of the effective implementation of identified actions. This is done based on a series of targets and indicators, including, where relevant, financial indicators. Joint Committee meetings are held at least once per year, which indeed was the case for all the SFPAs in force in 2019. The implementation of the sectoral support was globally satisfactory although some delays were experienced with some of the partner countries.

The annual and multiannual work programme (so-called matrix) including priorities, objectives, associated actions allowing to achieve objectives and indicators enabling to measure the implementation of the actions is agreed between the 3rd country and the EU. The matrix is a tool to assess the implementation of the sectoral support. The assessment of the implementation of actions included in the matrix takes place annually at the Joint Committee between the EU and the third country based on the reporting submitted by the third country. Based on the progress made in the implementation of the actions a sectoral support payment is agreed upon.

As regards the benefits of the controls carried out, these are very difficult to quantify in monetary terms, but ultimately the intention is to ensure that the financial contribution paid from the EU budget represents a fair balance between the access to third country waters and the positive returns for the EU.In the absence of any significant weakness detected, which could have a material impact as regards the legality and regularity of the financial operations, it is concluded that the relevant control objective has been achieved.

Procurement and Grants

Assurance building process

In 2019, DG MARE made payments for an amount of €31.5 million, in relation to procurement and grants implementing the EMFF Annual Work Programme.

A combination of preventive, detective and corrective controls are embedded into the programming and planning, verification, execution and monitoring, management and reporting processes so as to ensure effective mitigation of the financial and management risks. The procurement and grant procedures are subject to regulatory requirements, which cannot be curtailed.

In addition, DG MARE considers that the necessity of these controls is undeniable; as shown by the risks outlined in annex 5, as a significant proportion of the appropriations would be at risk were they not in place.

Two open procurement procedures, pilot projects stemming from the European Parliament, were subject to a review by the DG MARE Procurement Examination Group prior to the signature of the contract. This review did not reveal any errors with an impact on compliance.

Late interest in 2019 totalled €1,701 (2018 totalled €450) and neither liquidated damages nor irregularities are to be reported.

The guidance and procedure of exception and non-compliance events has been updated in 2019 and 3 exceptions (as opposed to six in 2018), linked to non-compliance events, were recorded with regard to Procurement and Grants. They all related to prior non-compliance events, which led to an exception. Examination of the exceptions did not reveal any weaknesses in the control system. In addition, they were considered not to affect the legality and regularity of the underlying transactions.

In conclusion, the analysis of the available control results and the assessment of the weaknesses identified and their relative impact on legality and regularity has not revealed any significant weakness, which could have a material impact as regards the legality and regularity of the financial operations. It is possible to conclude that the control objective as regards legality and regularity has been achieved.

Conclusion on the control effectiveness as regards legality and regularity

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level.

DG MARE's data is shown in Table X and its accompanying notes below.

The estimated overall risk *at payment* for 2019 expenditure is €2.8 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure* during the year (€905.9 million) not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in successive years. The conservatively estimated future corrections for 2019 expenditure are €0.1 million. This is the amount of errors that the DG conservatively estimates will be identified and corrected by controls planned to be carried out in succeeding years.

The difference between those two amounts leads to the estimated overall risk *at closure* for the 2019 expenditure of €2.7 million.

The risk at payment (0.31%) is stable and remains below materiality like in the previous year. A comparison of the current rate with the rate of the previous year (1.22%) indicates a decrease only due to the change in the calculation method, which is now based on applying the KPI 5 to the relevant expenditure 2019.

The estimated future corrections remain also stable and at a low level. In particular for the EMFF, which is the main budget activity, all but one of the confirmed RTERs are below materiality. The related expected future financial correction is however not significant and therefore without impact on the risk at closure.

TABLE X - ESTIMATED OVERALL RISK AT CLOSURE									
DG MARE	"payments made" (in FY; m€)	*minus* new prefinancing [plus retentions made] (in FY; m€)	*plus* cleared prefinancing [*minus* retentions (partially) released and deductions of expenditure made by MS][1] (in FY; m€)	= "relevant expenditure" (for the FY; m€)	Average Error Rate (*weighted* AER; %)	estimated overall amount at risk *at payment* (for FY; m€)	Average Recoveries and Corrections (*adjusted* ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated overall risk *at closure* (m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Budget Activity	*as per AAR annex 3, table 2*	*as per ABAC DWH BO report on prefinancing and SFC2014*	*as per ABAC DWH BO report on prefinancing and SFC2014*	*= (2) + (3) + (4)*	*Detected error rates, or equivalent estimates*	*= (5) * (6)*	*based on 5Y-avg historic ARC (as per ABAC DWH BO report on corrective capacity,but adjusted to be the best conservative estimate for the current MFF[2, 3, 4]*	*= (5) * (8)*	*= (7) – (9)*
EMFF	757.2	(90.1)	(51.4)	615.7	0.42%	2.6	0.01%	0.1	2.5
EFF	5.1	-	98.9	103.9	0.00%	-	0.00%	-	-
Sustainable Fisheries Partnership Agreements	136.7	-	-	136.7	0.00%	-	0.00%	-	-
Procurement and Grants	31.5	(15.3)	5.5	21.6	0.50%	0.1	0.19%	0.04	0.1
Other Expenditure	10.9	(0.4)	0.7	11.2	0.50%	0.1	0.02%	0.0	0.1
EFCA Agency	16.7	(16.7)	16.7	16.7	0.50%	0.1	0.00%	-	0.1
Overall, total	**958.2**	**122.5**	**70.2**	**905.9**		**2.8**		**0.1**	**2.7**
						0.31%		0.01%	0.30%

[1] The amounts of the retentions made, released and deductions for the EMFF are detailed in Annex 10.
[2] Average recoveries and corrections for EFF are set at 0% since no future financial corrections are expected on the relevant expenditure 2019.
[3] Average recoveries and corrections for EMFF only apply where the RTER is above 2% (AT only for the reporting year).
[4] Average recoveries and corrections for Procurement and Grants and Other Expenditure are based on the 5Y-avg historic ARC.

Notes to the table

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

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

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department). "Pre-financing" is covered as in the context of note 2.5.1 to the Commission annual accounts (i.e. excluding "Other advances to Member States" (note 2.5.2) which is covered on a purely payment-made basis).
"Pre-financing paid/cleared" are always covered by the Delegated DGs, even for Cross-SubDelegations.
* For the EMFF, the (10%) retention made.

(4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').
* For the EMFF, the retention which is now released by the Commission.

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (see the ECA's Annual Report methodological Annex 1.1), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [& adds the retentions made], and adds the previous pre-financing actually cleared [& subtracts the retentions released; and any deductions of expenditure made by MS] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or an equivalent (*Residual total error rate (RTER) for the EMFF and residual risk rate (RRR) for the EFF).*
For low-risk types of expenditure, where there are indications that the equivalent error rate might be close to 'zero' (e.g. administrative expenditure, operating subsidies to agencies), it is nevertheless recommended that 0.5% be used as a conservative estimate.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average based on the 5 years historic ARC and the specificities of the underlying relevant expenditure (see table X footnotes No. 2, 3 and 4).

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

(ii) Fraud prevention, detection and correction

DG MARE has developed and implemented a joint anti-fraud strategy (JAFS) together with DG REGIO and DG EMPL. It was elaborated on the basis of the Commission anti-fraud strategy (CAFS) and the methodology provided by OLAF. The final version of the JAFS was adopted in 2015 for the 2015 - 2020 period and updated following the new 2019 anti-fraud strategy of the Commission (AFS). The update of the JAFS was adopted in December 2019.

The implementation of JAFS is being monitored twice a year with reporting to management (bi-annual report on audit matters to Commissioner).

The JAFS covers the whole anti-fraud cycle: prevention, detection, investigation and corrective measures. It seeks to reinforce existing measures which are in place for the purpose of protection of the financial interests of the Union, by providing support to Member States in their anti-fraud efforts and strengthening the capacity of DGs to deal with fraud, as well as intensifying cooperation with OLAF. The controls aimed at preventing and detecting fraud are not essentially unlike those intended to ensure the legality and regularity of the transactions.

The joint action plan of the updated JAFS foresees several actions for the three DGs, for one of which DG MARE is Chef de file – Development of a new checklist for Key Requirement (KR) 7 agreed by the three DGs. This checklist was drafted by DG MARE and tested during the three related thematic audit carried out during October and November 2019. Based on the experience gained during these audits it will be updated in the course of 2020 in order to be available for the thematic audits planned during the second half of the year.

OLAF informs DG MARE regularly on their investigations. Once a year the monitoring tables of OLAF and DG MARE are reconciled to ensure that no cases are omitted and all cases are properly followed up. A case register is kept by DG MARE and updated regularly on the basis of the latest information available.

By the end of 2019, seven investigations by OLAF concerning fisheries were ongoing, six of which in relation to the EMFF and the remaining case in relation to the EFF, and additional two cases were sent to OLAF for decision whether an investigation will be launched.

All four cases with open financial recommendations stemming from completed OLAF investigations are currently under follow-up by DG MARE. The related irregular amounts have been taken into consideration for the calculation of the final balance under the related EFF closure procedures which are ongoing. For one case, the Member State concerned does not agree with the amount of the financial correction and a related Commission Implementing Decision is currently under preparation.

Finally, five cases concerning fisheries were dismissed by OLAF after analysis of all available information and thus no investigations were launched for these cases.

In light of the above, the number of cases regarding DG MARE beneficiaries and the expenditure it manages is relatively low. DG MARE follows up on all OLAF financial recommendations. Therefore, DG MARE concludes that its anti-fraud controls are complete, reliable and effective and that no significant weaknesses are at this stage to be addressed.

2.1.1.2 Efficiency

The principle of efficiency concerns the best relationship between resources employed and results achieved. This section outlines the indicators used to monitor the efficiency of the relevant control systems. In DG MARE this mainly refers to "time-to" indicators which are compared over time.

One indicator is defined for all relevant control systems, namely the time-to-pay. In 2019, the average net time-to-pay of DG MARE was 22 days (2018: 21 days) with 95% (2018: 96%) of payments being made within the legal time limits.

In addition, the specific efficiency indicators per management mode are presented below.

2.1.1.2.1 Shared Management

For shared management, efficiency indicators are defined as a relationship between the resources utilised in DG MARE to meet the deadlines laid down in the Regulation (EU) No 1303/2013.

Processing of payment applications within legal deadlines

The average net time-to-pay was 38 days (2018: 27 days) with 93% (2018: 95%) of payments being made within the legal time limits.

Timely assessment of the elements received from the MS throughout the control cycle

By 15 February 2019, full assurance packages were received from 22 Member States and by 1 March 2019 another two assurance packages were submitted to DG MARE. All accounts were accepted within the regulatory deadline 31 May 2019, in accordance with Article 84 of Regulation (EU) No 1303/2013. Furthermore, all legality and regularity assessments, although not subject to regulatory deadlines, were analysed within the deadlines set in the internal procedures (15th May 2019), except for two assessments for which the internal deadline had been suspended due to the need for additional information and analysis.

Throughout the reporting year, a total of 58 (2018: 48) national audit reports were received. There is no regulatory deadline for the analysis of these reports but DG MARE's internal procedure foresees in principle a feedback to the Member States within three months. For 56 (2018: 38) of the reports received the analysis was finalised within the deadline.

For two national system report (2018: five) the analysis was concluded later, due to exceptional circumstances (assessment together with the annual control report in one case and technical problems with the IT application in the other).

Overall, the average response time is 46 days (2018: 53 days) for system audit reports which is considered timely.

All audit strategies received from Member States in preparation of the annual coordination meetings were reviewed in a timely manner for the discussion with the national audit authorities during the respective meetings.

Mitigating and corrective actions taken as necessary

In 2019, two issues needed corrective actions in order to address the risks identified as regards the assurance for the EMFF. In both cases, namely Slovakia and Italy, immediate actions in the form of payment interruptions were taken.

Delivery of DG MARE audit reports within legal deadlines

In 2019, DG MARE issued 36 audit reports, of which 19 were draft and 17 were final audit reports. All 36 reports were delivered in due time, i.e. within the regulatory 3 month period following the audit fieldwork (2018: two were not delivered in time).

2.1.1.2.2 Direct management

Direct managed expenditure in DG MARE is characterised by the presence of an extensive regulatory framework which must be applied.

Financial circuits have been established adapted to the risks associated. Where required or necessary, additional control systems have been established to mitigate the underlying risks.

In 2019, for all direct managed payments, the average net time-to-pay was 19 days (2018: 19 days) with 96% (2018: 96%) of payments being made within the legal time limits.

Sustainable Fisheries Partnership Agreements

In 2019, the Commission continued to closely follow the efficiency of the EU partnership with the third countries in strengthening their fishery sector, in particular with reference to the utilisation of the resources targeted for the sectoral support in each SFPA.

The main risks are:

- in terms of sound financial management (the financial contribution is set at a level that does not reflect real fishing possibilities or fishing possibilities that are or will be fully utilised by EU ship owners); and

- in terms of political coherence (the agreements are negotiated, concluded and implemented without taking sufficiently into account the other external policies of the EU or are not fully consistent with the principles guiding the management of the Common Fisheries Policy within EU waters).

To address the first risk, the Commission implements a strict control before and during the negotiations. These are conducted on the basis of an ex-ante evaluation and an analysis of the impact of the future protocol on sustainability. The results of these evaluations are shared with the stakeholders within the Union and the partner country.

During the negotiations with the third country, there are continuous consultations with Member States with fleets interested in fishing in the EEZ concerned and the Presidency of the Council. These help to fine tune the establishment of the fishing possibilities in line with future use for the duration of the protocol.

Furthermore, the agreements provide mechanisms for renegotiation which may be triggered in the event that the EU fleet does not avail itself of the fishing opportunities offered under the agreement. This provides an effective means of control to address the principal risk associated with the agreements. The actual take-up of fishing opportunities is monitored by the Commission on a regular basis. In order to evaluate whether the take-up is in line with what is foreseen under the agreement, the evaluation examines the situation over a number of years.

In addition, during the lifetime of a SFPA and its protocols, a number of key requirements are monitored on an ongoing basis. For the most important agreements, dedicated staff has been allocated to the EU Delegations responsible for the countries concerned. The monitoring covers both the assessment of the implementation of the agreement and protocol, including the fishing activity of the EU vessels, as well as the implementation of agreed national sectoral programmes.

The Commission is monitoring regularly the state of implementation of financial resources allocated to sectoral support to the benefit of SFPA partner countries. In this regard, fisheries Attachés in EU Delegations monitor the achievement of agreed targets on the basis of indicators which are defined in Joint Committees. If need be, the disbursement of EU fund is suspended until efficient use of the funds is demonstrated by the partner countries.

In all these negotiations the fishing possibilities agreed were in line with recent trends in utilisation by the EU fleet, and took into account the best available scientific advice.

With regard to the second risk, a specific effort has been made to enhance policy coherence between the CFP and development policy in order to address potential criticisms of lack of coherence between the various aspects of the external policies of the EU. This was reflected in particular by the inclusion of a specific Human rights clause in every new protocol negotiated since 2010.

Procurement and Grants

In accordance with the financial circuits established in MARE, transactions are subject to an ex-ante financial verification with the exception of payments below €5.000 representing low risk. This ex-ante financial verification is carried out by the central financial unit in MARE.

All invoices and cost claims are verified by the Operational Unit against the contract and agreement. In addition, for all the contributions to international organisations, the disbursement of funds takes place after the conclusion of a Pillar assessment, which confirms the reliability of control systems applied by the organisations.

An additional ex ante verification is carried out on each grant and procurement procedure, at various stages of the calls.

The results of the efficiency indicators relating to procurement and grants were the following: in 2019 the average net time-to-pay was 20 days (2018: 20 days) with 96% (2018: 97%) of payments being made within the legal time limits.

In 2019, DG MARE concluded two calls for tenders successfully and did not conclude any grants following a call for proposal.

DG MARE is continuously striving to improve working methods and achieve efficiency gains in particular regarding financial management.

DG MARE has already obtained efficiency gains for the current programming period through the inclusion under shared management of control and data collection expenditure that was previously directly managed by the DG, as well as the externalisation of the implementation of a substantial part of the directly managed expenditure to the Executive Agency for Small and Medium-sized Enterprises (EASME).

Internally, the further optimisation of the electronic workflows and financial circuits, as well as the strengthening of collaborative working methods, such as regular meetings and a financial management workshop, bore its fruits.

DG MARE also builds upon the implementation of corporate IT solutions, with a view to increasing efficiency and reducing financial risks for the processes concerned.

In 2019, DG MARE pursued the further deployment of various e-procurement modules, which led to the successful implementation of two pilot projects. In addition, the deployment of the corporate IT Public Procurement Management Tool (PPMT), incorporating all the afore-mentioned modules and enabling full electronic management from the conceptualisation of a procurement procedure to the signature of a contract, will be fully implemented by the first quarter of 2020.

2.1.1.3 Economy

2.1.1.3.1 Shared Management

The costs of controls during the reporting year are summarised as follows:

- Cost of control/financial management of the Commission checks and assessment (as a % of total appropriations) = 0.8%

- Financial corrections resulting from the Commission's supervisory role implemented by the Member States during 2019 = €[0.26] million

DG MARE quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls.

The costs relate to the annual overall Commission costs. They include:

- costs relating to Commission staff who carry out controls throughout the different design, implementation and monitoring phases; and the Commission ex-ante checks of the periodic expenditure declarations (financial circuits).
- the assessment by the Commission of MCS in Member States (including the Commission ex-post audits);

The cost of the entire control system was 0.8% (2018 – 0.9%) of the payments of the year.

In relation to the cost of controls in Member States, the final report of the study "New assessment of ESIF administrative costs and burden" was issued in October 2018. The study concludes that overall there are considerable variations in administrative costs between ESI Funds and types of operational programmes. For the EMFF, the administrative costs are on average €44.200 per million Euro of eligible public funding (4,4%). This is slightly above the average for ESI Funds (4%), due notably to the significant private expenditure element of the EMFF (20%) which is also subject to controls but which was not taken into account in the study, as well as the relatively small size of the funds. Taking account also of the private element of the EMFF, the percentage of costs of control decreases to 3,5%.

2.1.1.3.2 Direct management

When assessing the costs and benefits of controls under direct management similar considerations apply as those set out for shared management.

Sustainable Fisheries Partnership Agreements

Payments relating to Sustainable Fisheries Partnership Agreements made during the year totalled €136.7 million, equivalent to 14% of all amounts paid by the DG.

For SFPAs, most payments relate to access to third country waters. Controls ensure that the payments comply with the provisions of international agreements. For sectoral support, the related controls monitor the implementation of that support. Commission staff in the delegations carry out the monitoring, including during Monitoring Committee and Scientific Committee meetings. Based on a multiannual agreed programming matrix, if progress is insufficient, the next sectorial support payment is suspended or reduced.

The following table provides an estimate of the costs of controls relating to Sustainable Fisheries Partnership Agreements:

Stage	Annual indicator	Indicator
Overall indicator	overall cost of control/amounts paid	1.6%
Programming, evaluation and selection	related cost of control/value contracted	0.5%
Contracting, monitoring of execution, payments	related cost of control/amount paid	1.0%

The 2019 overall indicator (1.6%) has decreased compared to 2018 (1.8%), as a direct effect of the high value protocols that came into force, especially with Mauritania, Morocco and Guinea Bissau.

Procurement and Grants

DG MARE has, to the extent possible, produced an estimation of the costs of the main control processes relating to procurement and grants. The following table provides an estimate of these costs:

Stage	Annual indicator	Indicator
Overall indicator	overall cost of control/amounts paid	9.0%
Programming, evaluation and selection	related cost of control/value contracted	1.6%
Contracting, monitoring of execution, payments	related cost of control/amount paid	4.5%

Since a quantitative estimation of the value of errors prevented and detected is not available, it is not possible to quantify the related benefits, other than the amounts recovered as a result of these controls. In consequence, it is not possible to quantify the overall cost-effectiveness of controls by comparing costs with quantifiable benefits.

The benefits of control in non-financial terms cover: better value for money, deterrents efficiency gains, system improvements and, as mentioned above, compliance with regulatory provisions.

To reach an overall conclusion as to the relative efficiency of the controls for procurement and grants, it is necessary to analyse the evolution of these efficiency indicators over time and/or to compare them with relevant benchmarks.

For 2019 the cost of controls for procurement and grants remained stable (9,0%) vs 2018 (8,7%). The simplification measures introduced since 2017 continue to prove their efficiency.

2.1.1.4 Conclusion on the cost-effectiveness of controls

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

2.1.1.4.1 Shared Management

The average residual errors rates for both EMFF and EFF are below materiality. In addition, for the EMFF the retention of 10% from each of the interim payments made by the Commission protects the EU budget. For the EFF, the final payment claims have been interrupted until the identification for each individual operational programme of the final balance to be paid or recovered.

The assurance elements; in particular, assurance packages and national and EU audit reports, were processed in a timely manner and mitigating and corrective actions were taken as necessary. Furthermore, Member States were timely reimbursed.

The costs of controls of the Commission and the Member States have been analysed and are in line with the principle of economy. In addition, the benefits of the controls in place are demonstrated by an increased level of assurance through improvements in the MCS and interruption of payment requests for unreliable systems. DG MARE therefore considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk were they not in place.

In light of the above, the control strategy applied by DG MARE during the reporting year for the management of the budget appropriations for shared management is considered being the best suited to fulfil the control objectives efficiently and at a reasonable cost.

2.1.1.4.2 Direct management

For SPFAs, and procurement and grants, the control procedures stem to a large degree from regulatory requirements, which cannot be curtailed. In the absence of any significant weakness detected which could have a material impact as regards the legality and regularity of the financial operations, it is concluded that the relevant control objective of effectiveness has been achieved.

Further to the efficiency measures introduced in 2017-2018, in 2019 a number of processes were further optimised. These measures related to the further centralisation of financial initiation and the Directorate-General successfully implemented the Commission’s existing corporate IT solutions, i.e. e-procurement and cooperated with central services on the further development of Advanced Getaway for Meetings (AGM).

As the cost of controls has remained stable over the last two years, MARE can conclude that the applied control strategy adequately and efficiently fulfilled its control objective.

2.1.2 Audit observations and recommendations

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

Conclusion of the Internal Auditor on the state of internal control in DG MARE

During 2019, the IAS performed the **audit on Monitoring the implementation and performance of 2014-2020 OPs by DGs REGIO, EMPL and MARE**. The IAS concludes that although overall the DGs are effectively monitoring the implementation and performance of the programmes and that the performance review was well prepared, there remain very important weaknesses. DG MARE is affected by two out of three recommendations relating to assessing programme performance and following up on implementation weaknesses (very important) and to the reporting on data reliability in the annual activity report (important).

Based on all work undertaken by the Internal Audit Service in the period 2017-2019[122], the IAS concludes that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the 'very important' recommendations relating to the two audits listed below, for which the recommendations are being addressed.

For **the audit on effectiveness of simplification measures under 2014-2020 ESI Funds in DG EMPL, REGIO and MARE**, recommendation nr.1: *Uptake and impact of simplification measures and the DGs' processes to promote and monitor these measures* (Original due date: 31/12/2018 – updated target date: 01/03/2020). DG MARE considers the issues pertaining to its remit as implemented and supports the objective of enhancing the uptake and impact of simplification measures in MS. Furthermore, the limited uptake of SCOs, under the EMFF, has a reduced impact on its internal control systems. In its closing note on the follow-up of the audit on simplification (Ares(2020)1874016 dated 1/4/2020) the IAS concluded that the recommendation has been adequately and effectively implemented and that it would therefore be closed.

For **the audit on Monitoring the implementation and performance of 2014-2020 OPs by DGs REGIO, EMPL and MARE**, the recommendation relating to assessing programme performance and following up on implementation weaknesses (very important). The related consolidated action plan has been accepted by the IAS and the actions will be implemented jointly with DGs REGIO and EMPL.

Audit work of the European Court of Auditors in 2019

2018 Annual Report

The 2018 Annual Report of the European Court of Auditors was published on 8 October 2019.[123]

[122] Final audit reports issued in the period 01/02/2017 – 31/01/2020.

DG MARE is mainly concerned by Chapter 7 'Natural Resources' of the report. The level of error for 'Natural resources' is estimated at 2,4%. Three projects concerning DG MARE did not comply with all the eligibility conditions and therefore impact on the error rate (§7.26). The Commission noted that, as part of the control cycle, the national authorities concerned (Cyprus, Belgium and Poland) have already made or may still make corrections in relation to the projects audited by the Court to protect the EU budget.

The Court found that on the basis of the 2019 programme statement for the European Maritime and Fisheries Fund (COM(2018)600), the target for the indicator measuring the 'Profitability of the EU fishing fleet by fleet segment' (net average profit margin of the EU fishing fleet to increase from 10 to 12%) is unequivocally unambitious as it had already been achieved by 2015 (§3.34 (1)).

Previous Annual Reports and Special Reports

DG MARE considers that all recommendations relating to previous annual reports are now implemented. With regard to Special Reports, DG MARE is following up on the implementation of the recommendations.

Overall conclusion

As a result of the assessment of the risks underlying the auditors' observations, together with the management measures taken in response, the management of DG MARE believes that the recommendations issued do not raise any assurance implications and are being implemented as part of the on-going continuous efforts in terms of further improvements.

2.1.3 Assessment of the effectiveness of internal control systems

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

DG MARE uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

It annually assesses the effectiveness of its key internal control systems, including the processes carried out by implementing bodies in accordance with the applicable Commission guidance and updated requirements. The assessment relies on a number of monitoring measures and sources of information including a survey-based management self-assessment; interviews with staff, AOSD management reports, reported instances of exceptions, non-compliance events and internal control weaknesses; relevant audit findings; and the risk assessment process.

Based on the end-of-the-year assessment carried out, no weaknesses were identified which could seriously affect DG MARE compliance in 2019 with any of the characteristics associated with the internal control principles.

Through a wide range of management actions DG MARE has continued to strengthen its internal control system and enhance the effectiveness of numerous Internal Control principles (ICPs).

In particular, the tone at the top (ICP1), the oversight responsibilities (ICP2), the structure, authority and responsibility (ICP3), the identification and analysis of risks (ICP7), the assessment of fraud (ICP8), selection and development of control activities (ICP10), the deployment of policies and procedures (ICP12), the usage of relevant information (ICP13), internal communication (ICP14), external communication (ICP15) and its overall Internal Control environment (ICP16 & 17).

The critical risk on Brexit will be maintained for 2020, mitigating measures have been put in place, but DG MARE will keep on monitoring the developments closely at the operational level deriving from this specific environment (ICP7).

In line with the Internal Audit Service action plans, MARE has already addressed the very important audit recommendations, which are most significant for the Directorate General[124] (see also section 2.1.2). In this respect, MARE's assessment is that the very limited residual risk related to the open recommendation does not affect any of the internal control principles or components and therefore does not have an impact on assurance.

DG MARE has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to principle 4, related to staff allocation. Mitigating measures, including a request for additional staff, have been taken.

2.1.4 Conclusions on the assurance

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

The information reported in Section 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG MARE. The report has been prepared with the objective of providing the reader with the fullest possible reliable information and does not knowingly contain any material inaccuracy or omission.

European Fisheries Fund and European Maritime and Fisheries Fund expenditure is implemented under **shared management** through comprehensive management and control systems which are designed to ensure the legality and regularity of transactions at the level of the beneficiaries. The multi-layered approach taken by DG MARE shows that evidence can be drawn from different sources in order to provide the basis for an assessment. As a general rule, these various sources of evidence corroborate and complement each other and enable conclusions to be drawn.

For the 2007-2013 programming period, 27 closure declarations received could be accepted with or without the need for additional financial corrections at closure. The estimated risk linked to the 2019 relevant expenditure is 0.00% and thus below

[124] The audits in question are multi-DG audits with recommendations common to DGs other than DG MARE

materiality. The reservation (non-quantified) in the 2018 AAR was lifted following the acceptance of the last remaining closure declaration.

For the 2014-2020 programming period, €155.4 million was paid in pre-financing, which is risk-free. €601.8 million was paid in interim payments to 26 Member States. The overall amount at risk for the 2019 payments is 0.42% and thus below materiality.

The necessary corrective and protective measures are taken to address the reservation for one operational programme under the EMFF (FR).

For the activities under **direct management**, the information (covering internal control, internal audit opinion, ex-ante and ex-post controls) is considered as complete and reliable for the purposes of the declaration of assurance. No material deficiencies were identified affecting the expenditure paid in 2019.

DG MARE has in place a **joint anti-fraud strategy**, together with DG REGIO and DG EMPL, and is regularly following up on OLAF investigations.

Looking at **efficiency and economy of controls**, the main benefits are largely non-quantifiable, in particular as regards shared management where they are demonstrated by an increased level of assurance through improvements in the Member States management and control systems. Similarly, the benefits under direct management related to improved value for money in line with system optimisation further to the larger scale efficiency measures launched in 2017. The costs of control remained stable compared to 2018 and DG MARE´s control objective was met.

As regards **indirect management**, a number of reporting and supervising arrangements allow DG MARE to exercise its supervisory role including through its participation at different levels of governance within the EFCA agency, from the Administrative Board to the Joint Deployment Plans.

The assessment of the risks underlying the recommendations issued by **auditors' observations**, together with the management measures taken in response, do not raise any assurance implications. DG MARE can conclude that the **internal control framework** in place functions effectively and **reporting** is reliable.

Overall, the resources for which DG MARE was responsible in 2019 have remained stable and have been managed for their intended purpose and in accordance with the applicable legislation and the Financial Regulation and in particular in accordance with the principles of sound financial management. In addition, the control framework yielded the necessary assurance with respect to legality and regularity of the funds spent.

The reservation for one operational programme under the EMFF does not prevent the Director General from giving reasonable assurance on the use of the resources assigned to the Policy Area as a whole in 2019.

Overall Conclusion

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

2019 AAR - DG MARE overall conclusion table				
Budget Activity	Effectiveness	Efficiency	Economy	Independent information from auditors
EMFF	✓*	✓	✓	✓
EFF	✓	✓	✓	✓
SFPAs	✓	✓	✓	✓
Procurement and Grants	✓	✓	✓	✓
Other expenditure	✓	✓	✓	✓
EFCA	✓	✓	✓	✓
Overall	✓	✓	✓	✓

✓ **Positive assessment**

* **One reservation for the EMFF**

2.1.5 Declaration of Assurance and reservation

DECLARATION OF ASSURANCE

I, the undersigned, Bernhard Friess

Acting Director-General of DG Maritime Affairs and Fisheries

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view[125]*.*

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

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

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

However the following reservation should be noted:

- *A reservation concerning the European Maritime and Fisheries Fund management and control systems in one Member State.*

Brussels, 23 April 2020

[signed]

Bernhard Friess

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

Reservation

DG	Maritime Affairs and Fisheries
Title of the reservation, including its scope	Reservation concerning the EMFF management and control system (2014-2020 programming period) in France
Domain	Shared management – EMFF
Programme in which the reservation is made and total (annual) amount of this programme	Budget line: 11 06 60 Payments made in 2019: €757,209,310
Reason for the reservation	The reason for the reservation is a combination of the two following weaknesses: - Significant occurrence of errors in the underlying transactions (legality and regularity) reported by the national audit authority. The total error rate reported for this OP for the accounting year 2018/2019 is >10% and corrections made so far are insufficient. The weakness was identified by the national audit authorities during their audits of operations in relation to the accounting year 2018/2019. - Insufficient audit coverage by the national audit authority (unfinished audit work). The amount of financial corrections needed to reduce the amount at risk to materiality has not been established. The weakness was identified by DG MARE during a Pre-ACR fact-finding mission from 3-5 February 2020. The related assessment of DG MARE is ongoing.
Materiality criterion/criteria	The operational programme features a reported TER of above 10%. In addition, there is evidence to suggest significant deficiencies in key elements of the systems put in place at the level of the national authorities.
Quantification of the impact (= actual "exposure")	€11,262,101 (1.49% of payments made in 2019 for budget line 11 06 60)
Impact on the assurance	The weakness affects the legality and regularity of the relevant expenditure for the OP concerned. The financial impact is managed through the safeguard measures taken by the Commission (pre-financing, 10% retention, payment interruption).
Responsibility for the weakness	The expenditure concerned is under shared management, for which the Member State is primarily responsible for putting in place adequate management and control systems, while the Commission supervises the national authorities in this respect.
Responsibility for the corrective action	The corrective action taken by DG MARE comprises the following: - Non-acceptance of the annual accounts, in accordance with Article 139 of Regulation (EU) No 1303/2013 (CPR), in relation to the accounting year 2018/2019. Following the finalisation of the assessment of the assurance package and any additional work to be carried out by the national authorities in this respect, DG MARE will decide on possible further corrective measures, including financial corrections, as necessary. - Interruption of payment deadlines, in accordance with Article 83 CPR, in relation to the accounting year 2019/2020. Following completion of DG MARE's analysis of the remedial actions taken by the national authorities, DG MARE will establish whether the interruption can be lifted.

2.2 Other organisational management dimensions

DG MARE is fully committed to achieving the mandatory objectives set at corporate level in the area of organisational management, i.e. human resource management, better regulation, information management and external communication. For an extensive reporting on the key achievements in these areas, please refer to **Annex 2**.

Also in 2019, DG MARE aimed at the effective and efficient delivery of the Commission's political priorities. To that end, a number of initiatives were undertaken in 2019 to improve **economy and efficiency of the financial and other activities of DG MARE**. In its human resources management and in particular with the reorganisation of DG MARE since 1 January 2017, DG MARE pays particular attention to the efficient use of its resources and to the wellbeing and the engagement of staff.

Human resources (HR) management

In 2019, DG MARE's HR team continued focusing on reducing vacancy rates through improving processes and procedures across the DG and making better use of job quotas, learning from best practices across the Commission.

For example:

- Simplifying and speeding up internal recruitment procedures, to improve efficiency in particular for recruiting units, such as shortened timing for decisions on vacant posts; proactive and well in advance support for recruiting units for replacement of contractual agents and temporary agents at the end of their contracts; publishing vacancies without job coverage.

- All five Directors of DG MARE met with the assistants in early 2019 to discuss measures to develop synergies and to improve efficiency in the way they work. This included improvements such as the back-up system between assistants, delegations in IT applications, organising the distribution of weekly management file for all units, compiling a list of common IT tools and which assistant has expertise in each, reviewing which tasks are best done in a centralised way (by assistants) versus in a decentralized way, by unit members.

- Improving knowledge management and retention as well as efficiency, including better integration of and support to newcomers and dedicated trainings for staff, i.e. efficient management of emails and on personal efficiency, which contribute to increased overall efficiency of the DG. A welcome guide for newcomers was developed in late 2019.

Cooperation with EASME

Under the work programme 2019[126] DG MARE has delegated a number of actions to the Executive Agency for Small and Medium-sized Enterprises (EASME) in the following areas:

- Maritime Policy, in areas such as marine knowledge, maritime spatial planning, maritime surveillance, monitoring trends in the blue economy, ocean governance, and support for investment for jobs and sustainable growth in innovative and emerging maritime sectors (15 actions);

[126] C(2018)8395 final - COMMISSION IMPLEMENTING DECISION on the financing of the European Maritime and Fisheries Fund and the adoption of the work programme for 2019.

- Scientific advice and projects necessary for the development and the implementation of the common fisheries policy (6 actions).

Given their policy support nature, EASME implemented the delegated actions in close cooperation with DG MARE and in accordance with the EMFF specific Memorandum of Understanding with the executive Agency. In addition, EASME continued to look for synergies and provided policy-relevant feedback to DG MARE.

Up to end 2018, in EASME the EMFF programme was entirely managed on paper, which was becoming more cumbersome as the number of applications increase every year.

In 2019, EASME switched all EMFF-related projects to eGrants, an IT system for grant management already used for both the SME Instrument under H2020 and the COSME programme, which represented a significant simplification.