REPORT FROM THE COMMISSION

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

2018 Annual Management and Performance Report for the EU Budget
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**ANNEXES**
Foreword

It is my pleasure to present the 2018 Annual Management and Performance Report for the EU Budget. The report provides an overview of the performance, management and protection of the EU budget. It explains how the EU budget supports the EU political priorities and describes both the results achieved and the role of the Commission in ensuring the highest standards of financial management. This report is part of the Commission’s integrated financial and accountability reporting package. It fulfils our obligations under the financial regulation and is an essential part of our highly developed system of financial accountability.

Despite its relatively modest size, the EU budget makes a big difference for millions of Europeans. It complements national budgets and supports political priorities in areas where it has real value and where it can deliver results in the most efficient way. My guiding principle is that the EU budget should focus on areas where it can have a bigger impact than public spending at national level. For instance, no Member State alone can finance large infrastructures or research projects that have the required scale to compete with global players such as China or the United States. Some challenges the EU faces are global. Terrorism, organised crime, climate change, natural disasters or epidemics do not have borders. These challenges are best tackled on a pan-European level with the help of the EU budget.

But the EU budget, even if it proved to be flexible, is limited in size. Therefore, decision-making needs to be more informed and more evidence-based than ever, so that the money is allocated where it is the most needed. In this report, we describe the many ways in which the EU budget contributed to the achievement of our common goals in 2018.

The focus of 2018 was on strengthening the economic recovery by investing in key areas promoting job creation. The European Fund for Strategic Investments, the Connecting Europe Facility and the European Structural and Investment Funds all had a major role to play in this process. I invite you to discover the stories behind many EU investments on the ‘InvestEU’ portal (https://europa.eu/investeu). The EU budget also offered strong support in other priority areas such as the EU’s comprehensive approach to migration, the security union, cutting-edge research, the EU’s external action, while it also helped achieving crosscutting policy objectives such as climate action and biodiversity.

This report also sets out the steps we are taking to ensure that the EU budget is managed in accordance with the highest standards of sound financial management. Through this report, the Commission takes overall political responsibility for the management of the EU budget in 2018.

The Commission carefully monitors the implementation of the EU budget on the ground. If Member States or final beneficiaries are found to have spent EU money incorrectly, the Commission takes immediate steps to correct these errors and recover the funds as necessary. The Commission estimates that, after corrections and recoveries, the remaining level of error for the 2018 expenditure will be under 1%, well below the materiality threshold.

2018 was a continuation of the very significant progress we have made in recent years on financial management. The EU’s systems to detect and correct errors and combat fraud are mature and robust. This has been recognised by the European Court of Auditors. We will remain vigilant and will continue to ensure that the EU budget is adequately protected in future years. This is particularly important in the context of an increasingly challenging political environment. Reporting consistently and effectively increases the accountability of EU spending, and not only for the purposes of sheer legal compliance. It helps to engage with citizens and with other stakeholders, and to restore their confidence and trust in the European Union.

2018 was also the year where the Commission made its proposals for the future multiannual financial framework, in May and June 2018. An extensive spending review¹ was organised, analysing the performance of all programmes. My approach was to use EU added-value as a core criterion to underpin all future spending, boosting funding for new priorities, modernising existing programmes, simplifying and streamlining where possible and giving the Union a more flexible budget. I believe that the Commission has proposed a modern budget for a union that protects, empowers and defends, and which is balanced and realistic. A timely agreement on the future framework would confirm the shared commitment of the EU institutions to making the very most of every euro invested through the EU budget.

Günther H. Oettinger
Commissioner for Budget and Human Resources

EXECUTIVE SUMMARY
Executive summary

The Annual Management and Performance Report for the EU Budget presents the latest information on the results achieved with the EU budget (Section 1), and on how the EU budget is managed and protected (Section 2).

Section 1 is structured by budget heading. It explains how the EU’s financial programmes have contributed to the EU’s political priorities. It also summarises the latest evaluation results on how these programmes have performed.

2018 was the fifth year of the current multiannual financial framework, which runs from 2014 to 2020. Due to the late adoption of the multiannual financial framework, delays were experienced at the beginning of the period. Now, the EU’s financial programmes are fully operational. They offer strong and tangible support to the EU’s political priorities in a variety of areas.

Budget heading 1A — Boosting jobs, growth and investment

When the Juncker Commission took office in the aftermath of the economic and financial crisis, it promised to get more people into work. Together with Member States it has delivered on that promise. More Europeans are in work than ever before, with 240.7 million people in employment. More than 12 million of those jobs have been created since the start of this Commission. Youth unemployment is at its lowest level since 2008, although it is still too high in many parts of the EU. The EU budget has been instrumental in these achievements and continues to offer a vital source of investment across Europe.

More than 12 million jobs have been created since the start of the Juncker Commission. Youth employment decreased from 24% in 2014 to 14% in December 2018.

The priority for the EU budget in 2018 was to build on the economic recovery, in particular by giving a further boost to investment. Investment has picked up significantly thanks to more than EUR 408 billion in investments triggered by the European Fund for Strategic Investments. This fund, launched by the Commission together with the European Investment Bank Group in 2015, attracts private funding in areas such as transport, energy, health care, small and medium-sized enterprises as well as information and communication technologies. In this way it amplifies the impact of the EU budget. The lifetime of the European Fund for Strategic Investments was extended from mid-2018 until the end of 2020 with a new investment target of EUR 500 billion. It is expected that this plan will help create an estimated 1.4 million new jobs by 2020, while the EU’s gross domestic product will be boosted by an estimated 1.3%.

Thanks to these investments, a further 11 million households enjoy high-speed internet access, more than 4 million households use energy from renewable sources, and 30 million Europeans benefit from better health care.

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(2) Investments since the launch of the European Fund for Strategic investments in 2016. The total amount of investments triggered by the fund amounted to EUR 370 billion as per 31 December 2018, and EUR 408 billion as per 13 June 2019.

(3) The European Investment Bank Group is composed of the European Investment Bank and the European Investment Fund.

(4) In 2016, the initial plan foresaw triggering EUR 315 billion of additional investments.
As per 31 December 2018, the European Fund for Strategic Investments has mobilised over EUR 370 billion in investment across Europe since 2015, significantly more than the initial target of EUR 315 billion and is on track to reach the increased 2020 target of EUR 500 billion.

The European Fund for Strategic Investments has helped finance the building of half a million affordable homes, improve health-care services for 30 million Europeans, upgrade rail and urban infrastructure for 95 million passengers and support access to finance for more than 280 000 small and medium-sized enterprises.

**Strategic investments have also boosted economic growth and competitiveness** by financing key transport, energy or telecommunications infrastructure. These investments focus on areas where the EU enables a greater impact than public spending at national level. The Connecting Europe Facility plays an important role in developing such infrastructures, which also prepare the ground for a less carbon-intensive EU energy network. In 2018, this facility made available EUR 1.4 billion in EU grants, to be combined with financing from the European Fund for Strategic Investments and other sources.

The Connecting Europe Facility partially funds a new tunnel under the 18 km-wide Fehmarn Strait, between Rødby in Denmark and Puttgarden in Germany. Travel time by car between Copenhagen and Hamburg will be reduced by around 1 hour, and by 2 hours for rail freight transport.

The EU budget is also delivering thanks to **space programmes** such as Galileo, Copernicus and EGNOS. No single Member State acting alone could have put 26 satellites into orbit, benefiting 500 million (*) users worldwide by the end of 2018. In 2018, four additional new Galileo satellites were launched for better monitoring of oceans, land and the atmosphere. EU space signals and data is transforming our lives with services such as enhanced navigation, precision farming, crop monitoring, responding to natural disasters, saving lives at sea, search and rescue of people equipped with distress beacons, and monitoring of vessels and oil spills.

At the end of 2018, 315 airports in almost all EU countries are using the European Geostationary Navigation Overlay Service, making landing in difficult weather conditions safer and avoiding delays and re-routing.

From April 2018, Galileo is integrated into every new car type sold in Europe, supporting the eCall emergency-response system.

Copernicus has provided emergency maps for 80% of the floods in Europe. This helped the national emergency services with better overview of the situation and to be more effective during rescue operations.

2018 also marked a new chapter in **European defence cooperation** with the European Defence Fund. In 2018, EUR 40 million has been allocated to collaborative research in innovative defence technologies and products. The Commission has adopted the biennial work programmes to co-finance joint defence capability development projects in 2019-2020 with an EU contribution of EUR 500 million.

The EU is investing (*) EUR 35 million into the Ocean2020 research project. This project brings together 42 partners from 15 EU Member States to support maritime surveillance missions at sea by integrating drones and unmanned submarines into fleet operations.

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(*) 700 million users by mid May 2018.

(*) The starting date is 1 April 2018. The duration is 36 months.
Supporting cutting-edge research and innovation

The EU budget continued to underpin the EU’s commitment to supporting cutting-edge research and innovation, focusing on cross-country collaboration, industrial relevance and economies of scale. Horizon 2020, the EU framework programme for research and innovation, is the world’s largest transnational research-funding programme. It is also the biggest EU research and innovation programme ever, with nearly EUR 80 billion of funding available over 7 years (\(^1\)). In 2018, calls for proposals worth EUR 10 billion were launched for Horizon 2020.

Using Horizon 2020 funding, the Joint Research Centre has developed and operates the only worldwide automatic tsunami alert system, which it also operates. It can quickly calculate the estimated wave height and travel time and automatically send an alert message through the global disaster alerts and coordination system.

Horizon 2020 provides a common strategic framework for the EU’s research and innovation funding. It is key to ensuring that the EU continues to produce world-class science and technology. It helps to remove barriers to innovation and makes it easier for the public and private sectors to work together in delivering solutions to major societal challenges. EU support for research and innovation stimulates cooperation between research teams across countries and between disciplines which is vital to making breakthrough discoveries. It allows the EU to deliver on priorities such as the Paris Agreement on climate change (\(^8\)). Horizon 2020 has contributed directly to the overall objective of boosting Europe’s industrial leadership and competitiveness. It has been particularly successful in stimulating innovation by small and medium-sized enterprises. The overall target of 20% participation has even been surpassed (\(^9\)).

The European High-Performance Computing Joint Undertaking began operations in November 2018. It will pool EU and participating countries’ resources to build in Europe a world-class supercomputing and data infrastructure and a competitive innovation ecosystem in relevant technologies and applications in Europe.

Thanks to research and partial funding from Horizon 2020 done in 2018, a 45-year-old woman in Sweden underwent surgery to receive a permanent robotic hand, which she can use on a daily basis.

Supporting young Europeans

The EU budget has created opportunities to study and travel abroad and helped young unemployed people to find work or enrol in training to increase their chances of finding a job. Every year, more than 3.5 million young people registered under the Youth Guarantee receive an offer of employment, education, a traineeship or apprenticeship. Since 2014, in total more than 14 million have been benefiting from this scheme.

Erasmus+ is one of the main ways for Europeans to experience European identity in all its diversity. In 2018, Erasmus+ enabled around 800 000 teachers, lecturers, trainers, education staff and youth workers to acquire new skills abroad and boost their future employability. The flagship programme demonstrated its flexibility with its support for setting-up of ‘European Universitites’ and the Erasmus+ virtual exchanges.

\(^1\) 2014-2020.  
\(^8\) https://ec.europa.eu/clima/policies/international/negotiations/paris_en  
\(^9\) 24%, which is beyond the target of 20% participation in Horizon 2020 by small and medium-sized enterprises.
Moreover, the Commission launched a pilot initiative, DiscoverEU (10), which gives 18-year-old young people the opportunity to travel around Europe, learn from other cultures and explore their European identity. The Commission intends to develop DiscoverEU further and has therefore included it in its proposals for the next Erasmus program.

The European Solidarity Corps (11) programme got its own rules and budget and enabled a large number of young people to help; explore, learn and develop, through activities like helping socially deprived, taking care of the environment or reconstructing and bringing hope to communities after a natural disaster.

Since its start in 1987, more than 10 million people have participated in Erasmus.

Between July and October 2018 around 15 000 young people were able to explore Europe by rail with a DiscoverEU travel pass. Another 14 500 have been selected in the November 2018 application round.

By the end of December 2018, around 100 000 civic-minded young people had registered to join the European Solidarity Corps. Almost 11 000 of them had supported individuals and communities in need across Europe, mostly through volunteering activities.

The EU budget’s contribution to implementing the Youth Guarantee has been substantial, by creating opportunities for young people to study and travel abroad and by helping them find work or access training to increase their chances of finding a job.

Since its launch (12), more than 3.5 million young people registered under the Youth Guarantee have received an offer of employment, continued education, a traineeship or an apprenticeship each year.

Budget heading 1B — Driving job creation, sustainable growth and innovation through cohesion policy

Cohesion policy, with a budget of EUR 352 billion (for 2014-2020), almost a third of the total EU budget, aims to reduce disparities and support the economic, social and territorial cohesion of the EU. The powerful contribution of this policy is evidenced by the strong catching-up of less-developed Member States and regions with the rest of the EU in terms of productivity and gross domestic product per head. The funds directly support the delivery of key EU priorities and the implementation of country-specific recommendations in the context of the European Semester, as well as ensure the necessary investment conditions through the follow-up of ex ante conditions set for the 2014-2020 programmes.

EUR 1 of cohesion policy investments made in the period 2007-2013 is expected to generate EUR 2.74 of additional gross domestic product by 2023. During the same period, around 1.3 million jobs were created.

The EU budget continued to support Member States and regions in tackling new and persistent challenges, such as harnessing globalisation, tackling unemployment, addressing industrial change, embracing innovation and digitalisation, reskilling people, managing migration in the long run and fighting climate change, including the transition to less-carbon intensive economy and transports.

(10) https://europa.eu/youth/discovereu_en
(11) https://europa.eu/youth/solidarity_en
(12) The Youth Guarantee is a political commitment taken by Member States in April 2013.
EU investment in transport focussed on removing bottlenecks by helping the repair and improvement of 7 500 km of old roads and the building of 3 100 km new roads (projects selected up to the end of 2018).

Through cohesion policy investments, public buildings use 5.2 terrawatt hours per year less energy than they did. In addition, 748 km of new or improved tram and metro lines and close to 7 500 km of new or upgraded railway lines.

By the end of 2017, over 15 million people benefited from support from the European Social Fund to find better job opportunities and develop their skills, more than 1.7 million unemployed people found a job and over 2 million people gained new qualifications.

Budget heading 2 — The EU budget helps modernise the EU agricultural sector, to ensure safe, high-quality food, and create sustainable agriculture and rural development

The common agricultural policy has helped to achieve balanced territorial development and reduce the income gap between the agricultural sector and other sectors; and between Member States and regions. The policy also helps to keep the EU’s vital food production sustainable. Direct payments boost income and provide relative income stability to farmers facing significant price and production volatility.

The EU budget provides the necessary means for resilient, sustainable and competitive agriculture. Some 6.5 million farmers benefited from direct payments with this support constituting 38% of their farming income.

Since 2014, the European Agricultural Fund for Rural Development helped to modernise the agricultural holdings of more than 51 400 young farmers, helped to train more than 1 million participants, supported organic farming on close to 16 million hectares and invested over EUR 255 million in renewable-energy production.

The European Maritime and Fisheries Fund supports environmentally sustainable, resource-efficient, innovative, competitive and knowledge-based fisheries and aquaculture. These efforts allow the EU to remain an international leader in sustainable ocean management.

The EU is a global front-runner in sustainability and climate policies

As part of its commitment to the fight against climate change, the EU has integrated EUR 32 billion spending on climate action across all EU programmes, in particular cohesion policy, energy, transport, research and innovation and the common agricultural policy, as well as the EU’s development policy, making the EU budget a key driver of sustainability. This represents 20.7% of the 2018 budget. The latest estimate is that it will be EUR 210 billion (19.7%) for the entire programming period.
Between 2014 and 2020, the European Regional Development Fund and Cohesion Fund are investing EUR 54.8 billion (13) targeting climate-related goals. These investments support the shift towards a low-carbon economy by promoting the production and distribution of energy derived from renewable sources, promoting energy efficiency, implementing smart distribution systems and research and innovation in low-carbon technologies; investing in adaptation to climate change, promoting investments to address specific risks, ensuring disaster resilience and developing disaster management systems.

Projects supported by the European Regional Development Fund and by the Cohesion fund enable the renovation of housing for 875 000 families who will benefit from reduced energy use and connecting 3.3 million additional energy users to smart grids. Projects also supported additional capacity to produce renewable energy (7 670 megawatts).

In 2018, a total of EUR 522 million was allocated to the LIFE programme. Through this programme, the EU budget supports environmental and nature conservation projects and climate action. This includes major investment in projects that will enable more plastic to be reused. Turning this waste into high-quality raw materials for the car, construction and packaging industries is one of the ways in which LIFE gives practical support to the goals of the European strategy for plastics in a circular economy.

Projects supported by the LIFE programme helped to shift towards a resource-efficient, circular, low-carbon and climate-resilient economy; to halt and reverse biodiversity loss; to tackle the degradation of ecosystems by improving the quality of the environment, including air, water and soil; and to improve environmental and climate governance at all levels.

**Budget heading 3 — The EU budget is a vital part of the EU’s comprehensive approach to migration policy**

The EU budget supported the continued comprehensive European response to migration challenges and the management of the EU’s external borders. In 2018, the EU’s comprehensive approach to migration continued to operate on all fronts: deeper cooperation with partner countries; better-managed external borders; and more effective and operational tools to protect our borders and manage migration within the EU in a spirit of solidarity and responsibility. Dedicated instruments such as the Asylum, Migration and Integration Fund played an important role for immediate responses to migration issues alongside targeted support from cohesion policy for the longer-term integration of migrants and the EU’s external instruments. Work on the European agenda on migration made a positive contribution to replacing unsafe and uncontrolled migration with safe, orderly and regular migration.

Under the ongoing EU resettlement scheme, 20 Member States have pledged to resettle more than 50 000 persons by October 2019. At year-end 2018, over 24 000 of these pledges have already materialised, providing persons with shelter in the EU.

Following the 2015 peak in arrivals to the EU, migration flows are now back to below pre-crisis levels. Irregular border crossings into the EU fell to 150 100 in 2018. This is the lowest figure in 5 years.

Since 2015, legal migration channels to the EU increased for people in need of international protection. EU resettlement programmes have offered safe and legal pathways to almost 50 000 people (as per 31 December 2018).

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(13) Interactive data is available on https://cohesiondata.ec.europa.eu/stories/s/a8jn-38y8
The 2016 **EU-Turkey statement and the facility for refugees in Turkey** remains of paramount importance in reducing irregular and dangerous crossings to the Greek islands from the Turkish mainland, saving lives at sea and promoting the resettlement of Syrians in need of international protection. The EU has supported Turkey in its efforts to provide shelter and support for more than 4 million registered Syrian refugees. **By the end of 2018**, humanitarian assistance had helped 1.5 million of the most vulnerable refugees through the emergency social safety net, a social assistance safety net scheme, and supported over 410 000 students in attending school (under the conditional cash transfer for education programme). A further 600 000 children have been helped to integrate into the Turkish school system. Thanks to the facility for refugees in Turkey, 136 new schools have been built, 410 000 refugee children are now attending school and 60 000 students have joined catch-up classes. 178 health-care centres are now operational, four million primary health-care consultations have been supported and 650 000 child refugees have been vaccinated (14).

As well as in Turkey, the EU has provided substantial humanitarian support to internally displaced persons in Syria as well as refugees and host communities in Jordan and Lebanon, as well as helping in Iraq and Egypt. Overall, the EU Regional Trust Fund in Response to the Syrian Crisis supported some 2 million Syrian refugees and hosting communities in 2018.

Financed by the EU budget, the **European Border and Coast Guard Agency** with its extended mandate has significantly strengthened its presence at the EU’s external borders. The aim is to support the Member States in their border-management activities and jointly implement integrated border management at EU level.

**In 2018**, the European Border and Coast Guard deployed altogether around 11 000 border guards to assist the front line Member States. This made it possible to rescue 37 000 migrants, catch almost 1 200 people smugglers and coordinate/organise the return of almost 14 000 migrants. In addition, the Fund for Asylum, Migration and Integration enabled the voluntary return of almost 39 500 persons (15).

**The EU budget continues to help make the EU a safer place to live and work**

Security threats have intensified and diversified in Europe. They come in the form of terrorist attacks and new types of organised crime, as well as cybercrime. To **protect** the public against these threats, the EU has provided funding and supported cooperation, for instance, to fight money laundering, intercept and seize counterfeit products and combat disinformation campaigns.

The Connecting Europe Facility set up a voluntary cooperation platform to strengthen preparedness and response to cyberattacks. By doing so, the EU is contributing to an EU-wide solution to a threat that does not respect national borders.

The EU has shown **solidarity** within its borders by coordinating and financing disaster-relief efforts, supporting farmers affected by drought or employees affected by massive corporate restructuring. In light of the difficulties farmers faced during the summer drought, higher advanced payments were provided to help farmers feed their animals.

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(14) Information concerns achievements since 2016 up to December 2018.
(15) Data source: 2018 Annual implementation reports. The 2018 figure include all Member States except Greece, for which the 2018 information was not available yet.
EXECUTIVE SUMMARY

In 2018, EUR 4.5 million from the European Globalisation Adjustment Fund helped 730 displaced workers in the Portuguese clothing sector.

Since 2003, the EU was engaged in 163 official missions and deployed 560 experts to protect people around the globe. In 2018, a record EU civil-protection operation helped Sweden fight forest fires: over 360 firefighters, seven planes, six helicopters and 67 vehicles were mobilised.

Budget heading 4 — The EU budget has helped the EU become a stronger global actor

The EU budget enabled the Union to keep its focus on investing in the sustainability and resilience of our partners, in particular through the European Neighbourhood Instrument and Instrument for Pre-Accession Assistance. The EU is helping neighbouring countries to further develop stable democratic institutions and, at the same time, become more prosperous. This helped to achieve stability at Europe’s borders.

In 2018, the EU provided also leadership and support on the Iran nuclear deal (16), the Paris climate-change agreement, the UN sustainable development goals, new trade agreements with a strong sustainable development component, cooperation with the African Union (17) and relations with the United Nations.

Together with its Member States, the EU is the world’s biggest donor of humanitarian aid. This allows the EU to provide life-saving support to natural disasters and man-made conflicts worldwide.

In 2018 more than EUR 1.4 billion was spent on humanitarian aid in more than 90 countries. A significant part was spent on supporting conflict-affected populations in Syria and refugees in neighbouring countries.

In 2018 another EUR 15 million was committed to help create the necessary conditions for the voluntary, safe and dignified return of Rohingya refugees who have fled Myanmar/Burma to Bangladesh (18).

Different instruments in the area of development cooperation support the EU in its commitment to deliver on the 2030 agenda for sustainable development in line with the European consensus on development (19). The EU seeks to target funds to countries most in need. It also proposed a paradigm shift in relations between the EU and Africa towards building a true and fair partnership focused on mutual economic interest and fully in line with Africa’s agenda 2063 (20) and flagship initiatives such as the African continental free trade area.

As part of the external investment plan for Europe, in 2018 the EU budget supported the mobilisation of finance into Africa and the European Neighbourhood (21). For that purpose, the European Fund for Sustainable Development is used to bring more private investments. In 2018, the Commission signed the first guarantee agreement (Nasira risk-sharing facility). This EU agreement of up to EUR 75 million is expected to mobilise investments for entrepreneurs in sub-Saharan Africa and the European Neighbourhood. It is expected to help create up to 800 000 jobs and benefit those who struggle to access affordable loans, such as internally displaced people, refugees, returnees, women and young people.

(17) https://au.int
(20) https://au.int/en/agenda2063/overview
(21) The European Neighbourhood comprises the EU’s closest eastern and southern neighbours. To the south: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine*, Syria and Tunisia and to the east: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. (* This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.)
Executive Summary

The Commission gives the highest priority to ensuring that the EU budget is well-managed and protected against errors and fraud.

The Commission strives to achieve the highest standards in financial management in terms of effectiveness, efficiency and economy. It also seeks to ensure that audits and checks (‘controls’) are cost-effective. This is the focus of Section 2 of this report.

The Commission is responsible for ensuring that EU funds are properly spent, regardless of whether these funds are implemented directly by the Commission departments or by implementing partners. 71% of expenditure is executed by Member State authorities under shared management, and 8% through entrusted entities under indirect management.

To fulfil its responsibilities, the Commission has put in place an effective assurance and accountability model as well as a robust internal control framework. Within this framework — where applicable in collaboration with Member States and entrusted entities (based on their obligations to protect the EU budget) — the Commission departments take measures to prevent errors, irregularities and fraud; and, when these occur, they take action to remedy the situation. In addition, the European Anti-Fraud Office is mandated to conduct independent investigations into fraud and corruption involving EU funds and to develop EU policies to counter fraud.

2018 also saw the adoption of the new financial regulation, which brings in particular significant simplification of financial rules for beneficiaries.

The risk to the legality and regularity of financial transactions is below 2%

The Commission’s objective for the ‘risk at payment’ affecting EU revenues and expenditure, which is estimated after preventive controls have taken place but before corrective measures have been applied, is to stay below 2% — which it achieved again in 2018. On an overall basis, the ‘risk at payment’ is estimated to be 1.7% of the total relevant 2018 expenditure. Departments are undertaking action for those segments for which the risk at payment is above 2%.

The multiannual nature of the EU’s financial programmes makes it possible to correct errors even years after the payments were made, until the closure of the programmes. The departments have estimated the overall future corrections to be 0.9% of total relevant 2018 expenditure.

During 2018, the Commission effectively clawed back EUR 3.2 billion. These financial corrections and recoveries are essential preventive and corrective measures protecting the EU budget.

The Commission’s aim in managing the EU budget is to ensure that, once a programme is closed and all verifications have been carried out, the remaining ‘risk at closure’ is very low. Overall, the Commission estimates this to be only 0.8% of 2018 total relevant expenditure — i.e. below 1%.

For the second year in a row, in 2018 the European Court of Auditors gave a qualified rather than a negative opinion on the legality and regularity of payments under the 2017 EU budget. This confirms that significant progress has been made and that is a clean bill of health regarding a substantial part of the EU budget.

Stepping up the fight against fraud

The Commission has a firm and long-standing line of zero tolerance to fraud. The Commission’s revised and strengthened anti-fraud strategy provides a robust policy framework for the prevention, detection,
investigation and response to fraud, and contributes to the good functioning of the Commission departments when protecting the financial interests of the EU. The revised anti-fraud strategy will help ensure that Commission departments are fully prepared for the implementation of the 2021-2027 multiannual financial framework.

The new strategy takes into account important developments in EU anti-fraud legislation (such as the establishment of the European Public Prosecutor’s Office) as well as recent findings by the European Court of Auditors on fraud risk management in EU spending. The adoption of the revised strategy will improve further the fight against fraud.

The proposals for the new financial programmes have also been subject to fraud proofing by the European Anti-Fraud Office. The new 2018 financial regulation has strengthened the treatment of conflicts of interest, and the Commission has made important proposals to protect the EU budget from generalised deficiencies in the rule of law in the Member States, including conditioning the continuation of EU payments to the respect of the rule of law principles. The early detection and exclusion system has been further enhanced. These measures will protect the EU budget even more effectively in the coming years.

**Management provides reasonable assurance and the Commission takes political responsibility for the management of the EU budget**

Based on the assurance-building blocks that support their declaration, every authorising officer by delegation provided reasonable assurance that (1) the information contained in their annual activity report gives a true and fair view; (2) the resources assigned to their activities have been used for their intended purpose and (3) the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions — if needed qualified by (a) reservation(s) for full transparency and further action.

40 reservations were made — two more than last year. For every reservation, an action plan is in place to address the underlying weaknesses and mitigate the related risks. Half of the reservations concern legacy programmes for 2007-2013 and have very limited financial impact.

On the basis of the declarations of assurance by the Commission’s authorising officers by delegation, the College of Commissioners takes political responsibility for the management of the EU budget.

**A new long-term budget for an EU that protects, empowers and defends**

In parallel to the budget implementation work, 2018 was also the year to kick-start the process towards a new multiannual financial framework for the European Union. In May 2018, the Commission presented its proposals for a new, modern long-term budget for the EU, covering the period 2021-2027.

The proposals are designed to deliver on the political priorities agreed by leaders in Bratislava and Rome. Under these proposals, funding would be stepped up in a range of areas vital to Europe’s future, including the coordinated European response to the challenges of migration, the fight against terrorism and organised crime, digital transformation, climate action, programmes for young people and research and innovation, while making sure that traditional policies supporting the key union objective of solidarity are modernised and retain a meaningful level of funding, for all Member States and regions when it comes to cohesion policy.

The Commission’s proposals are based on a spending review, a comprehensive assessment of the lessons learned from current and previous programmes. This made it possible for the Commission to propose essential modernisation features:
the strong focus on European added value and the need to provide adequate support for new and pressing priorities such as research and innovation, the digital economy, young people, migration and border management, security, defence and external action; and a strengthened emphasis on sustainability including a more ambitious goal for climate mainstreaming;

- the streamlined and more transparent structure of the future budget;

- the radical reduction in the number of programmes and the creation of new integrated programmes in areas like investing in people, the single market, strategic investments, rights and values and external actions, and the increased focus on synergies between instruments;

- the simplification of funding rules to reduce red tape for beneficiaries and managing authorities, and a greater focus on performance and results; and

- a more flexible budget to be able react rapidly in a fast-changing world.

Agreement was reached by the Eurogroup on the features of a budgetary instrument for convergence and competitiveness for the euro area. This will promote cohesion within the Union by strengthening the resilience of the Economic and Monetary Union. It is also widely accepted that the new mechanism to ensure that generalised deficiencies as regards the rule of law do not put the budget at risk will be an essential feature of an agreement on the future multiannual financial framework. Work has also progressed on the Commission’s proposals to modernise the revenue side of the EU budget. Securing an agreement on the future framework is a high priority for the months ahead, while continuing to work on maximising the contribution of the current financial programmes to the EU’s prosperity and security.

Strengthening the Commission’s corporate governance

In November 2018, the Commission adopted a set of targeted measures to strengthen corporate governance. This reform strengthens the Commission’s well-established and effective model of financial accountability, based on a clear division of responsibility between the political, corporate and departmental levels. The centrepiece of this reform is a rationalisation of corporate governance bodies under the overall authority of the senior-level Corporate Management Board, chaired by the Secretary-General. The Corporate Management Board will provide oversight and strategic guidance in areas including human resource allocation, risk management, strategic planning and programming, data protection, security and business continuity, corporate communication and anti-fraud policy. This reform also simplifies the information-technology governance and security landscape, strengthens corporate risk management and clarifies the role of the Audit Progress Committee.
2018 ANNUAL MANAGEMENT AND PERFORMANCE REPORT
Introduction

The 2018 Annual Management and Performance Report for the EU Budget is the Commission’s main input to the annual discharge (22) procedure by which the European Parliament and the Council scrutinise the implementation of the EU budget. The Commission attaches great importance to ensuring that the EU budget is managed responsibly and correctly, and to working with all parties involved to make sure that it delivers tangible results on the ground.

The report presents an overview of the latest information on the performance of the budget. It also contains detailed reporting on issues related to the management and protection of the EU budget. This report has the following two main sections.

**Section 1** describes, with examples, how the EU budget supports the EU’s political priorities. It provides the latest available data on results achieved up to the end of 2018. This reporting draws on information from the 2018 annual activity reports produced by all Commission departments, and other sources such as programme statements, evaluation reports, studies and implementation reports on EU programmes. The central question of this section is whether the EU budget is being put to the best possible use to deliver tangible results for all Europeans. The Commission cannot ensure this on its own — it is a joint responsibility with the Member States, regions, non-governmental organisations, beneficiaries and all those involved in implementing the EU budget. This section incorporates the evaluation (23) of the EU’s finances based on the results achieved. Further performance information is available in the programme statements and the programme performance overview published by the Commission together with the draft annual budget.

**Section 2** reports on developments in relation to internal control, financial management and the protection of the EU budget. This section is also based on the annual activity reports produced by each Commission department, in which the internal control environment and related issues are described in detail. Where issues were encountered in the course of the year, the report describes how Commission departments have tackled them. This section summarises information on:

- managing legality and regularity risks;
- managing the cost-effectiveness of controls and revising anti-fraud strategies;
- the protection of the EU budget; and
- the management assurance provided to the College of Commissioners.

The management assurance received from all departments and the assurance obtained through internal audit work form the basis for the report’s overall conclusion. This conclusion enables the Commission, by adopting the report, to take overall political responsibility for the management of the 2018 EU budget.

The 2018 Annual Management and Performance Report for the EU budget is part of the broader package of integrated financial and accountability reporting (24). This also includes the annual accounts (25), a long-term forecast of future inflows and outflows (26) covering the next 5 years, the report on internal audits (27) and the report on the follow-up (28) to the discharge.

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

(23) Article 318 of the Treaty on the Functioning of the European Union.


(26) Article 247(2) of the Financial Regulation.

(27) Article 118(8) of the Financial Regulation.

(28) Article 261(3) of the Financial Regulation.
Section 1
Performance and results

Generating added value from every euro spent is of key importance to the Commission. President Juncker set the tone at the beginning of his mandate: 'It is not enough to allocate money wisely. We will have to do more, with less. We need to get the best out of the budget and spend money smartly. [...] People want us to achieve results. They also want to know how we spend the tax payer’s money.' (29)

The EU budget focuses on areas where pooling resources to tackle common challenges for all Europeans can deliver results that could not be achieved as effectively or efficiently by Member States acting alone. This applies in areas as diverse as cross-border infrastructure, external border management, large-scale space projects and pan-European research. The focus on EU added value is at the heart of the Commission’s proposals for the 2021-2027 multiannual financial framework.

This section begins with an overview of the EU budget and its performance framework. This is followed by a summary of how the current and future long-term budget contributes to the political agenda for the EU set out by leaders in Bratislava, Rome and Sibiu, as well as to international priorities such as climate targets and the UN sustainable development goals.

The section then presents the latest information on results achieved with the EU budget up until the end of 2018. This information is structured around the headings in the current multiannual financial framework. The report also describes how these programmes contribute to the political priorities of the Juncker Commission. The type of data reported depends on the level of maturity of the programmes, ranging from input data to the results of spending from the early part of this period. Final evaluations on the impact of the programmes are not yet available, hence definitive reporting on performance will not be possible until later on. The report covers areas where performance has fallen short of expectations or where shortcomings have been identified in programme design by evaluations and audit work. This information is used to inform implementation decisions on the current financial programmes and to inform the legislators shaping the future long-term budget.

A result-oriented EU budget

The EU budget

The EU budget is a key instrument in the implementation of European policies and priorities. Unlike national budgets, the EU budget is mainly focused on supporting strategic investments over the medium to longer term and on using its leverage to catalyse investment from other public and private sources. It complements national budgets to address common challenges faced by the Member States and creating opportunities for the EU as a whole. The EU’s financial programmes are managed in some cases directly by the Commission for example in the area of research or together with the Member States (shared management), such as in cohesion policy. Some two thirds of the EU budget is managed through shared management.

The EU uses innovative financial instruments as a smart way to deploy EU budgetary resources. Innovative financial instruments attract funding from other public or private investors for economically viable projects in areas where there are market failures or investment gaps. Examples include sectors with high economic growth or innovative business activities. The fact that the EU invests risk capital in a certain fund or covers part of the risk associated with a certain type of projects can reassure other investors and encourage them to invest alongside the EU. The loan-guarantee facility and the equity facility for growth under the programme for the competitiveness of enterprises and small and medium-sized enterprises are prime examples of such financial instruments. Financial instruments are also used under other EU programmes, such as Horizon 2020, the EU programme for employment and social innovation, the Creative Europe programme, the Connecting Europe Facility and under the EU’s external policy programmes.

The performance framework for the EU budget

A robust performance framework for the EU budget is a prerequisite for result-oriented and well-managed EU programmes. For the 2014-2020 multiannual financial framework, performance frameworks have been included as a new, compulsory feature in the legal basis of all financial programmes. This has resulted in a stronger focus on results across the budget. These frameworks entail the setting of clear and measurable objectives and indicators as well as the necessary monitoring, reporting and evaluation arrangements.

The indicators in these frameworks, together with other sources of qualitative and quantitative performance information such as evaluations, provide a sound basis for assessing programme performance and with it progress towards the agreed objectives. They also help anticipate and resolve problems in programme implementation when they arise.

During the early years of a programme’s implementation, performance information is based on inputs (i.e. the financial allocation to a particular programme) and, gradually, on outputs (i.e. the direct deliverables from a given project.) This type of information gives a good initial indication of how and where the EU budget is being spent. As a programme is implemented, information on the results and to a lesser extent the longer-term impact of spending will become available.

To make the European structural and investment funds (ESIF) more performance oriented, a mechanism with a performance reserve has been foreseen. This reserve will be released in 2019 to programmes that had achieved their predefined milestones by the end of 2018. In the case of programmes and priorities that had not achieved their milestones, resources will be reallocated to other priorities.

In addition to the performance framework, audits conducted by internal and external auditors also help improve the performance of programmes, as well as the efficiency and effectiveness of the operations, management systems and procedures of the bodies and institutions that manage EU funds. Audit work has also helped the Commission to improve the quality of its performance reporting. Recent recommendations from the European Court of Auditors have led to more balanced reporting in the annual activity reports, with more attention given to challenges encountered, to a stronger focus on the reliability and quality of data, and clearer explanations of how data on performance has been used to improve performance.
Proposals for a new, modern and focused long-term budget, tightly geared to the political priorities

The Commission services conducted a comprehensive spending review of the EU budget in 2017 and 2018 setting out the evidence and the analytical underpinning for the Commission’s proposals for the future multiannual financial framework and the accompanying sectorial programmes. The review was designed to identify the features of current programmes that have proven their worth and should be replicated or amplified in the future financial programmes. It also identified the areas where reform was needed to make full use of the potential of the EU budget. These were: i) focus on EU added value; ii) streamlining the budget and exploiting synergies between programmes; iii) simplification and sound financial management; iv) flexibility and the ability to respond to crises; v) focus on performance; and vi) coherence with main political objectives and values.

In these proposals, the Commission increasinlgy focused on the European added value of EU spending. The proposals also include measures to improve the overall performance framework, for example by streamlining the number of programmes and improving how they work together, creating more flexibility and using a smaller number of higher quality indicators to monitor and report on programme performance.

The EU budget reflects the EU’s commonly agreed priorities and shows how they can be delivered. The political agenda set out by leaders in Bratislava and Rome is the roadmap for the future long-term budget, which the Commission proposed (30) in May 2018 and which covers the period 2021–2027.

The proposals modernise the budget by providing a significant boost to funding in several key strategic areas. From innovation to the digital economy, from training and employment for young people to climate action and the environment, from migration and border management to security, defence and external action, the budget will invest where it really counts.

The next long-term budget should also be simpler and more transparent so that stakeholders can make the most out of it. The European Parliament and the Council as well as beneficiaries, large and small, have asked for this and the Commission has been listening and proposed a radically simplified budget.

The key features of the next EU budget are:

- More funding for priority areas
- A new mechanism to protect the EU budget from financial risks linked to the rule of law
- A strong focus on European added value and on performance
- Less red tape for beneficiaries
- A more flexible and agile budget with a clearer and leaner architecture

The EU budget and the Europe 2020 strategy

The current long-term budget contributes to the Europe 2020 strategy for smart, sustainable and inclusive growth. The targets are a shared responsibility of the EU and its Member States, and their achievement requires the combination of multiple policy tools, including the EU and national budgets.

The Commission uses nine indicators to monitor the Europe 2020 headline targets (31). Information on progress is updated regularly and published on Eurostat’s website. The table below presents the latest available data for these indicators.

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(31) https://ec.europa.eu/eurostat/web/europe-2020-indicators
Member States are making progress towards the goals they set 9 years ago in the Europe 2020 strategy. Overall, the EU is nearing its targets on education, energy, climate and employment. 14 Member States have already achieved their national targets of reducing early-school leaving and in increasing the share of the population with tertiary education. 11 Member States have already achieved a share of renewable energy that corresponds to their national target for 2020. The EU target of 75% employment by 2020 is on track, assuming the current trend continues, and seven Member States have already achieved their national goals. This is a remarkable achievement given the severe impact of the crisis on employment. However, the number of people at risk of poverty or social exclusion peaked in 2012 but has since fallen to around pre-crisis levels. As a result, the target is unlikely to be met in 2020. Likewise, the goal of 3% of gross domestic product value as investment in research and development is far off and will require major efforts if it is to be met.

The contribution to Europe 2020 should not be confined within the limits to a single programme. It should be seen as a mutually reinforced contribution of the EU budget as a whole. Overall, it is estimated that 59% of the EU budget commitments in 2018 were linked to the Europe 2020 strategy.

<table>
<thead>
<tr>
<th>Europe 2020 targets for the EU</th>
<th>2010 data</th>
<th>Latest available data</th>
<th>In 2020, based on recent trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increasing the employment rate of the population aged 20-64 to at least 75%</td>
<td>68.6%</td>
<td>73.5% (Q3 2018)</td>
<td>Target likely to be met</td>
</tr>
<tr>
<td>2. Increasing combined public and private investment in research and development to 3% of gross domestic product</td>
<td>1.93%</td>
<td>2.07% (2017)</td>
<td>Target unlikely to be met</td>
</tr>
<tr>
<td>3a. Reducing greenhouse gas emissions by at least 20% compared to 1990 levels</td>
<td>14.2% reduction</td>
<td>22% reduction</td>
<td>Target likely to be met</td>
</tr>
<tr>
<td>3b. Increasing the share of renewable energy in final energy consumption to 20%</td>
<td>12.5%</td>
<td>17.5% (2017)</td>
<td>Target likely to be met</td>
</tr>
<tr>
<td>3c. Moving towards a 20% target in energy efficiency (22)</td>
<td>11.8% (distance to 2020 target for primary energy consumption)</td>
<td>5.3% (2017)</td>
<td>Target likely to be met</td>
</tr>
<tr>
<td>4a. Reducing the rate of early leavers from education and training (ages 18-24) to less than 10%</td>
<td>13.9%</td>
<td>10.6% (2017)</td>
<td>Target likely to be met</td>
</tr>
<tr>
<td>4b. Increasing the share of the population aged 30-34 having completed tertiary education to at least 40%</td>
<td>33.8%</td>
<td>39.9% (2017)</td>
<td>Target likely to be met</td>
</tr>
<tr>
<td>5. Lifting at least 20 million people out of the risk of poverty and social exclusion</td>
<td>1.4 million increase (compared to the 2008 base year)</td>
<td>5.2 million decrease (compared to the 2008 base year) in 2017</td>
<td>Target unlikely to be met</td>
</tr>
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Table: Progress towards Europe 2020 targets.

**Crosscutting spending on climate action and biodiversity**

The EU budget is also an important tool for achieving crosscutting policy objectives such as climate action and biodiversity. To respond to challenges and investment needs related to climate change, the EU has decided that at least 20% of its budget for 2014-2020 — as much as EUR 200 billion over the whole period —

(22) A 20% increase in energy efficiency in 2020 implies an EU wide primary energy consumption of no more than 1 483 Mtoe compared to baseline projections of 1 854 million tonnes of oil equivalent. At the end of 2017, the EU stood at 1 561 million tonnes of oil equivalent, only 5.3% above 2020 target for primary energy consumption.
should be spent on climate change-related action. This approach is called ‘climate mainstreaming’. To achieve this result, mitigation and adaptation actions are being integrated into all major EU spending programmes, in particular regional development and the Cohesion Fund, energy, transport, research and innovation, the common agricultural policy and the EU’s development policy. The estimates for climate-related expenditures are monitored on an annual basis with ‘EU climate markers’ adapted from the Organisation for Economic Co-operation and Development’s ‘Rio markers’. In 2018, the amount was more than EUR 32 billion, 20.7% (34) of the 2018 budget. The total cumulative amount for climate mainstreaming was more than EUR 141 billion by the end of 2018. The latest estimate (34) is that it will be EUR 210 billion (19.7%) for the entire programming period.

The EU is also making a concerted effort to support biodiversity. The related expenditure was more than EUR 13 billion, 8.5% (35) of the 2018 budget. These funds aim to limit and reverse the decline of biodiversity in the EU, making an important contribution to the Europe 2020 sustainable growth objectives.

The EU budget and the UN sustainable development goals

The sustainable development goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice. The UN adopted these goals in September 2015 as part of its 2030 agenda for sustainable development. This agenda gave a new impetus to global efforts to achieve sustainable development.

The EU has played an important role in shaping the 2030 agenda through public consultations, dialogue with its partners and in-depth research. The EU is committed to playing an active role in maximising progress

(34) In the calculation of the percentage of climate mainstreaming, the Commission uses the voted budget for 2018 of the European Commission (EUR 157 billion) as denominator.

(35) In the calculation of the percentage of expenditure for biodiversity, the Commission uses the voted budget for 2018 of the European Commission (EUR 157 billion) as denominator.

Source: European Commission.
towards the sustainable development goals, as outlined in its communication (36) on the ‘Next steps for a sustainable European future’. The sustainable development goals are firmly anchored in the European treaties and mainstreamed in all its programmes, sectoral policies and initiatives.

Each year the EU continues its efforts via its policy and regulatory instruments to pursue the sustainable development goals and plays a key role in supporting, coordinating and complementing Member States’ policies, also in financial terms, via the EU budget.

The 2018 programme statements highlighted in particular the most recent and relevant initiatives contributing to the sustainable development goals, although often in an indirect and non-quantifiable way. These elements are provided for information purposes and do not constitute the official reporting on the EU budget contribution towards the sustainable development goals. As the goals are interlinked, many EU actions can contribute to several of them.

The 2018 EU budget

2018 was the fifth year of implementation of the multiannual financial framework 2014-2020. Two specific priorities were formulated for the 2018 budget. One was a European response to the new challenges deriving from the complex geopolitical environment, from migration management to the protection of the EU’s external borders and the security of its citizens. The other was strategic investment and sustainable growth, to support economic cohesion, and create jobs, in particular for young people’. (37) More detailed information on the progress made by programmes on specific indicators and objectives can be found in the programmes’ performance overview (38), which is an extract of the programme statements attached to the draft budget.


(36) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Next steps for a sustainable European future — European action for sustainability, COM(2016) 739, 22.11.2016.


In 2018, the total amount of commitments implemented from the EU budget, including amending budgets, amounted to EUR 160 billion (39). Around half of this (50% or EUR 77.5 billion) was allocated to heading 1 ‘Smart and inclusive growth’ split between heading 1A ‘Competitiveness for growth and jobs’ (28%) and heading 1B ‘Economic, social and territorial cohesion’ (72%). Heading 2 ‘Sustainable growth: natural resources’ was the second largest area of the budget with EUR 58.8 billion, accounting for 37%. EUR 3.5 billion was allocated to budget heading 3 ‘security and citizenship’, including on reinforcing the external borders of the EU and addressing the refugee crisis and irregular migration. EUR 10.4 billion was allocated to actions outside the EU and EUR 9.5 billion was spent on the administration of the EU institutions.

In 2018, six draft amending budgets were adopted. Apart from the standard adjustments on the revenue side, two draft amending budgets were adopted for the mobilisation of the European Solidarity Fund. This report describes the many instances where this fund supports EU countries struck by natural disasters and helps them recover quickly.

Further adjustments were needed for the EU budget contribution to the facility for refugees in Turkey. This included cancelling the reserve related to the support to Turkey from the Instrument for Pre-Accession Assistance, and strengthening the European Neighbourhood Instrument to fund additional actions, for example linked to the central Mediterranean migratory route.
The EU budget helps turn political priorities into a reality. Therefore, the EU is directing money to where the needs are. The 2018 EU budget, a budget for all, created more jobs, more growth and more investments.

- E.g. EUR 59 billion to **farmers, fisheries, climate** and **biodiversity**.
- E.g. EUR 78 billion — almost half of the funds — towards boosting the European **economy, employment** and **competitiveness**.
- E.g. EUR 2 billion to the **European Fund for Strategic Investments**, the nucleus of the Juncker plan.
- E.g. EUR 354 million to improve the **competitiveness** of small and medium-sized enterprises.
- E.g. EUR 11.2 billion **research and innovation** funding through the Horizon 2020 programme.
- E.g. EUR 55.5 billion to boosting growth, job creation and convergence in all Member States and regions via **cohesion policy**.
- E.g. more than EUR 2 billion for **young people** for the **Erasmus+ programme** and for the youth employment initiative so they receive support and better opportunities to **find jobs**. This helps strengthening solidarity in our Member States.
- E.g. EUR 40 million in funding for collaborative research and innovative **defence** technologies and products as a first step towards a European Defence Fund.
- E.g. EUR 3.5 billion was dedicated to security and citizenship, including to managing **migration** and tracking **security challenges**.
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Competitiveness for growth and jobs (budget heading 1A)

When President Juncker set out his political guidelines at the start of his mandate he said that ‘My first priority as Commission President will be to strengthen Europe’s competitiveness and to stimulate investment for the purposes of job creation.’ The Commission has delivered on its promise to get more people into work. More Europeans are in work than ever before, with 12.4 million new jobs created since 2014, unemployment down to 6.8%, and youth unemployment (14%) back to its 2008 level. Investment has almost returned to pre-crisis levels and public finances have improved in terms of debt and deficit levels.

The EU budget has been instrumental in these achievements and is a vital source of investment across Europe. EUR 22 billion was allocated to the programmes on competitiveness for growth and jobs (commitments in heading 1A) in 2018, representing almost 14% of total annual budget expenditure.

This report first covers the programmes for research and innovation (Horizon 2020 framework programme, Euratom and ITER). This is followed by the programmes targeting strategic investments (European Fund for Strategic Investments, the Connecting Europe Facility for developing trans-European networks in transport, energy and the digital sector) and the programmes that support the single market (competitiveness, anti-fraud, fiscal coordination). The Erasmus+, programme for education, training, youth and sport enabled around 600,000 young people and 190,000 members of staff from educational institutions and youth organisations to participate in learning activities.

Europe’s future prosperity depends on the investment decisions taken today. In view of the next multiannual financial framework, the Commission has proposed to step up investment in key areas such as research, strategic infrastructure and digital transformation.
The programmes under this budget heading contribute mainly to the Juncker Commission priorities of ‘jobs, growth and investment’, ‘digital single market’, ‘energy union and climate’ and ‘a deeper and fairer economic and monetary union’. Improving competitiveness and boosting sustainable jobs and growth are core of the discussions on the strategic agenda for the future.

Horizon 2020

Programme objectives

Horizon 2020, the EU framework programme for research and innovation, is the world’s largest transnational research-funding programme. It is also the biggest EU research and innovation programme ever with nearly EUR 80 billion of funding available over 7 years (2014 to 2020). In addition, Horizon 2020 has leveraged approximately EUR 13 billion of private funds and has mobilised EUR 29.6 billion via debt financing.

The programme plays a central role in providing a common strategic framework for the EU’s research and innovation funding. Its goal is to ensure Europe produces world-class science and technology, to remove barriers to innovation and to make it easier for the public and private sectors to work together in delivering solutions to major challenges that our society faces. EU support for research and innovation adds value by encouraging cooperation between research teams across countries and disciplines, which is vital in making breakthrough discoveries. It allows the EU to deliver on priorities such as the Paris Agreement on climate change.

The general objective of this programme is to build a society and an economy based on knowledge and innovation across the whole EU while contributing to sustainable development. The specific objectives are the following.

| Generating excellent science and widening participation | Boosting Europe’s industrial leadership |
| Tackling societal challenges | Promoting science with and for society |

Implementation and latest achievements

By the end of 2018, 679 Horizon 2020 calls for proposals had been concluded. Beneficiaries responded massively to these calls and submitted almost 192 000 eligible proposals, requesting a total EU financial contribution of EUR 290 billion. Out of these, 23 250 proposals were retained for funding, bringing the overall success rate of eligible full proposals in the first 5 years to 12%. A total of 21 599 grant agreements were signed by the end of December 2018, with a budget allocation of EUR 39 billion in EU funding. This allocation is expected to grow even more as some of the grants from the 2018 calls will be signed in 2019.

| New planets have been discovered | Major progress has been made in cancer treatment | 1.6 million Ebola vaccine doses are now available | A battery has been developed which is 100 times more powerful than the ordinary | New techniques to store energy based on hydrogen fuel cells are being tested in our cities |
The programme’s impact ultimately depends on the dissemination and exploitation of research and innovation data and results. This is why the work programme has been further fine-tuned to increase the availability of such data and results. Initiatives to boost marketable innovations have also been introduced in 2018, most notably the introduction of the European Innovation Council pilot, with a budget of EUR 2.7 billion.

**Thousands of Horizon 2020 projects have a direct tangible impact**

**Quantum technologies**

Quantum technologies use the properties of quantum effects — the interactions of molecules, atoms and even smaller particles known as quantum objects — to create practical applications in many different fields. The 'quantum flagship' was launched in October 2018. It is one of the most ambitious long-term and large-scale research and innovation initiatives of the European Commission and involves over 5,000 researchers. It aims to place Europe's research at the forefront of the second quantum revolution and kick-start a competitive European industry in quantum technologies, bringing transformative advances to science, industry and society.

**Space technology**

Space technology, data and services have become indispensable in the daily lives of Europeans and for Europe to pursue its strategic interests. Small, light satellites are crucial for improving space-based connectivity, internet services and Earth imaging and positioning. This is why the EU launched a EUR 10-million prize for an innovative and commercially viable solution offering low-cost launch services for light satellites. The prize will contribute to the objectives of the Commission’s space strategy for Europe, which aims at reinforcing Europe's autonomy in accessing space and at encouraging the development of commercial markets for low-cost launch services.

**European public transport solutions**

By 2050, two thirds of the world’s population will live in cities. Road traffic pollution is a major problem in many cities but we cannot eliminate passenger vehicles altogether.

Driverless vehicles will change our lives, just as steam trains and motor cars did before them. AVENUE is an EU funded project under Horizon 2020 that started on 1 May 2018. The AVENUE project demonstrates the economic, environmental and social potential of autonomous vehicles - for both companies and public commuters - while assessing the vehicle road behaviour safety.

One carbon-free approach being tested in cities across Europe is a fleet of hydrogen fuel cell-powered buses. They are just like normal buses but are powered by electricity generated using fuel cell technology developed by industry with EU support. These cells only need hydrogen and air and emit harmless water vapour.

The fuel cells and hydrogen joint undertaking has allocated considerable resources to the refinement of the electrolysis process, with the result that Europe is now a world leader in the key technology, the proton exchange membrane. Now green hydrogen-production sites are setting up all over Europe.

In Gothenburg, Sweden, project partners demonstrated the feasibility and potential of an 'indoor' bus stop, which provides a welcoming interior and shelter from the weather. This means that a specific destination like a library, hospital or shopping centre could in the future act as a bus stop. Revolutionary changes in the design, operation and maintenance of buses will dramatically alter the way we use public transport.
Assessment and evaluation

The 2017 interim evaluation (40) highlighted that Horizon 2020 is a very attractive, relevant research-funding programme. This attractiveness and continued relevance has, however, resulted in large-scale oversubscription. The evaluation found a success rate of only 11.6% compared to 18.5% for its predecessor, the Seventh Framework Programme. An additional EUR 62.4 billion would be needed to fund all proposals independently evaluated above the stringent quality threshold. The opportunity cost in terms of the waste of resources for applicants submitting high quality but unsuccessful projects is estimated at EUR 636 million a year (41).

The interim evaluation also suggested that the programme could be further simplified. The European Court of Auditors acknowledged in its Special report No 28/2018 (42) that Horizon 2020 has made great progress in terms of simplification compared to the Seventh Framework Programme. The administrative burden on those applying for and managing research grants has been reduced and further simplification suggestions have been incorporated into the new Horizon Europe programme proposal. Simplifying funding rules under the new multiannual financial framework is the major feature of the new generation of programmes. For example through ‘lump-sum funding’, would allow for payment based on the achievement of agreed targets rather than based on eligible costs. This simplification will make administration more light and will lower the risk of error. This method was tested in pilot calls in 2018 and testing will continue in 2019.

In 2018, the Commission proposed a policy package for the future framework programme for research and innovation, called Horizon Europe (43). It will help Europe remain at the forefront of global research and innovation. As highlighted in the report (44) of the High-Level Group, chaired by Pascal Lamy, investment in research will allow the EU to compete with other developed and emerging economies, ensure a prosperous future for its citizens and preserve its unique social model. Building on the success of Horizon 2020, the new programme will continue to promote research excellence and strengthen the focus on innovation, for instance through the development of prototypes, intangible assets, knowledge and technology transfer.

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(42) European Court of Auditors, The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist — Special report No 28/2018 — http://ec.europa.eu/research/participants/data/ref/h2020/other/2019-01-30/2_eca_en.pdf
A new European Innovation Council will provide a one-stop shop for high potential and disruptive innovators, aiming to make Europe a front-runner in market-creating innovation.

**Euratom**

**Programme objectives**

Nuclear and ionising radiation technologies continue to play an important role, whether this concerns energy and contributing to the security of supply, the use of radiation in medical and industrial applications or the management of spent fuel and radioactive waste. Safe and secure use of these technologies is of paramount importance and research programmes help maintain the highest standards of safety, security and safeguards in this field. The Euratom programme (45) also focuses on the development of fusion energy, a potentially inexhaustible and climate-friendly energy source.

The programme operates through ‘indirect action’ funding to third parties and through ‘direct’ actions carried out by the Commission’s Joint Research Centre.

**Implementation and latest achievements**

Most of the fission projects selected are in the areas of nuclear safety (41%), research infrastructures (22%), waste management (15%) and radiation protection (13%).

The development of a high-temperature superconductor won the 2016 Euratom Prize for Innovation in Fusion Research. It can now be fabricated in 7-metre lengths. It has also been cold tested at liquid nitrogen temperature and high current, i.e. under fusion conditions.

The Joint Research Centre has been contributing to the Collaborative International Evaluated Library Organisation, an initiative which aims at the worldwide standardisation of evaluated nuclear data for harmonised safety assessments in nuclear energy.

**Assessment and evaluation**

The 2017 interim evaluation (46) shows that a key part of the European added value of Euratom indirect actions is the EU’s ability to mobilise a wider pool of excellence, expertise and multi-disciplinarity in nuclear research than individual Member States could. Through cooperative research and innovation, the Euratom programme also enables a Europe-wide approach to the improvement of nuclear safety and radiation protection in all areas of application. This complements the Euratom directives on nuclear safety, radioactive waste management and basic safety standards and involves demonstrable scientific and technological progress in all areas that would not have been possible without a collaborative pan-European approach. The Euratom programme also enables a much more broad-based coordination of education and training throughout Europe, the use of research infrastructures and international cooperation. This is particular beneficial for smaller Member States, which can then take advantage of economies of scale afforded by the Europe-wide pooling effect.

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(46) Interim evaluation of indirect actions of the Euratom research and training programme 2014-2018

Preparatory work for the future Euratom research and training programme included two evaluation studies, two high-level expert groups assisting the Commission, a public stakeholder consultation and contributions to the Horizon Europe impact assessment (47). In addressing the programme’s shortcomings identified in the evaluation, the proposal for the new Euratom programme has been simplified (through, for example, a reduction in the number of objectives from 14 to four) and synergies with Horizon Europe will be better exploited (e.g. in health research and the Marie Skłodowska-Curie actions).

ITER

Programme objectives

ITER is one of the most ambitious energy projects in the world today. The project was brought about through the collaboration of seven parties: the EU, China, India, Japan, Korea, Russia and the United States. The aim is to build and operate an experimental fusion reactor which will be used to explore and demonstrate the scientific and technological feasibility of using fusion as an energy source (48). ITER will not produce electricity as its purpose is more of an experimental nature: resolving critical scientific and technical issues in order to take fusion to the point where industrial applications can be designed. ITER is expected to be the first fusion device in the world that generates more power than is put into it and thus will be the proof of principle opening the way for the next step: a demonstration fusion power plant (49).

Implementation and latest achievements (50)

The construction of ITER started in 2007. The EU is responsible for 45% of the construction. High-tech and advanced civil-engineering industries are involved in its development. To date, over 700 contracts and grants have been awarded to companies, including small and medium-sized enterprises, in 24 countries, for a value of almost EUR 5 billion.

Construction is now progressing visibly and steadily on-site and completion as of November 2018 is at 60%. The bioshield of the Tokamak building is complete and its scaffolding was removed in February 2018. At its base the construction of the crown, a vital component under Euratom’s responsibility, was completed on schedule in August. Three United States-supplied drain tanks and four Chinese-supplied vapour suppression tanks were installed the same month. The first vacuum vessel sector, under construction in Korea, is more than 80% finished. Russia has completed its production of a poloidal field conductor for the ITER magnet system, and India has nearly completed fabrication of the cryostat lower cylinder and base on-site in Cadarache. The manufacturing of toroidal field coil winding packs, as well as cold testing and insertion into precision-fabricated cases, is well advanced in Europe and Japan. Overall, substantial progress is being made for every major ITER component, system and structure (51).

ITER is a technologically complex, first-of-a-kind, large-scale international project and as such it has faced significant challenges which have led to increased costs and delays. However, the progress made in 2018 confirmed the robustness of the actions undertaken to address these issues (52).

(49) ITER programme statement, p. 1.
(50) ITER programme statement, pp. 1-2.
Assessment and evaluation

The recently concluded evaluation of ITER (53) underlined an improvement in project management. First, the European agency in charge of the EU’s contribution to ITER (fusion for energy, or F4E) improved its control and monitoring practices. A number of key performance indicators measuring project progress and cost-efficiency are now being closely monitored (54). Second, the so-called staged approach is one of the most crucial parts of the management turnaround as it divides the work into four stages, each building towards a key goal. During each stage of the project, only activities that are critical to achieving that stage’s goal are carried out (55).

Under the next multiannual financial framework, the EU will continue its support of ITER through F4E, ensuring that the disbursement of funding is based on performance and actual delivery on the ground.

European Fund for Strategic Investments

Programme objectives

The investment plan for Europe, also known as ‘the Juncker Plan’, launched by President Jean-Claude Juncker in 2015, was a key response to the economic and financial crisis and its negative impact on the level of investment in the EU. The plan remained one of the main priorities for the Commission in 2018. It is composed of three pillars: the European Fund for Strategic Investments provides an EU guarantee to mobilise private investment; the European Investment Advisory Hub and the European Investment Project Portal provide technical assistance and greater visibility of investment opportunities. The third pillar aims at improving the business environment by removing regulatory barriers to investment EU wide.

The European Fund for Strategic Investments, also known as ‘the Juncker Fund’, aims at mobilising by 2020 EUR 500 billion (56) of additional public and private investment in strategic areas such as infrastructure, research and innovation, education, renewable energy and energy efficiency, environment as well as risk finance for small and medium-sized enterprises. This is achieved via an EU budgetary guarantee to the European Investment Bank Group, which allows them to increase the financing of projects with a higher-risk profile. The fund supports growth-enhancing investments, especially in the following areas:

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(56) The initial goal set in 2015 was EUR 315 billion. On 1 January 2018, the regulation to extend and enhance the European Fund for Strategic Investments (European Fund for Strategic Investments 2.0) entered into force. It extends the fund’s lifetime to end-2020 and raises its investment target to EUR 500 billion. It also aims, inter alia, at increasing the transparency of the investment decisions and providing more technical support.
Implementation and latest achievements

By the end of 2018, the European Fund for Strategic Investments had successfully supported innovative and strategic projects and had helped mobilise more than EUR 370 billion (\(^{(57)}\)) of private and public investment. This already represents almost 75% of the target for 2020.

In the infrastructure and innovation window, the European Investment Bank has approved 514 projects of around EUR 244.3 billion in investment value, with financing from the European Investment Bank guaranteed by the European Fund for Strategic Investments expected to amount to EUR 52.9 billion.

In the small and medium-sized enterprises window, 517 operations have been approved by the European Investment Fund for a total investment value of EUR 131.2 billion. About 858 000 small and mid-caps in all Member States are expected to benefit. Out of the 1 031 approved operations, 869 were signed in all Member States. The European Fund for Strategic Investments is well on track to deliver on its objectives.

The European Fund for Strategic Investments had an aggregate multiplier effect of 13.5 (\(^{(58)}\)) of 2018, which means that every EUR 1 of the EU budget leverages EUR 14.96 of additional investment (calculation for the fund as a whole).

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\(^{(57)}\) The amount as per 15 May 2019 was EUR 399 billion and EUR 408 billion as per 13 June 2019.

The European Fund for Strategic Investments has also played an important role in channelling investment towards the fulfilment of the EU’s strategic objectives. One third of the European Fund’s for Strategic Investments total investments support small and medium-sized enterprises; 25% research and development; 18% support energy projects; 11% digital projects; 7% transport projects; 4% social infrastructure and 4% environment and resource efficiency (a).

**Providing new facilities for patients in Poland** (b)

Hospitals often lack funds to invest in improving their standard of health care. The Kujawsko-Pomorskie Region was the first in Poland to get a loan for a public-sector project under the European Fund for Strategic Investments. By combining a EUR 57 million European Investment Bank loan with money from its own budget and other EU funding, the region is extending Toruń’s Rydygier hospital. With a focus on research and modern technology, this project will provide residents with a full range of treatments and access to the latest medical procedures. The number of beds for patients will double, rising from 551 to 1,059. The floor space will increase from 20,000 m² to more than 50,000 m², and 57,000 m² of green space will be created. The hospital will make savings by improved efficiency of the administration and by introducing environmentally friendly and energy-saving measures. The new parts of the hospital will open to patients in 2019.

**Upgrading energy networks in Italy** (c)

The European Investment Bank is lending Dolomiti Energia EUR 100 million to renew and develop its gas and electricity distribution networks. The financing will strengthen and maintain hydroelectric plants in the province of Trento in northern Italy, where Dolomiti Energia operates and employs 1,400 people.

**Connecting Europe Broadband Fund** (d): broadband reaches less-populated areas of the EU (e)

The Connecting Europe Broadband Fund is the first investment platform to invest in broadband infrastructure under the Juncker plan. The fund combines financing from the European Investment Bank, the Connecting Europe Facility, national promotional banks and private investors. The new broadband fund will help the EU meet the target that all European households should have access to internet connections of 30 Megabits per second by 2020 and that all schools, transport hubs, main providers of public services and digitally intensive enterprises should have access to internet connections of 1 Gigabit per second by 2025 (European Gigabit Society objectives). It responds to the growing demand of financing of smaller-scale, higher-risk broadband projects across Europe, which currently do not have access to EU funds. The fund aims to raise EUR 500 million for broadband investment by 2020 and is expected to unlock total investments of EUR 1.0–1.7 billion. The fund’s first project was signed in January 2019 to deploy high-quality fibre-to-the-home (FTTH), open-access network for residential, business and public administration in the rural areas of the Primorje–Gorski Kotar and Istria regions (Croatia) to cover over 135,000 locations.

**Assessment and evaluation**

Evidence from the 2018 evaluation suggests clear value added in terms of the European Fund for Strategic Investments responding to unmet investment needs and supporting the need for counter-cyclical investment.

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(a) Information as per 13 June 2019, source: European Investment Group – http://www.eib.org/efsi/
(d) As part of its Europe 2020 strategy, in 2010 the EU set three targets for broadband: by 2013, to bring basic broadband (up to 30 Mbps) to all Europeans; by 2020, to provide all Europeans with fast broadband (over 30 Mbps); and by 2020, to ensure take-up by 50% or more of European households to ultra-fast broadband (over 100 Mbps). To support these objectives, the EU has implemented a series of policy and regulatory measures and has made some EUR 15 billion available to Member States in the period 2014-2020 through a variety of funding sources and types, including EUR 5.6 billion in loans from the European Investment Bank. A summary of the fund’s investment guidelines are available online on the European Commission’s Digital Single Market (DSM) webpage: https://ec.europa.eu/digital-single-market/en/news/connecting-europe-broadband-fund.
From a political perspective, the fund has managed to shift the debate from austerity to investment support measures. Based on operations up until the end of 2017, the European Fund for Strategic Investments has supported more than 750,000 jobs with the figure set to rise to 1.4 million jobs by 2020. It has increased gross domestic product in the EU by 0.6% and it is set to increase EU gross domestic product by 1.3% by 2020.

Although the overall picture has improved at a macro level, in terms of the scale of the financing gap and of the financing conditions (especially for small and medium-sized enterprises), there remain substantial and pressing investment needs. Evidence from the evaluation suggests that persistent market gaps holding back investment are still observed in different policy areas. The recent acceleration of investment in the EU has not yet managed to bring investment rates up to historical averages. Moreover, efforts will need to continue beyond 2020 to bring investment back to its long-term sustainable trend with particular focus on current and emerging EU policy priorities.

Among the shortcomings highlighted in the 2018 evaluation is the need to focus more on EU’s long-term climate goals. This is being addressed when the European Fund for Strategic Investments was extended in 2018. A minimum 40% of European Fund for Strategic Investments infrastructure and innovation window should contribute to climate action in line with the Paris Agreement. In addition, the Commission has used its representation in the governance bodies of the European Investment Bank and of the European Investment Fund and in steering committees for these instruments to ensure that the European Investment Bank and the European Investment Fund adhere closely to EU policy objectives in implementing financial instruments, including support for social entrepreneurship, the fight against youth unemployment, the fight against climate change, the fight against tax avoidance and the promotion of international tax good governance standards.

In the past, the European Fund for Strategic Investments supported only a limited number of cross-border projects which typically have a high EU value added dimension. Ensuring wide geographical coverage across the EU continues to be important, which is something that has improved over the years of the fund’s operation. In terms of consistence, there is still scope for further improving the complementarity and mutual support between the fund’s three pillars as well as mitigating potential risks of competition between the fund and other EU financial instruments.

In January 2019, the European Court of Auditors published a special report (No 03/2019) on the European Fund for Strategic Investments. Although the overall conclusion of the audit is that the fund has been effective in raising finance to support substantial additional investment in the EU, the Court also raised some concerns. These include whether some fund operations have replaced other European Investment Bank operations and EU financial instruments, and whether a part of the fund support went to projects that could have been financed from other sources, albeit on different terms. The Court also emphasised the continuing need to ensure a balanced geographic spread of fund-supported investment.

Under the multiannual financial framework package and building on the success of the Juncker plan and the European Fund for Strategic Investments, the Commission has proposed a new initiative to mobilise private and public investment for the 2021-2027 period — the InvestEU programme. The new programme has introduced changes tackling issues raised by the European Court of Auditors in order to make EU funding for investment projects in Europe simpler, more efficient and more flexible. The InvestEU programme is to focus on addressing the large investment gaps in key areas of the future through an EU budget guarantee of EUR 38 billion. It will thus further boost job creation and support investment and innovation in the EU. It is expected to mobilise around EUR 650 billion of private and public investment across the EU by end-2027 and provide support through four policy windows: sustainable infrastructure, research, innovation and digitisation, small and medium-sized enterprises (SMEs), and social investment and skills.
### Connecting Europe Facility

#### Programme objectives

In order to stimulate job creation and boost growth rates, the EU needs an up-to-date, high-performance infrastructure to help connect and integrate the EU and all its regions in the transport, telecommunications and energy sectors. Such connections are essential for the free movement of persons, goods, capital and services.

The Connecting Europe Facility therefore supports investment in transport, energy and digital infrastructure through the development of trans-European networks. These networks facilitate cross-border connections and interoperability, foster greater economic, social and territorial cohesion and contribute to a more competitive social market economy.

The specific objectives of the Connecting Europe Facility are the following:

<table>
<thead>
<tr>
<th>Connecting Europe Facility — Transport</th>
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<tbody>
<tr>
<td>• Removing bottlenecks, enhancing rail interoperability, bridging missing links and, in particular, improving cross-border sections.</td>
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<tr>
<td>• Ensuring sustainable and efficient transport systems in the long run with a view to preparing for expected future transport flows as well as enabling all modes of transport to be decarbonised through the transition to innovative low-carbon and energy-efficient transport technologies while optimising safety.</td>
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<tr>
<td>• Optimising the integration and interconnection of transport modes and enhancing the interoperability of transport services, while ensuring the accessibility of transport infrastructures.</td>
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<tr>
<th>Connecting Europe Facility — Energy</th>
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<td>• Increasing competitiveness by promoting the further integration of the internal energy market and the interoperability of electricity and gas networks across borders.</td>
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<tr>
<td>• Enhancing the EU security of energy supply.</td>
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<tr>
<td>• Contributing to sustainable development and protection of the environment, inter alia, by the integration of energy from renewable sources into the transmission network and by the development of smart energy networks and carbon dioxide networks.</td>
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<table>
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<tr>
<th>Connecting Europe Facility — Telecommunications</th>
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<tr>
<td>• Contributing to interoperability, connectivity, sustainable deployment, operation, and evolutive maintenance of trans-European digital service infrastructures, as well as coordination at European level.</td>
</tr>
<tr>
<td>• Contributing to the efficient flow of private and public investments to stimulate deployment and modernisation of broadband networks with a view to contributing to achieving the broadband targets of the digital agenda for Europe.</td>
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</tbody>
</table>
Implementation and latest achievements

The Connecting Europe Facility provides support for the development of the Trans-European Transport Network completing cross-border connections, bridging missing links and removing bottlenecks. Between 2014 and 2018, 688 projects were selected for funding under the transport strand of the Connecting Europe Facility, providing EUR 22.8 billion EU funds leveraging an investment volume of EUR 48 billion. In 2018, the Connecting Europe Facility provided EUR 1.7 billion funds leveraging an overall investment of almost EUR 7 billion for 88 transport projects focusing on Trans-European Networks (TEN). In addition, a specific call was launched to mobilise funds in favour of transport safety, digitalisation and multimodality with EUR 450 million funds available.

The telecommunications strand of the Connecting Europe Facility enables the interoperability by deploying an ecosystem of trusted cross-border digital service infrastructures that are essential to trigger the digital transformation of the Member States. In terms of connectivity the Connecting Europe Facility stimulates investment for deploying and modernising broadband networks, and provides high-quality local wireless connectivity in local communities (Wifi4EU). Digital service infrastructures facilitate cross-border interaction between public administrations, businesses and citizens in a wide range of areas such as cybersecurity, open data and e-health. The work programme for 2018 supported the deployment, operation and evolutive maintenance of 16 digital infrastructures, building on the investment made in previous years. In addition, three new building blocks were added to the Connecting Europe Facility ecosystem, namely eArchiving, the Context Broker, and big data Test Infrastructure.

The e-identification building block addresses the challenge of cross-border recognition of nationally issued electronic identification documents. Once this is deployed in a Member State, the mutual recognition of such national identification documents becomes possible between participating Member States. This means that, for example, an EU citizen will be able to access a public service of another Member State using his or her own national means of identification. In 2018, the Connecting Europe Facility is financing an ambitious project laying the groundwork for the actual use of electronic identification documents in the Netherlands, enabling EU citizens to prove their identity electronically with their nationally issued documents when seeking access to more than 200 public services in 90 municipalities. The solution is currently available for Austrian, German and Belgian electronic identification documents holders and should progressively be extended to other countries.

2018 saw the completion of the 2017 Connecting Europe Facility transport blending call that took an innovative approach, making available a total indicative budget of EUR 1.40 billion of EU grants, to be combined with financing from the European Fund for Strategic Investments, the European Investment Bank, national promotional banks or private-sector investors. Over EUR 250 million of co-funding will be dedicated to promoting alternative fuels in transport. These projects include:

- greening the maritime transport link between the Swinoujscie port in Poland and the Ystad port in Sweden;
- deploying hydrogen public transport infrastructure in Denmark, Latvia and the United Kingdom;
- building a network of bio-liquefied natural gas stations on roads connecting southern Spain and eastern Poland via Belgium, Germany, France and the Netherlands;
- electrifying urban and regional bus routes in Croatia, Italy, Slovenia and Slovakia.

Under the blending call, the project for Zero Emission service network for public transport connecting Amsterdam and Schipol Amsterdam Airport was selected. This will contribute to increase multi-modality and shifting consequently from fossil to alternative fuels in the Urban Nodes of the Trans-European Transport Network around Amsterdam (North Sea – Baltic, North Sea – Mediterranean and Rhine — Alpine).

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(64) Programme statement 2020 Connecting Europe Facility, p. 163.
(65) Programme statement 2020 Connecting Europe Facility, p. 163.
(66) Directorate-General for Mobility and Transport, 2018 Annual activity report, p. 34.
The multiannual work programmes for the energy strand of the Connecting Europe Facility between 2014 and 2018 have led to a total of EUR 3.4 billion allocated to 122 actions contributing to 91 projects of common interest (67).

In 2018 the award for SuedOstLink was signed, one of the largest German energy infrastructure projects. The project consists of 580 kilometres of high-voltage cables laid fully underground. The power line will create an urgently needed link between the wind power generated in the north of Germany and the consumption centres in the south of the country. It will thus ensure better integration of renewable energies as well as enhance the cross-border exchange of energy with neighbouring EU Member States.

A grant of EUR 27 million has also been allocated to support the construction of a new 400 kV internal power line between Cernavoda and Stalpu in Romania, which will contribute to increasing the interconnection capacity between Bulgaria and Romania and help integrate wind power from the Black Sea coast.

Moreover, a grant agreement was signed to support the introduction of natural gas in Cyprus through the CyprusGas2EU project (EU support of EUR 101 million), which will end the current energy isolation of Cyprus, bringing diversification to a region mostly dominated by one single source of supply and helping to reduce air pollution and emissions by making it possible to switch from heavy fuel oil to gas for power generation. It will also improve energy security and price competitiveness (68).

In 2018 a grant of EUR 578 million, the largest Connecting Europe Facility energy grant ever, was awarded to support the construction of the Biscay Gulf France-Spain interconnection. The new electricity link will better integrate the Iberian Peninsula into the internal electricity market. The project, with a 280-km-long off-shore section, incorporates technologically innovative solutions on the design of the route over the Capbreton Canyon and the French land section, which is fully underground. This new link will nearly double the interconnection capacity between both countries — increasing it from 2 800 megawatts to 5 000 megawatts, and will bring Spain closer to the 10% interconnection target from its current level of 6%. Such a leap will allow for an enhanced incorporation of renewable energies, thus strongly contributing to the clean energy transition and to the EU’s related policy.

The WiFi4EU initiative was announced by President Juncker in 2016 as part of the digital single market strategy, a framework including new measures to meet Europeans’ growing connectivity needs and boost Europe’s competitiveness. The WiFi4EU initiative aims to provide high-quality internet access across the EU to citizens and visitors via free-of-charge Wi-Fi hotspots in public spaces such as parks, squares, administrations, libraries and health centres. Vouchers worth EUR 15 000 each funded by the European Commission will be awarded to support close to 9 000 municipalities across the EU, Norway and Iceland for the installation of the Wi-Fi hotspots in these centres of public life, using the services of Wi-Fi installation companies (69).

The first WiFi4EU call for applications took place in November 2018, with over 13 000 municipalities applying from all across Europe and 2 800 vouchers awarded (70).

(67) Programme statement 2020 Connecting Europe Facility, p. 163.
(68) Programme statement 2018 Connecting Europe Facility, p. 7.
(69) Programme statement 2018 Connecting Europe Facility, p. 5.
(70) Programme statement 2018 Connecting Europe Facility, p. 5.
### Assessment and evaluation

The evaluation of the Connecting Europe Facility (71) found that bringing together transport, energy and telecommunications under a common funding framework has allowed for **economies of scale** at programme level, with a single executive agency and common procedures. At project level, however, the Connecting Europe Facility did not sufficiently succeed in bringing the expected synergies.

The findings of the evaluation have fed into the proposal for the next Connecting Europe Facility by adding particular emphasis on simplification, enhanced flexibility and better monitoring of performance (72).

The future challenges for the EU economy linked to the goals of decarbonisation and digitalisation will imply a growing convergence of the transport, energy and digital sectors. Examples of synergy areas include connected and autonomous mobility, clean mobility based on alternative fuels, energy storage and smart grids. The proposal for the Connecting Europe Facility after 2020 (73) seeks to increase these synergies: in order to promote projects encompassing more than one sector, incentives will include the possibility to apply the highest co-funding rate of the sectors concerned. In addition, it will be possible for each sector to accept ancillary elements pertaining to another sector as eligible costs, for instance renewable-energy generation within a transport project. In order to incentivise and prioritise cross-sectoral proposals, the synergy dimension of a proposed action will be assessed under the award criteria. Synergies will be implemented through joint work programmes and joint financing involving the three sectors. It is foreseen that certain activities currently undertaken under the Connecting Europe Facility for telecom will be taken forward in the context of the new digital Europe programme.

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Competitiveness of Enterprises and small and medium-sized enterprises

Programme objectives

The Programme for the Competitiveness of Enterprises and small and medium-sized enterprises encompasses actions to support small businesses via grants, financial instruments and support services.

2014-2020
EUR 2.4 billion

Small and medium-sized enterprises provide 85% of all new jobs
Small and medium-sized enterprises represent 99% of all businesses

Helping European businesses reach their full potential

61% Access to finance
23% Access to markets
13% Improving business conditions
3% Entrepreneurship

Source: European Commission

The programme is improving access to finance for small and medium-sized enterprises through two financial instruments, the loan-guarantee facility and the equity facility for growth. Both instruments are managed by the European Investment Fund and facilitate access to loans and equity finance for riskier small businesses, which otherwise would not have been able to get the financing they need.

Implementation and latest achievements

Since 2015 and as part of the investment plan for Europe, funding opportunities under the loan-guarantee facility have been enhanced with the support of the European Fund for Strategic Investments. The initial front-loading was converted in 2017 into a permanent top-up of the loan-guarantee facility budget by EUR 550 million from the European Fund for Strategic Investments. This enabled making available in 2018 much more financing to the riskier, smaller companies, including start-ups, which find it hardest to access finance due to their perceived higher risk or lack of sufficient collateral. Throughout the course of 2018, the European Investment Fund signed 36 agreements for loan guarantees for a total volume of EUR 387 million, out of which 33 agreements were jointly backed by the European Fund for Strategic Investments and the loan-
guarantee facility (74). These agreements, together with those signed in the previous years, allowed more than 381,000 small businesses to receive over EUR 20 billion of financial support by the end of September 2018.

Signing agreements for the equity facility for growth took longer, as equity entails more complex due diligence and fundraising processes. At the end of 2018 the European Investment Fund had invested in 14 funds through the equity facility for growth for a total amount of EUR 163.5 million (75). Of these, five were multi-stage funds combined with the InnovFin Equity Facility for Early Stage (76) set up under Horizon 2020.

The Enterprise Europe Network helps small European companies to internationalise through advisory services and by finding business, technology and innovation partners abroad. The network services are available to smaller businesses in the EU and countries associated with the programme through 607 intermediary organisations. In 2018 the network services helped an estimated 250,000 small and medium-sized enterprises develop their business outside their home country and facilitated around 75,000 business cooperation meetings between small businesses, resulting in 2,611 international partnership agreements signed between them (77). The renewed network advisory support services helped 1,796 small and medium-sized enterprises improve their competitiveness and innovation in 2018. Enterprise Europe Network scale-up advisers were put in place, as set out in the Commission’s start-up and scale-up initiative (78) with the implementation of a specific action covering 56 EU regions, helping scale-ups overcome the barriers to growth. A new strategic vision for the Enterprise Europe Network has been prepared to ensure it continues delivering services that address small company’s future needs.

Small businesses value the network and its support: 89% of small and medium-sized enterprises expect their market situation to improve thanks to this support. Moreover, close to one in two feels its competitiveness will improve thanks to improvements in innovation achieved with network help. Nearly 6 out of 10 estimated that network services will help them preserve or create jobs.

Erasmus for Young Entrepreneurs holds annual calls for proposals. In 2018, Erasmus for Young Entrepreneurs had already reached the level of 7,000 exchanges between new and experienced entrepreneurs across Europe since the start of the programme (79). In order to test the geographical extension of Erasmus for Young Entrepreneurs to new destinations outside Europe, the implementation of the 24-month Erasmus for Young Entrepreneurs Global pilot project started in April 2018.

The programme for the competitiveness of enterprises and small and medium-sized enterprises also contributes to improving the framework conditions for the competitiveness of EU enterprises in a number of ways. In the context of the ‘cluster go’ international initiative, the programme enabled the establishment of 25 EU cluster partnerships in 2018, supporting 134 clusters in Europe to go international for the benefit of their small and medium-sized enterprises (80). This initiative encourages participating clusters and small companies to access global value chains and find strategic partners beyond Europe. Nine European strategic cluster partnerships for smart specialisation and investments were set up in 2018. These partnerships gather 57 clusters across Europe and reach out to over 6,000 small and medium-sized enterprises.

The European cluster collaboration platform (81) has developed into a leading hub for facilitating cluster collaboration at EU and global level. It gathers more than 930 cluster organisations, reaching out to about 100,000 small businesses. With the facilitation of over 1,100 international matchmaking meetings between

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(74) Programme statement for the Programme for the competitiveness of enterprises and small and medium-sized enterprises (COSME), p. 2.
(75) Programme statement for the Programme for the competitiveness of enterprises and small and medium-sized enterprises (COSME), p. 2.
(77) Programme statement for the Programme for the competitiveness of enterprises and small and medium-sized enterprises (COSME), p. 3.
(79) Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, 2018 Annual activity report, p. 16.
(80) Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, 2018 Annual activity report, p. 18.
(81) https://www.clustercolabration.eu/eu-initiative/cluster-excellence-calls
clusters in 2018 where the European cluster collaboration platform took part, it has become a key EU instrument in supporting the internationalisation of such enterprises.

**Assessment and evaluation**

A study evaluating the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (82) found a strong alignment of the programme with the evolving needs of small enterprises in Europe and a high relevance for the public, thanks to focus on fostering employment opportunities and growth creation. The EU dimension is at the core of the programme and is critical for most actions. The programme has successfully set the building blocks for attaining the expected results. The strength of the programme lies in the use of intermediary organisations (financial intermediaries, Enterprise Europe Network members, intermediary organisations for Erasmus for Young Entrepreneurs and cluster organisations). The programme uses the proximity of these local intermediaries to small enterprises and facilitates the integration of the programme services with services provided by these national and regional intermediaries. The feedback from beneficiaries is generally positive with a substantial majority reporting a good cost-benefit ratio of their participation. The European dimension is the added value of the programme.

The study made proposals to improve shortcomings in the performance of the programme: the fragmentation of the budget into many small actions should be reduced to improve efficiency and cost-effectiveness; and availability of monitoring data should be provided centrally to strategically guide implementation. There are no major overlaps of the programme activities with other policy initiatives, both at EU and national and regional levels. However, for some actions, synergies and complementarity with other EU, national and regional actions could be improved.

The study was used for the preparation of the proposals of successor programmes for the post-2020 multiannual financial framework. The Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (except for the financial instruments) will be integrated into a new programme called the single market programme (83). The new programme will support specific types of actions in the areas of improved competitiveness, notably of small and medium-sized enterprises, standardisation, consumer protection, anti-money laundering, competition, financial reporting and auditing, veterinary and phytosanitary measures along the food chain and European statistics. The financial instruments from the programme will be integrated into a new fund called InvestEU, bringing EU financing in the form of debt and equity under one roof.

**ERASMUS+**

**Programme objectives**

Erasmus+ is the EU’s flagship programme to support and strengthen education, training, youth and sport in Europe. For three decades, Erasmus+ and its predecessors have been offering mobility opportunities to young people, students vocational education and training learners and adults to study, train, gain experience and volunteer abroad, in Europe or beyond. The Erasmus+ programme plays an important role in supporting cooperation between universities, schools, vocational-training providers, youth and sport organisations , as well as learning opportunities for future teachers and professional development for teachers and school leaders. The programme fosters the mobility of learners and staff in vocational education and training, as well as staff in the adult education sector, while also supporting internationalisation through strategic partnerships taking forward the priorities set in the vocational education and training Riga Conclusions and the European agenda for adult learning.

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(82) Interim evaluation of the COSME programme — Final Report. External support study for the COSME interim evaluation.
### Supporting education and training

- Working towards a European Education Area by 2025.
- Improving the level of key competencies and skills for a more cohesive society, in particular through learning mobility and cooperation with the world of work.
- Fostering quality improvements, innovation excellence and internationalisation of education and training institutions.
- Stimulating innovative policy development, policy dialogue and implementation, and the exchange of knowledge in the fields of education, training and youth.
- Raising awareness of the importance of lifelong learning area.
- Supporting the international dimension of education and training.
- Teaching and learning languages.
- Promoting teaching and research in European integration through the Jean Monnet activities.

### Youth

- Improving the level of key competencies and skills of young people, in particular through increased non-formal learning-mobility opportunities.
- Enhanced cooperation between organisations in the youth field.
- Supporting the international dimension of youth activities and the role of youth workers and organisations.

### Sport

- Tackling cross-border threats to the integrity of sport.
- Supporting good governance in sport and dual careers of athletes.
- Promoting voluntary activities in sport.

### Implementation and latest achievements

*In 2018* emphasis was put, across all actions of the programme, on activities that support social inclusion and equity in education, training, youth and sport — in line with the Paris Declaration on promoting citizenship and the common values of freedom, tolerance and non-discrimination through education, and with the Commission’s action plan on the integration of third-country nationals.
In 2018, ERASMUS+ demonstrated its flexibility in addressing specific policy priorities through different actions.

<table>
<thead>
<tr>
<th>800 000</th>
<th>320 000</th>
<th>13 000</th>
<th>47 000</th>
<th>55 000</th>
<th>172 000</th>
</tr>
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<tbody>
<tr>
<td><strong>In 2018</strong> people benefit from learning, working or volunteering abroad (10 million since the launch of the programme)</td>
<td>Participants in higher-education student mobility in 2018</td>
<td>Participants for work-based mobility (December 2018)</td>
<td>Users of the electronic platform for lifelong learning (December 2018)</td>
<td>Downloads of Erasmus+ mobile phone app (December 2018)</td>
<td>Participants for vocational and educational training mobility in 2018</td>
</tr>
</tbody>
</table>

In the field of higher education, in 2018 priority was given to enhancing the quality and relevance of students’ knowledge and skills, better use of information and communications technology (ICT), improving the inclusiveness of higher education systems, and better links between higher-education institutions and employers or social enterprises. More than 320 000 higher-education student mobilities took place in 2018.

In the field of school education, priority was given to strengthening the profiles of the teaching professions, promoting the acquisition of key competences, e.g. by addressing underachievement in the basic skills of mathematics, science and literacy and supporting multilingual classrooms. Access to the Erasmus+ programme for schools was facilitated in 2018 by introducing a new form of school exchange partnerships into the programme. As a result, the number of awarded projects in the sector increased by 40%. Teachers can also join the eTwinning community do collaborative projects with classes in other countries to follow online and face to face professional development opportunities, and get recognition for their work. Since its inception in 2005, eTwinning has 640 000 users and 218 000 schools. In 2018, 103 000 new users registered and 14 000 projects were launched.

As regards vocational education and training, Erasmus+ supports the development of business-education partnerships aimed at promoting work-based learning in all its forms, with special attention to apprenticeship, as well as the development of joint qualifications and curricula responding to current and future sectoral skills needs. Long-term mobility (between 3 months and 12 months) of eligible participants has been promoted by introducing the ErasmusPro (**) activity into the Erasmus+ programme as of 2018. Consequently, such mobility increased by more than 60% (average of 8 000 per year in the period 2014-2017, and almost 13 000 in 2018).

Concerning social inclusion and equity, the Erasmus+ supports actions aimed at preventing violent radicalisation and promoting democratic values, fundamental rights, intercultural understanding and active citizenship; fostering the inclusion of disadvantaged learners, including persons with a migrant background, while preventing and combating discriminatory practices. The sport strand has continued to support initiatives to tackle cross-border threats to the integrity of sport, such as doping, match fixing and violence, as well as all kinds of intolerance and discrimination. It has promoted good governance in sport and dual careers of athletes and voluntary activities in sport, together with social inclusion, including refugees and migrants.

Furthermore, in the field of adult education, priority was given in 2018 to improving and extending the supply of high-quality learning opportunities tailored to the needs of individual low-skilled or low-qualified adults so that they acquire literacy, numeracy or digital skills, including through the validation of skills acquired through informal and non-formal learning. Extending and developing educators’ competence is also stressed as a priority for this sector.

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(**) https://europa.eu/youth/node/50165_en
**Adult learning**: the Electronic Platform for Adult Learning in Europe, with more than 47 000 registered users (plus 38% within 1 year), showed a significant increase in users in 2018. This platform is a multilingual, open membership community of adult-learning professionals, including adult educators and trainers, guidance and support staff, researchers and academics, and policymakers.

With regard to the international dimension, Erasmus+ continued to provide mobility opportunities for higher-education staff, students, young people and youth workers between Europe and the rest of the world, with a particular emphasis on supporting further development of the European Neighbourhood region (Western Balkans, Eastern Partnership and southern Mediterranean). On 18 January 2018 the Commission adopted the digital education action plan, which covers the areas of formal education with specific actions for school, vocational education and training, and higher education. The plan identifies three priorities to ensure that digital technologies are used purposefully to innovate and improve teaching and learning. The 11 actions of the plan include supporting high-capacity broadband in all schools, creating a Europe-wide platform for digital higher education and enhanced cooperation, and providing training schemes on digital and entrepreneurial skills and on raising awareness about online safety.

The **Erasmus+ mobile app** continued to serve as a digital one-stop shop that guides participants and interested young people to find everything they need to know about opportunities to go abroad with Erasmus+. The application provides information, tips, notifications and other services to help make organising their periods of mobility easier. The app was downloaded and installed almost 30 000 times during 2018, bringing the total number of downloads since its launch (mid-2017) to more than 55 000. Discussions also began on how to improve and broaden the range of online services for students undertaking a period of cross-border learning mobility, including potentially enhancing the app as part of a larger online single point of entry for services for mobile students.

The role models initiative, a network of positive role models supporting the prevention of radicalisation leading to violent extremism, is further rolled out by the participating Erasmus+ national agencies. With the first piloting activities started in 2017, the initiative took a broader dimension throughout the course of 2018 (e.g. the successful launch event of the role models initiative in Italy in March 2018). In addition to this initiative carried out by the Erasmus+ national agencies, the Commission is promoting the role models approach through an Erasmus+ social-inclusion call for proposals.

The creativity and critical thinking in higher education initiative, launched at the beginning of 2018, aims to internationally prototype and test an assessment tool to help faculties develop and assess the creative and critical-thinking skills of their students. Through Erasmus+, the Commission is financing the first phase of this project, which consists in involving higher-education staff in operationalising creativity and critical thinking and collecting examples of pedagogical tasks and student work to exemplify how students can demonstrate these skills in different settings.

**Assessment and evaluation**

The midterm evaluation of the 2014-2020 Erasmus+ programme, which assessed the progress in the implementation of the programme and the long-term impact of its predecessor programmes, showed that the current Erasmus+ delivers a unique package of outcomes in the field of education, training, youth and sport and is highly valued by stakeholders and the public. It highlighted the strong European added value of Erasmus+ and its predecessor programmes. Moreover, it highlighted the positive effects of the integrated nature of the programme covering learning in all its contexts.

The evaluation indicated some areas for improvement, in particular: in terms of relevance, the evaluation pointed to the need for Erasmus+ to better reach out to those individuals who have fewer opportunities, to facilitate the participation of smaller organisations to make the programme more inclusive and to reinforce

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measures to foster the understanding of European integration and sense of belonging to Europe, in particular amongst the youngest generations; in terms of effectiveness, Erasmus+ should reinforce the volume of activities in sectors showing the highest performance but which have, until now, received relatively less funding, such as in the school, vocational education and training and youth sectors, which will also contribute to reinforcing the inclusion dimension of the programme; and in terms of efficiency, Erasmus+ should further simplify the procedures of application and reporting in order to reduce the administrative burden on beneficiaries, and should further optimise its online procedures.

The Court of Auditors, in its special report (90) on mobility under Erasmus+, also concluded that this programme is a well-known, successful EU brand. Erasmus+ plays a key role in building up learning mobility abroad and has a positive effect on participants’ attitudes towards the EU. The Court identified the innovative student loan guarantee facility as an area for improvement and also recommended better coverage of the programme objectives by indicators.

These suggestions for improvement were considered by the Commission in the proposed successor programme Erasmus: the EU programme for education, training, youth and sport (90) in the context of the multiannual financial framework 2021-2027. The new programme will focus in particular on stepping up mobility and exchanges for all categories of learners, increasing efforts to reach out to learners who have fewer opportunities and increasing opportunities to cooperate, including for smaller organisations. The new programme will seek to rationalise and refocus certain existing actions. For example, some actions will be specifically targeted towards activities that foster the development of competences in forward-looking fields; others will be aimed at fostering innovation in education, training, youth and sport; Jean Monnet activities will be partially refocused to target broader groups of learners; the actions in the adult-learning sector will be reinforced. At the same time, the proposed programme reinforces the inclusive dimension of the programme by adapting certain existing actions and introducing new measures (such as short-term, group-mobility and virtual cooperation).

Every euro that we invest in Erasmus+ is an investment in the future — in the future of a young person and of our European idea. I cannot imagine anything more worthy of our investment than these leaders of tomorrow.


European Solidarity Corps

Programme objectives

President Juncker announced the European Solidarity Corps in his 2016 State of the Union speech. The European Solidarity Corps offers young people between the ages of 18 and 30 the opportunity to take part in a wide range of solidarity activities across the EU, with the aim of creating 100,000 opportunities by the end of 2020. From December 2016 and until the adoption of the European Solidarity Corps regulation (91), eight different programmes were mobilised to give young people the chance to take part in a range of solidarity activities addressing challenging situations across the EU. Participation not only benefits young people’s

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(90) European Court of Auditors, Mobility under Erasmus+: Millions of participants and multi-faceted European added value, however performance measurement needs to be further improved — Special Report No 22/2018.


personal development, active involvement in society and employability, but it also assists non-governmental organisations, public bodies and companies in their efforts to cope with societal and other challenges. As well as offering volunteering, traineeships and jobs, the European Solidarity Corps also offers participants the opportunity to set up their own solidarity projects or to volunteer as a group.

The European Solidarity Corps aims to strengthen the engagement of young people and organisations in solidarity activities. The corps is a means to help strengthen cohesion, solidarity and democracy in Europe and abroad and to address societal and humanitarian challenges on the ground, with particular focus on promoting social inclusion.

### Implementation and latest achievements

Since December 2016, the Commission has been focused on the design and development of the European Solidarity Corps as well as promotion and outreach to potential participants.

Several key milestones were reached by the end of 2018, including the following:

- The regulation (92) establishing the European Solidarity Corps was adopted, providing the corps with its own legal basis, facilitating the implementation of the programme and providing a self-standing budget.
- The first call for proposals of the corps in 2018 was a success, with over 1,400 submissions received by organisations that host or support the solidarity activities. Out of these submissions, 255 proposals came from groups of young people registered in the corps portal to implement solidarity projects. In total, the proposed activities could offer up to 13,000 opportunities for young people.
- At year-end 2018, since the beginning of the programme, over 10,000 young people had already started their activities and the number of young people registered on the portal (93) had passed 96,000, showing the high demand that will likely help fill all the opportunities offered by the programme.

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(93) https://europa.eu/youth/solidarity_en
Assessment and evaluation

The ex ante evaluation of the corps (94) indicated a need for the EU to address these challenges under an extended European Solidarity Corps. In particular, given the initial confusion among potential participants about the role of the corps, concerning the underlying programmes and the differences from and consistency with the EU aid volunteers initiative.

For the next EU budget 2021-2027, the Commission presented its proposal for a new programme for the European Solidarity Corps (95), aiming to broaden the opportunities it offers. The new programme will create at least 350,000 opportunities for young people to support communities in need between 2021 and 2027 through volunteering, traineeships and job placements. That is why the Commission proposed to reserve EUR 1.3 billion over seven years under the next long-term EU budget.

The proposal builds on the achievements of the corps in its first years of existence and further consolidates efforts to have one single-entry point for young people ready to engage in solidarity. In particular, the corps will also include volunteering activities in support of humanitarian-aid activities and operations in non-EU countries. This well-established EU scheme for humanitarian aid has so far operated under the name ‘EU aid volunteers’.

Employment and social innovation (EaSI)

Programme objectives

The employment and social innovation programme promotes high-quality and sustainable employment, guaranteeing appropriate and decent social protection, combating social exclusion and poverty, and improving working conditions. It is built on three axes: support for the modernisation of employment and social policies (Progress), job mobility (European employment services: EURES), and access to microfinance and social entrepreneurship.

The programme aims to achieve the following specific objectives:

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In order to contribute to the achievements of:

- Evidence-based EU policies and legislation
- Effective and inclusive information sharing, mutual learning and dialogue
- Testing of social and labour market policy innovations
- Greater capacities of national and EU organisations to develop, promote and support the implementation of EU policies

- Transparent labour market information
- Effective provision of services for recruitment and placing of workers

- Better access to, and availability of, microfinance
- Better access to finance for social enterprises
- Stronger institutional capacity of microcredit providers

Implementation and latest achievements (96)

In 2018, the programme financed 39 projects through seven calls for proposals with a budget of EUR 33 million. It supported studies and actions on labour mobility, the electronic exchange of social-security information projects, enhanced cooperation between European public employment services and other organisations through the EURES network, and the deployment of targeted mobility schemes (‘Your first EURES job’). In addition, the implementation of the employment and social innovation guarantee continued and, by the end of 2018, 76 microfinance and 25 social entrepreneurship operations had been signed in 29 countries for a total of EUR 179 million. These operations are expected to unlock more than EUR 2 billion of financing for micro- and social enterprises.

(a) Under the Progress axis, there was further development in 2018 of experiences of administrative cooperation to another EU Member State as well as of fostering administrative cooperation between inspection authorities and social partners in the area of posting of workers.

The ‘EU Post lab’ project focused on the construction sectors of Austria, Belgium, Bulgaria, Germany, Italy, Poland, Portugal, Romania, Spain and Turkey. The project identified how cooperation between inspection authorities and social partners can produce relevant data and information, which can be properly registered and shared at national and transnational level with a view to reducing the administrative burden on employers while improving the protection of workers’ rights.

(96) Programme statement 2018.
Under social innovation, the support focused on access to social protection, but also innovative work-life balance strategies to facilitate reconciliation of professional and caring responsibilities.

(b) Under the EURES axis, due to the improved labour-market context in Member States, the use of the EURES job mobility portal has decreased since 2017 but still remains important (0.9 million visits every month in 2018). In 2017, there were 8 512 job placements following consultations with jobseekers as a result of the preparatory action ‘Your first EURES job’ and targeted mobility schemes (and an additional 1 204 placements in the first 6 months of 2018). According to the latest data provided by the EU single market scoreboard, on average, the amount of national vacancies shared on EURES in 2017 was 59%.

‘Your first EURES job’ is an EU job mobility scheme helping young people between 18 and 35 to find a job, traineeship or apprenticeship opportunity in another EU country, Norway, Iceland, Lichtenstein or Switzerland and to help employers find qualified workforce. It aims to match young jobseekers with offers of paid work across Europe.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
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<tbody>
<tr>
<td>Number of jobseekers registered on EURES website</td>
<td>287 850</td>
<td>337 991</td>
<td>▲ 17%</td>
</tr>
<tr>
<td>Number of employers registered on EURES website</td>
<td>10 726</td>
<td>13 231</td>
<td>▲ 23%</td>
</tr>
</tbody>
</table>

(c) Under the microfinance and social entrepreneurship axis, by the end of 2018, 101 operations (76 for microfinance and 25 for social entrepreneurship) had been signed in 29 countries for a total amount of EUR 178.6 million (EUR 129.2 million for microfinance and EUR 49.4 million for social entrepreneurship). By late 2016 the budget of EUR 56 million for microfinance of the initial EU programme for employment and social innovation had been fully absorbed. This consequently led to a EUR 100 million top-up from the European Fund for Strategic Investments in December 2017, which was further increased by an additional top-up of EUR 200 million from the European Fund for Strategic Investments 2.0 in December 2018. In light of this, the initial total EU budget earmarked for the EU programme for employment and social innovation guarantee instrument over 2014-2020 has increased from EUR 96 million to EUR 396 million for both microfinance and social entrepreneurship. The transactions by the European Investment Fund at the end of December 2018 suggest an expected leverage effect of EU contribution between 5.5 and 30.4, with an estimated average leverage value of 12. This leverage effect is more than twice the minimum leverage effect set in the delegation agreement and suggests important gains in terms of effectiveness (improved results compared to those initially envisaged) and in terms of efficiency gains (higher leverage effect and more efficient use of EU contribution).

Assessment and evaluation (97)

The findings of the midterm evaluation confirm that the general and specific objectives of the EU programme for employment and social innovation continue to be relevant, in particular in light of the current challenging socioeconomic context characterised by the aftermath of the financial and economic crisis.

The programme has achieved good-quality outcomes, yet on a small scale given its limited resources. For instance, the scaling-up of projects is hindered by the lack of an appropriate follow-up to ensure their long-term sustainability.

Even though the three axes (progress, EURES and microfinance and social-entrepreneurship) seem to operate independently, some areas which could result in increased effectiveness (‘synergies’) have been identified. For example, synergies between the different progress projects could be mentioned but also between projects related to progress and the microfinance/social entrepreneurship axes.

(97) Programme statement 2018.
The midterm evaluation highlighted a number of ways to improve the implementation of the employment and social innovation programme, especially through enhanced flexibility and through targeting groups in need of specific support, the simplification of procedures, improved internal consistency and linkages with other funds.

For this purpose, in the Commission’s proposal for the next multiannual financial framework, the current programme for employment and social innovation is integrated into the European Social Fund+, in order to address the fragmentation of funds and limited potential to upscale. Also the financial instruments currently funded under the third axis will be merged under the future InvestEU programme, including an enhanced ‘social window’.

Space (Copernicus, Galileo and the European Geostationary Navigation Overlay Service)

Objectives

EU space policy supports many other policies and strategic priorities of the EU. For instance, it plays a crucial role in effectively tackling the challenges posed by climate change, sustainable development, border control, maritime surveillance and the security of citizens.

Copernicus is the European system for monitoring the Earth. It offers six free-of-charge services to EU, national and regional institutions, as well as to the private sector, namely: the monitoring of the atmosphere, the marine environment, land and climate change in addition to emergency management and security (98). Copernicus provides information based on a system of satellites and in situ (99) infrastructure. The information provided by Copernicus can be used for a wide range of applications in a variety of areas, including urban-area management, sustainable development and environmental protection, regional and local planning, agriculture, forestry and fisheries, health, civil-protection, infrastructure, transport and mobility, as well as tourism. For instance, the Copernicus service for climate change provides information about the past, present and future climate, as well as tools to enable climate-change mitigation and adaptation strategies by policy makers and businesses.

Galileo is the EU’s own global navigation satellite system, providing secure positioning, navigation and timing services. Galileo is used in mobile phones and car navigation as well as in critical applications such as the synchronisation of electricity grids or telecommunication networks.

The European Geostationary Navigation Overlay Service (also known as EGNOS) is a regional satellite navigation system (100). The system provides safety of life navigation services to aviation, maritime and land-based users in Europe. More than 80% of European farmers using satellite navigation for tractor guidance related to spraying and harvesting of crops rely on it.

The EU Space sector at a glance

Space technology, data and services have become indispensable in people’s lives and play an essential strategic role for Europe. Europe has a world-leading space industry.


(99) The Copernicus Services rely on a combination of satellite data and environmental measurements, collected by data providers external to Copernicus, from ground-based, sea-borne or air-borne monitoring systems. This includes, for example, data from sensors placed on the banks of rivers, tall towers, carried on weather balloons or airplanes, pulled through the sea by ships, and drifting in the ocean on floats or buoys. These non-space data are collectively referred to as ‘in situ’ data. (source: https://insitu.copernicus.eu/about)

In 2018, the space sector employs over 231,000 people. The sector’s value was estimated at EUR 53-62 billion in 2017, the second highest in the world. A third of the world’s satellites are made in Europe. The sector keeps upgrading the family of European launchers with next generation Ariane 6 and Vega C.

EU space data is transforming our lives with services such as:

Responding to natural disasters: In 2017, Copernicus maps showing the extent and magnitude of damage have helped rescue teams deal with forest fires (Italy, Spain, Greece, Portugal), earthquakes (Mexico), hurricanes (countries hit by hurricanes Harvey, Irma and Maria), and floods (Ireland, Germany), amongst others.

Monitoring oil spills: The European Maritime Safety Agency (EMSA) uses Copernicus data for oil spill and vessel monitoring.

Landing of airplanes: by the end of 2018, 315 airports in almost all EU countries are using EGNOS, making landing more secure, thus avoiding delays and re-routing.

Road safety: From April 2018, Galileo is integrated in every new car type sold in Europe, supporting the eCall emergency-response system from 2019, it will be integrated in digital tachographs of lorries to ensure the respect of driving time rules and improve road safety.

Agriculture: 80% of farmers using satellite navigation for precision farming are EGNOS users. And Copernicus data is used for crop monitoring and yield forecasting.

Implementation and latest achievements

The overall implementation of the Copernicus programme is in line with the expected progress, with seven satellites in orbit and in operation, enabling the operation of the six Copernicus services. The latest satellite launch was that of Sentinel 3B in April 2018.

The Copernicus Climate Change Service has moved to its operational phase in summer 2018. It has become an important and recognised climate information resource for international bodies. The Copernicus Emergency Management Service was activated over 86 times to assist authorities in relation to disasters, such as wildfires, storms, floods and volcanic eruptions, earthquakes, ground subsidence (101).

The data and information access services were launched in June 2018 allowing better uptake of Copernicus data, bringing the number of registered users to more than 200,000. In addition, more cooperation

agreements have been signed with non-EU (‘third’) countries and organisations including the African Union, Brazil, Chile, Columbia, India, Serbia, Ukraine and to promote the uptake of Copernicus globally (105).

Galileo is operational since 2016 and has since been providing services continuously. In parallel, the deployment of the Galileo space infrastructure is ongoing. Four satellites were successfully launched in July 2018 bringing the total number of satellites in space to 26. To ensure the independent monitoring of Galileo services, the Galileo Reference Centre started to operate in Noordwijk (the Netherlands). The Commercial Service High Accuracy (so-called High Accuracy Service) will offer a 20 cm positioning accuracy and will be provided for free of charge (106). This level of accuracy is crucial for the development of emerging technologies such as automated connected cars. The market uptake of Galileo and of the European Geostationary Navigation Overlay Service boomed in 2018 with more than 500 million Galileo-enabled devices on the market as of 31 December 2018. Innovation is continuing; mid May 2019 already 714 million devices were Galileo-enabled.

Importantly, in November 2018 Galileo became the first non-United States global satellite navigation system to be allowed in the United States. The use of the EU’s Galileo in combination with the United States global positioning system (GPS) will open the United States market for Galileo and improve the United States consumer experience through improved availability, reliability and resiliency of these position, navigation, and timing services.

Galileo is helping to save lives. Galileo’s search-and-rescue service drastically reduces the time needed to detect emergency distress beacons from up to 3 hours to just 10 minutes. As the location of the distress beacon locations is determined more accurately, people lost at sea or in the mountains can be rescued more quickly (107).

Assessment and evaluation

The Copernicus midterm evaluation confirmed that the programme is delivering on its objectives. However, while the data collected is of good quality, the evaluation showed the need to improve the distribution and access to data with the aim of increasing user uptake (108). The launch of the data and information access services in June 2018 as well as the extension of various activities to maximise the use of Copernicus applications (including through the signing of international cooperation agreements) are aimed at addressing the challenges of access to data and user uptake.

Galileo and the European Geostationary Navigation Overlay Services are progressing well in delivering on their objectives according to the midterm evaluation (109). However, the evaluation identified some inefficiency issues linked to governance, given the number of actors involved and because of differences in governance structures and work organisation between deployment and exploitation. The evaluation also identified inefficiency linked to security governance.

The proposal for a regulation of the EU space programme for the post-2020 multiannual financial framework aims to address these governance concerns (110) by clarifying the relations between the various stakeholders and the role of each one (i.e. mainly the Member States, the Commission and the European Space Agency (ESA)), and by establishing a unified system of governance for all the components of this programme. The legislation enhances the role of the former European Global Navigation Satellite System (GNSS) agency by expanding the scope of its tasks as regards security accreditation to include all the components of the EU space programme and market update activities. The new regulation also specifies and standardises the security framework for the EU space programme.

(102) Programme statement 2018 on Copernicus, pp. 2-3.
European Defence Industrial Development Programme

I will continue to work day and night over the next months to see the European Defence Fund and Permanent Structured Cooperation in Defence become fully operational.

President Jean-Claude Juncker, State of the Union 2018

Programme objectives

In a world of increasing instability and cross-border threats to our security, no country can succeed alone. That is why the Juncker Commission is making an unprecedented effort to protect and defend Europeans. The European Union cannot substitute Member States’ efforts in defence, but it can encourage their collaboration in developing and acquiring the technologies and equipment needed to address common security and defence challenges.

On 18 July 2018 the European Defence Industrial Development Programme was adopted under the EU budget for 2019 and 2020. It supports the competitiveness and innovative capacity of the EU defence industry, specifically in the development of prototypes, defence equipment and technology through co-financing from the EU budget. The programme is implemented directly by the Commission.

The European Defence Industrial Development Programme helps creating a collaborative approach between the defence industries in the Member States. The financial contribution of the EU unlocks development projects that otherwise would not have happened due to high financing needs or technological risks involved. The programme is an enabling factor leading to additional collaborative capability development projects in key defence areas.

Member States may, for example, jointly invest in developing drone technology or satellite communication, or they may bulk buy helicopters to reduce costs. Only collaborative projects will be eligible, and a proportion of the overall budget will be earmarked for projects involving cross-border participation of small and medium-sized enterprises.

<table>
<thead>
<tr>
<th>European cooperation in matters of defence makes economic sense. There is a strong case for the European added value of a European Defence Fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of cooperation between Member States in the field of defence is estimated to cost between EUR 25 billion and EUR 100 billion every year.</td>
</tr>
<tr>
<td>• EUR 600 million per year could be saved if European armies shared infantry vehicles and EUR 500 million per year if they had one certification system for ammunition.</td>
</tr>
<tr>
<td>• There are 178 types of weapon systems in Europe, 30 in the United States.</td>
</tr>
<tr>
<td>• There are 20 different types of fighter planes in Europe, 6 in the United States.</td>
</tr>
<tr>
<td>• There are 17 different battle tank systems in Europe, 1 in the United States.</td>
</tr>
<tr>
<td>• In Europe, there are more types of helicopters than governments to buy them.</td>
</tr>
</tbody>
</table>
### Defence expenditure

<table>
<thead>
<tr>
<th></th>
<th>European Union</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount</td>
<td>EUR 227 billion</td>
<td>EUR 545 billion</td>
</tr>
<tr>
<td>% of gross domestic product</td>
<td>1.34</td>
<td>3.3</td>
</tr>
<tr>
<td>Investment per soldier</td>
<td>EUR 27 639</td>
<td>EUR 108 322</td>
</tr>
</tbody>
</table>

### Duplication of systems in use

<table>
<thead>
<tr>
<th>Weapon systems for categories covered in the study</th>
<th>178</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main battle tanks</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Destroyers/frigates</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>Fighter planes</td>
<td>20</td>
<td>6</td>
</tr>
</tbody>
</table>


### Assessment and evaluation

Defence-research cooperation is already materialising. The first EU grant agreements under the 2017 budget included the research project Ocean2020, which brought together 42 partners from 15 EU Member States and supports surveillance missions at sea and to that end will integrate drones and unmanned submarines into fleet operations.

An *ex ante* evaluation (108) accompanying the proposal of the European Defence Industrial Development Programme concluded that the European defence industry faces significant challenges linked to low investment in capability development projects, fragmentation and a lack of cooperation. The *ex ante* evaluation highlighted the need for an EU initiative supporting the competitiveness and innovation capacity of the European defence technological and industrial base. This will strengthen European strategic autonomy and reduce dependencies for key defence capabilities. It showed that cooperation is an effective way to achieve this, since it is likely that in the long run no single European Member State can afford to maintain a full spectrum defence industry base and corresponding defence capabilities on its own. The EU can make a substantive contribution. The European Defence Industrial Development Programme will bring significant value added by incentivising collaboration and unlocking additional capability development projects.

Building on the current programmes, namely the European Defence Industrial Development Programme and the Preparatory Action on Defence Research, the Commission proposed in June 2018 a fully-fledged European Defence Fund worth EUR 13 billion under the next EU long-term budget to cover both the research and capability development strands. The fund will support competitive and collaborative defence projects throughout the entire cycle of research and development for a bigger impact. The EU will directly finance total costs during the research phase, in particular through grants. After that phase, the fund will complement Member States’ investment by co-financing up to 20% of the costs for prototype development and up to 80% of ensuing certification and testing activities. The EU will not fund the acquisition phase, but the Commission can offer practical support to Member States wishing to procure jointly products and technology.

Customs 2020

The EU customs union territory is governed by common rules and procedures laid down in the EU customs code (109). They require proper and uniform implementation and application across the EU. Moreover, customs policy and the customs administrations need to constantly adapt to modern trade realities and modern communication tools.

Customs 2020 is a programme to facilitate and enhance cooperation between national customs administrations. This cooperation helps improving the administrative capacity of the customs authorities and strengthen the competitiveness of European businesses, for instance through reducing compliance costs and administrative burden. The cooperation also increases safety and security, protects citizens and the environment.

The EU customs code is a milestone in modernising EU customs, and the EU’s Customs 2020 action programme is indispensable in supporting its implementation.

The key exchange network is the highly reliable common communication network, common to customs and taxation areas. It is composed of 112 internet based gateways in 49 sites located in 33 different countries. Over the years of the customs programme iterations, there has been a steady increase in the number and volume of data exchanged. In 2017 alone, nearly 4.8 billion messages of 5.5 terabytes (TB) of volume were exchanged. Over 11.2 million transit movements took place through the new computerised transit system, with the average number of movements released per business day reaching over 44,000. 5.1 million indirect export movements were recorded in the export control system and some 48 million entry summary declarations were lodged in the EU through the import control system. The outreach of the programme is not always easy to measure as thousands of officials and businesses use the information technology (IT) systems supported by Customs 2020 without realising where they come from.

The programme supported a great number of various types of joint action as well. There were 16,864 project groups meetings, 1,897 workshops, 1,106 working visits, 947 seminars, 203 join communication actions, 180 capacity-building and supporting actions and 72 monitoring activities organised across all participating countries within the programme’s first 4 years in operation.

In 2018, the Commission carried out a midterm evaluation of the Customs 2020 programme (110), which confirmed that the programme is working well, is needed and adds value. Most of the programme’s joint actions, training and European Information Systems directly help customs administrations to get ready for the modern, well functioning Customs Union.

The European Information Systems are resource-intensive but bring an array of benefits in all areas of customs activities. The benefits include harmonisation of customs procedures, uniform implementation of the customs law, sharing of information and generating economies of scale, particularly through the centralised systems. They are interconnected and interoperable and vastly used in the day-to-day customs operations. Their importance in pursuing modernisation of customs towards a paperless environment was found invaluable and the IT architecture as a whole unmatched and un reproducible at national level.

Customs 2020 programme fosters cooperation and builds trust between customs administrations and their officials. Training activities are also conducive to shared understanding, alignment of interpretations of the customs provisions, standardisation of terminology and ultimately more uniformity into application of the EU law across the Member States.

The midterm evaluation of the programme identified nevertheless some room for improvement in certain areas, such as the simplifying the Performance Measurement Framework or increasing the interoperability of some IT systems.

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The Commission proposed to continue the programme post-2020. Customs cooperations and capacity building would be clustered around human-networking and competency-building actions, on the one hand, and information technology capacity-building actions, on the other hand. As with the current iteration of the programme, the vast majority of the proposed budget will be spent on IT capacity-building actions, continuing the approach based on an IT-architecture model where European electronic systems are made of a combination of common and national components. This model has been favoured above the fully centralised architecture, leaving the Member States some flexibility in designing the national-end applications, taking into account their preferences, requirements and constraints.

**Fiscalis 2020**

The Fiscalis 2020 programme is one of the key measures to support the implementation of European Union taxation policy. It provides a framework to improve the proper functioning of the taxation systems in the single market through enhanced cooperation between participating countries, their tax authorities and officials. The participating countries are made up of the EU Member States and the countries negotiating to join the EU (‘candidate countries’) and potential candidate countries (111). Due to the programme’s design and objectives, the vast majority of funding goes into the development and operation of the IT systems (around 75%), followed by the organisation of the joint action, studies and training activities.

The Commission carried out the midterm evaluation of the Fiscalis 2020 programme during the course of 2018, assessing its achievements for the first 4 years of operation (112).

It confirmed that the programme is working well, is needed and adds value. Fiscalis 2020 has played an integral role in reinforcing cooperation between tax authorities in the EU Member States and other participating countries, through its three main types of activities (joint actions, European Information Systems and training). The programme has provided the framework and technological means necessary to work together and share information; thus, implementing EU tax law and fighting tax evasion, fraud and aggressive tax planning in an increasingly mobile Europe. Contributions were most pronounced in the areas of fighting tax fraud/evasion in the areas of value added tax and excise (for information technology such as the mini-one-stop-shop, eforms or vies-on-web).

The information systems supported by the Fiscalis programme have led to substantial, if hard to quantify, cost savings for national administrations in the form of reduced spending on information technology and human resources. Centrally developed systems are cheaper to develop and implement than 28 individual national systems. They also avoid costs relating to interoperability between countries. Where systems are split between EU and national components, the programme ensures interconnectivity and efficient coexistence.

In terms of functionality, major European Information Systems like the Excise Movement and Control System and the Mini-One-Stop-Shop have also been referred to by several interviewees as ‘revolutionary’ in their fields, leading to completely new possibilities for monitoring, sharing of information and prevention of fraud. Secondary benefits include new opportunities for big data analysis for e.g. compliance risk management. The expansion of the Mini-One-Stop-Shop in the next programme (to cover physical products) is expected to generate especially big benefits for tax collection and the facilitation of trade.

(111) http://ec.europa.eu/environment/enlarg/candidates.htm
Hercule III

Hercule III is a programme[^113] that helps EU countries to combat irregularities, fraud and corruption affecting the EU budget. The programme aims to protect the EU’s financial interests and consequently protect taxpayers’ money and enhance the competitiveness of the EU economy. The programme also finances practical projects, such as the purchase by national authorities of x-ray scanners, sniffer dogs and other detection and investigation equipment to stamp out smuggling and other criminal activities.

A key domain is combating tobacco smuggling which remains a major concern, accounting for estimated annual losses of at least EUR 10 billion to national and EU budgets. Helping to fund x-ray scanners and other technical equipment in harbours and airports, for example, aims to boost national authorities’ capacity to fight smuggling. Hercule III also finances the sharing of best practices on issues such as preventing corruption in procurement procedures. Another facet is anti-fraud training, including training aimed at boosting and updating the digital forensic and analyst skills of law-enforcement staff.

The midterm Commission evaluation[^114] demonstrated that the Hercule III programme has largely fulfilled its mission. The evaluation revealed the overall efficiency and effectiveness of the programme for both training actions and technical assistance activities. The stakeholders reported that the programme has been efficiently implemented while effectively addressing the Member States’ needs.

The introduction of the electronic submission and processing of grant applications is an important development which has considerably shortened the time for notifying applicants about the outcome of the evaluation procedure.

The new EU Anti-Fraud Programme (2021-2027) aims at continuing and strengthening the support to Member States in their fight against fraud, irregularities and corruption affecting the EU budget.

Pericles 2020

Pericles 2020 funds staff exchanges, seminars, training and studies for law-enforcement and judicial authorities, banks and others involved in preventing and combating euro banknote and coin counterfeiting. Actions can take place within the euro area, in EU countries outside the euro area and in third countries representing a counterfeiting hub. Funding is used for: (i) the provision of grants to competent national authorities (CNAs) interested in implementing actions (‘CNA-implemented actions’); and (ii) the financing of actions implemented directly by the European Commission (‘direct actions’). The annual distributions vary, but around 70% of the annual budget is commonly allocated to competent national authority (CNA)-implemented actions and 30% to direct actions.

In 2018, the programme funded 11 projects; eight originated from the competent national authorities of euro area Member States, while three were initiatives of the Commission.

Anti-fraud information system[^115]

The anti-fraud information system sets out and funds a set of anti-fraud information-technology applications operated by the European Commission. These ensure the timely and secure exchange of fraud-related information between the national and the EU competent administrations. It encompasses two major areas: the mutual assistance in customs and the management of irregularities. The system is supported by a portal, which is a single and common infrastructure for the delivery of these services to more than 8 000 registered end-users in more than 1 200 competent services from Member States, partner third countries, international

organisations, Commission services and other EU institutions. The portal enables substantial economies of scale and mutual benefits in the development, maintenance and operations of such a wide and diverse set of IT services and tools.

The anti-fraud information system also includes a system for managing irregularities. It gave assistance to the European Commission and Member States in the fight against customs fraud and the administration of the expenditure part of the EU budget.

For example, in 2018, the anti-fraud information system supported mutual-assistance activities including joint customs operations co-organised by the European Anti-Fraud Office (OLAF) and the European Union Border Assistance Mission to Moldova and Ukraine, or organised by Member States or Europol with the support of European Anti-Fraud Office (OLAF). Throughout 2018, five joint customs operations were co-organised or supported under the system. Modules of the system were used for the secure exchange of information in these joint customs operations. The number of active customs fraud cases for which information is available in the mutual-assistance databases of the system in 2018 was 18 340, an increase of 2016 cases in comparison to the previous year. Under the next multiannual financial framework, the anti-fraud information system will be integrated in the future anti-fraud programme.

The future programme will strengthen and streamline the existing union support to the efforts to protect the EU’s financial interests and for mutual administrative assistance in customs matters, as well as exploit synergies and create flexibility between various existing actions.\(^{(116)}\)

**ISA\(^2\) — Interoperability solutions and common frameworks for European public administration, businesses and citizens**

Coordination issues hamper cross-border and cross-sectorial interoperability. They arise mostly due to the institutional complexity, with multiple layers of governance and differences between national public administrations from various Member States, and regional, local public administrations within the Member States. The ISA\(^2\) programme for interoperability solutions and common frameworks for European public administration, businesses and citizens supports the development of digital solutions that enable public administrations, businesses and the public to benefit from interoperable cross-border and cross-sector public services.

The programme is part of a wider policy framework related to the digitalisation of public administrations in the EU. It develops interoperability solutions either autonomously or to complement and support other EU initiatives. It also promotes and maintains the European interoperability framework in cooperation with the Member States and the Commission. The 2018 rolling work programme consisted of 53 actions, having evolved from managing 39 actions in its first year of operation, and 43 actions in 2017. The programme has so far been implemented efficiently with close to all the actions progressing as planned at the end of 2018.

The preliminary findings of the interim evaluation confirm the programme’s relevance and effectiveness and the fact that the programme’s implementation is on track.\(^{(117)}\) The programme has contributed to enhancing cross-border interoperability in the EU. By way of example, it raises the awareness about interoperability across EU Member States and helps put the topic on national agendas. It also brings people together, creating networks and helping national organisations meet their counterparts in different countries, thus facilitating exchanges between Member States in the field of interoperability.

These external factors are considered when selecting new actions for ISA\(^2\) yearly work programmes. In the context of the next multiannual financial framework, ISA\(^2\) will be succeeded by the digital Europe programme, which will enlarge the scope of intervention and leverage synergies with actions from the current Connecting Europe Facility and Horizon 2020 programmes.

\(^{(116)}\) Proposal for a Regulation establishing the EU Anti-Fraud Programme, COM(2018)386, p 2.

\(^{(117)}\) The Commission Report announcing the interim evaluation’s final results will be available later this year (third quarter of 2019).
European statistical programme

The European statistical programme as laid down in Regulation (EU) 99/2013 (118) provides the framework for the development, production and dissemination of European statistics for the period 2013-2020. The statistics produced within the framework of the programme are indispensable for EU decision-making and for the measurement of the performance and impact of key initiatives such as the investment plan for Europe, the European Pillar of Social Rights, or the energy union.

The European statistical programme is designed to provide quality statistical information in a timely manner while keeping a balance between the economic, social and environmental fields. It serves the needs of the wide range of users of European statistics, including decision-makers, researchers, businesses and the public in general, in a cost-effective manner without unnecessary duplication of effort.

A second midterm evaluation of the European statistical programme 2013-2020 was performed in 2018, covering the years 2015-2017. The evaluation indicates that the programme is run efficiently, that it provides clear EU added value and is consistent both internally and externally with other initiatives aiming at producing statistics. The results also show that the European statistical programme has contributed and continues to contribute to satisfy the user needs and to the design and monitoring of policies but more is needed. Eurostat and the European statistical system are modernising the statistical production processes to respond to such needs while taking advantage of new technologies. Under the next multiannual financial framework, these activities will be integrated in the new single market programme, while preserving the necessary professional independence in the delivery of European statistics. The integration of different single market-related instruments centrally managed by the Commission into one programme will reduce overlaps, increase synergies and facilitate communication and networking with all of the various stakeholder groups. Such a consolidation of activities provides higher value for money and cost-efficiency.

Nuclear-decommissioning assistance programmes in Bulgaria, Slovakia and Lithuania

Bulgaria, Lithuania and Slovakia agreed as part of their accession to the EU to close and decommission a number of first-generation nuclear power reactors power plants (eight units at three different sites: Kozloduy, Ignalina and Bohunice, respectively) before the end of their envisaged operational lifetime. Given the financial burden the process would entail and acknowledging the long-term nature of the decommissioning of the nuclear power plants, the EU committed to providing financial assistance to the three countries.

In Bulgaria (119) the programme has seen important waste-management infrastructures become operational. In 2018, in particular, a facility for high-performance volume reduction of radioactive waste entered into service. The operational feedback will be of high interest to other organisations that treat radioactive waste in the EU as they are confronted with similar challenges.

In Slovakia (120), there was significant progress in 2018 notably as regards decontamination and dismantling both in turbine halls and auxiliary buildings (demolition of four cooling towers) and in the reactor building (decontamination of the spent-fuel pools and other tanks). The demolition of the cooling towers attracted widespread public attention and was a visible demonstration of the site’s progress towards clean-up. The decontamination in the reactor building has greatly contributed to reducing the radiation exposure of the personnel concerned.


(120) Programme statement 2018 Nuclear-decommissioning assistance programme in Bulgaria and Slovakia, p 2.
In Lithuania (121), a second reactor was fully defueled \textit{in February 2018}, months ahead of schedule. Two reactors are now defueled. \textit{By 31 December 2018}, more than 50\% of spent-fuel assemblies had been safely loaded into casks and put into storage meaning the level of radiological hazard and risk to the general public have substantially decreased.

A very important aspect, as highlighted also by the evaluation finalised \textit{in 2018} (122), is the additional value the nuclear-decommissioning assistance programme brings in terms of building up knowledge and expertise. This has helped the three countries concerned. For example, Slovakia helped Bulgaria to draft the specifications for the call for tender in support of the preparation of the reactor building for the decontamination of the primary circuit, after having successfully completed the decontamination of their own primary circuit (123). The knowledge is also important, given the non-negligible number of nuclear power plants across the EU that will require decommissioning in the future.

In its proposal for the multiannual financial framework, the Commission included support to continue these activities.

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Economic, social and territorial cohesion (budget heading 1B)

In 2018, EUR 55.5 billion was allocated to the programmes under heading 1B, representing 35% of the total EU budget for the year. This heading covers the youth employment initiative, the Fund for European Aid to the Most Deprived and three funds that work together to support cohesion across all EU Member States:

- the European Regional Development Fund (ERDF)
- the European Social Fund (ESF)
- the Cohesion Fund.

Cohesion policy contributes to the economic, social and territorial cohesion of the EU by reducing the economic and social disparities that still exist between its regions and countries. This policy is one of the EU’s most important sources of investment, contributing to the delivery of the Europe 2020 objectives by supporting growth and job creation at EU level and structural reforms at national level. The funds are complemented by the European Fund for Strategic Investments, which leverages public and private investment, supports structural reforms and improves access to funding.

Performance information for the budget heading 1B covers predominantly the year 2017 as 2018 information only becomes available from Member States in 2019 after the publication of this report.
Cohesion policy supports the completion of the digital single market and the energy union and, by investing in energy, environment, climate and sustainable transport, makes a significant contribution to Europe’s transition to a low-carbon economy. Cohesion policy also contributes to the development of the internal market, to the comprehensive approach to migration policy, and to the implementation of the European Pillar of Social Rights. This is achieved for example by moderating the effects of poverty and the social exclusion of people who find themselves in situations of severe deprivation and by supporting (youth) employment.

Despite having started more slowly than in the 2007-2013 period, the rate of project selection in the current programming period has now caught up. By December 2018, the European Regional Development Fund, the Cohesion Fund, the European Social Fund and the youth employment initiative had selected more than 1 million projects for support all over Europe, amounting to EUR 362 billion of the total financing available for the period. This level of project selection over 2014-2018 is comparable to the same timeframe of the 2007-2013 period.
European Regional Development Fund and Cohesion Fund investments support all EU regions

By giving them the means to succeed in a globalised economy
- Cohesion policy funds have helped create 1.3 million jobs in the EU over the last 10 years and over 8.9 million people have gained new qualification (*).
- Over 43 000 companies cooperating with research institutions have received funding.
- More than 284 000 jobs are created thanks to support to small businesses.
- 90 000 start-ups received funding.

By helping them embrace the digital revolution
- Some 7 800 projects were selected to support the connected digital single market, corresponding to EUR 10.3 billion of total investment (EU plus national co-financing).

By investing in education and health
- Cohesion policy invests in social infrastructure:
  - 1.8 million children benefit from new or modernised schools and childcare facilities.
  - 51 million people have access to improved health-care services.

By connecting territories and reducing distances
- More than 2 700 km of reconstructed railway lines and close to 7 500 km of reconstructed roads, as well as 3 100 km of new roads.
- Cities such as Warsaw, Sofia and Bucharest will have modern metro systems thanks to cohesion policy investments.

By protecting their environment and using resources wisely
- More than 36 million people in Europe are covered by flood protection measures.
- 18 million people in Europe by forest fire protection measures.
- 7 million hectares of habitat benefit from conservation measures.
- 8.5 million people in Europe benefit from an improved drinking water supply.
- More than 14.5 million people in Europe have access to improved wastewater treatment.
- Actions financed by the Cohesion Fund deliver an estimated annual decrease in greenhouse emissions of 9.7 million tonnes of CO₂ equivalent and an improved energy consumption classification for 330 000 households.

Note: Figures, except (*) represent the expected impact from the 2014-2020 Cohesion Policy projects that started to receive support before 31 December 2018.
European Regional Development Fund and Cohesion Fund

Programme objectives

The European Regional Development Fund and the Cohesion Fund are two of the EU’s main investment instruments, delivering a critical mass of investment in EU priority areas. They provide strong support for the implementation of the country-specific recommendations issued to Member States in the context of the European Semester for economic policy coordination. The 2014-2020 programmes were the first programmes to be explicitly linked to the European Semester annual. Relevant country-specific recommendations (CSRs) were notably a focal point for effective programming and are reflected in the adopted partnership agreements and ongoing programmes, which currently provide an impetus for Member States to implement structural changes and policy reforms through investment targeting structural weaknesses and growth bottlenecks. The funds played an important role in countering the immediate effects of the economic and financial crisis, as well as strengthening the structural potential of Europe’s regions for the longer term. The investment priorities for 2014-2020 are the following.

<table>
<thead>
<tr>
<th>Priority Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening research, technological development and innovation</td>
<td>Enhancing access to and use and quality of information and communications technology (ICT)</td>
</tr>
<tr>
<td>Enhancing the competitiveness of small and medium-sized enterprises</td>
<td>Supporting the shift towards a low-carbon economy in all sectors</td>
</tr>
<tr>
<td>Promoting climate-change adaptation, risk prevention and management</td>
<td>Preserving and protecting the environment and promoting resource efficiency</td>
</tr>
<tr>
<td>Promoting sustainable transport and removing bottlenecks in key network infrastructures</td>
<td>Promoting sustainable and quality employment and supporting labour mobility</td>
</tr>
<tr>
<td>Promoting social inclusion, combating poverty and any discrimination</td>
<td>Investing in education, training and vocational training for skills and lifelong learning</td>
</tr>
<tr>
<td>Enhancing institutional capacity of public authorities and stakeholders and efficient public administration</td>
<td></td>
</tr>
</tbody>
</table>

Implementation and latest achievements

Cohesion policy, representing almost a third of the total EU budget, has been a major source of public investment in many Member States during and after the crisis providing, for example, almost 9% of general government capital expenditure on average in the EU-28 and 41% (125) in the EU-13 Member States in 2015-

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(125) European Commission, Seventh report on economic, social and territorial cohesion, page 176-177  
https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf
Cohesion policy also plays a key role in supporting the achievement of the Juncker Commission’s priorities and contributing to solidarity and unity in Europe. Investments in one country create positive spillovers in (around 0.12% of GDP) in non-cohesion countries.

Cohesion policy will be responsible for nearly EUR 1 trillion of additional GDP by 2023. The policy has benefited the economies of all EU Member States and supported them during difficult economic times.

EUR 346.5 BILLION
Invested in 2007-2013

Estimated return of nearly EUR 1 trillion of additional gross domestic product by 2023

Lasting impact in all Member States: over 4% in Bulgaria, Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

Five years into the 2014-2020 funding period, the implementation of cohesion policy programmes continues at full speed, with EUR 270 billion already allocated to projects in Member States by December 2018, which is almost 77% of the funds’ total financial allocation. This represents more than 290 thousand projects. EUR 80 billion remains to be allocated to projects, with full completion of investment by 2023 when the funding period will close. This represents further acceleration compared to the results registered at the end of 2017, which stood at 55% of total funding allocated to projects. More importantly, this trend slightly exceeds the one of the last programming period (dotted line in the following chart) and anticipates a sustained pace of implementation in the second half of the programming period.

Source: European Commission.

(126) Bulgaria, Croatia, Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.
(127) For the 2007-13 programmes; but similar levels can be expected for the 2014-2020 programmes.
(128) 2007-2013 ex post evaluation
Investments in research and innovation have continued to progress at a significant pace in 2018, showing good performance across most Member States. At the end of 2018, over 50,000 specific research and innovation projects have been selected, representing 73% of the total amount planned. Since 2014, more than 15,200 researchers have benefited from improved research infrastructure and 7,000 enterprises are cooperating with research centres across the EU. As a result of projects implemented so far, more than 3,200 new products have been introduced onto the market by businesses that have benefited from the funding.

The European Regional Development Fund and the Cohesion Fund help businesses to increase their competitiveness, develop new products, find new markets and create new jobs, with particular emphasis on innovation and high growth firms and programmes aimed at supporting the innovative capacity of small and medium-sized enterprises. The wide range of support on offer to small and medium-sized enterprises is also crucial to achieving a deeper and fairer internal market with a solid industrial base. By the end of 2018, an estimated 88% of the total amount has been allocated to over 95,000 projects to improve the competitiveness of small and medium-sized enterprises.

Cohesion policy is the largest EU financing source for modernising the European transport system and adapting it to new challenges. Support for the TEN-T rail and road network plays a prominent role, as well as investments in sustainable urban mobility, which will make the daily commute cleaner, faster and safer for Europe’s citizens. By the end of 2018, around 2,500 projects allocated to network infrastructure projects were supported.

With the support of the European Regional Development Fund, a major stretch of the ‘cycle highway’ between Antwerp and Brussels was finalised in 2018. The cycle highway offers a safe and convenient alternative for commuters. It is a sustainable response to congestion challenges contributing to the decarbonisation of transport.

A substantial share of funding is devoted to improving the business environment and supporting entrepreneurship. For instance, more than 90,000 start-ups are supported. An important aspect is to facilitate access to finance; since the beginning of the programming period, EUR 2.7 billion has been invested using the leverage effect of financial instruments.

Croatia — ESIF Venture Capital Fund to support innovative start-ups

Croatia set up the ‘ESIF Venture Capital Fund’ in June 2018 — the first Venture Capital instrument supported by European Regional Development Fund. Thanks to EUR 35 million from the Operational Programme Competitiveness and cohesion 2014-2020, the fund will invest into risk capital funds targeting local small and medium-sized enterprises with high growth potential, allowing them to scale up and compete globally. The ESIF Venture Capital Fund will target in particular earlier stage investments and will offer a fully-fledged acceleration programme. It adds a new element to the successful portfolio of debt instruments supported by the European Regional Development Fund and will contribute to developing a sound and dynamic start-up ecosystem in the country.

This is a good example of how cohesion policy invests in jobs and growth, in line with the investment plan for Europe. At least 50 seed stage and 15 start-up stage companies will receive vital support. The instrument is also expected to have strong spill-over effects in terms of business angels, entrepreneurial workshops and corporates and a strong pipeline leading to a much more pronounced interest of regional venture capital funds to invest in Croatia.
Significant progress has also been made in the area of environmental protection and promotion of resource efficiency, where 12 500 projects were supported by the end of 2018. Even though such investments have a long lifecycle, many results have already been achieved. Millions of citizens are now protected against natural disasters such as floods and fires. Hundreds of thousands of citizens benefit from facilities that improve water supply and water treatment. Implementation varies across and within Member States. Progress remains a bit slower as regards the objectives linked to the increase of waste-recycling capacity and rehabilitation of land, as projects selected so far cover only a modest fraction of the expected target. This is notably due to the lengthy planning procedures for such projects.

The European Regional Development Fund is the main investment tool for the digitalisation of the public sector and of small and medium-sized enterprises and for the roll-out of broadband. Its aim is to achieve efficiency gains thanks to e-government solutions, smart energy and transport solutions by delivering tailored support on the ground and matching local needs and opportunities. By the end of 2018, some 7 800 projects were selected on the ground to support the achievement of a connected digital single market, representing 63% of the total planned. While notable progress has been registered across several Member States in 2018, some difficulties have slowed down the implementation of broadband projects in the early stages of implementation in certain countries (such as difficulties in mapping of intervention areas and selection of beneficiaries, state aid issues). In response to these difficulties, targeted actions aimed at improving the administrative capacity of programme authorities in this area continue to be implemented.

Appropriate follow-up to the action plan on rural broadband (129) was ensured, with country visits (Bulgaria, Croatia, Czechia, Romania, Slovakia) for which also requests for reprogramming were examined and bottleneck in implementation discussed. Among other initiatives, the work of the network of Broadband Competence Offices across Member States, supported by a Brussels-based facility, has started to bring positive outcomes. Through single points of contact within the Member States, this network provides information and/or advice to any public authority wishing to roll-out high-speed broadband, as well as any potential broadband project promoter enquiring about the EU/national/regional funding available for broadband. All these actions are expected to help improve the digital performance of regions and Member States, thus positively contributing to the attainment of the target set for the impact indicator capturing digital competitiveness of Member States.

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**Strengthening of digital strategic governance in Member States in Italy**

A ‘digital divide’, or uneven distribution, in the access to and use of information technologies exists between the Italian regions (especially in southern Italy) and the rest of Europe. Italy has adopted a strategy for digital growth, which intends to: guarantee broadband internet coverage (of at least 30 Mbps) to the entire Italian population; provide offices, public buildings and 85% of private households with a very high connection (of at least 100 Mbps) and bring high-speed broadband to the industrial areas. EUR 2.6 billion in investments are committed to projects supporting digital growth in 2014-2020.

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Achieving an energy union will ensure security, affordability and sustainability of energy supply in Europe, while also making the EU less dependent on the international market and external sources of energy raw materials. Cohesion policy is the biggest EU investment source in making the energy union happen on the ground and supporting EU’s regions and cities in their path for reaching the EU 2020 and 2030 climate and energy targets and achieving a socially fair transition.

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**Hungary – Support for Hungary’s largest power plant**

The first solar power plant under the 2018-2019 photovoltaic project of the MVM Group has been built in the vicinity of Felsőzsolca and Onga on nearly 45 hectares, thanks to a total investment of around EUR 28 million, provided by European Regional Development Fund and the national budget. It has started generating electricity as the unit with the largest installed capacity in Hungary – 20 megawatts. The Felsőzsolca Solar Power Plant is the first to start electricity generation among 110 solar units planned.

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Cohesion policy is also the main EU funding source on disaster-risk management. Over 25 000 projects in the area of low-carbon economy have been selected and either will be or are already being implemented on the ground. For investments targeting climate-related goals, nearly 2 500 projects have been selected.

Measures supported by the European Regional Development Fund are addressing the needs created by the exceptional flow of migrants to Europe by focusing on support for reception and the effective integration of legal migrants and asylum seekers in the field of employment, social inclusion and education. A significant contribution towards these objectives results from support for small and medium-sized enterprises, through which business support services reach all potential entrepreneurs, including those from more vulnerable groups such as migrants, with the aim to make the EU in its entirety stronger and more cohesive. Project selection rate in the area of social inclusion exceeds 60% at the end of 2018, with close to 8 000 projects already selected and being implemented.

Assessment and evaluation

The evaluation of the predecessor programmes \(^{(130)}\) found that regions and countries in the EU benefit from the cohesion funds owing both to direct effects (via the investment) and indirect effects (via increased trade).

The evaluation found that support to small and medium enterprises has high potential impact, provided it focuses on helping dynamic firms to grow, on smart specialisation strategies and on facilitating regions to move up the economic chain, rather than trying to maintain the ‘old’ economy of the past. Additionally, high value added contributions are evidenced in themes such as the low-carbon economy, sustainable urban development and regional cooperation. This feedback has been taken on board in the Commission proposal \(^{(131)}\) for the next multiannual financial framework, which maintains thematic concentration with priorities to support innovation, the digital economy and small businesses, as well as the low-carbon and circular economy.

The evaluation also concluded that the most effective strategy to attract large enterprises is not through financial incentives but by improving local conditions such as the local business environment. Airport investments have tended to perform poorly, except in the outermost regions where there is a benefit. The proposal for the next multiannual financial framework, contains a list of excluded activities such as direct support to large enterprises, airport infrastructure and some waste-management operations such as landfills.

It was also found that financial instruments have the potential to be a more efficient means of funding investment in some policy areas, but there were delays in implementation and obstacles to their widespread use. These issues were addressed in the Commission proposal for a common provisions regulation \(^{(132)}\) for the post-2020 period as it provides for flexibility and responsiveness to future needs, for instance by

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enabling small transfers of resources without operational programme modification. Additionally, operational programme allocations are set out for the first 5 years and then for the last 2 years are allocated on the basis of a review. The implementation of financial instruments is simplified, aligning many of the relevant provisions with those of grants.

The evaluation found that management, control and audit systems were complex. This caused administrative uncertainty and delays in implementation. A recent study requested by the Commission identified substantial administrative costs which are estimated at 2.2% of total eligible costs for the European Regional Development Fund and 1.8% for the Cohesion Fund (overall figure is 4% for the European Structural and Investment Funds in general). The Commission is learning from this and the proposal for the future programmes includes many measures to simplify and reduce administrative burden. Greater use of simplified cost options and payments based on conditions could substantially reduce total administrative costs. Certain rules for major projects and revenue generating investments are eliminated. Additionally, a more proportionate approach to controls and audits will bring a major reduction in the number of verifications and the audit burden for low-risk operational programmes.

The European Court of Auditors reported that the Commission implemented various measures aimed at increasing the focus on results in the 2014-2020 period; it welcomed the improvements, but also highlighted weaknesses in the quality of monitoring the information related to spending on cohesion policy. The Court noted that monitoring information remains mostly output-oriented and recommended that the Commission set out common result indicators for the European Regional Development Fund. In response, the Commission proposal for the funds for 2021-2027 maintains and refines the common set of output indicators, while adding for the first time a common set of result indicators, for the performance frameworks which are to be established by Member States for the monitoring, reporting and evaluation of programme performance. The proposal would enable results to be reported regularly updated on the Open Data Platform and comparison across programmes and Member States, which will feed into performance assessment and evaluations.

The link of the programmes with the European Semester is strengthened for the period 2021-2027. As part of the 2019 European Semester cycle, the Commission provided tailored country-specific analysis of investment needs and bottlenecks to investments, taking into account relevant regional and territorial disparities. Based on these analytical elements and taking into account cohesion policy objectives, country-specific investment guidance were developed and summarised in an annex to the country reports (Annex D). This annex provides the basis for the dialogue between Member States and the Commission services in view of the programming of the cohesion policy funds for 2021-2027.

European Social Fund

Programme objectives

Making Europe cohesive, resilient and competitive in the future means investing in its people now: in their education and training, skills and employability and in their potential to create businesses and to innovate, as well as in their health and their broader living conditions. Investing in people and building a fairer and more social EU have been among the main priorities of the current Commission from the very start.

The European Social Fund is the EU’s main instrument for supporting jobs, helping people to get better jobs, ensuring fairer job opportunities for all and supporting upskilling and reskilling. It has a direct link to the

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(136) https://cohesiondata.ec.europa.eu
priorities and headline targets of the Europe 2020 strategy in terms of employment, education and poverty and is a key tool to deliver on the principles and rights enshrined in the European pillar of social rights. The thematic objectives are the following.

<table>
<thead>
<tr>
<th>Promoting sustainable and quality employment and supporting labour mobility</th>
<th>Promoting social inclusion, combating poverty and any discrimination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing in education, training and vocational training for skills and lifelong learning</td>
<td>Enhancing institutional capacity of public authorities and stakeholders and efficient public administration</td>
</tr>
<tr>
<td>Target youth unemployment for persons under the age of 25 not in employment, education or training</td>
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**Implementation and latest achievements (137)**

By end 2017, the European Social Fund and the youth employment initiative had supported **15.3 million people, of whom 7.9 million were unemployed and 4.9 million were inactive**. By then, Member States had declared that **2.4 million young people had already benefited** from the youth employment initiative. Amongst all participants, 1.4 million were in employment, 1.9 million have gained a qualification and 870 000 participants were in education or training thanks to the European Social Fund or the youth employment initiative support.

Investments from the European Social Fund and the youth employment initiative are the main source of EU-level support to structural reforms in Member States, especially in areas related to the reform of public employment services, activation measures, the development of individualised integrated pathways for employment, the set-up and implementation of dual vocational education and training, apprenticeship measures or investment in (child)care aimed at increasing female participation in the labour market.

**Making full use of the European Social Fund (138)**

With a budget of EUR 86.4 billion for 2014-2020, the European Social Fund is one the key EU instruments to support the implementation of the country-specific recommendations. The operational programmes directly contribute to promoting sustainable and high-quality employment, social inclusion, investment in education and training and institutional capacity building. The youth employment initiative is a dedicated instrument with a budget of EUR 8.8 billion, half of which comes from the European Social Fund. The youth employment initiative targets young people not in employment, education or training, in the EU regions having the highest youth unemployment rates in 2012, providing them with job and training opportunities.

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Between 2014 and 2017, over 15 million participants benefited from the European Social Fund and the youth employment initiative support, including almost 3 million long-term unemployed persons (17%). Young people below 25 years of age (42% of total participants) and low-skilled people with primary or lower secondary education (44% of total participants) are key target groups of these interventions. Implementation, which showed a sharp acceleration in 2017, should continue steadily in the coming years.

Over 2.4 million people were supported by the youth employment initiative between 2014 and 2017, out of which:
- 780,000 young people were in education/training and gaining a qualification or in employment, including self-employment, upon leaving;
- 550,000 young people received an offer of employment, continued education, apprenticeship or traineeship.

The fact that the number of European Social Fund and youth employment initiative participants has doubled since end-2016 indicates a sharp acceleration in the implementation of projects on the ground.

Member States are stepping up their outreach efforts, making services more accessible to young people and ensuring a better identification of those in need.

In Finland, the one-stop guidance centres for youth (Ohjaamo, originally operating under the European Social Fund) were made permanent and will receive extensive financial support, aiming to reach a total of 10,000 young people. Youth employment agencies are being rolled out across Germany. Cyprus has launched an outreach project supported by the Ministry of Education in cooperation with the Ministry of Labour and the Cyprus Youth Board, aiming to reach out to 4,000 inactive people who are not in employment, education or training and to provide them with activation support through counselling and tailor-made training. In Croatia, a system for mapping eligible participants has been in place since November 2017, with the aim of identifying the non-registered ones and their characteristics to better target measures to this group.

In a number of Member States, the European Social Fund supports capacity building and structural reforms (139). For instance,

- in Latvia, the European Social Fund supports the strengthening of social dialogue. The goal is to develop a legal framework facilitating social dialogue in different sectors.
- in Spain, the fund supported the strategy for integration into the labour market. Similarly, the European Social Fund is currently investing resources in the support of the ‘apprenticeship contract’ both in training programmes and in alleviating companies’ social-security contributions. The apprenticeship contract is also one of the offers under the Spanish Youth Guarantee, especially aimed at young people without any previous qualification or with a very low overall qualification.
- in Czechia, the European Social Fund and the European Regional Development Fund provided a considerable boost to the allocation for childcare facilities (approximately EUR 220 million across all Czech European Social Fund and European Regional Development Fund programmes, i.e. almost tripling). The demand for services on the ground has since been confirmed by a significant interest of applicants. Legislative changes were introduced to enlarge the requirements for opening a preschool education entity and enable employers to set up kindergartens. So far, more than 9,000 kindergarten places have been created.
- in Portugal, the European Social Fund supports the institutional capacity building of social partners in view of their important role in the modernisation of active labour-market policies and vocational education and training.

Assessment and evaluation

Member States completed 164 European Social Fund and multifund evaluations related to the 2014-2020 period by mid-2018. These evaluations assess both the process and the implementation of the Fund. The Commission launched four thematic evaluations in 2018 (on support to youth employment, on support to employment and mobility, on support to education and training and on support to social inclusion).

In 2018, the Commission prepared the impact assessment and the proposal for the European Social Fund Plus 2021-2027 (ESF+). Some key areas identified for improvement were as follows.

- Better policy alignment with the EU-level policy priorities and economic governance in the context of the European Semester.
- The 2014-2020 result orientation was strengthened but has so far not proved to be a sufficient performance incentive for Member States.
- Despite some progress the management and delivery of the fund remains too complex and the shift from a logic based on inputs towards one based on results, while it has improved in 2014-2020, has not fully taken place.
- The youth employment initiative: its financial management procedures (being funded from two funding sources — the youth employment initiative and European Social Fund allocations) as well as its additional reporting requirements (common indicators of the European Social Fund and the youth employment initiative result indicators) are perceived by beneficiaries and implementing authorities as increasing the administrative burden. Focus for further improvement should relate to better involve more the young people who are furthest away from education, training and employment as well as to increase the overall quality of the job and training offers funded by the initiative in the context of Youth Guarantee schemes.

On 30 May 2018, the Commission adopted a proposal for the European Social Fund Plus. Within the broader framework of the European Structural and Investment Funds, this fund will make it possible to better focus support on the challenges identified in the European Semester. In this context, European Social Fund Plus will merge the:

- European Social Fund and the youth employment initiative
- Fund for European Aid to the Most Deprived
- EU programme for Employment and Social Innovation
- EU Health programme.

Fund for European Aid to the Most Deprived

Programme objectives

The Fund for European Aid to the Most Deprived supports EU Member States’ actions to provide assistance to the most deprived. This includes food, clothing and other essential items for personal use.

This fund aims to alleviate the worst forms of poverty in the EU such as food deprivation, homelessness and child poverty. It is implemented under shared management, with simplified rules and reduced administrative requirements as compared with the European Social Fund. The allocation for the Fund for European Aid to the Most Deprived for 2014–2020 amounts to almost EUR 3.8 billion.

\[(140)\] Programme statement 2018, p. 3.
Implementation and latest achievements (143)

- In 2017, the Fund for European Aid to the Most Deprived supported 12.9 million people.
- About half of the end recipients are estimated to be women, 30% are children aged 15 or below and about 10% are migrants, participants with a foreign background or persons belonging to a minority (including marginalised communities such as Roma).
- Social-inclusion support reached more than 36 000 persons.
- Over 1.3 million tonnes of food were distributed cumulatively during the period 2014-2017, and circa 370 000 tonnes alone (i.e. approximately 30%) in 2017.

The monetary value of material support distributed until 2017 reached EUR 19.5 million. Compared to 2016, the monetary value of basic material assistance increased by 25%.

Assessment and evaluation

The results of the 2018 midterm evaluation (144) show that the Fund for European Aid to the Most Deprived has a notable volume effect in nearly each Member State. The supported food, material aid and social-inclusion measures make a difference to the most deprived, including those who may be otherwise left out by mainstream social assistance or who need immediate support.

Networking and knowledge sharing between institutions, partner organisations and social services, as well as across different partner organisations played an important role in disseminating good practices. This was in particular the case for non-financial assistance to the most-deprived persons.

The midterm evaluation identified a number of weaknesses in the implementation of the Fund for European Aid to the Most Deprived. Erroneous interpretations of the EU regulatory framework or of national requirements resulted sometimes in (a) delays in the start-up phase of the programme; (b) administrative obstacles mostly linked to national procurement policies and to additional requirements; (c) lengthy documentation procedures and instructions; and (d) excessive procedures for the certification of end recipients.

Similarly, setting a narrow list of eligibility criteria for the end-beneficiaries has the disadvantage of excluding those who do not have access to the social system and does not permit promptly responding to emergencies.

The Court of Auditors found (145) that the Fund for European Aid to the Most Deprived contributes to Member States’ approaches to alleviating poverty and contains innovative social-inclusion measures, but it could be better targeted to the most in need and there could be more focus on social inclusion instead of on basic food and material assistance.

On 30 May 2018, the Commission proposed a European Social Fund Plus, in which the Fund for European Aid to the Most Deprived will be merged with the European Social Fund. This will allow for an easier combination of provisions of food/material assistance with support for social inclusion and active measures. It will help create synergies, thus further strengthening the social-inclusion dimension of the support and providing an integrated pathway out of poverty. It will also help address the current shortfall identified in evaluations as the absence of a common strategic approach sometimes stands in the way of a seamless transition by vulnerable participants from projects funded by that fund to European Social Fund projects.

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(144) https://publications.europa.eu/en/publication-detail/-/publication/0e03aa7b-025f-11e8-b8f5-01aa75ed71a1
(145) European Court of Auditors, FEAD-Fund for European Aid to the Most Deprived: Valuable support but its contribution to reducing poverty is not yet established — Special report No 05/2019.
Sustainable growth: natural resources (budget heading 2)

Through the common agricultural policy (specifically the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development) and the maritime and fisheries policies (in particular through the European Maritime and Fisheries Fund), the EU budget supported viable food production, the sustainable management of natural resources, climate action and balanced territorial development. Viable food production helps boosting jobs, growth and investment, as a large number of jobs in agriculture, together with food processing, food retail and food services, depend on it. Promoting the sustainable management of natural resources and climate actions ensures that the basis for agricultural jobs remains sustainable. Fostering a balanced territorial development of rural areas also contributes to growth, jobs and investment. Closing the digital divide between urban and rural areas is an important enabler for businesses to remain competitive in rural areas. Viable food production with high food-safety standards also plays an active role in a balanced and progressive trade policy to harness globalisation. The EU also plays a leading role in tackling the growing ocean challenges, not only at European level but also on an international scale.

For 2018 EUR 58.8 billion has been allocated to heading 2, which represents 37% of the total 2018 EU budget. Heading 2 covers the two pillars of the common agricultural policy: Pillar I consists of the market support measures and the direct payments financed by the European Agricultural Guarantee Fund; Pillar II comprises the rural development support financed by the European Agricultural Fund for Rural Development. The heading also covers the European Maritime and Fisheries Fund and the international dimension of the
common fisheries policy, as well as activities in the fields of climate and environment through LIFE, the programme for the environment and climate action (146).

European Agricultural Guarantee Fund

Programme objectives

The European Agricultural Guarantee Fund encourages smart, sustainable and inclusive growth, helping to achieve the common agricultural policy’s objectives of viable food production, sustainable management of natural resources (with climate action) and balanced territorial development. Direct payments provide a basic protection of farm income against the particular shocks to which agriculture is exposed (notably price and weather related). The fund’s main specific objectives are the following:

| To improve the competitiveness of the agricultural sector and enhance its value share in the food chain | To foster market stability |
| To sustain farmers’ income stability by providing direct income support | To promote a more market-oriented agriculture, by ensuring a significant level of decoupled income support |
| To contribute to the enhancement of the environmental performance of the common agricultural policy | To promote local agricultural production and to ensure a fair level of prices for commodities for direct consumption and for processing by local industries in the outermost regions |

Implementation and latest achievements

Direct payments

Around 6.5 million farms, covering 90% of farmed land, benefited from direct payments. In 2017 (147), this support constituted 38% of their farming income (148). Since the last common agricultural policy reform in 2015, direct payments have been better targeted thanks to different payment ‘layers’ addressing the particular needs of young farmers, smaller farmers, specific sectors or regions in difficulties, as well as the environment and climate. These changes to the structure of the direct payments system — along with redistribution and capping possibilities — have started to contribute to a more equitable payment distribution. The stabilising effect of direct payments is supplemented by market instruments, which now operate at a ‘safety net’ level instead of frequently steering the EU market as they once did.

As direct payments are granted per hectare of eligible area, there is a strong correlation between the distribution of direct payments and the distribution of area between farmers. This results in larger farms

(146) Performance information for the budget heading 2 covers predominantly the year 2017 for shared management programmes as 2018 information only becomes available from Member States in 2019 after the finalisation of this report.
(148) Estimated on the basis of agricultural entrepreneurial income.
concentrating the largest amounts of support (149) and in a high number of very small beneficiaries, reflecting the high fragmentation of the farm sector in the EU and the relative contribution of these farm groups to the economies of the sector. For the financial year 2017, nearly 50% of the beneficiaries of direct payments had less than 5 hectares and covered less than 5% of the total area supported.

<table>
<thead>
<tr>
<th></th>
<th>Number of farms (million)</th>
<th>Farmland managed (million ha)</th>
<th>Direct support (EUR billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small farms</strong> &lt; 5 hectares</td>
<td><strong>3.19</strong> (49%)</td>
<td><strong>7.4</strong> (5%)</td>
<td><strong>2.3</strong> (6%)</td>
</tr>
<tr>
<td><strong>Professional (family) farms</strong> 5-250 hectares</td>
<td><strong>3.25</strong> (50%)</td>
<td><strong>107.0</strong> (67%)</td>
<td><strong>29.3</strong> (71%)</td>
</tr>
<tr>
<td><strong>Big farms</strong> &gt; 250 hectares</td>
<td><strong>0.08</strong> (1%)</td>
<td><strong>44.3</strong> (28%)</td>
<td><strong>9.2</strong> (23%)</td>
</tr>
</tbody>
</table>

**Chart:** Distribution of EU direct support to EU farmers.  
**Source:** CATS control data (claim year 2016).

The 2013 common agricultural policy reform allowed redistributing direct payments between beneficiaries, notably in favour of the small and medium-sized farms. Member States must reduce by at least 5% the receipts above EUR 150 000 which any beneficiary obtains from the basic payment scheme or the single-area payment scheme. They may even cap these receipts (nine Member States have decided to apply a capping as from 2015). As an alternative, they can redistribute up to 30% of their direct payments national allocation to the first hectares on every farm (‘redistributive payment’). In 2017, nine Member States have implemented this scheme, using between 0.5% and 15% of their total expenditure for direct payments.

In addition, Member States must reduce the differences between per-hectare payment levels to beneficiaries on their respective territories (this is referred to as ‘internal convergence’). There is also a provision to gradually adjust the financial allocation per Member State in order to bring average levels of payments closer to one another between countries (‘external convergence’). Finally, an active farmer clause allows those who only have a marginal agricultural activity to be excluded from support.

**From the claim year 2018,** the EU law called the ‘Omnibus regulation’ (150) helps to improve the functioning of the direct payment schemes concerned and to simplify their implementation.

With regard to the greening layer in direct payments, the amendments introduced through the Omnibus regulation provide Member States with an option not to classify grassland as ‘permanent’ if ploughed within a period of 5 years in order to accommodate the diversity of agricultural systems across the EU. In 2018, eight Member States decided to apply this option. Certain additional flexibility for farmers came from streamlined exemptions from crop diversification or ecological focus area rules for farms with substantial shares of grasslands, fallow land, leguminous crops or crops under water. In turn, new types of ecological focus area

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(149) Although to a lesser extent than for the land.  
broadened the choices that Member States may offer to farmers for meeting this requirement. In 2018, several Member States made use of them and included new types in their list of ecological focus area. As of 2018, 80% of the total EU agricultural area is subject to at least one greening obligation. As part of the amended rules, a ban on the use of plant protection products was implemented in 2018 for the first time on ecological focus areas.

In 2018 as in 2017, responding to the consequences of the exceptional weather conditions in several Member States (drought, heavy rainfalls, snowfalls, frost), the Commission granted derogations to certain greening rules (ecological focus area, crop diversification) to improve the situation of affected farmers in those states. In order to alleviate the effects of drought on the availability of fodder for livestock, 11 Member States (out of 13 authorised) applied derogations to some requirements for land lying fallow and catch crops. Based on information received for the 2018 claim year, these derogated ecological focus areas appear to have to some extent supplemented the overall areas available for fodder production.

As of 2018 (151), new EU law (152), together with the technical guidance provided by the Commission, enabled Member States to take advantage of freely available satellite data (the Copernicus programme) to monitor areas claimed for aid. Several Member States have decided to introduce ‘checks by monitoring’ for part of the aid schemes and/or areas as from 2019. The monitoring approach is expected to offer great potential for the simplification of administrative and control-related tasks, but also for monitoring the performance of the common agricultural policy in a much wider sense. This approach is further pursued in the proposals for the common agricultural policy post-2020.

Market-related expenditure (153)

After several years where market support measures in the fruit and vegetables and livestock sectors have helped rebalance the sectors concerned, substantial market stabilisation was achieved in 2018, whereby the exceptional withdrawal measures in the fruit and vegetables sector were discontinued as of the middle of the year.

By end of 2018, 99% of the 380,000 tonnes of skimmed milk powder from public intervention stock constituted over the years 2015 to 2017 had been sold back onto the market (154), reflecting the improved situation on the dairy market. European agriculture showed its resilience after the recent crises, finding alternative domestic markets as well as abroad (in particular in Asia and the United States), as evidenced by the trade statistics.

An overall price evolution meant that new market intervention measures were not required in 2018.

Exceptional support measures were also adopted in 2018 to compensate farmers in France and Italy for the health and veterinary restrictions to address avian influenza.

After several years of discussions at the EU level, the Commission adopted a proposal for a directive on unfair trading practices. The directive aims at protecting vulnerable suppliers in the food supply chain, especially farmers and small processors, from unfair trade practices by more powerful buyers. Limiting the abuse of market power along the chain, it contributes to a better functioning food chain and enhances the resilience of the EU agri-food sector.

The EU school fruit, vegetables and milk scheme, bringing together the former school fruit and school milk schemes under a single legal framework, applied for the first time during the 2017/2018 school year. In October 2018, the Commission hosted a meeting with representatives from EU institutions, national governments and other public and private bodies (businesses, trade organisations, environment and health non-governmental organisations (NGOs), civil society) to take stock of achievements, learn from good practices and reflect on possible further improvements. It showed concrete examples of the enhanced health

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(151) Programme statement 2018.
and educational dimension of the reformed scheme. Around 20.3 million children from close to 160,000 schools (155) participated in the EU school fruit, vegetables and milk scheme in the 2017/2018 school year.

Assessment and evaluation

The support study for the evaluation of the impact of common agricultural policy measures towards the general objective of ‘viable food production’ (156) confirms that direct payments allow farmers to better cope with the negative income effects caused by drops in agricultural prices, hence why they contribute to the stability of farms income. However, even with the common agricultural policy’s direct support, a large share (74% in 2015) of farms does not reach the benchmark of an income per unit amount of labour equaling the average national labour productivity. The study observed that the common agricultural policy 2014-2020 allowed efficiency to increase by better targeting support to the farms that needed it most (the share of farms with an income per unit of labour exceeding the average national labour productivity thanks to direct support decreased from 29% in 2013 to 26% in 2015). The decision of some Member States to distribute the resources for voluntary coupled support to a high number of sectors limited its effectiveness/efficiency in respect to its aim. According to the stakeholders’ analysis, in these cases voluntary coupled support failed its aim of supporting sectors undergoing certain difficulties and resulted in an extra and generalised income aid for the beneficiary farms. Market measures helped to limit the volatility of the domestic prices of most agricultural products, which is lower than that of international prices. The existence of the EU market measures seems to play a deterrent role in the adoption of speculative activities. The share of imports in internal consumption has progressively increased. On the international market, EU exports in value increased over the period of analysis. However, world trade increased at a higher rate. Nevertheless, the evolution of the EU’s competitive position is similar to that of its main trade competitor (United States) and, in 2016, the former maintained its second position behind the United States in the world exports of the products covered in the evaluation.

In 2018 the Court of Auditors assessed a new basic payment scheme for farmers, introduced by the 2013 reform of the common agricultural policy. The Court found that the scheme was operationally on track, but that its impact on simplification, targeting and the convergence of aid levels was limited (157).

The support study for the evaluation of the common agricultural policy measures applicable in the wine sector (158) found that, at grower level, the backing provided by the national support programmes for the restructuring and conversion of vineyards resulted in considerable mechanisation as well as a global increase in the cost-effectiveness of their management. At producer level, the programmes — in particular the investments measure — contributed to the improvement of the EU wine producers’ competitiveness and fostered vertical downstream integration. EU labelling rules favoured a level playing field and fair competition for EU competitors, and clear information for consumers. The study pointed out that the national support programmes are generally consistent with the EU environmental objectives but could have played a greater role in the adaptation of the EU vineyards to climate change and could have more directly fostered sustainability. It recommended to require Member States to better justify the strategic choices as regards the measures implemented and to better monitor the effects achieved by the different measures.

The supporting study (159) for the evaluation of the greening layer in direct payments was issued at the end of 2017 and a consecutive Commission staff working document was adopted in November 2018 (160). This evaluation concluded that the overall effects of the greening measures, as currently applied, on farm management practices and on the environment/climate appear to be fairly limited, although there are variations across the Member States. The greening measures do not appear to have had any significant effect on agricultural production or the economic viability of farms. The evaluation showed that more could be done

155 Source: Member States’ monitoring reports due by 31.1.2019.
156 Evaluation staff working document to be finalised in 2019.
157 European Court of Auditors, Basic Payment Scheme for farmers — operationally on track, but limited impact on simplification, targeting and the convergence of aid levels — Special report No 10/2018.
158 Evaluation staff working document to be finalised in 2019.
159 https://ec.europa.eu/agriculture/evaluation/market-and-income-reports/greening-of-direct-payments_en
by Member States as well as by farmers to fully deliver on greening; in addition more could also be done at EU level to simplify the scheme. Member States have significant flexibility in implementing the measures yet, in general, they do not use this flexibility to maximise the environmental and climate benefits. Decisions seem to have been driven rather by administrative issues and agricultural considerations, including wanting to ensure minimal disturbance to farming practices.

In the Commission proposals for the post-2020 common agricultural policy, the existing greening requirements are integrated into a broader framework including a new conditions set (i.e. an improved system of obligations to be met by beneficiaries of area- and animal-based CAP payments) and responding inter alia to three specific objectives: contribute to climate-change mitigation and adaptation, foster sustainable development and efficient management of natural resources, and contribute to the protection of biodiversity.

Future common agricultural policy — apart from reinforcing environmental care and climate action — aims also to strengthen the farm sector’s resilience and improve life in rural areas.

**European Agricultural Fund for Rural Development**

**Programme objectives**

The European Agricultural Fund for Rural Development finances the EU’s contribution to rural development programmes. These programmes contribute to smart, sustainable and inclusive growth in the EU by supporting farms, food and forestry sectors and other entities operating in rural areas such as non-agricultural businesses, non-governmental organisations and local authorities.

The fund is also an important tool to mitigate climate change and support the shift towards a low-carbon and climate-resilient economy by helping farmers and rural businesses to reduce greenhouse gas and ammonia emissions and adapt to the consequences of climate change. The fund pursues six specific priorities.

<table>
<thead>
<tr>
<th>Fostering knowledge transfer and innovation in agriculture, forestry and rural areas</th>
<th>Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting food-chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture</td>
<td>Restoring, preserving and enhancing ecosystems related to agriculture and forestry</td>
</tr>
<tr>
<td>Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in agriculture, food and forestry sectors</td>
<td>Promoting social inclusion, poverty reduction and economic development in rural areas</td>
</tr>
</tbody>
</table>
Implementation and latest achievements

By end 2018 (161), total rural development payments from the EU budget to Member States amounted to EUR 36.5 billion (including pre-financing and interim payments), which is 36% of the total commitments for the period 2014–2020. In 2018, the Member States submitted their third annual implementation report covering the implementation until 31 December 2017 (162).

The European Agricultural Fund for Rural Development supports solutions to encourage entrepreneurship and employment in farming and rural businesses and improve their economic viability and resilience. By the end of 2017, more than 112,000 farm holdings received investment support to facilitate restructuring and modernisation and achieve productivity gains (25% of the target), and more than 49% of the budget allocated to start-up aid and support for investment in non-agriculture activities in rural areas was committed; 51,400 young farmers who bring new energy and have the potential to exploit the full benefits of technology in terms of increased productivity and sustainability received support for setting up businesses; 125,200 farm holdings received support in the form of risk-management tools to reduce the uncertainty about the future that can compromise farmers’ competitiveness; and 60,327 farm holdings were helped to participate in quality schemes (163).

In 2017 (164), the implementation status of measures that will significantly contribute to the environmental and climate objectives of the policy included the following:

- a total of 2.9 million hectares of agricultural and forest land was covered by management contracts contributing to carbon sequestration or conservation (72.5% of the target of 4 million hectares);
- 283,000 hectares of irrigated land had switched to more efficient irrigation systems (22% of the target) — given the long time span between plans and the investments carried out, this is well on track;
- 14.8% of agricultural land and 0.34% of forest areas were covered by management contracts contributing to biodiversity — this is close to the targets of 18% and 2%, respectively.

Support under the fund aims to improve access to information and communication technology services and infrastructure for 18 million rural citizens, this is done through 4,400 investment projects. By 2017, 36% of funds earmarked for improving information and communication technology services in rural areas were allocated to projects and 1,255,000 rural residents (7% of the respective target value) are already benefiting from improved services (165).

By the end of 2017, over EUR 246 million had been spent under the European Agricultural Fund for Rural Development to address employment in agriculture and rural areas, to promote social inclusion, and to foster lifelong learning and vocational training in agriculture and forestry. More than 1 million beneficiaries received vocational training in agriculture, almost 28% of the target for the period. In rural areas, EU rural development resources support local development strategies promoting social inclusion, reducing poverty and fostering economic development under the leader approach. To date, 59% of people living in rural areas (representing about 113% of the target) are covered by over 3,400 local development strategies implemented by local action groups that benefited from 18% of the available public funds (166).

Under the European Innovation Partnership for Agricultural Productivity and Sustainability, almost 900 operational groups (167) carrying forward innovative multi-actor projects to find a solution for a specific issue or developing a concrete opportunity for the farming and forestry sectors were active by end of 2018.

(161) Programme statement 2018.
(164) Programme statement 2018.
(166) COM(2018) 816 final, pp. 11–12.
These projects hold an important potential to create innovative solutions to make farming smarter, more efficient and more sustainable.

The European Innovation Partnership for Agricultural Productivity and Sustainability — operational group project examples.

**BRIDE — Biodiversity regeneration in a dairying environment**

Intensively managed farmland throughout Ireland has had relatively low participation rates in agriculture-environment schemes. The biodiversity regeneration in a dairying environment project is a partnership based in the River Bride catchment of north-east County Cork, Ireland. The project aims to design and implement a cost-effective, results-based approach to tackle biodiversity loss in dairy farming and to improve national awareness of the available options to maintain and enhance farmland wildlife on intensively managed farmland without unduly affecting agricultural production. The partnership includes several partners (such as farmers, advisers, researchers, small and medium-sized enterprises, public bodies, NGO) and the project is designed so that 65 farmers that are not formal partners are involved in order to adopt and test the proposed schemes at their farms. Farms that implement the measures are monitored at fixed moments (e.g. onset, midterm, end) during the project and are rewarded according to a results-based payment. At the onset, biodiversity was measured at farm level including birds, bats, pollinators and wildflower populations, among others.

The expected outcome is an increase in the size of areas where biodiversity is managed as well as an improvement in the overall biodiversity quality. This project also targets the development of a biodiversity food label, which will be particularly relevant for the industrial stakeholders, including a milk farmer cooperative and a meat production company, that are partners in the project. As regards cross-regional collaboration, the project allowed being in touch with German farmers who are also dealing with biodiversity in farming practices. An exchange of practices is planned with similar operational groups in Germany and Northern Ireland.

**SOCROSense — Soil- and crop-sensing technologies**

The aim of the Soil- and crop-sensing technologies project (Flanders, Belgium) is to support pioneer farmers who have experience with the use of global positioning system close-sensing techniques, focused on soil and crop sensors. These pioneer farms are a mixed group of farmers, market gardeners, tree nursery operators and agriculture contractors. Together with actors from research institutes and relevant business companies, this group wants to create added value and develop a mid- to long-term vision for these sensors. The project studies how the data flow of different sensors can be combined and the potential of global positioning system sensor technology to steer the company crop management.

Assessment and evaluation

Of the operational groups that were approved and running under the European Innovation Partnership for Agricultural Productivity and Sustainability until April 2018 (612 in total), an assessment (168) was carried out in 2018. This assessment focused on the state of play of the setting-up and implementation of the operational groups. The study confirmed the great interest in the partnership framework and instrument. Of the groups surveyed, 91% were positive about their experience and would recommend other actors/organisations to become involved in an operational group project. Operational group partners highlighted that such projects could not have been undertaken with other national or European funding frameworks. The groups focus on tackling farmers’ needs in a practical and collaborative way; they prove to be a unique, versatile and flexible framework to address various concrete bottom-up farmers’ challenges and needs. They also connect the farmer’s community with complementary external expertise to help solve these challenges jointly in a variety of partnership compositions. The different projects show that operational group partnerships are indeed set up to (co)develop new or adapted methods, tools or solutions that are directly applicable by farmers. These partnerships act as vehicles to connect to other (rural) innovation initiatives and actors. Even though the current funding framework cannot cover all of the costs, 90% of operational groups have either already established relations with organisations outside the partnership or intend to do so. The study points to the need to better facilitate this, e.g. by more structured and accessible information on the

themes and approaches of operational groups. It is also important to improve the communication about operational groups in a timely and complete way.

A study on risk management in EU agriculture has been carried out in 2017 and was published in 2018 (169) to shed light on the risks farmers are confronted with and to better understand the design and possible deployment of different tools that can address these risks. The study finds that European farmers are exposed to different risks (e.g. weather, animal and plant health, market dynamics influencing perspectives of farm income and viability), heterogeneously distributed among EU Member States. At the same time, the overall availability and uptake of analysed risk management tools in the EU are not very developed with differences among tools, sectors and countries (e.g. insurance being the most common tool). The study underlines the need to strengthen relevant skills and capacities (both at administrative and farm level) and puts forward several recommendations, including the creation of a database to share information related to risk management in agriculture, to further support research and to promote risk management pilot actions.

The Court of Auditors audit examined in 2018 (170) three new methods (called simplified cost options) of calculating the EU financial contribution to projects and activities for rural development projects. It has concluded that new options are simpler, but not focused on results.

The legislative proposal for the post-2020 common agricultural policy take into account the main lessons learnt from the current Rural Development period, reducing the level of prescription of the interventions and improving the synergies with the instruments of the CAP (i.e. direct payments and sectoral programmes). The new CAP Strategic Plans will have to pay a specific attention to attracting young farmers and will also promote employment, growth, social inclusion and local development in rural areas.

European Maritime and Fisheries Fund

Programme objectives

The European Maritime and Fisheries Fund (171) supports the conservation of marine biological resources and helps Member States to attain the objectives of the common fisheries policy. The fund pursues four specific priorities:

| Promoting competitive, | Fostering the implementation of |  
| environment sustainably, | the common fisheries policy |  
| economically viable and socially |  
| responsible fisheries and |  
| aquaculture |  
|  |  
| Promoting a balanced and | Fostering the development and |  
| inclusive territorial development | implementation of the EU's |  
| of fisheries and aquaculture areas | Integrated Maritime policy in a |  
|  | manner complementary to |  
|  | cohesion policy and to the |  
|  | common fisheries policy |  

Implementation and latest achievements

The implementation of the European Maritime and Fisheries Fund in 2018 has significantly accelerated compared to previous years. Over 7,143 fishing vessels benefited from the fund, 50% of which belonged to the small-scale coastal fishing fleet. The support provided continues to promote a sustainable balance between fishing fleets and resources and the protection of marine ecosystems. The fund has also supported better management of more than 100,000 km² of Natura 2000 areas, and almost 95,000 km² of other marine protected areas.

The projects financed have a positive effect on the direct beneficiaries of the operations and have a multiplier effect along the production and supply chain in related service industries. It is estimated that more than 35,000 fishermen, their spouses/partners, and members of producer organisations, benefit from the support, as well as 33,000 other persons (such as employees of processing companies and port users).

At the end of 2017, more than 18,000 operations have been financed under the European Maritime and Fisheries Fund. 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.

Fresh fish from Vienna:

Thanks to the European Maritime and Fisheries Fund you can now buy fresh fish and vegetables produced right in the Austrian capital city of Vienna.

The aquaponics start-up, established in 2016 with a contribution of around EUR 30,000 from the fund, combines vegetable farming with fish farming in large glasshouses to produce aubergines, tomatoes, cucumbers, peppers and chilli, as well as catfish and perch.

The farm grows vegetables on about 400 m² and can produce up to 12 tonnes of fish a year. The nutrient-rich wastewater from the fish farm is fed to the plants, while the waste heat from the greenhouse is used to heat the fish system.

In 2018, the Commission continued to focus its fisheries conservation policy on the objective of achieving maximum sustainable yield for fish stocks by 2020 at the latest and reaching sustainable fleet performance. Higher and stable yields contribute to jobs, growth and investments in the EU. A clear correlation between fishing at maximum sustainable yield levels and economic returns and profitability for the fleets was again confirmed in the 2018 Annual economic fleet report. The report showed record-high net profits in 2016 (latest data available). With an estimated value of 16.9% of net profit margin for the average of the EU fleet, not only the interim milestone for 2017 has already been achieved (i.e. 9%) but also the target for 2023 (10%). The stronger economic performance of the EU fishing fleet is explained mainly by the sustainable exploitation of fish stocks. The report indicates that economic performance stagnates where fleets depend on stocks that are still overfished or overexploited. Fleets that fish sustainably - ever growing in numbers - see clear improvements in their profitability. The sustainable use of marine resources is the basis for economic growth of the fleet. Lower fuel prices and higher average fish prices have also contributed to this strong economic performance.

In the context of its integrated maritime policy, the EU is implementing its agenda for better international ocean governance. The EU continued to be in the lead in advocating and rolling out sustainable fisheries internationally. Successful negotiations between the EU and China resulted in the EU-China Ocean Fisheries Fund. 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.

In 2018 Annual Management and Performance Report

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(172) European Maritime and Fisheries Fund final programme statement, p.2.
(173) 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.
(175) Maximum Sustainable Yield means the highest theoretical equilibrium yield that can be continuously taken on average from a stock under existing average environmental conditions without significantly affecting the reproduction process (Article 4 of CFP Regulation 1380/2013).
Partnership, signed on 16 July 2018 at the EU-China Summit. It was the first Ocean Partnership of this kind, setting out a comprehensive framework for dialogue and cooperation on ocean issues of common interest.

**Tackling illegal, unreported, and unregulated (IUU) fishing**

**Fishing is illegal if:**
- no authorisation
- against conservation and management measures by RFMOs*
- against national laws or international obligations

**Fishing is unreported if:**
- not reported, or the reporting contravenes international, RFMO or national laws and regulations

**Fishing is unregulated if:**
- the fishing vessel has no nationality
- fishing activities jeopardise fish stocks

* RFMOs: Regional fisheries management organisations.

The new agreement to prevent unregulated fishing in the high seas of the central Arctic ocean, negotiated by the Commission and approved by the Council on behalf of the EU in October 2018, was a historic landmark. It will prevent unregulated commercial fishing in the high seas portion of the central Arctic ocean, an area that is roughly 2.8 million km² in size, about the size of the Mediterranean Sea, thus protecting the fragile Arctic ecosystem for future generations whilst promoting a sustainable development of the region.

**Assessment and evaluation**

The evaluation of the predecessor programme found that the objectives of the fund were reached to a large extent, but there was scope for improvement: it is necessary to strengthen the link between funding and policy objectives, to further enhance the sustainable exploitation of fisheries, improve the delivery system and to better focus on results. The current period 2014-2020 programme addresses many of these issues: It brought under one single umbrella all the different funding in support of the common fisheries policy objectives, including fishing and aquaculture that are environmentally, economically and socially sustainable. The current programme also introduced a new performance framework focusing on the achievement of objectives, set milestones and targets. The evaluation recommended for post-2020 to improve the link between funding and the sustainable exploitation of fisheries. A more strategic approach is also needed, to make aquaculture more competitive, with increasing production and to take better account of the specific challenges faced by small-scale coastal fisheries.

As evaluations concluded that the current programme was still considered too complex and burdensome, the Commission proposed (177) for the next programming period a simplified architecture based on four priorities. They describe the scope of support of the fund in line with the objectives of the common fisheries policy, of the maritime policy and of the international ocean governance actions. Prescriptive measures are no longer required; instead the different areas of support under each priority are described, providing flexibility in the new programme. This new architecture will optimise programme implementation towards policy objectives on the basis of performance and on the achievement of results. Member States would draw up their operational programme indicating the most appropriate means to achieve the objectives set out in the regulation. The basic principle would be that anything that is not explicitly forbidden in the regulation would be allowed. There would be a list of ‘no-go’ areas in fisheries policy so as to avoid detrimental impacts in terms of fisheries conservation (e.g. a general prohibition of investments enhancing fishing capacity) and restrictions for operating costs or where there is no proven market failure. This represents a major shift from current and past funding rules.

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Regional fisheries management organisations and fisheries agreements

Programmes objectives

The EU promotes the sustainable management and conservation of fisheries resources and supports the external action of the common fisheries policy in various regional fisheries management organisations (178) and international organisations, such as the International Seabed Authority and the International Tribunal for the Law of the Sea, which were set up by the United Nations Convention for the Law of the Sea. The Commission also negotiates and implements bilateral sustainable fisheries partnership agreements between the EU and non-EU ‘third’ countries. The objective is to put in place a regulatory framework for the EU long-distance fishing fleet, while ensuring a sustainable exploitation of the third countries’ fisheries resources. These agreements allow EU fleets access to fish surplus stocks that are not being fished by the third countries’ local fleets and to provide sustainable food supply to the European citizens.

Implementation and latest achievements

In 2018, the Commission continued to deliver on its commitment to achieve more sustainable fisheries worldwide. The midterm target of conservation measures adopted by regional fisheries management organisations in line with scientific advice was already achieved in 2017. In 2018, 52 of the 59 (88%) conservation measures (179) adopted by regional fisheries management organisations of which the EU is a member, were in line with scientific advice.

In 2018, negotiations for a fisheries agreement have taken place with a total of eight countries. They have been successfully completed, which allowed the renewal of the agreement protocol with Côte d’Ivoire, Morocco, Cape Verde and Guinea-Bissau. Additionally, a new agreement and protocol have been agreed upon with Gambia. Furthermore there are ongoing negotiations with Sao Tome e Principe, Kiribati and Madagascar. Talks with Gabon and Mozambique for the renewal of the protocols with these countries have also started.

Around 250 EU vessels (180) flagged in one of the EU Member States benefited in 2018 from a fishing authorisation granted under a fisheries agreement, providing them access to third-country fishing stocks. At the same time, these bilateral agreements are playing an essential role in developing the partner country’s governance of the fishing sector in a sustainable manner through the provision of sectoral support. In the partner countries, sustainable fisheries partnership agreements encourage improved governance and management of the local fisheries sector by supporting the monitoring, control and surveillance of national and foreign fleets’ activities. They also provide significant funding to contribute to the sustainable development of local fishing activities, and to the fight against illegal, unreported and unregulated fishing.

In ensuring the sustainable exploitation of surplus marine biological resources, fisheries agreements contributed to providing jobs and growth in the third countries and in the EU. An estimated 6 000 direct jobs and 9 000 indirect jobs (181) are created through sustainable fisheries partnership agreements, as 70% of the catches made in the context of fisheries agreements are processed in the partner country.

Assessment and evaluation

Evaluations were carried out in 2018 for the agreements with Cape Verde, the Ivory Coast and Madagascar. Their results were taken on board in the negotiations for the renewal of the respective agreements in the

(178) Regional Fisheries Management Organisations are international bodies set up to ensure the conservation and sustainability of straddling and highly migratory fish stocks. They are the main vehicle for multilateral cooperation, providing a legal framework that can take into account the specific features and characteristics of each zone and species concerned.


following areas: 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 European Court of Auditors reported (182) in 2015 that the fisheries partnership agreements are generally well-managed by the Commission. However, it concluded that there are still areas for improvement as regards the negotiation process and the implementation of the protocols and made relevant recommendations. In 2018, the Court carried out a follow-up audit to verify the implementation of its recommendations.

As part of the next EU budget framework for 2021-2027, the European Commission proposed an allocation for the international dimension of the common fisheries policy, including the compulsory contributions to the regional fisheries management organisations and other international organisations, as well as the sustainable fisheries partnership agreements.

**LIFE — programme for the environment and climate action**

**Programme objectives**

LIFE (183) is the only EU programme exclusively dedicated to the environment, nature conservation and climate action, i.e. areas of growing concern for citizens. The programme finances a wide range of activities, ranging from the protection of biodiversity to the support to circular economy, from the demonstration of new emission reduction technologies and process to the preparatory work for international negotiations, from the enforcement of environment and climate legislation to the reduction of negative impacts. The LIFE programme also serves as an important catalyst for developing and exchanging best practices and knowledge.

The programme’s role is to build up and improve capacity, speed up the implementation of EU legislation, help private players, in particular businesses, to test small-scale technologies and solutions, and leverage other funds. The fund pursues six specific objectives.

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Contribute to a greener and more resource-efficient economy and to the development and implementation of EU environmental policy and legislation (environment and resource efficiency priority area)  

Reduction of EU greenhouse gas emissions and development and implementation of EU climate policy and legislation (climate-change mitigation priority area)

Halt and reverse the biodiversity loss, support to the Natura 2000 network and tackling the degradation of ecosystems (Biodiversity priority area)  

Increased resilience of the EU to climate change (climate-change adaptation priority area)

Support better environmental governance and information at all levels (Environmental Governance and Information priority area)  

Support better climate governance and information at all levels (Climate Governance and Information priority area)

Implementation and latest achievements

Considering that the average duration of traditional LIFE projects is 4-5 years, only very few projects are finalised in 2018, thus making it difficult to assess results at this early stage. The ongoing projects are contributing to the shift towards a resource-efficient, low-carbon and climate-resilient economy and to the protection of the environment including biodiversity and Natura 2000 by doing the following.

- Improving the conservation status of 186 wildlife species and 106 different habitats in an area comparable to Poland.
- Reducing CO₂ emissions of about 13 million tonnes per year comparable to the equivalent CO₂ of Lithuania in 2015.
- Reducing energy consumption of about 1 000 000 megawatt hours per year, which represents the average annual electricity consumption of about 280 000 homes.
- Reducing the amount of waste not managed appropriately by around 1 million tonnes/year. This corresponds approximately to the total municipal waste of Slovenia in 2016.

For integrated projects, 37 projects were financed in 21 Member States. These projects support Member State authorities to implement environmental and climate legislation to the fullest extent. They allow the use of other EU funding sources as well, including agricultural, structural, regional and research funds; national funds and private sector investment. Integrated projects under the subprogramme for the environment are projects implementing environmental plans or strategies on a large territorial scale (regional, multi-regional, national or transnational scale). With a LIFE co-financing of EUR 367.8 million, the integrated projects should leverage EUR 9.2 billion in total from other EU, public and private sources.

Two pilot financial instruments have been introduced to test innovative approaches:

Private Finance for Energy Efficiency supports investment to implement Member States’ energy efficiency action plans through financial intermediaries. It is contributing to creating a new financial product in the market targeting energy efficiency and consequently directly contributing to the decarbonisation of our

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(Programme statement 2018, p. 2)
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economy. By the end of 2018, nine deals with banks in nine Member States were signed, resulting in loans at final recipients’ level for EUR 60 million.

The Natural Capital Financing Facility supports the financing of loans and equity. It is designed to demonstrate that natural capital projects can generate revenues or save costs. By the end of 2018, three Natural Capital Financing Facility operations amounting to EUR 32.5 million were signed with beneficiaries from Ireland, Croatia and Greece, supporting sustainable forestry and agriculture, eco-tourism and the development of nature based solutions to land management, as well as rewilding activities.

The ongoing projects are contributing to the shift towards a resource-efficient, low-carbon and climate-resilient economy and to the protection of the environment including biodiversity and Natura 2000 by, inter alia: (1) improving the conservation status of 186 wildlife species and 106 different habitats in an area comparable to Poland; (2) reducing CO2 emissions of about 13 million tonnes per year comparable to the equivalent carbon dioxide of Lithuania in 2015; (3) reducing energy consumption of about 1 000 000 megawatt hours per year, which represents the average annual electricity consumption of about 280 000 homes; (4) reducing the amount of waste not appropriately managed by around 1 million tonnes/year. This corresponds approximately to the total municipal waste of Slovenia in 2016.

In the framework of the LIFE programme, the first-ever EU initiative to address the decline of wild pollinating insects was launched in 2018. The initiative sets strategic objectives and a set of actions to be taken by the EU and its Member States to address the decline of pollinators in the EU and contribute to global conservation efforts.

Following the calls for proposals launched in 2014-2018 for traditional projects, about 5 000 proposals were received leading to the financing of 588 grants: 455 financed under the environment subprogramme, and 133 under the climate action subprogramme. Beneficiaries range from small to large businesses (40% in total, out of which 35% are SMEs), to private non-commercial organisations (25%) and public bodies (35%).

Assessment and evaluation

The recent midterm evaluation of LIFE (185) confirmed that the current programme is on track and that it is providing a contribution to the Europe 2020 strategy. Furthermore, most stakeholders see LIFE as being a very important instrument for addressing environmental and climate priorities.

However, the evaluation also identified opportunities to further enhance the programme’s overall effectiveness, to improve consistency between the LIFE programme and other EU funds and to enhance the catalytic role of the programme. Further opportunities for improvements concern the strategic focus of the programme as well as the increase of efficiency and simplify of the management of LIFE.

While activities under the LIFE programme for 2014 to 2020 tackle certain problems directly on the ground, the programme’s main impact is indirect through its catalytic role: the support for small-scale actions intended to initiate, expand or accelerate sustainable production, distribution and consumption practices, and protection of natural capital, by: — facilitating the development and exchange of best practices and knowledge; — building up the capacities and speeding up the implementation of environmental and climate legislation and policies and facilitating a clean energy transition; — helping stakeholders to test small-scale technologies and solutions, and — mobilising funding from other sources to promote overall sustainable finance investments.

This approach will be further pursued under the multiannual financial framework for the period 2021 to 2027.

The proposal for LIFE for after 2020 (186) focuses on developing and implementing innovative ways to respond to environment and climate challenges thereby catalysing changes in policy development,

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implementation and enforcement. It will also ensure sufficient flexibility to address new and critical priorities as they emerge during the programme’s duration. The implementation of the new LIFE programme will be made easier for applicants and beneficiaries, and there will be measures to achieve a more balanced territorial coverage.

This approach will be further pursued under the multiannual financial framework for the period 2021 to 2027.
Security and Citizenship (budget heading 3)

It is one of the most basic and universal rights to feel safe and secure. The Juncker Commission made security a top priority from day one. But over recent years security threats have evolved. EU Member States have already worked together to ensure an effective response to diverse security threats — including new forms of terrorist attacks, radicalisation, new types of organised crime and cybersecurity threats. They will need to continue doing so in the future.

Security threats know no borders and are becoming increasingly international. The complex nature of these challenges is such that no Member State can or should be made to meet them on its own. The EU budget supports Member States in their responsibilities and efforts. The programmes in heading 3 of the EU budget (EUR 3.5 billion representing 2% of the total 2018 EU budget) deal with key political challenges such as security, asylum, the migration and integration of non-EU ('third')-country nationals, health and consumer protection, as well as culture and dialogue with citizens.

The challenges of migration are transnational in nature and cannot be adequately addressed by Member States acting alone. In 2018 the EU’s comprehensive approach on migration continued to deliver tangible results, with a focus on deepening cooperation with partner countries, enhancing protection of the EU’s borders and better management of migratory flows in a spirit of solidarity and responsibility.

The European agenda on migration has contributed to significantly reducing the number of irregular arrivals notably in the central and eastern Mediterranean routes and reducing irregular border crossings into the EU to below the 2014 figures; it has provided immediate financial and operational assistance to frontline Member States and direct help to the people in need; it has increased legal pathways and supported the
return of those with no right to be in the EU through the negotiation of readmission agreements/arrangements.

Just as importantly, the European Border and Coast Guard Agency (Frontex) deployed in 2018, 11 000 border guards in operation to help patrol the Union’s external borders mainly in Bulgaria, Greece, Italy and Spain.

Recognising the importance of this support, in June 2018 Member States called to further strengthen the agency’s role, including cooperation with countries outside the EU, through increased resources and an enhanced mandate. In response, the Commission presented new proposals in September 2018, on which agreement was reached in March 2019 to scale up the Agency yet further and reinforce it with its own equipment and a standing corps of 5 000 border guards as of 2021 and 10 000 by 2027 at the very latest, as well as a stronger mandate to carry out returns. In addition, the Commission has proposed a new founding regulation for the European Asylum Support Office (EASO), thus enlarging its mandate.

![Chart: Number of irregular border crossings detected at the EU’s external borders. Source: European Border and Coast Guard Agency (Frontex).](chart)

The EU’s response to the migration crisis required a swift and substantial action supported by the EU budget. The funding initially earmarked for security and migration in the current multiannual financial framework was doubled in order to respond to the scale of the needs. The budget played a key role in shaping the common response by providing funding for the management of arriving asylum seekers and migrants, developing search-and-rescue capacities to save lives, managing effective returns and providing operational support to the Member States under most pressure. Without this support, the unprecedented migratory crisis of 2015 would not have been effectively managed.

On 18 March 2016, EU Heads of State or Government of the EU and Turkey agreed on the EU-Turkey statement to end irregular migration flows from Turkey to the EU, ensure improved reception conditions for refugees in Turkey and open up organised, safe and legal channels to Europe for Syrian refugees. Two and a half year later, irregular arrivals to the Aegean islands remain 96% lower than the period before the statement became operational, and the number of lives lost at sea has decreased substantially. At the end of

(187) Data source: Hellenic police
2018, Member States had resettled 18,640 persons from Turkey under the statement with the support from the Asylum Migration and Integration Fund. The EU has supported Turkey in its efforts to host refugees with the facility for refugees in Turkey. This facility is covered in heading 4, ‘global Europe’ (see analysis below).

While continuous efforts need to be made by all sides and all EU Member States, and still more returns to Turkey are needed to alleviate the pressure on the Greek islands, the EU-Turkey statement has become an important element of the EU’s comprehensive approach on migration. The effects of the EU-Turkey statement were immediate. Thanks notably to the cooperation with the Turkish authorities, arrivals decreased significantly — showing clearly that the business model of smugglers exploiting migrants and refugees can be broken. From 10,000 in a single day in October 2015, daily crossings from Turkey went down to an average of around 88 during 2018.

Asylum, Migration and Integration Fund

Programme objectives

Solidarity and the fair sharing of responsibilities between Member States is at the heart of the common asylum, migration and external-borders policies. The management of migratory flows and security threats cannot be dealt with by the Member States acting alone. The Asylum, Migration and Integration Fund (190) facilitates the efficient management of migration flows and the development of a common EU approach to asylum and migration.

The fund pursues four specific objectives

<table>
<thead>
<tr>
<th>Asylum: strengthening and developing the Common European Asylum System by ensuring that EU legislation in this field is efficiently and uniformly applied.</th>
<th>Return: enhancing fair and effective return strategies, which contribute to combating irregular migration, with an emphasis on the sustainability and effectiveness of the return process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal migration and integration: supporting legal migration to EU Member States in line with the labour-market needs and promoting the effective integration of non-EU nationals.</td>
<td>Solidarity: making sure that the EU Member States most affected by migration and asylum flows can count on solidarity from other EU Member States.</td>
</tr>
</tbody>
</table>

Implementation and latest achievements

The financial resources mobilised for the fund over the 2014-2020 period amounted to a total of EUR 7.0 billion, and EUR 1 billion in emergency funding. In the context of solidarity and fair burden sharing with the most affected Member States, the initial budget was substantially increased through top-ups to

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(188) Between 21 March 2016, 1,806 migrants have been returned from Greece to Turkey under the EU-Turkey statement and 601 under the Greece-Turkey bilateral protocol.
(189) Data source: Hellenic police
support relocation and resettlement, integration and return (the resources provided were linked to the revision of the Dublin regulation). By the end of 2018 more than EUR 5 billion was already allocated under the Asylum, Migration and Integration Fund (191).

The Asylum, Migration and Integration Fund continued to deliver in 2018 across all the four specific objectives. In 2018 the total number of irregular border crossings detected at the external borders was around 150,000, a 25% decrease compared to 2017 and the lowest level in 5 years. The total number of irregular crossings detected in 2018 was 92% below the total for 2015, the peak year of the migratory crisis.

The EU also provided appropriate reception of refugees. Emergency assistance responded to immediate and basic needs, providing food, shelter and medical care for refugees and support to unaccompanied minors. The capacity of the asylum services has been strengthened to be able to cope with the large number of asylum applications.

In 2018, financial assistance to Greece contributed to improving the situation in the hotspots on the Aegean islands and more broadly in the country. To decongest the hotspots, the Asylum, Migration and Integration Fund supported the transfer of 29,540 persons to the mainland. With emergency assistance, blankets, winter jackets and other winter supply kits was provided at reception facilities, and the presence of police personnel was covered as to increase security of migrants and staff. In 2018 the Commission and the European Asylum Support Office continued to support the functioning of the Greek asylum service and the appeals committees. The support included the purchase of work equipment (IT equipment including 158 workstations), a pool of interpreters, training for 300 staff members, and the deployment of 20 police officers to implement the action plan provided for in the EU-Turkey statement (192). Furthermore, several emergency-assistance projects provided support to services and activities for minors.

| 520 accommodation places were operational throughout the year. | 1,845 children were transported to state schools. |
| 784 benefited from accommodation and protection services. |

Source: Programme statement 2018, p. 3.

For Italy, projects focused on ensuring effective and coordinated psychosocial protection services for the benefit of unaccompanied minors in hotspots; providing accommodation and reception services for relocation candidates; supporting the asylum sections of immigration and border police offices; and carrying out assisted voluntary returns from Italy and reintegration in migrants’ home countries.

Resettlement (193) offers safe and legal pathways to those in need of international protection. From 2015 until the end of 2018, different EU resettlement schemes have helped over 48,700 of the most vulnerable find shelter in the EU. This includes almost 21,000 individuals, whom Member States resettled in 2018 (194) as part of a common pledge to resettle more than 50,000 persons in need of protection by the end of October 2019 — the largest EU resettlement scheme to date.

The relocation (195) scheme ended in 2018. Thanks to concerted efforts by the Member States and other relevant stakeholders, by the end of 2018, 34,709 persons had been relocated (12,710 from Italy and 21,999 from Greece), which represents over 95% of all eligible and registered candidates for relocation in Italy and Greece under the 2015 Council Decisions. Out of these, 1,556 persons were relocated in 2018.

(193) https://ec.europa.eu/home-affairs/content/resettlement_en
(194) In the period 9 December 2017–31 December 2018.
(195) https://ec.europa.eu/home-affairs/content/relocation_en
In the area of **integration**, in 2018, two million third-country nationals were assisted through integration measures as part of national, local and regional strategies, reaching a cumulative number of 5.38 million covering the period 2014-2018. The actions consisted in education and training, including language training and preparatory actions to facilitate access to the labour market. Furthermore, advice and assistance were provided in the area of housing, means of subsistence and administrative and legal guidance, medical and psychological care.

In 2018, 39 500 \(^{196}\) persons (16 049 in the 2017) were **voluntarily returned** from the EU with support of the Asylum, Migration and Integration Fund. Out of the total number of returnees, 23 843 persons received pre- or post-return reintegration assistance co-financed by the fund. Some 9 260 employees benefited from capacity-building training in return-related topics. To ensure the compliance of removals with the human rights and the dignity of the returnees, 3 510 removal operations were monitored with the financial support of the fund. These rates of voluntary return are still lower than those envisaged \(^{197}\). To increase the overall return rate, there is an urgent need to work in parallel on the internal and external aspects of the migration policy, by improving the legal framework of returns and increasing the number of readmission agreements with non-EU (‘third’) countries. The swift adoption of the proposal to revise the return directive \(^{198}\) will improve and speed up the procedures, will reduce the possibilities of absconding and unauthorised secondary movements, and will contribute to return decisions turning into effective returns.

### Assessment and evaluation

An evaluation \(^{199}\) of the predecessor funds \(^{200}\) and the interim evaluation \(^{201}\) of the current fund concluded that, overall, the instruments have supported Member States to better implement the EU policies on asylum and migration, despite diverse national needs. The funds have played an important role in improving the asylum systems and strengthening reception capacity in the Member States.

The interim evaluation showed that, overall, the fund has been instrumental in handling the difficult situation related to migration challenges and has achieved significant simplification compared with its predecessors. A number of key crosscutting aspects identified as shortcomings by the evaluation of predecessor instruments have been addressed with the Asylum, Migration and Integration Fund: reducing administrative burden by consolidating three funds into one; introducing a multiannual approach, developing an initial monitoring and evaluation framework, increasing the flexibility of the allocation mechanism with the introduction of a considerable allocation for emergency assistance and improving the solidarity-principle engagement among Member States for resettlement and intra-EU transfer of beneficiaries of international protection. Despite these significant improvements applied on the creation of the Asylum, Migration and Integration Fund, the interim evaluation still identified a number of shortcomings such as the continued need to increase the flexibility both of the fund and of the funding-distribution system, to reduce the fragmentation of the national programmes and to strengthen the consistency (‘coherence’) and coordination with other EU funds. In addition, the interim evaluation found that the monitoring and evaluation system needed further improvement by including better-defined indicators and simplified processes.

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\(^{196}\) Data source: 2018 Annual implementation reports. The 2018 figure includes all Member States except Greece. Greece has not yet provided its report. The figure for 2017 includes all Member States.

\(^{197}\) A target of 340 698 voluntary returns by the end of 2020 was set.


\(^{199}\) Ex post evaluation reports for the period 2011 to 2013 of actions co-financed by the four funds under the framework programme ‘Solidarity and Management of Migration Flows’, COM(2018) 456.

\(^{200}\) The European Refugee Fund, the European Fund for the Integration of third-country nationals, the European Return Fund.

We cannot continue to squabble to find ad hoc solutions each time a new ship arrives. Temporary solidarity is not good enough. We need lasting solidarity — today and forevermore. (202)  

President Jean-Claude Juncker

The Court of Auditors has announced its intention to also look at the issue of migration and how it is managed by the EU (203). In particular, the audit will seek to determine whether EU support for Greece and Italy achieved its objectives, and whether the asylum, relocation and return procedures were effective and swift.

The Commission took full account of the findings of the different evaluations in the proposal for a strengthened Asylum and Migration Fund for the post-2020 multiannual financial framework (204). In particular, the proposal greatly increases the flexibility of the fund, given the lessons learnt from recent experience: that challenges in the area of migration are not predictable and that geopolitical developments can have direct repercussions on migration flows. Concretely, it will be possible to reallocate some of the funding available to address new or additional pressures on Member States by retaining the midterm review needs-assessment procedure (205).

The proposal also includes a major boost to funding on the external aspects of migration. There will be increased scope for programmes to support action outside the EU. A substantial share will support the areas of return, readmission and reintegration, as well as operational cooperation with third-country partners.

Internal Security Fund

Programme objectives

The Internal Security Fund (206) promotes the implementation of the Internal Security Strategy, law-enforcement cooperation and the management of the EU’s external borders. The fund is composed of two instruments: Internal Security Fund — Borders and Visa and Internal Security Fund — Police. The abolition of internal EU border controls (‘Schengen area’) makes it very necessary to ensure that the external borders are effectively protected and must be accompanied by common measures for the effective control of the EU’s external borders. Some Member States bear a heavy burden due to their specific geographic situation and the length of the external EU border that they have to manage.

(202) President Juncker during the State of the Union address, September 2018.
(205) The midterm review carried out for the current fund has led to the identification of funding gaps for a number of countries, leading to an additional EUR 175 million being made available in 2019.
The Internal Security Fund, under its components, pursues the following specific objectives

<table>
<thead>
<tr>
<th>Internal Security Fund — Police</th>
<th>Internal Security Borders and Visa Fund</th>
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<tbody>
<tr>
<td>Fight against crime: crime prevention, combating cross-border, serious and organised crime, including terrorism.</td>
<td>Managing risk and crisis: enhancing the capacity of Member States and the EU for effectively managing security-related risks and crises.</td>
</tr>
<tr>
<td>Visas: the effective processing of Schengen visas by supporting a common visa policy.</td>
<td>Borders: achieving a uniform and high level of control of the EU external borders by supporting integrated border management.</td>
</tr>
</tbody>
</table>

**Implementation and latest achievements (207)**

The resources mobilised for the Internal Security Fund over the 2014-2020 period amounted to EUR 3.9 billion, with EUR 2.7 billion for borders and visas and EUR 1.2 billion for police cooperation. Out of the total amount, EUR 390.2 million was emergency funding.

In 2018, the Internal Security Fund — police continued to support the prevention and fight against security-related risks and crises (including terrorism), in order to ensure a high level of security in the EU. In 2018 the Member State-financed actions in this area reached a total of EUR 150 million EU funding, which is 55% higher than in 2017.

Under the fund, exchange of information was further developed in 2018 as well as operations. In 2018, 413 joint-investigation teams and the European Multidisciplinary Platform against Criminal Threats were established using fund support. In addition to this, as of 31 March 2019, 164 projects worked on crime prevention and 69 projects contributed to improving law-enforcement-information exchanges related to Europol systems: this is an increase of 13% compared to the number of similar projects reported in 2017. The Member States intensified training activities so that the number of law-enforcement staff trained on cross-border-related topics in 2018 reached more than 27,526, an increase of 230% compared to 2017.

In support of efforts to combat terrorist financing, the Internal Security Fund — police funded activities to counter new terrorist ways of operating and to support the development of collaborative actions and partnerships between public authorities and private entities. Three new projects were selected in 2018 for EUR 2.6 million of funding. The Internal Security Fund — police also supported with EUR 6 million the operation of the Radicalisation Awareness Network, which connects around 5,000 practitioners from the Member States. Moreover, with a view to support cities in their efforts to better protect public spaces, the Internal Security Fund — police funded several projects led by cities that are looking at innovative ways of protecting their inhabitants and public spaces.

The total amount of EUR 234 million EU funding was spent in the financial year 2018 under the Internal Security Fund — borders and visas, which is 13% higher than in 2017.

In 2018, in the framework of European Border Surveillance System — Eurosur (208), Member States spent a total amount of EUR 234 million of EU funding, allocated to the national programmes from the Internal

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Security Fund — borders and visas. The number of crossings of the EU external borders through the automated border control gates (funded by borders and visas) has consistently increased, reaching almost 21 million crossings in 2018.

Emergency assistance (209)

Under the Internal Security Fund, Greece implemented an emergency-assistance project (EUR 7.1 million) for additional reception-and-identification-service staff. It covered the presence of Greek national (Hellenic) police personnel in the five hotspots to increase the security of migrants and staff.

In 2018, Italy implemented projects (EU contribution EUR 62.9 million) related to hotspots and other disembarkation areas. These projects included the procurement of equipment for border checks, interpretation/intercultural mediation services, as well as the upgrading and running of border-surveillance assets. Furthermore, in 2018, under emergency assistance an additional EUR 4.41 million was granted to Italy.

Large-scale IT systems: In recent years the EU has been developing large-scale centralised IT information systems for collecting, processing and sharing information relevant to security, migration and external-border management. These systems are vital for security cooperation, as well as for the management of external borders and migration in the EU.

- The Schengen information system is an EU-wide, large-scale information system that stores, alerts and provides information on certain categories of wanted or missing persons or objects. In 2018 the system was consulted 6 billion times compared to 5 billion times in 2017. This reduces the chance that people who pose a security threat, including returning EU nationals, cross borders unnoticed.

- The automated fingerprint identification system helps identify criminals and terrorists entering and moving across the Schengen area under false identities.

- Two regulations were adopted in 2018 (210) for a European Travel Information and Authorisation System (ETIAS), funded under the Internal Security Fund. The system will gather information on all persons who are travelling visa-free to Europe. It will ensure that any possible security and irregular migration concerns are identified before travel to the Schengen area. This will contribute to more efficient management of the EU’s external borders, improving internal EU security and facilitating better management of irregular migration.

- The development of the Entry/Exit System started end-2018 funded by the Internal Security Fund. The system will modernise EU external-border management by replacing the manual stamping of passports with the electronic recording of the identity data of non-EU nationals (as well as the time, date and place of their entry and exit).

Assessment and evaluation

The midterm evaluation (211) confirmed that the Internal Security Fund responded well to the changing needs emerging as a consequence of the migration and security crisis and enabled the shifting of resources to the Member States affected.
The findings of the evaluation demonstrated the importance of the Internal Security Fund — borders and visas to ensure effective integrated border management through a more extended exchange of information and cooperation, including with the European Border and Coast Guard Agency. This helped in developing border-surveillance and border-management IT systems. The evaluation pointed out that the Internal Security Fund — police was essential in improving the capacity of Member States to address security threats which have a transnational dimension such as terrorism, organised crime and corruption. The fund has promoted law-enforcement cooperation at European level through the exchange of information and dissemination of best practice, the establishing of transnational networks and projects and the participation of Member States in joint-investigation teams.

The main lessons to be learnt from the evaluation relate to the need to increase the sustainability of the fund as the continuity of the actions relies to a large extent on the EU funding. Further measures should be taken to alleviate the administrative burden while the evaluation and monitoring framework could be improved by better defining indicators, which should be in place right from the start. The reporting calendars should be synchronised with those of the Member States. Most Member States point to a need for additional guidance from the Commission on the implementation of the fund. For the Internal Security Fund — borders and visas, greater EU added value could have been expected in the areas of consular cooperation and cooperation with non-EU countries. For the Internal Security Fund — police, progress is still to be pursued in improving Member States’ ability to protect critical infrastructure, developing training schemes and exchange programmes, and to take action with non-EU countries and international organisations. Member States are encouraged to improve the flexibility in the design of the national programmes and allocation of funding (212).

The Commission took full account of the findings of the evaluation in the proposal for a strengthened Internal Security Fund (213). In particular, the proposal includes a new set of objectives which will support Member States in a more flexible and effective way to deliver on priority security areas: the fight against terrorism and radicalisation; serious and organised crime; cybercrime; and the protection of victims of crime. The proposal increases the flexibility of the fund by reserving a substantial part of funding for unforeseen security challenges, allowing for rapid response to emergencies and the channelling of funds to the Member States that need them most. As security is a global issue which depends on our actions beyond EU borders and a crosscutting issue requiring a coordinated EU response, the improved Fund will continue to support measures in non-EU countries, while ensuring full complementarity with the EU’s internal security priorities and overall objectives in those countries. It will also work more effectively with other EU funds, including the Cohesion Policy Funds and Horizon Europe, as well as the Integrated Border Management Fund and the Asylum and Migration Fund to maximise the EU response to security challenges on all fronts.

To ensure better and more-integrated management of the EU’s external borders, the current Borders and Visa Fund will be moved from the Internal Security Fund to the new Integrated Border Management Fund (214). The Integrated Border Management Fund will contribute to the further development of the common visa policy and ensure European integrated border management at the EU external borders with a view to managing the efficient crossing of the EU external borders. The key for the distribution of funding will be flexibility. It will enable determining the right delivery mode and the themes to which funding should be allocated, while maintaining a critical mass of upfront funding for structural and large multiannual investments in line with Member States’ needs. The allocation will also take fully into account the need for Member States to focus investments on key EU priorities according to the body of EU law (the ‘Union acquis’).

### Health programme

The aim of the Health Programme is to complement, support and add value to the policies of Member States in improving the health of the public and reducing health inequalities, encouraging innovation in health and increasing the sustainability of health systems.

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(212) During the midterm review dialogues with the Member States, the Commission reassess their funding priorities and the corresponding allocations. An additional amount equal to EUR 158.6 million was added to the revised national programmes, under the Internal Security Fund — borders and visa, programme statement 2018.


In 2018 a total of EUR 60.7 million was allocated to allow the EU to continue supporting Member State health activities. The budget available over the 2014-2020 period amounts to EUR 449.4 million (215). In 2018 this covered: EUR 6.9 million for serious cross-border health threats; EUR 7.4 million for effective, accessible and resilient health-care systems (216); EUR 22 million for increased access to medical expertise and information for specific conditions.

Six joint actions were signed with Member States in 2018: on (a) health inequalities, (b) the innovative partnership on action against cancer, (c) vaccination, (d) preparedness and action at points of entry (air, maritime and ground crossings), (e) action supporting the eHealth network, and (f) health information towards a sustainable EU health-information system supporting country knowledge, health research and policymaking. (217)

The Joint Action on Vaccination (2018-2021) involves 20 countries, the European Centre for Disease Prevention and Control, the World Health Organisation, industry and stakeholders. The joint action is coordinated by France’s national institute of health and medical research. By sharing tools for stronger national responses to vaccination challenges, the joint action aims to spur long-lasting European cooperation on vaccine-preventable diseases. (218)

Protecting health, saving lives
EU cooperation against vaccine-preventable diseases

Worldwide, vaccines prevent cases every year

- 2.7 million MEASLES
- 2 million NEONATAL TETANUS
- 1 million PERTUSSIS

Source: European Commission.

The 2019 implementation of the health programme, takes into account both the recommendations stemming from the ex post evaluation of the 2nd health programme 2008-2013, as well as those resulting from the midterm evaluation of the 3rd health programme, namely: improving the monitoring of the programme and ensuring a more proactive dissemination of the results, as well as promoting better cross-Commission collaboration.

For the 2021-2027 budgetary period, the Commission has proposed to integrate the health programme into a streamlined comprehensive European Social Fund+ programme (219). The programme will address the resilience and effectiveness of health-care systems and public-health policies, the inequalities in access to public health and the quality of health care among Member States, as well as the protection from serious cross-border health threats.

(216) Programme statement 2018.
(217) Programme statement 2018.
(218) Programme statement 2018.
(219) Programme statement 2018.
Food and feed

Programme objectives

The aim of the food and feed programme is to contribute to a high level of health for humans, animals and plants along the food chain and in related areas, by preventing and eradicating diseases and pests and by ensuring a high level of protection for consumers and the environment, while enhancing the competitiveness of the EU food and feed industry and favouring the creation of jobs.

Implementation and latest achievements (220)

In 2018 a total of EUR 282.2 million (221) was allocated to allow the EU to continue its work on food and feed safety. The budget available over the 2014-2020 period amounts to EUR 1 892 million (222). These covered grants for Member States to eradicate animal disease (EUR 137.6 million), for veterinary emergency funds (EUR 48.4 million), to ensure plant health (EUR 15.6 million(223)), and for other support measures (EUR 74.6 million) (224).

The programme co-funded 139 national veterinary programmes for the control and eradication of animal diseases including those that can spread to humans. For example, since 2014 African swine fever (a devastating disease for pigs and wild boar) has been spreading from non-EU eastern Europe to eastern-bordering EU countries. The viral disease is spread by wild boar, infected pigs or infected material such as vehicles and boots. In 2018 nine Member States had EU-approved national programmes in place for the control and eradication of African swine fever. A total of EUR 13.7 million was spent on those programmes. Emergency measures were co-funded with EUR 36.1 million. In addition two neighbouring non-EU countries (Moldova) and Ukraine were supported financially. The number of Member States detecting infections increased from six to ten in 2018.

The programme co-funded 24 national plant-health-survey programmes. These ensure the early detection and eradication of pest outbreaks in plants. For example, the programme is financing measures against the plant bacterium Xylella fastidiosa that is infecting olive trees and stone fruit (225). Since 2017 the EU contributes financially to the compensation of the owners for the value of the plants destroyed.

The programme supports the enforcement of EU food and feed legislation through two actions: food inspectors are trained via the ‘Better Training for safer food’ (160 classroom-based training courses with more than 500 participants and around 6 500 participants in e-learning courses) and national enforcement laboratories are supported by 46 European reference laboratories (EUR 16.9 million). These reference laboratories provide technical support and coordinated assistance to the EU Member States in carrying out official food and feed audits (‘controls’). Both actions help to ensure uniform enforcement and eventually a level playing field in the single market.

Assessment and evaluation

The midterm evaluation of the programme fed into the development of the food and feed strand in the proposal for a single market programme (226). The food-chain actions supported under the proposed programme, such as veterinary and phytosanitary measures to promote a high level of animal health and

(222) Programme statement 2018.
(223) Includes surveys and emergency measures
(224) Directorate-General Health and Food Safety, Annual activity report 2018. Amount of EUR 74.6 million includes two years of financing of EU reference laboratories.
welfare, a high level of plant health and to prevent animal- and plant-health crises, are to a large extent continuing the existing programme.

A food and feed programme shortcoming identified in the midterm evaluation (227) and included in a Court of Auditors recommendation was a lack of indicators allowing for a cost-effectiveness assessment.

In 2018 the Commission worked on developing and implementing a comprehensive set of cost-effectiveness indicators for the main spending areas covered by the food and feed programme. These will be applied in the ex post evaluation of the programme. They will also form the basis of the monitoring framework of the food and feed strand in the single market programme under the future multiannual financial framework.

Consumer Programme

The Consumer Programme (228) supports EU consumer policy by helping the public to fully enjoy their consumer rights and actively participate in the single market. It is thus supporting growth, innovation and meeting the objectives of Europe 2020.

Telecommunication and other digital-services websites sweep

Under the Consumer Cooperation Network, the authorities of 21 EU Member States plus Norway and Iceland screened 207 websites from operators offering services such as access to fixed and mobile telephony, internet, audio and video streaming.

The screening revealed irregularities and two thirds of the websites were flagged for further investigation. The top problem was the absence of clear information on complaints handling. Authorities have asked the websites concerned to bring their practices in line with EU consumer legislation. Detailed results of the screening can be found online (https://ec.europa.eu/info/sites/info/files/results_of_2017_telecommunication_sweep_0.pdf)

The preliminary result of the interim evaluation (229) concludes that the Consumer Programme is playing a crucial role in underpinning EU consumer policy and delivering concrete benefits for European consumers and other stakeholders. Overall, the activities funded under the Consumer Programme 2014-2020 achieved progress towards meeting the programme’s specific objectives in the areas of safety, consumer information and education, rights, redress and enforcement, and brings EU added value. However, the evaluation also identified room for improvement in the programme, related mainly to simplification and the administrative burden (assessed as high by the stakeholders). Also, the programme decision-making evidence-base uptake could be improved. The evaluation concludes that in the future the programme’s ability to react to new challenges related to market developments, digitalisation and new policy demands should be strengthened.

The evaluation results were reflected in the new proposal for a new single market programme under the future multiannual financial framework, which includes a consumers strand, notably to empower and protect consumers. The new programme will guarantee the enforcement of consumer rights, ensure a high level of consumer protection and product safety and assist consumers when they encounter problems, for example when shopping online. It will also facilitate consumers’ access to redress, as proposed in the new deal for consumers (230). By supporting activities on consumer policy the future single market programme will also develop mutual benefits with the Justice, Rights and Values Fund to ensure consumer laws are complied with.

(229) The midterm evaluation is finalised but the report is not yet adopted and published.
Creative Europe

Programme objectives

Creative Europe is the European Commission’s framework programme for supporting Europe’s culture and audiovisual sectors. The programme is divided into two sub-programmes, Culture and MEDIA and a cross-sectoral strand. Its objectives are to promote cultural and linguistic diversity and enhance the competitiveness of these sectors, by building the capacity to operate at the transnational level through support to independent production and distribution companies in the audiovisual field as well as a wide range of businesses in the cultural field.

Implementation and latest achievements

MEDIA supports the strengthened regulatory framework enabling the cross-border circulation of works. New rules will contribute to a wider distribution of audiovisual works across the EU: the revised audiovisual media service directive reinforces the obligations of on-demand service providers to promote European works; the regulation on cross-border portability of online content services allows Europeans to enjoy online content services when travelling in the EU; the directive on online transmissions and retransmissions of radio and TV programmes; the new directive on copyright in the digital single market aims to ensure more cross-border and online access to copyright-protected content, in particular by facilitating the licensing of audiovisual and out-of-commerce works. MEDIA accompanies this evolving regulatory framework by fostering collaboration across the value chain in order to support projects with high circulation potential.

A major contribution to cultural cooperation at EU level, and a key achievement in 2018, was the adoption of a New European agenda for culture (231). The new agenda aims to respond to the social and economic challenges the EU is facing by using culture to build a fairer, more inclusive union supporting innovation, creativity and sustainable jobs and growth. The new agenda sets out over 25 actions across five dimensions (social, economic, external, cultural heritage, digital4culture) and proposes a stronger involvement of Member States in policy collaboration and the implementation of policy results through joint projects, including with international cultural organisations and national cultural institutes in third countries.

In 2018, a total of 5290 applications were submitted under the Creative Europe programme (748 under Culture and 4542 under MEDIA), of which 2429 were selected for funding (234 for Culture and 2195 for MEDIA).

In 2018, MEDIA also shared stories across channels by reaching 122 million people through cinema (55 million), TV (57 million), festivals and events (8.5 million) and video-on-demand (VOD) (1.82 million).

MEDIA makes an essential contribution to making European films available beyond their domestic markets. Overall, MEDIA supported the theatrical release of 563 films across borders in 2018. Targeted support was given to 19 individual films for distribution across an average of 25 territories, through a consortia of distributors, in order to promote cross-border access.

Under the Culture sub-programme, in 2018, support resulted in 132 European cooperation projects, out of which 29 related to a special cultural-heritage call as a contribution to the European Year of Cultural Heritage. These projects stress Europe’s cultural diversity, and bring about economic benefits to small and medium-sized enterprises and microbusinesses active in cultural sectors such as music, publishing and design.

An amendment to the Work Programme adopted in April 2018 made it possible to fund more small cooperation projects, widening participation in the competition for the European Union Prizes for Cultural Heritage and for Literature, increasing capacity-building action for future European Capitals of Culture, awarding three grants to the United Nations Educational, Scientific and Cultural Organisation (Unesco) international council on monuments and sites and to the Council of Europe to implement specific objectives of

the European Year of Cultural Heritage, and launching a new experimental mobility scheme for artists and creative people.

Under the cross-sectoral strand, the **cultural and creative sectors’ guarantee facility** is an innovative market-led instrument that addresses the financing gap for small and medium-size enterprises in these sectors. *By the end of the third quarter of 2018*, the Facility had signed 11 guarantee agreements with 10 financial intermediaries from Belgium, Czechia, Spain, France, Italy, Poland, Portugal and Romania. Overall over 630 loans were made under the scheme to final beneficiaries, of which 60% were from the audiovisual sector and 40% from other cultural sectors.

Also, additional appropriations to the 2018 budget made it possible to fund a cross-sectoral project, in the context of the European Year of Cultural Heritage, to promote film heritage through the digitisation of classic films and the organising of screenings in venues reflecting the richness of European architecture.

The policy project *‘Cultural and Creative Spaces and Cities’* started in November 2018 and is ongoing until March 2021. The project intends to provide support to cultural and creative spaces as well as to other players, in particular those at the local level. The wider context of creative hubs, cultural centres and the local context will also be explored to make better use of public spaces for social regeneration through culture, to better connect urban development, social inclusion, job creation, skills development as well as innovation policies: creating a space for policy experimentation and for the support of new approaches, to test ideas on culture and the creative economy in the context of the collaborative economy. Cities and regional authorities will be actively involved in the project and the organising of a series of urban labs.

Through the participation of **third countries** in Creative Europe, the Commission has strengthened EU cultural cooperation in particular with the Western Balkans as well as the south and east Neighbourhood, contributing to the fostering of cultural diversity and the supporting of cultural and creative industries. Two agreements have been signed for the participation of Armenia and Kosovo (232) in Creative Europe, bringing the number of third countries joining the programme to 13. The participation of all Western Balkans countries (Albania, North Macedonia, Kosovo, Montenegro, Serbia, Bosnia and Herzegovina) in Creative Europe allows for a strengthening of the EU-Western Balkans Strategy.

### Assessment and evaluation

According to the midterm evaluation (233), overall, the Creative Europe programme has performed well, with a high level of demand and participation from stakeholders. The Creative Europe programme remains highly relevant and addresses ongoing challenges in the sector, such as the fragmentation of markets and their increasing digitisation. By supporting the circulation of diverse content the programme has also contributed to spreading and defending European values. Creative Europe was also found relevant to the changing priorities of the sectors, to the strategies pursued by the Member States and to EU policy priorities. However, despite positive achievements, the programme needs to do more to to support the cultural and creative sectors in fully reaping the opportunities that the digital shift presents, taking into account new audience and consumption patterns and how cultural and creative works are made, produced, accessed and monetised in the digital economy.

For the next multiannual financial framework the Commission proposed to increase the funding for Creative Europe (234). The new programme builds on the achievements of the current programme whilst strengthening the response to address the transformation of the cultural and creative sectors. The new Creative Europe programme intends to focus on the power of networks and cooperation to help scale up these sectors. It will offer opportunities for beneficiaries to develop technologically and artistically innovative European trans-border initiatives to exchange, co-create, co-produce, distribute and promote European works and make them accessible to a wide and diverse audience. It is expected that it will intensify innovation, including through cross-sectoral collaboration, to make best use of digital technology for creation and audience development.

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


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The new programme would also support the news media sector to promote a diverse and pluralistic media, strengthening quality journalism and fostering media literacy. The programme implementation will also be streamlined to increase cost-effectiveness and reduce administrative burden.

Rights, equality and citizenship programme

The Rights, Equality and Citizenship Programme (235) aims to contribute to the further development of an EU where equality and the rights of persons, as enshrined in the EU treaties, the Charter of Fundamental Rights and the international human rights conventions, are promoted and effectively implemented. The programme is implemented through direct management. With a budget of EUR 62 million in 2018, the programme financed actions of public authorities, universities, non-governmental organisations and other organisations that support the Commission’s fundamental-rights policies.

In 2018, the programme funded actions to combat discrimination and promote equality such as the EU platform of diversity charters and its 2018 forum ‘Diversity in Diverse Europe’ (236). To promote equality between women and men, the programme funded a campaign on ‘Closing the Gender Pay Gap’ on European Equal Pay Day. The programme also promoted political discussion on women’s participation in the labour market and on the future priorities for the work on gender equality by financing the European conference ‘Gender Equality & YOU’ (October 2018, Vienna). On the protection of privacy and personal data, the programme helped to increase awareness of small and medium-sized enterprises, public authorities and individuals on the new data protection rules (237) through an online guidance toolkit available on the Commission website in all EU languages in addition to brochures and factsheets. The programme is also the main financial pillar of the Commission’s policy for persons with disabilities and supports the implementation of the UN Convention on the Rights of Persons with Disabilities and the European Disability Strategy.

The programme also supported important projects in the area of preventing and combating racism, xenophobia and other forms of intolerance, through a focus on specific forms of intolerance such as anti-Semitism, anti-Muslim hatred, Afrophobia and anti-Black racism, homophobia and transphobia.

Facing facts!

‘Facing Facts!’ is a civil-society initiative that aims to improve the recognition and recording of (and responses to) hate crime and hate speech at national level and beyond, by working across civil society and public authorities. The project developed a series of online courses on identifying, monitoring and countering hate crime and hate speech, targeted to individual activists, civil-society organisations, law enforcement and governmental representatives.

The interim evaluation (238) concluded that overall the programme achieved improvements in the level of knowledge of EU law and policies and of rights, values and principles underpinning the general objective of strengthening equality and the rights of persons. The evaluation showed that the performance of the programme overall is improved compared to its predecessor in terms of the focus of the activities and their efficiency. However, the evaluation also identified a need to improve such as to focus more on emerging needs e.g. e-violence, the revision of the monitoring indicators, the achievement of a more geographic balance among the beneficiaries and reducing the administrative burden (still perceived as high by the programme’s stakeholders).

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(236) https://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=634080
(237) General Data Protection Regulation (GDPR) entered into application in May 2018.
As part of the post-2020 multiannual financial framework, the Commission proposed a new Justice, Rights and Values Fund (235). This fund includes two funding programmes: the Rights and Values Programme (240) and Justice Programme (241). With this proposal, the Commission aims to protect EU values, rights and justice in people’s day-to-day lives. The programme will focus primarily on people and entities contributing to making our common values, rights and rich diversity alive and vibrant, with the ultimate objective of nurturing and sustaining our rights-based, equal, inclusive and democratic society. Duplication of activities under this larger scale fund will be avoided, and resources may be shared between the Rights and Values Programme and the Justice Programme to develop mutual benefits while allowing for policy specificities. The implementation will also be streamlined to increase cost-effectiveness and reduce administrative burden.

**Justice programme**

The Justice Programme (242) contributes to the further development of a European area of justice based on mutual recognition and mutual trust. The programme promotes both equality between women and men and the rights of the child, including by means of child-friendly justice in the implementation of all of its actions. The programme activities comply with the prohibition of discrimination based on any of the grounds listed in Article 21 of the Charter of Fundamental Rights (243).

The outputs of the Justice Programme in 2018 (244) are closely linked to the Commission’s activity on preparing, supporting and ensuring the correct implementation of an important number of EU legal instruments in civil and criminal law, improving their enforcement-and-remedy capacities in Member States, and ensuring appropriate cross-border and EU-level cooperation. For instance, funding has been used to support the application of the European Arrest Warrant, which, with over 10 000 cases per year, is the most successful EU instrument in criminal matters. Also, the programme finances the European Judicial Network in civil and commercial matters, which aims to strengthen the cooperation between national judicial authorities. By improving the practical application and implementation of EU civil-justice instruments, the network contributes to building bridges and mutual trust among the Member States. The Justice Programme has supported conformity-check studies for EU legislation transposed in the EU Member States. The programme also supported judicial training and networks (245).

**European e-justice portal**

The Justice Programme finances the European e-justice portal (246). This is a joint initiative between the Commission and the Council of the EU and provides multilingual informational content and electronic services, such as interconnections of national registers. Over time, the portal has evolved to offer increased and wider content, to become a one-stop shop for the public, businesses, legal professionals and the judiciary. The portal has been enhanced with a large-scale search engine for European and national case-law and now allows decentralised lookups in Member State business and commercial registers. Progress has been made towards a complete revamp of the portal’s look and feel. In 2018, the number of visits by users — close to 3 million — showed more than a six-fold increase compared to the 2012 baseline.

The interim evaluation of the implementation of the Justice Programme 2014-2020 completed in 2018 (247) showed that the programme is sound and contributed to the achievement of a European area of justice, based on mutual recognition and mutual trust, in particular by promoting judicial cooperation in civil and criminal matters. The funding methods were found suitable for the objectives of the programme and the

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(244) Programme statement 2018.
(245) European judicial training network http://www.ejtn.eu/About-us
(247) Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the interim evaluation of the implementation of the Justice Programme 2014-2020, COM/2018/507.
needs of the target groups. The programme has delivered high European added value. The evaluation also identified a series of shortcomings related mainly to the narrow scope of the target group, the imbalanced geographical distribution of beneficiaries and the monitoring indicators. Stakeholders perceived the administrative burden as high. The evaluation demonstrated that there is a need to enhance mutual benefits and collaboration with other EU initiatives.

For the 2021–2027 period, the Commission proposed a new Justice Programme (248) which will form part of a new Justice, Rights and Values Fund together with the Rights and Values Programme. This architecture takes into account the findings of the interim evaluation, for example, by tackling the fragmented nature and limited resources of current EU funding programmes dedicated to values, rights, citizenship and justice, which limits the EU’s capacity to respond to existing and new challenges in sustaining open, democratic and inclusive societies in Europe.

Europe for Citizens Programme

The aim of the Europe for Citizens Programme (249) is to contribute to the public’s understanding of the EU, its history and diversity, and to foster European citizenship and improve conditions for civic and democratic participation at EU level. The programme plays an important role in fostering civic participation and the democratic engagement of citizens.

The programme is implemented (250) through action grants and operating grants to European civil-society organisations and think tanks active in the thematic areas targeted by the programme and by local authorities. The programme is implemented mainly through the EU Education, Audiovisual and Culture Executive Agency (EACEA).

The funding under the Europe for Citizens Programme, EUR 185.5 million for the period 2014-2020 (251), contributes to the implementation of three strands. In 2018, out of 1,796 applications received, 417 projects were selected and around 1,200,000 participants were expected to be involved in the activities of the programme. The programme was implemented altogether in 34 eligible participating countries.

Strand 1. Democratic engagement and civic participation, supports activities that develop citizens’ understanding of the EU policymaking process and promote opportunities for societal and intercultural engagement and volunteering at EU level. In 2018, 255 town-twinning projects, 35 networks of towns and 31 civil-society projects were selected for support and 24 civil-society organisations and think tanks were financed through operating grants.

Strand 2. European Remembrance, supports activities that encourage discussion (‘reflection’) on European cultural diversity and on common values. It also supports activities to reflect on the causes of totalitarian regimes in Europe’s modern history and to commemorate the victims of their crimes. A total of 37 remembrance projects were selected for support and six remembrance organisations were financed through operating grants.

Strand 3. Horizontal Action Valorisation, aims to increase learning from experience, boost transferability of results and, as a consequence, increase lasting effects of the supported activities.

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(251) Amounts as per legal basis. In the mean time, additional resources have been assigned to the Europe for Citizens programme.
Information vs manipulation: how to stand up against propaganda?

This project was coordinated by the Polish Muzeum Historii Żydów Polskich POLIN (252) and addressed high-school students from Czechia, Hungary and Poland aiming to have them improve their knowledge and become both critically analytical of modern media and responsible citizens in a democratic society. The mechanisms of persuasive language and propaganda were examined, based on specific historical events of 1956 in Hungary and 1968 in the former Czechoslovakia and Poland. The students learned how to conduct their own media projects, participating in workshops on exhibition design, conducting debates, collecting and documenting oral history, conducting social research, video filming and editing. In a final gala held at the POLIN Museum, they presented 10 creative school projects.

The interim evaluation (254) confirmed the programme’s usefulness in promoting civic participation, strengthening the sense of belonging together and supporting mutual understanding. Its structure, with three strands and a crosscutting measure on analysis, dissemination and use of project results, worked efficiently. The operating and action grants helped deliver the desired outcomes. Europe for Citizens demonstrated its added value at EU level both in its impact on participants and its role as a complement to other EU funding programmes and policy initiatives in the field of education, culture and EU citizenship. The evaluation identified room for improvement in strengthening the visibility, mutual benefits and collaboration with other existing EU programmes and revising the monitoring indicators.

Under the 2021-2027 multiannual financial framework, the Commission presented a proposal for a regulation establishing the Rights and Values Programme (2021-2027) (255), which brings together the activities of the Europe for Citizens Programme and of the Rights, Equality and Citizenship Programme in a new common framework. These programmes are small instruments which cannot reach a critical mass and whose effectiveness is constrained by their relatively low budgets. Therefore, bringing them together means simplification, mutual benefits, collaboration, reinforcement and help to make them more effective. Support to the European Citizens’ Initiative is also ensured via the future Rights and Values Programme. The Rights and Values Programme aims to protect and promote rights and values as enshrined in the EU treaties and to support open, democratic and inclusive societies.

EU Civil Protection Mechanism

The aim of the EU Civil Protection Mechanism is to support, coordinate and supplement the disaster-management-coordination actions of the Member States in order to improve the systems for preventing, preparing for and responding to natural and man-made disasters. Through a comprehensive approach encompassing disaster prevention, preparedness and response, the programme aims to reduce the loss of human life and to minimise environmental and material damage caused by disasters.

Member States put together resources and experts into a voluntary pool and keep them on standby for EU civil-protection missions. The teams involved need to meet minimum quality criteria and undergo a certification process to ensure quality and interoperability. Trained and certified response capacities and

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experts guarantee an effective response to disasters. The voluntary pool also enables a shorter deployment time.

In 2018 the EU Civil Protection Mechanism was activated in response to nine emergencies within the European Union territory (256). Forest fires in southern Europe (but also in 2018 in northern Europe) resulted in significant destruction of property and livelihoods with their impact on the economy including damage to network infrastructure, businesses, agricultural and forestry activities. The EU Civil Protection Mechanism was activated five times to respond to forest fires in Greece, Latvia, Portugal and Sweden (257).

Photos: © European Union 2018/Pavel Koubek
Sweden: fighting forest fires.

The evaluation (258) of the EU Civil Protection Mechanism concluded that the addition of new capacities via the voluntary pool has enhanced the overall disaster preparedness at EU level and allowed for immediately deployable response resources bringing together a range of relief teams, experts and equipment from participating states.

In 2018 the European Parliament and the Council have reached an agreement on a proposal (259) to further strengthen the mechanism. The new legal framework (260) will bolster disaster response capacities at EU level particularly by establishing an additional reserve of capacities ‘rescEU’ to respond to disasters. Such capacities would include firefighting planes, as well as other means to respond to situations in which overall EU capacities are insufficient to ensure an effective response (e.g. for medical emergencies or chemical biological radiological and nuclear incidents).

(256) Programme statement Union Civil Protection Mechanism, p. 2.
Global Europe (budget heading 4)

Heading 4 of the financial framework covers a broad spectrum of external actions such as development cooperation, pre-accession assistance and humanitarian aid.

![Chart: Main programmes financed in 2018 under heading 4, Global Europe. All amounts in EUR million. The category ‘other programmes’ includes among other macro-financial assistance (MFA), Guarantee Fund for External Actions, Union Civil Protection Mechanism, EU aid volunteers initiative (EUAV), European Fund for Sustainable Development (EFSD), Partnership Instrument (PI), Instrument for Nuclear Safety Cooperation (INSC), decentralised agencies, Other actions and programmes, Pilot projects and preparatory actions, Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission. Source: European Commission.]

EUR 10.4 billion of budget commitment appropriations (6% of the total 2018 EU budget) is allocated to the Global Europe related programmes. EU development assistance is strengthened by the European Development Fund, which is financed not from the EU budget but through direct contributions from EU Member States.

![Chart: Contribution to the official development assistance — EUR 74.4 billion in 2018. Source: Organisation for Economic Co-operation and Development (OECD). Amounts include assistance provided by the Member States outside the EU budget.]

The European Union and its Member States continued to be the world’s leading provider of official development assistance — EUR 74.4 billion in 2018.
Instrument for Pre-Accession Assistance

Programme objectives

The Instrument for Pre-Accession Assistance (IPA) supports candidate countries and potential candidates in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with EU values and to progressively align to EU rules, standards, policies and practices with a view to EU membership. The instrument contributes to stability, security and prosperity in the beneficiary countries. It provides beneficiary-country citizens with better opportunities and allows for the development of standards equal to those in the EU. Financial assistance is provided in five policy areas: (a) reforms in preparation for EU membership and related institution and capacity building, (b) socioeconomic and regional development, (c) employment, social policies, education, promotion of gender equality and human-resources development, (d) agriculture and rural development, and (e) regional and territorial cooperation.

| Support for political reforms. | Support for economic, social and territorial development, with a view to smart, sustainable and inclusive growth. |
| Strengthening the ability of beneficiary countries to fulfil the EU membership obligations by supporting progressive alignment with, and adoption, implementation and enforcement of, the EU acquis. | Strengthening regional integration and territorial cooperation involving the beneficiary countries, Member States and, where appropriate, third countries. |

Implementation and latest achievements

The agenda of 2018 was marked by the adoption of a strategy for ‘A credible enlargement perspective for and enhanced EU engagement with the Western Balkans’ on 6 February 2018 aiming to generate renewed reform momentum in the Western Balkans and better support preparations for successful accession to the EU. The strategy put forward a comprehensive action plan of 57 actions based on six flagship initiatives to support the transformation of the Western Balkans: rule of law, security and migration, socioeconomic development, connectivity, digital agenda and reconciliation and good neighbourly relations.

Progress was achieved in all flagship initiatives of the strategy throughout 2018. The actions undertaken by the Commission, EU agencies and EU Member States to take the strategy forward included: enhanced political dialogue (high-level meetings and visits), tightening cooperation between the western Balkan partners and various EU agencies, gearing up and reinforcing EU financing instruments (e.g. Western Balkans Investment Framework and its Guarantee Fund), opening up and promoting access to EU programmes (Creative Europe, Connecting Europe Facility or the Europe for Citizens), reinforced capacity building and refocusing the financial engagement under the Instrument for Pre-Accession Assistance.


(263) Current beneficiaries are: Albania, Bosnia and Herzegovina, the North Macedonia, Kosovo*, Montenegro, Serbia and Turkey. (* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.)

In the abovementioned context, improving connectivity within the Western Balkans and between the Western Balkans and the EU is a key factor. Continued progress has been achieved on the connectivity agenda(264): the Instrument for Pre-Accession Assistance has set aside up to EUR 1 billion for connectivity-investment projects and technical assistance for the 2015-2020 period. Following the Western Balkans summits (Vienna 2015, Paris 2016, Trieste 2017 and Sofia/London 2018) the instrument provided EUR 700 million for connectivity projects in the transport and/or energy sector, which leveraged overall investments of more than EUR 2.4 billion. Special emphasis was put on the preparation and financing of concrete regional infrastructure investment projects, and also on the implementation of technical standards and accompanying reform measures. For example, aligning and simplifying border-crossing procedures, railway reforms, information systems, road-safety and maintenance schemes. Some of the expected results are the construction or upgrade of: 450 km of electricity transmission lines and associated substations, 108 km of gas pipeline, 320 km of railway lines and connected stations, 141 km of motorways, two cross-border bridges as well as two ports.

With regard to migration, the number of irregular migrants in the Western Balkans was significantly reduced, but smuggling activities remained on the rise and new sub-routes emerged. The EU continued to provide financial support to the countries affected by migratory pressure along the Western Balkans route. The Instrument for Pre-Accession Assistance allocated funds to support (in particular) Bosnia and Herzegovina, North Macedonia and Serbia, and in managing the migration flow. As the nature of the crisis changed, the support focuses more on a structural approach in order to improve the conditions in the shelter centres. In parallel, the fight against smuggling and the improvement of the border controls are supported at regional level.

Examples of concrete results in 2018 under the Instrument for Pre-Accession Assistance are as follows.

**The Svilaj bridge connecting Bosnia and Herzegovina with Croatia**

Construction works on the connection of the downstream bridge over the Sava River on Corridor Vc near Svilaj were successfully completed at the end of February 2019. The new cross-border bridge is part of the first connectivity project approved under the connectivity agenda in 2015 and financed via the Western Balkans Investment Framework. The EU provided EUR 25.1 million in grants for the total investment of EUR 109.5 million via the Instrument for Pre-Accession Assistance.

**Supporting the reforms in the justice sector**

In Albania, the International Monitoring Operation (IMO) has been deployed by the Commission to oversee the re-evaluation of judges and prosecutors (‘vetting’). The core monitoring activities are carried out by a team of international observers (seven from EU Member States and one from the United States) who are engaged in every step of the work carried out by the domestic vetting institutions. The vetting process has produced concrete results. Over 200 investigation dossiers have been processed and around 100 decisions have been taken. On average, for every magistrate confirmed in office, one is dismissed from duty. The International Monitoring Operation has guaranteed a crucial external and independent monitoring of the vetting process, thus helping to consolidate the overall credibility of this endeavour.

Regional housing programme

In 2018 the EU contributed an additional EUR 40 million to the regional housing programme\(^\text{265}\). This brings the total support to EUR 287 million, of which the EU is the largest donor, with EUR 234 million — or over 80% of all contributions.

By the end of 2018 the regional housing programme has provided 12 000 people in need with quality, durable homes (close to 4 000 housing units). It has also given extra assistance, to improve the lives of these rehoused people, including making sure they can access services (health, education, etc.) and benefit from rights (pensions, allowances, documentation, etc.). In addition, the programme has supported over 30 000 jobs and given 1 000 contracts to local companies. It has also improved the skills of workers, and worked with local businesses and local administrations to deliver better services.

Assessment and evaluation

During 2018 the European Commission completed two thematic evaluations, covering the expansion of the EU to include new members (‘enlargement’) and the Neighbourhood region.

The evaluation of EU support for security sector reform in enlargement and Neighbourhood countries (concerning the period 2010-2016) was conducted to help strengthen democratic accountability and transparency and improve policy and practice through evidence-based learning. The evaluation confirmed that the EU achieved positive effects through its promotion of EU values and interests in the enlargement and Neighbourhood regions. The evaluation identified policy recommendations aimed at enhancing the EU’s role as a strategic player, strengthening national ownership, improving the effectiveness of funding procedures, and achieving greater results.

The evaluation of EU support to social protection in external action (concerning the period 2007-2013) assessed to what extent this support contributed to achieving the objectives of EU cooperation in the area of social protection. It concluded that the EU should promote a broad strategic approach with more attention to sustainability, should consider scaling up its support to social protection, and support the development of appropriate monitoring and evaluation systems.

The political priorities of the European Commission continue to be supported through the 2019 Instrument for Pre-Accession Assistance II interventions, in particular the fundamentals of enlargement such as rule of law and democratic governance, economic growth and jobs, as well as other important priorities such as the connectivity agenda and security. The priorities stemming from the State of the Union and the priorities set in the Western Balkans strategy\(^\text{266}\) of February 2018 will be reflected in the 2019 and 2020 programmes. Following the adoption of the Western Balkans strategy, of the Sofia Declaration\(^\text{267}\) and of the enlargement package, stronger focus will be put on the regional dimension of competitiveness, research and innovation and to the measures the countries need to adopt with a view to setting up the regional economic area. Support to education and employment also remains a priority with actions aimed at supporting the reform of the vocational-training systems, as well as employment and social services focusing on young people, women and vulnerable groups (including Roma).

Continuity is to be ensured under the multiannual financial framework 2021-2027. The strong performance-based element is maintained and simplified to facilitate monitoring and reporting and provide a real incentive to beneficiaries.

\(^{265}\) The Regional Housing Programme is a joint initiative by Bosnia and Herzegovina, Croatia, Montenegro and Serbia. http://regionalhousingprogramme.org/


European Neighbourhood Instrument

Programme objectives

Establishing an area of shared prosperity and good neighbourliness involving the EU and the partner countries by developing a special relationship founded on cooperation, peace and security, mutual accountability and shared commitment to the universal values of democracy, the rule of law and respect for human rights under the Treaty on EU.

The European Neighbourhood Instrument (268) is the main financial instrument for implementing the European Neighbourhood Policy (269), which supports political and economic reforms with the aim of creating a space of stability, security and prosperity in EU’s direct neighbourhood. The instrument supports key priorities in the bilateral relations between the EU and its neighbouring countries (270): democracy and rule of law, sustainable economic development, security and migration and mobility.

Implementation and latest achievements

In 2018, EUR 2.38 billion was committed to bilateral, regional and cross-border cooperation programmes (including projects via the EU Trust Funds: European Union Regional Trust Fund in response to the Syrian crisis, European Union Emergency Trust Fund for Africa and the Neighbourhood Investment Facility), responding to the challenges set out in the context of the Neighbourhood Policy.

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(269) Through its European Neighbourhood Policy (ENP), which has been revised in November 2015, the EU works with its southern and eastern neighbours to foster stabilisation, security and prosperity, in line with the Global Strategy for the European Union’s Foreign and Security Policy.
(270) Partner countries are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Syria, Palestine**, Tunisia and Ukraine. (** This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.)
In line with the revised European Neighbourhood Policy \(^{(271)}\), stabilisation remains the main political objective in the Southern Neighbourhood. It is advancing through supporting economic growth, good governance, rule of law, compliance with human rights and through enhancing security and cooperating on migration and mobility with partner countries.

The instrument proved a flexible and responsive instrument to address political priorities and react to protracted crises (refugee crisis, crises in Syria and Ukraine).

The European Neighbourhood Instrument has been pivotal in the EU response to crises in the Southern Neighbourhood.

Through the European Neighbourhood Instrument, the EU has responded to the Syrian crisis by supporting the broader needs of the Syrian population inside the country and in neighbouring Iraq, Jordan and Lebanon. Part of that funding has been channelled for implementation to the EU Regional Trust Fund in Response to the Syrian Crisis. As of 30 September 2018, more than 1.9 million individuals were being supported via the different projects. This data is based on the first 40 projects of the EU Trust Fund, equalling funding of EUR 800 million. The EU Trust Fund is active mainly in Iraq, Jordan, Lebanon and Turkey and tackles the education, livelihood, health and water, sanitation and hygiene sectors.

Education and protection-related actions show good progress. More than 200,000 children and young people now have access to basic and higher education, psychosocial support and protection against gender-based violence. The total results so far for the education sector are 180,356 individuals with access to basic education; 12,646 teachers trained; 177 education facilities constructed or refurbished; 6,501 young people with access to higher and further education.

The European Neighbourhood Instrument finances EU Regional Trust Funds together with other instruments such as the Development Cooperation Instrument. For example the European Union Regional Trust Fund in response to the Syrian crisis, which promotes a better livelihood for refugees and host communities, through better employability, increased financial capacity and better target-group productive capacities. Results in the livelihood sector have so far reached 75,317 individuals and 738 organisations, namely micro, small and medium-sized enterprises in the region.

This EU Trust Fund provided 856,889 individuals with access to health care, 3,838 health personnel with training and 66 primary health centres and hospitals in the region with equipment or refurbishment. In the water, sanitation and hygiene sector the EU Trust Fund benefited 59,944 people. A total of 37 (of 128 planned) water and wastewater facilities have been completed.

As the dedicated instrument to address the migration crisis in EU Neighbourhood, the north of Africa (EU Emergency Trust Fund for Africa \(^{(272)}\)) has continued to increase its reach considerably with 10 new programmes approved over five countries for EUR 285 million \(\text{in 2018}\), including contributions to two cross-regional programmes and the expansion of ongoing actions. In Libya the EU increased its support to local governance and municipalities throughout 2018, bringing the overall EU contribution to Libyan municipalities to more than EUR 100 million \(\text{in 2018}\), with 49 municipalities targeted (this represents 42% of all Libyan municipalities). Activities are spread across the country, targeting different regions and concentrating on the capacity building of municipal authorities as well as strengthening relationships between municipal players: both state and non-state players.

The European Court of Auditors audited the EU Trust Fund for Africa and in its special report \(^{(273)}\) concluded that the European Union Emergency Trust Fund for Africa is a flexible tool, but that its design should be more focused. The Court of Auditors found that this trust fund was faster in launching projects compared to traditional instruments, and that it has, overall, managed to speed up project implementation. The Court of Auditors identified room for improvement in the quality of the objectives of the EU Trust Fund for Africa, the selection procedure for projects, the speed of implementation and the monitoring of the trust fund.

\(^{(272)}\) https://ec.europa.eu/trustfundforafrica/region/north-africa_en
The EU remains a major partner for countries of the Eastern Partnership. The Eastern Partnership Summit in Brussels marked a new approach of this close partnership through the adoption of the ‘20 Deliverables for 2020’ (274) setting jointly agreed goals for ongoing reforms in partner countries in four priority areas: a stronger economy, stronger governance, stronger connectivity and a stronger society.

The European Neighbourhood Instrument achieved the following concrete results.

- Since the launch of the Eastern Partnership in 2009, the EU has supported more than 70 000 enterprises, backed EUR 2 billion worth of loans, and created more than 28 000 jobs.
- Erasmus+ has enabled more than 30 000 students and academic staff from eastern partner countries to study or teach in EU countries since 2009. In September 2018, the first European School outside EU borders opened and welcomed its first 30 students. Preparations are ongoing for a second year.
- ‘EU4Business’ — an umbrella initiative covering all EU support for small and medium-sized enterprises in the Eastern Partnership region — improves both access to finance and the small-and-medium-sized-enterprise environment across the region. With an active portfolio of over EUR 260 million of EU support (complementary to other forms of support), EU4Business has supported more than 57 000 small and medium-sized enterprises (another 50 000 companies will receive further assistance in the years to come).
- A decision on extending the trans-European transport networks to the Eastern Neighbourhood by 2030 was reached in 2016 as a concrete step towards better connections and a streamlined approach to infrastructure investment. This decision complements reforms in the sector making transport more secure, safer and more environmentally friendly.
- Over 300 municipalities, covering 20 million people in the eastern partner countries, signed up to the EU’s covenant of mayors. This will reduce CO2 emissions by almost 20 million tonnes by 2020, which is equivalent to planting almost 500 million trees.

Assessment and evaluation

According to the midterm evaluation (275), the European Neighbourhood Instrument is overall relevant and fit for purpose. It has allowed the EU to implement the reviewed Neighbourhood Policy. The instrument has also proven its capacity to respond in a flexible manner to the multiple crises and new challenges in the Neighbourhood, in particular in Ukraine and Tunisia.

In 2018, the Commission carried out an impact assessment (276) covering the whole external action heading ‘Global Europe’ under the 2014-2020 multiannual financial framework. The impact assessment concluded in particular that most external instruments (aside from those with a very specific nature) would benefit from being integrated into one instrument, including the European Neighbourhood Instrument. A broad instrument would provide a more geographically and thematically comprehensive approach, facilitating the implementation of different policies in a trans-regional, multi-sectoral and global way. The EU could facilitate consistent responses and mutual benefit, breaking down thematic and geographic silos.

In that context, on 14 June 2018 the Commission adopted a proposal establishing the Neighbourhood, Development and International Cooperation Instrument (277). The new instrument proposes to preserve the core specificities of the special partnership with the European Neighbourhood Programme partners, while ensuring greater consistency, mutual benefit (‘synergies’), flexibility and simplification. It includes a chapter dedicated to the Neighbourhood region, which contains specific provisions applicable to the Eastern and Southern Neighbourhood. These specificities and key principles are maintained and reinforced, notably the performance-based approach (‘more for more’) and the differentiation approach, thus providing incentives for

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jointly agreed political and economic reforms. Cross-border cooperation between EU Member States and partner countries, both in the Eastern and Southern Neighbourhood is also proposed to continue in view of the very positive results so far achieved.

Development Cooperation Instrument (DCI)

Programme objectives

The primary objective of the Development Cooperation Instrument (278) is the reduction and, in the long term, the eradication of poverty and it contributes to the achievement of a range of objectives of EU external action, in particular; fostering sustainable economic, social and environmental development as well as promoting democracy, the rule of law, good governance and compliance with human rights; preserving peace and preventing conflict; improving the quality of the environment and the sustainable management of global natural resources; assisting populations, countries and regions confronting natural or man-made disasters; and promoting an international system based on stronger multilateral cooperation and good global governance. Through the Development Cooperation Instrument, the EU also aims to ensure that both the positive and the negative impacts of migration on development are reflected in national and regional development strategies. It also provides assistance to countries wishing to strengthen migration governance in order to achieve development outcomes.

The Development Cooperation Instrument covers all the developing countries except the countries eligible for funding under the Pre-Accession Instrument. It is made of three components: (1) the geographic programmes; (2) the thematic programmes which finance (2.1) global public goods and support (2.2) civil-society organisations and local authorities; (3) the pan-African programme, which funds the implementation of the joint Africa-EU strategy.

Overarching objective: reduction, and in the long term, the eradication of poverty

- Fostering sustainable economic, social and environmental development.
- Consolidating and supporting democracy, the rule of law, good governance, human rights and the relevant principles of international law.

Implementation and latest achievements

In 2018, EUR 2.981 billion was allocated to the Development Cooperation Instrument. The resources allocated for 2014-2020 amount to EUR 19.661 billion (279). The programme is implemented through direct (mainly grants) and indirect management in cooperation with international organisations, Member State agencies and beneficiary countries.

EU bilateral aid under the Development Cooperation Instrument focused increasingly on the countries that need it the most. Similar prioritisation is done at country level by focusing aid on a limited number of sectors in each partner country.

Challenges impacting the performance of development cooperation programmes (280)

Throughout 2018’s complex tenure, several crises exacerbated the already-fragile and unstable contexts which affect many of the partner countries. A large number of partner countries remain characterised by fragility, including political issues, conflict, corruption and weak governments. Crisis situations, political volatility and economic instability jeopardise programme implementation (especially in ‘sensitive’ sectors such as human rights and democracy, migration and security), making resilience actions even more necessary. Continuous shrinking space for civic society, rule of law, democracy and human rights compromise results, while weakening our partners. Transnational issues, including terrorism and irregular migration, continued to evolve and become more important. Political and security crises and/or incidents impacted the work of EU delegations in several countries in 2018. All these underlying threats and demanding conditions represented major challenges for partner countries, for the cooperation programmes managed by the Commission and for the work of the EU delegations.

EU delegations face particular challenges in recruiting experienced and qualified staff, resulting in several-months-long vacancies that are difficult to manage, especially given the already heavy workload. These difficulties in recruiting are especially amplified in countries under hardship or insecure conditions.

Also, many of the regions are prone to climate-change-related disasters and stand particularly vulnerable to natural disasters and the adverse effects of climate change.

EU Trust Fund Colombia

In Colombia, support for peacebuilding efforts has been a central feature in EU-Colombia relations for the past 20 years and all parties recognise the EU as a key supporting actor in the Colombian Peace Agreement. Support is channelled mainly through the EU Trust Fund for Colombia, which contracted in 2018, a total of 18 projects for EUR 59.5 million. All the projects focus on rural development in the poorest and most conflict-affected regions, by reintegrating the ex-combatants; stimulating economic activity and productivity; and restoring the social fabric.

EU Trust Fund for Africa

The EU Trust Fund for Africa (EUTF) aims to address migration and forced displacement, and boost socioeconomic development, contributing, among other things, to the creation of new, decent jobs in many African partner countries. By 31 December 2018, 187 projects worth EUR 3 589.9 million were approved under the trust fund, in the Sahel and Lake Chad, Horn of Africa and the north of Africa regions. The programme focuses on supporting high levels of productive and decent employment, including through vocational education and training, as well as the extension of social protection coverage through the establishment of nationally defined social protection systems and floors.

Bêkou Trust Fund for the Central African Republic

Operating at the heart of the humanitarian-development nexus, the Bêkou Trust Fund for the Central African Republic plays a unique role in promoting stabilisation and peace by creating jobs; providing basic services; promotion of social dialogue; and building resilience for the community. With more than 694 000 internally displaced people and 543 000 refugees in neighbouring countries, the safe return of civilians and their reintegration into the communities constitutes a cornerstone for peacebuilding processes in the Central African Republic.

Vocational education and training toolbox

Notable achievements in 2018, particularly with a focus on youth employability, include the launch of the vocational education and training toolbox, a facility providing advisory services to strengthen the linkages between the vocational education and training system and industry in partner countries, thereby contributing to sustainable development goals 4 (quality education) and 8 (decent work and economic growth). This is an example of the more comprehensive approach to employment, as advocated in the communication (281) on a new Africa-Europe alliance for sustainable investment and jobs announced by President Juncker in September 2018.

The Global Climate Change Alliance Plus (282)

The Global Climate Change Alliance Plus (283) is an EU flagship initiative contributing to sustainable development goal number 13 (climate action). It is used to support the partner countries which are most vulnerable to climate change (mainly small island developing states and least-developed countries) to build climate resilience.


The new projects approved in 2018 encompass 10 country actions and a multi-country programme (the Local Climate Adaptive Living Facility), to improve local authorities’ access to climate finance.

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(283) http://www.gcca.eu
(284) Global Climate Change Alliance Plus (GCCA+). The chart shows that EU support largely targets least-developed countries (LDCs) and small island developing states (SIDSs). Those countries that are both, an LDC and a SIDS, are counted and portrayed in a specific category as their vulnerability to climate change is even higher and in line with the Agenda 2030 principle to leave no one behind.
Switch to Green (285)

The Commission continued to support ‘Switch to Green’, the EU’s flagship action on green economy, to which the EU has allocated approximately EUR 300 million over the last 10 years. The recent evaluation (286) of EU cooperation on green economy reached positive conclusions on ‘Switch to Green’, noting in particular its ‘high impact in terms of uptake of sustainable consumption and production practices and increased levels of investments by the micro, small and medium-sized enterprises, contributing notably to the creation of green jobs’ (287).

For African countries, there is a real economic interest in investing in solar energy. More solar energy in the energy mix will relieve public finances from the structural deficits of the public electricity supply companies. Successful first steps have been taken in renewable energy, especially in West Africa. Grid connected solar energy installations and wind turbines, currently under preparation, built or in operational activity will generate over 600 megawatts.

In 2018, the 33 megawattpeak of solar power plant at Zagtouli (Burkina Faso), co-financed by the EU, became fully operational.

The EU is currently co-financing five other solar power plants in West Africa: Gorou Banda and Agadez (Niger), Defissol (Benin), Odienné (Côte d’Ivoire) and Bauchi (Nigeria). In total, EU funds are contributing to additional solar power production of 206 megawattpeak in West Africa.

Assessment and evaluation

The evaluation (288) of the Development Cooperation Instrument at its midterm review considered that it remains overall relevant and fit for purpose. It is broadly in line with new policy (e.g. the new European Consensus on Development and the 2030 agenda for sustainable development) although implementing certain priorities could be difficult in its current format. The evaluation also pointed out that while there is some evidence of consistency between the Development Cooperation Instrument and other external financing instruments and with EU external-action policies, a more strategic approach is needed.

This concern was taken into consideration in 2018 when the Commission carried out an impact assessment covering the external action heading ‘Global Europe’ under the 2014-2020 multiannual financial framework. It was assessed that streamlining a number of instruments into one broad instrument would provide an opportunity to rationalise their management-and-oversight systems and so reduce the administrative burden for all stakeholders. Having a simplified oversight system would allow the relevant institutions to have a better, more comprehensive view of the EU’s external expenditure. Under the 2021-2027 multiannual financial framework the European Development Fund is integrated into a new Neighbourhood, Development and International Cooperation Instrument (289) which responds to the objectives of the external action of the EU.

European Fund for Sustainable Development (EFSD)

The overall aim of the European Fund for Sustainable Development (290) is to contribute to the goals of the United Nations 2030 agenda for sustainable development, in particular poverty eradication, as well as to the commitments under the recently revised European Neighbourhood Policy. By supporting investments in Africa and the Neighbourhood, the European Fund for Sustainable Development also aims to address specific socioeconomic root causes of migration, including irregular migration, and to contribute to the sustainable reintegration of migrants returning to their countries of origin and to the strengthening of transit and host communities.

The European Fund for Sustainable Development Guarantee will cover portfolios of investments to be implemented by eligible counterparts in targeted areas, so-called investment windows. A first set of investment windows includes: sustainable energy and connectivity; micro, small and medium-sized enterprise financing; sustainable agriculture, rural development and agribusiness; sustainable cities and digital for environment.

By the end of 2018 (291) the first guarantee was signed with FMO (De Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden), the Dutch development bank, for the Nasira (292) risk-sharing facility (293). It will use EUR 75 million of EU funds to leverage up to EUR 1 billion of investment for entrepreneurs in sub-Saharan Africa and the Neighbourhood. This is expected to create or support up to 800 000 jobs and benefit those who struggle to access affordable loans, such as internally displaced people, refugees, women and young people.

The European Fund for Sustainable Development Guarantee helps to increase investment in partner countries which require it, including in high-risk areas and sectors. It has experienced a promising start (294). In that context, the proposal for a Neighbourhood Development and International Cooperation Instrument for the post-2020 multiannual financial framework will include the European Fund for Sustainable Development+. Integrating the fund into the broad instrument is expected to simplify the legal framework and increase the efficiency of processes and operations. It would improve the visibility delivered by the current fragmented instruments and facilitate better communication of impact and results. There would be a stronger policy alignment and complementarity of actions (295).

EU humanitarian-aid programme

Programme objectives

The humanitarian-aid programme aims to provide relief and protection to populations affected by natural or man-made disasters. Given that together the EU and its Member States are the world’s largest humanitarian-aid donor, they play a central role in tackling humanitarian challenges. The humanitarian-aid programme provides aid to the most vulnerable populations in countries in crisis, including ‘forgotten crises’ (crises with little media attention and poor coverage).

Implementation and latest achievements

In 2018 (296), the European Commission provided over EUR 1.4 billion (297) in aid to the most vulnerable people across more than 90 countries, reaching over 144 million beneficiaries (298).

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(292) For more information on Nasira, please visit: www.nasira.info
(293) Nasira will address the high risks, both perceived and real, involved in lending to underserved entrepreneurs in countries neighbouring the EU and in Sub-Saharan Africa, many of whom have been forced to flee their homes. It will give them access to investment loans by offering local financial institutions, such as banks and microfinance institutions, portfolio guarantees containing loans to entrepreneurs. https://ec.europa.eu/europeaid/sites/devco/files/181213-eip-28-guarantees-brochure-final.pdf
(296) Programme statement ECHO Humanitarian Aid, p. 2.
(297) In 2018, the EU budget provided EUR 1.4 billion in humanitarian aid (excluding European Development Fund and externally assigned revenue). Taking account also the external assigned revenue from Member States committed for the Facility for Refugees in Turkey, operations in Central and West Africa, the European Development Fund appropriations (EUR 45.6 million) as well as Emergency Support in the EU (EUR 199 million), the EU, in 2018, managed a total amount of EUR 1.6 billion for humanitarian aid.
(298) These statistical data are based on the aggregation of the estimated number of ‘action beneficiaries’ as declared by the part

In 2018, more than half of the budget for humanitarian aid went to the most vulnerable countries and an additional 33.9% was allocated to ‘forgotten crises’. Of the contracts, 62% were issued within a very short timeframe (11 days). In addition, the EU is committed to build the capacity and resilience of vulnerable communities and has put in place a resilience action plan for which 80% of actions are on target (299).

As an example of the EU’s response to major crises, the EU continues to deliver life-saving assistance and support to millions of people across Syria. Aid is delivered from all humanitarian hubs, including across conflict lines and border crossings. The assistance contributes to the vital delivery of food, medicine, water and shelter for millions of Syrians either directly affected or internally displaced by the conflict. In neighbouring Lebanon, EU funding has contributed to cash assistance for the most vulnerable refugees, life-saving (‘secondary’) health care, non-formal education and shelter (including water, hygiene and sanitation) to improve the living conditions of the vulnerable families most affected by displacement. In Turkey and Jordan, the EU supports the most vulnerable refugees, among other things through cash assistance, as this is considered the most cost-efficient and dignified method (300).

The Yemen crisis (301)

For most of 2018, the situation in Yemen remained characterised by ongoing conflict, directly affecting civilians and with blatant violations of international humanitarian law. Yemen crisis is the largest humanitarian crisis worldwide. At the end of 2018, according to the UN, 22.2 million people were in need of humanitarian and/or protection assistance.

During 2018, the EU made significant efforts to scale up its response to the Yemen crisis, reaching a total allocation of EUR 127.5 million. With these funds, the EU supports life-saving interventions to conflict-affected populations and to people affected by food insecurity, nutrition and health crises. Protection, logistics, education in emergency and advocacy are mainstreamed or supported by standalone projects. Over 14 million vulnerable people were reached through this assistance.

Assessment and evaluation

The comprehensive evaluation of EU humanitarian aid in the period 2012-2016 (302) found that EU aid positively contributed to saving lives, reducing morbidity and suffering as well as improving dignity of life of populations affected by disasters. The scale of funding dedicated to humanitarian-aid actions allowed the EU to have a real impact on the ground, addressing the needs of a significant number of beneficiaries across the world. In regions where the EU allocated only limited funding compared to its overall financial allocation, the evaluation showed that it was also able to have a positive impact by selecting projects with high leverage or multiplier-effect potential.

The evaluation also found however that there is scope for the Commission to move towards increased and more strategic cooperation with key partners, to simplify procedures and allow for a more linked-up, consistent approach to humanitarian aid, especially where this is accompanied by a move towards multiannual programming and funding. In parallel, the Commission will continue to need its diverse pool of framework partners, including those which are relatively small or medium sized, given their specific geographic presence and/or sectoral or thematic expertise (303). The EU humanitarian-aid programme will continue providing emergency and life-saving assistance under the next multiannual framework programme 2021-2027 to people hit by man-made or natural disasters.

(300) Programme statement ECHO Humanitarian aid, p. 2.
EU aid volunteers initiative

The EU aid volunteers initiative brings together volunteers and organisations from different countries, providing practical support to humanitarian-aid projects and contributing to strengthening the local capacity and resilience of disaster-affected communities.

Humanitarian disasters have dramatically increased the pressure on humanitarian organisations and more qualified people are needed. The EU aid volunteers initiative gives European citizens a chance to show their solidarity by collaborating in humanitarian projects worldwide, while helping organisations to cover their specific staff needs.

As of December 2018 the EU aid volunteers initiative funded 728 sending and hosting organisations (304). This support included strengthening their capacity, technical assistance and managing the deployment of volunteers to disaster-affected communities.

To support the implementation of this programme, a platform was developed (the EU aid volunteers platform (305)) to provide a space for the publication of volunteering vacancies, a discussion forum (for volunteers, volunteer-sending organisations and local host organisations) and the publication of stories from the field. It supports partnerships and collaboration between projects, houses the online volunteering activities and allows organisations to manage the learning and development, the mentoring and the creation of certificates for EU Aid volunteers (306).

Under the next multiannual financial framework (2021-2027) the EU aid volunteers initiative is expected to be integrated into the European Solidarity Corps (307), with the aim of facilitating the engagement of young people in solidarity activities in Europe and abroad under a single EU instrument. This will seek mutual benefit and streamlining with other EU volunteering schemes, notably the European Solidarity Corps. The Commission will aim to provide more clarity for EU citizens (308) seeking volunteering opportunities inside and outside the EU.

European Instrument for Democracy and Human Rights

Programme objectives

The European Instrument for Democracy and Human Rights (309) provides assistance to the development and consolidation of democracy and the rule of law and of compliance with all human rights and fundamental freedoms. The programme helps civil society to become an effective force for political reform and defence of human rights. Building on its key strength — the ability to operate swiftly — the European Instrument for Democracy and Human Rights is able to focus on sensitive political issues and innovative approaches and to cooperate directly with local civil-society organisations which need to preserve their independence from public authorities, providing for great flexibility and increased capacity to respond to changing circumstances.

The programme aims to enhance the protection, promotion, implementation and monitoring of human rights and fundamental freedoms, mainly through support to relevant civil-society organisations, human rights defenders and victims of repression and abuse. At the same time, the European Instrument for Democracy and Human Rights works towards consolidation of democracy in third countries, by

(305) https://webgate.ec.europa.eu/echo/eu-aid-volunteers_en
(308) Participants in the EU aid volunteers initiative must be citizens of an EU Member State or long-term residents in the EU https://ec.europa.eu/echo/what/humanitarian-aid/eu-aid-volunteers_en
enhancing participatory and representative democracy, strengthening the overall democratic cycle, the rule of law and improving the reliability of electoral processes. The European Instrument for Democracy and Human Rights views the human rights and democracy agendas as intrinsically interlinked.

The European Instrument for Democracy and Human Rights is intended as a ‘niche’ instrument particularly geared towards addressing the most difficult human rights situations and protecting human rights and democracy activists at risk, supporting some of the selected key human rights players and processes, and acting in areas where the EU has a special interest and offers added value (e.g. the fight against the death penalty, promoting sound electoral processes).

**Implementation and latest achievements**

In 2018, a total of EUR 188 million was allocated to promote democracy and human rights from a total amount of EUR 1 333 million for the 2014-2020 programming period (310).

### Support to human rights defenders at risk

**ProtectDefenders.eu**, the first EU comprehensive human rights-defenders mechanism, established to protect defenders at high risk and who are facing the most difficult situations worldwide. This mechanism was set up in 2015 and extended in 2018 with an unprecedented budget of EUR 19.95 million over 4 years. It brought together a consortium of 12 independent civil-society organisations specialised in human rights and democracy protection with worldwide coverage; it provides emergency support, material assistance, temporary relocation/sheltering, training support and capacity building to human rights defenders.

### Support to democracy

‘Supporting Democracy’ (EUR 4.6 million) programme, under the umbrella of the Democracy Initiative, focuses on support to the EU delegations in the areas of civil-society participation in democratic processes. Achievements so far include the Citizen Observers Forum in 2016 bringing together 250 domestic observer organisations from all over the world, facilitating peer-to-peer exchanges and promoting the declaration of global principles for electoral observers, training domestic observers in Afghanistan, Democratic Republic of the Congo, Lebanon, Madagascar, Maldives, and the launch of an annual worldwide ‘EU4Democracy’ campaign promoting EU support to democracy in partner countries.

### Support to targeted key players and processes

‘Global campus for human rights and democracy’ (approximate contribution of EUR 5 million a year) is a unique global network of more than 100 universities teaching and promoting human rights and democracy. Supported by the EU from its outset, the Global Campus confers masters degrees in human rights and democracy on more than 150 students a year, covers seven regions in the world (311) and represents a beacon of excellence in human rights and democracy education.

Continued support to the global alliance of national human rights institutions and its four regional networks (Africa, Europe, Asia and Latin America) of national human rights institutions (EU contribution EUR 3.75 million 2019-2021) is strategic and timely: the advice and support these networks provide to individual national human rights institutions in core mandate areas allow for a more strategic, relevant and impactful engagement of national human rights institutions at global, regional and national levels. The 3-year targeted programme will be managed by the Danish institute for human rights as mandated by the global alliance of national human rights institutions and will build on the results of the previous programme which ran from 2015-2018 which provided much-needed training and capacity-building opportunities, exchange and communication platforms, institutional development and rapid support for national human rights institutions in distress.

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(311) https://www.eiuc.org
Assessment and evaluation

According to the midterm review (312), the European Instrument for Democracy and Human Rights (for 2014-2017), has been successful in delivering on its objectives and has been an enabling, flexible and responsive instrument. Its key added values have been the independence of action and worldwide coverage, allowing interventions in the most difficult country situations swiftly, creating synergies and complementarity where other instruments and donors cannot or do not act. It has been able to address human rights and democracy challenges, even in the most difficult environments — confirming that the European Instrument for Democracy and Human Rights remains more than ever relevant to the political priorities of the EU.

The instrument is also judged generally efficient thanks to a relatively low level of administrative expenditure and its essential, in-built flexible tools (e.g. direct support to human rights defenders, direct small grants, working with informal partners).

While it has limited funds compared to other external financing instruments, it is at the core of the EU’s values. As democracy and human rights are being put under greater stress, additional funding may be needed.

Under the next multiannual financial framework, the democracy and human rights instrument will be integrated into the new proposed Neighbourhood, Development and International Cooperation Instrument (313). As part of the broad instrument, democracy and human rights actions potentially have greater access to unallocated funds. In this way, boundaries with other instruments would be reduced and more-integrated programming approaches and consistence with country actions would be possible.

Common Foreign and Security Policy

Objectives

The European Union’s Common Foreign and Security Policy operations contribute to the preservation of peace, the prevention of conflicts and to the strengthening of international security.

There are four types of actions under the Common Foreign and Security Policy.

- The conduct of civilian missions to promote stability and build resilience by strengthening the rule of law at the strategic and operational levels in fragile environments.
- The work of the European Union’s Special Representatives who promote the EU’s policies and interests in troubled regions and countries and play an active role in efforts to consolidate peace, and to promote stability and the rule of law.
- Operational actions (314) as well as support to the European Security and Defence College (315).
- Projects to combat the proliferation of weapons of mass destruction (including their delivery mechanisms) and to combat the illicit spread and trafficking of other conventional weapons, particularly through supporting multilateral activities.

For the Common Foreign and Security Policy to be effective, the EU needs to be ready to respond rapidly and flexibly to emerging threats to its strategic interests and as such, the actions cannot be programmed in advance: due to their nature, the specific actions are often announced at short notice and have short implementation periods which may later need to be adapted, prolonged or terminated, according to the changing needs and priorities on the ground.

Implementation and latest achievements

In 2018, total commitments for Common Foreign and Security Policy actions amounted to EUR 369.9 million. In the period 2014 to 2018 there were 13 different civilian missions operating at different stages and 11 active European Union Special Representatives (the one in Afghanistan finalised activities in 2018).\(^1\)

The EU Advisory Mission in Iraq, established in October 2017, is the most recently established civilian mission. The EU Advisory Mission has been: (i) providing advice and expertise to the Iraqi authorities at the strategic level on the civilian aspects of the Iraqi national security programme and associated plans; (ii) assessing opportunities for further EU engagement and (iii) assisting the EU delegation in the coordination of the EU and Member State support. As part of the mission’s support to the Iraqi strategy on countering organised crime, its mandate also covers certain aspects of cultural-heritage protection. The mission’s mandate was prolonged in October 2018 for another 18 months.\(^2\)

In addition to this, the Common Foreign and Security Policy also supports projects to promote disarmament, non-proliferation of weapons of mass destruction and arms-export control. During the period 2014-2018, 29 different non-proliferation and disarmament projects started and another 22 were completed.\(^3\)

Assessment and evaluation

The Common Foreign and Security Policy will remain one of the key instruments used to implement the global strategy for the EU’s Foreign and Security policy under the next multiannual financial framework.

For the period after 2020, the High Representative of the Union for Foreign Affairs and Security Policy has, with Commission support, put forward a proposal for the European Peace Facility: an off-budget fund (not under the multiannual financial framework) of EUR 10.5 billion over a 7-year period coinciding with the timeframe of the next multiannual financial framework. The initiative is intended to enhance the EU’s ability to finance operational actions under the Common Foreign and Security Policy that have military or defence implications, and that therefore cannot be financed under the EU budget.\(^4\)

It is proposed that the European Peace Facility do the following.

- Fund the common costs of EU military operations under the Common Security and Defence Policy.
- Contribute to the financing of military peace-support operations led by other international players.
- Engage in broader actions aimed at supporting partner countries’ armed forces with infrastructure, equipment or military assistance, as well as in other operational actions under the EU’s Common Foreign and Security Policy with military or defence implications, when so decided by the Council.

Instrument contributing to Stability and Peace

Programme objectives

The Instrument contributing to Stability and Peace provides quick, short-term support in countries or regions where a crisis is emerging or unfolding. It also provides a longer-term support to conflict prevention, peacebuilding and crisis-preparedness activities as well as activities addressing global and trans-regional threats and emerging threats.

\(^{1}\) Programme statement Common Foreign and Security Policy, p. 2.
\(^{2}\) Programme statement Common Foreign and Security Policy, p. 4.
\(^{3}\) Programme statement Common Foreign and Security Policy, p. 2.
\(^{4}\) Proposal of the High Representative of the Union for Foreign Affairs and Security Policy, with the support of the Commission, to the Council for a Council Decision establishing a European Peace Facility.
Implementation and latest achievements

In 2018, the EU continued to respond to crises in Europe, Africa, the Middle East, Asia and the Americas through the Instrument contributing to Stability and Peace (321). A total of EUR 360 million was committed of which EUR 254.1 million under the short-term crisis-response component and EUR 33.7 million under the structural peacebuilding component. The EUR 254.1 million was dedicated to the response and prevention of crises worldwide, responding directly to EU political priorities, and covered different thematic areas, including stabilisation and security reform, mediation, dialogue and confidence building, elections and political transition, as well as counter terrorism and preventing violent extremism (322).

In 2018, the Instrument contributing to Stability and Peace launched its first EU-funded project in the north-eastern part of Syria in areas liberated from Daesh by the Global Coalition. The mine-action project (EUR 10 million) aims to improve physical safety conditions and to facilitate access to land and infrastructure — including through mine-risk education for returnees, displaced people and host communities. It represents the first EU non-humanitarian intervention in the area since the conflict started (323).

The Central African Republic remains of significant concern to the EU. During 2018, the instrument devoted EUR 40.5 million in additional funding to sustain the EU engagement in the country. The funding provided new and sustained impetus to the peace process, which was on the verge of collapse at the end of 2017, nurturing hopes for a negotiated ceasefire and a comprehensive political agreement, which at the end of 2018 gave reason for cautious hope (324).

Furthermore, 2018 was the first year of implementation of capacity building in support of security and development (CBSD) actions, in particular where there is a major threat to the functioning of state institutions. Eight such actions have been launched in Mali, the Central African Republic, Somalia and Lebanon (325).

Assessment and evaluation

The evaluation (326) concluded that the instrument delivers on its objectives. When it comes to crisis-response measures, the evaluation found that this component has delivered on its commitments, yielded important outcomes and is responsive and flexible given the fast-evolving peace and security context. The instrument allowed the EU to make important contributions to address threats to international and EU peace and security by addressing both existing and emerging global threats. It has offered opportunities for a broader political exchange platform on key security-policy issues with beneficiary governments and institutional partners.

The evaluation underlined that the capacity for the EU to react quickly to the unforeseen events and to address key security issues globally must be further strengthened in any future external-action instruments (327). Consequently, the Commission is proposing under the next multiannual financial framework to bring together several external-action instruments to provide a comprehensive approach in an integrated neighbourhood, development and international cooperation instrument (328) providing, amongst other things, flexibility to target resources to where they are most needed in changing international situations (329).

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(323) Programme statement Instrument contributing to Stability and Peace, p. 3.
(324) Programme statement Instrument contributing to Stability and Peace, p.3.
Partnership Instrument for Cooperation with Third Countries

The Partnership Instrument for Cooperation with Third Countries is the first instrument specifically aimed at promoting the EU’s strategic interests worldwide by consolidating its external strategies, policies and actions. The instrument has four main objectives:

- offering policy support and responding to global challenges;
- projecting the international dimension of Europe 2020;
- enhancing market access and boosting trade, investment and business opportunities for EU companies;
- promoting public diplomacy and academic cooperation.

The EU has numerous international agreements with partner countries all over the world, which gives it influence in many fields of international relations. By combining the weight of all Member States acting within common policies and strategies, the EU has the critical weight to respond to global challenges (330).

The budget allocated for actions under the Partnership Instrument in 2018 amounted to EUR 126.9 million (331). The funded activities can be divided into three main categories:

- exchanges, events, knowledge sharing;
- expertise, technical assistance;
- promotion, outreach, engagement (332).

The evaluation support study (333) found evidence that the Partnership Instrument played an often-critical enabling role through both strengthening and opening up areas for cooperation and dialogue between the EU and third countries. The evaluation of the instrument (334) found that it has an impact on policy/political processes in partner countries in line with EU interests and that it has contributed to developing mutually beneficial relationships with these countries (335).

The Partnership Instrument will be integrated into a new neighbourhood, development and international cooperation instrument (336) under the next multiannual financial framework ensuring greater consistency and efficiency in supporting EU’s external policies.

Cooperation with Greenland

In 2014 (337), the Commission agreed a ‘Programming document for the sustainable development of Greenland 2014-2020’ with the government of Greenland.

The objective of this programme is to contribute to a higher standard of living through improved education, skills development and knowledge. This will ensure Greenland’s continuous economic progress in the increasingly globalised world economy through a critical mass of qualified people and a competitive workforce. Increased productivity in the working-age population will reduce the growing pressure on the public finances resulting from the growing share of elderly people. Furthermore, a highly educated and skilled labour
force will reduce the economic dependence on certain sectors and is a prerequisite for development and inclusive growth in emerging sectors.

EU cooperation with overseas countries and territories, including Greenland, will continue under the next multiannual financial framework (338) in synergy with the actions carried out under the Neighbourhood, Development and International Cooperation instrument.

Instrument of financial support for encouraging the economic development of the Turkish Cypriot community

This instrument facilitates the reunification of Cyprus by encouraging (a) economic development of the Turkish Cypriot community, (b) the economic integration of the island (c) improving contact between the two communities and with the EU and (d) the preparation for the EU body of laws following a comprehensive political settlement of the Cyprus issue.

The Commission encountered some difficulties when implementing (339) this programme. Examples are the internationally non-recognised status of the beneficiary (Turkish Cypriot community), poor absorption capacity of funds and disputes with contractors. Despite this, in 2018 major infrastructure works mostly contracted in 2009 have been completed. Further infrastructure investments, with a strong environmental and bi-communal focus, are going to be implemented. Continued support is provided for strengthening the private sector and labour-market measures, with an emphasis on innovation and increasing employability. Likewise, concrete measures have been put in place aimed at eradicating animal disease and improving food-safety standards.

An evaluation of the aid programme provided during the period 2013-2018 is currently ongoing and due to be finalised by the end of 2019.

The programme is intended to continue under the next multiannual financial framework programme to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community.

Instrument for Nuclear Safety Cooperation

The Instrument for Nuclear Safety Cooperation (340) contributes to the promotion of the implementation of international treaties and conventions as well as the adoption of the highest safety standards complementing work inside the EU. It also exports the acquis communautaire ('Union acquis') worldwide and promotes nuclear-safety cooperation. The Instrument for Nuclear Safety Cooperation is the only specific tool of the European Union addressing nuclear-safety issues in partner countries, complementing other external financing instruments, for example as part of the Neighbourhood Policy. It covers cooperation in nuclear safeguards which is essential to the global non-proliferation policy.

One of the key achievements is related to safe management of radioactive waste. A major milestone, to make the Chernobyl site environmentally stable and safe, was met on 29 November 2016 by sliding the new safe-confinement structure over the nuclear reactor destroyed in April 1986. The new safe confinement is a giant arch-shaped structure that covers the damaged Chernobyl Unit 4 in order to prevent any further radioactive release. The new safe confinement also contains the remotely operated equipment for ultimate removal of the damaged reactor and radioactive material. This important milestone in the project was achieved thanks to the joint effort of the European Union, Ukraine, the European Bank for Reconstruction and Development, and the international community. The total project cost is in the order of EUR 1.5 billion, to which the EU contributed more than EUR 430 million (under the technical assistance programme stimulating

\[ (338) \text{COM(2018) 461.} \\
(339) \text{Programme statement on Turkish Cypriots Financial Aid, p. 2.} \\
partnerships between the EU and the Commonwealth of Independent States and Georgia (Tacis) (EUR 210 million) and Nuclear Safety Cooperation (EUR 220 million) programmes.


### Facility for refugees in Turkey

**Turkey** currently hosts close to 4 million refugees and the EU is committed to assist Turkey in dealing with this challenge. The EU facility for refugees in Turkey, managing a total of EUR 6 billion (EUR 3 billion for 2016-2017 and EUR 3 billion for 2018-2019), provides for a joint coordination mechanism, designed to ensure that the needs of refugees and host communities in Turkey are addressed in a comprehensive and coordinated manner. The main focus areas are humanitarian assistance, education, health, municipal infrastructure and socioeconomic support. The facility channels financing contributions from the EU budget, mainly the humanitarian-aid programme and the Instrument for Pre-Accession Assistance, as well as contributions from Member States.

The 2016-2017 EUR 3 billion allocation was fully contracted with 72 projects rolled out, showing tangible results. In education a EUR 300 million grant has been implemented in cooperation with the Turkish ministry of national education. It has supported the integration of Syrian children into the Turkish education system by providing access to education to over 600,000 children. This support continues also under the second tranche and a new project with the ministry of national education was signed, worth EUR 400 million.

The facility has delivered EUR 300 million in aid to ensure refugees can access health-care services. Over 4 million primary health-care consultations were carried out and over 500,000 Syrian refugee children were vaccinated. Furthermore, 143 migrant health centres are now operational with over 2,000 staff employed. The facility will continue to provide assistance in health, education, municipal infrastructure and socioeconomic support, with a special focus on creating livelihood opportunities for refugees in Turkey. 1.5 million of the most vulnerable refugees are provided with monthly cash transfers under the emergency social safety net (343).

<table>
<thead>
<tr>
<th><strong>1.5 million</strong> recipients of the emergency social safety net to cover basic needs</th>
<th><strong>4 500</strong> Turkish language teachers employed in 23 provinces have provided language training to over 400,000 children</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>470 000</strong> children attending school and their families received support through the conditional cash transfer for education programme</td>
<td><strong>136</strong> new schools are currently being constructed to respond to education needs</td>
</tr>
<tr>
<td>Over <strong>1.2 million</strong> ante-natal consultations delivered</td>
<td>Over <strong>60 000</strong> students have benefited from catch-up and back-up classes</td>
</tr>
<tr>
<td>More than <strong>635 000</strong> Syrian refugee children have access to education</td>
<td>Almost <strong>67 500</strong> children benefited from school transportation</td>
</tr>
</tbody>
</table>

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The EU's engagement with Turkey has also helped reduce irregular and unsafe border crossings into the EU and to cut the number of lives lost at sea.

The Court of Auditors in its special report on the facility for refugees for Turkey (344) examined whether the facility effectively supported the refugees in Turkey, focused on the management of the first tranche of the facility and results achieved in the area of humanitarian support. The Court found that this facility rapidly mobilised needed resources to provide a swift response to the refugee crisis. However, it did not fully achieve its objective of coordinating this response effectively.

Guarantee Fund for External Action

Lending operations covered by the External Guarantee Fund relate to three different instruments; the external lending mandate, which benefits from a guarantee from the EU budget to the European Investment Bank; Euratom external lending; and EU macro-financial assistance loans to third countries. The fund is provisioned from the EU budget and has to be maintained at a certain percentage (the target rate is currently 9%) of the outstanding amount of the loans and loans guaranteed.

Macro-Financial Assistance (345) programmes (346) provide financial support to partner countries which experience a balance of payments crisis and are under an International Monetary Fund programme. This takes mainly the form of medium- and long-term loans, sometimes combined with grants. The objective of macro-financial assistance is to restore a sustainable external financial situation, while encouraging economic adjustments and structural reforms. Disbursements are tied to the fulfilment of specific policy conditions (listed in the Memorandum of Understanding and mutually agreed with the beneficiary country), and successful reviews.

In 2018, the Commission presented two new legislative proposals for macro-financial assistance operations, which were adopted by the Parliament and Council in 2018. These are Georgia II (EUR 45 million, including EUR 10 million in grants) and Ukraine IV (EUR 1 billion in loans). In both cases, the disbursement of the first tranche took place in a single transaction in December 2018: Georgia II (EUR 15 million) and Ukraine IV (EUR 500 million).

The objective of the external lending mandate of the European Investment Bank is to support private-sector development in targeted third countries, the development of social and economic infrastructure, climate-change mitigation and adaptation, and long-term economic resilience in relation to migration. In 2018, for a total amount of EUR 4.5 billion projects were signed by the European Investment Bank.

The ex post evaluation reports on macro-financial assistance (347) and the midterm review on the European Investment Bank external lending mandate (348) concluded that the external financing instruments were, overall, fit for purpose and that positive trends were emerging in relation to the achievement of objectives. The reports show that more resources are needed for external financing instruments because they have been stretched to their financial limit.

In response to this midterm review, as well as the sharp increase in the number of people trying to migrate to Europe illegally, the Commission proposed an external investment plan to tackle the root causes of migration from countries neighbouring the European Union, consisting of a European Fund for Sustainable Development

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(346) Each macro-financial assistance programme is based on an ad hoc Legislative Decision (usually co-decision by the European Parliament and Council under the ordinary legislative procedure). The grants are financed from the EU budget.
and quantitative and qualitative changes to the external lending mandate. For the next multiannual financial framework the Commission will further build on that. The new European Fund for Sustainable Development Plus, should constitute an integrated financial package supplying financing capacity in the form of grants, budgetary guarantees and financial instruments worldwide. It should support the external investment plan and combine blending and budgetary guarantee operations covered by the External-Action Guarantee, including those covering sovereign risks associated with lending operations, previously carried out under the external lending mandate to the European Investment Bank. Given its role under the treaties and its experience over the last decades in supporting EU policies, the European Investment Bank should remain a natural partner for the Commission for the implementation of operations under the External-Action Guarantee.

**EU Civil Protection Mechanism**

The aim of the EU Civil Protection Mechanism is to support, coordinate and supplement the disaster-management-coordination actions of the Member States in order to improve the systems for preventing, preparing for and responding to natural and man-made disasters. Through a comprehensive approach encompassing disaster prevention, preparedness and response, the programme aims to reduce the loss of human life and to minimise environmental and material damage caused by disasters. Member States put together resources and experts into a voluntary pool and keep them on standby for EU civil-protection missions.

**EU Civil Protection Mechanism** response in 2018

17 participating states have contributed to 20 emergencies

<table>
<thead>
<tr>
<th>Assets and expertise</th>
<th>Material assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>500+ firefighters</td>
<td>1 728 shelter kits</td>
</tr>
<tr>
<td>30 EU Civil Protection Mechanism (EUCPM) experts</td>
<td>Tents/shelter for 8 500 people</td>
</tr>
<tr>
<td>9 Emergency-response-coordination-centre (ERCC) liaison officers</td>
<td>2.2 million water-purification tablets</td>
</tr>
<tr>
<td>11 firefighting planes</td>
<td>24 million litres of water dropped</td>
</tr>
<tr>
<td>6 firefighting helicopters</td>
<td>76 power generators</td>
</tr>
<tr>
<td>2 water-purification modules</td>
<td>2 million litres of purified water</td>
</tr>
<tr>
<td>2 isolation shuttle buses for Ebola</td>
<td>13 containers and modules</td>
</tr>
</tbody>
</table>

In 2018 there were 11 requests for assistance from outside the EU for sudden-onset and large-scale emergencies. The mechanism facilitated assistance and experts to Bangladesh, Colombia, the Democratic Republic of the Congo, Guatemala, India, Nigeria, Indonesia and Papua New Guinea (349).

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EU Civil Protection Mechanism — requests for assistance in 2018

Bangladesh  
Preparedness & prevention  November  

Indonesia  
Earthquake  October

Bulgaria  
Marine pollution  August  

Latvia  
Forest fires  July

Colombia  
Environmental accident  April, May  

Nigeria  
Floods  September

Democratic Republic of the Congo  
Civil unrest  May  

Papua New Guinea  
Earthquake  February

Epidemic  May, August

France  
Marine pollution  October  

Portugal  
Preparedness & prevention  April  

Forest fires  August

Greece  
Forest fires  July  

Romania  
Medical  March

Guatemala  
Volcano  June  

Sweden  
Forest fires  June, July

India  
Floods  September

Sources: ECHO, the geographic information system of the Commission (GISCO).

Outside the EU Civil Protection Mechanism can fill important emergency gaps in cases where it is not possible to fully deploy humanitarian assistance and/or where specific technical expertise or assets are needed. In addition, the assessments carried out by civil-protection experts deployed under the EU Civil Protection Mechanism can usefully participate in wider disaster-recovery frameworks.

It is important for the EU Civil Protection Mechanism to find the right balance between being a framework of mutual assistance between European countries in the aftermath of natural and man-made disasters and evolving towards a more complex instrument capable of addressing crises of a multiple nature and with a global reach (350). To this end, the mechanism has been strengthened (351) to ensure better coordination between EU intervention and the United Nations actions.


(351) Decision (EU) 2019/420 amending Decision No 1313/2013/EU on a Union Civil Protection Mechanism, Art 16(2).
Special instruments

The special instruments are designed to make the financial framework more flexible. They include the emergency aid reserve, the Flexibility Instrument, the EU Solidarity Fund and the European Globalisation Adjustment Fund.

Emergency aid reserve

In 2018, the emergency aid reserve was mobilised with EUR 372.2 million to finance humanitarian and civilian crisis management and protection operations in third countries. It was used for example to fund the provisioning of medicines, food and protection for Venezuelan people affected by the crisis there. The reserve was also used to provide funding for health care, nutrition and food security, sanitation and water in Rohingya refugee camps in Bangladesh.

Under the new multiannual financial framework the emergency aid reserve will continue addressing extraordinary situations that cannot be tackled by the emergency funding within specific programmes when a crisis occurs. Its scope will be extended so that the reserve can also be used for emergencies within one of the Member States.

Flexibility instrument

The Flexibility Instrument provides funding for clearly identified expenditure that cannot be covered by the EU budget without exceeding the maximum annual amount for expenditure set out in the multiannual financial framework. In 2018 it was mobilised with EUR 837.2 million mainly to finance immediate budgetary measures to address the ongoing challenges of migration, refugee inflows and security threats and to provide financing of the extension of the Structural Reforms Support Programme.

For the next multiannual financial framework the Commission proposes to streamline the procedures for mobilising these instruments, and to increase the size of the Flexibility Instrument.

EU Solidarity Fund

Programme objectives

Solidarity is one of the core values of the EU and a guiding principle of the European integration process. The European Union Solidarity Fund, set up in 2002, is one of the most concrete demonstrations of solidarity to Member States and to countries negotiating their accession to the EU. The fund can be used in the event of major national or regional natural disasters (earthquakes, floods, droughts, forest fires, storms, etc.) to finance emergency measures from day one of the disaster, such as restoration to working order of basic infrastructure, providing temporary accommodation, funding rescue services to help the population affected, securing of preventive infrastructure and cleaning-up operations.

Implementation and latest achievements

Since the EU Solidarity Fund was set up in 2002, support has been given in response to more than 80 disasters — including floods, forest fires, earthquakes, storms and drought. Emergency and recovery operations in 24 countries have received aid from the EU Solidarity Fund. This represents more than EUR 5 billion.
In 2018 the EU Solidarity Fund continued to offer vital support, adding to the financial relief but also a clear and tangible sign of the European solidarity to the populations affected.

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (EUR)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>46.5m</td>
<td>For the regions of Saint Martin and Guadalupe, affected by hurricanes Irma and Maria</td>
</tr>
<tr>
<td>Portugal</td>
<td>49.2m</td>
<td>Following the summer forest fires in October 2017</td>
</tr>
<tr>
<td>Spain</td>
<td>3.2m</td>
<td>Following the earthquake in 2017</td>
</tr>
<tr>
<td>Greece</td>
<td>3.8m</td>
<td>After the August 2017 storms and rainfalls</td>
</tr>
<tr>
<td>Poland</td>
<td>12.3m</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>16.9m</td>
<td>Following the 2017 rainfall and floods</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2.3m</td>
<td>After the storms and floods of October 2017</td>
</tr>
<tr>
<td>Latvia</td>
<td>17.7m</td>
<td>After the flooding disaster that took place in 2017</td>
</tr>
</tbody>
</table>

Total EUR 151.9 million

In 2018, a total amount of EUR 152 million was granted to eight Member States, in order to allow them to finance emergency and recovery operations in the area of basic infrastructure, assistance to the population, provisional housing, protection of cultural heritage and cleaning-up operations. The support provided in 2018 was mainly for natural disasters which occurred in the previous year. Such were the cases of the hurricanes Irma and Maria in the overseas regions of France, Saint Martin and Guadalupe, the earthquakes in Lesbos and Kos in Greece, the floodings in Latvia and Lithuania and the forest fires in Portugal and Spain.

In 2018 the Commission received the following four applications for support: flooding in Burgas (Bulgaria), which occurred at the end of 2017; ongoing drought in Cyprus; flooding in the north-east region of Romania during the summer months and extreme weather events during October/November throughout Italy. Bulgaria received financial contribution amounting to EUR 2.3 million in November 2018. The assessment of the three other cases is continued into 2019.

Support from the Solidarity Fund helps to increase the Member States’ and regions’ resilience and preparedness to address the consequences of natural disasters.

Assessment and evaluation

The Commission carried out its first evaluation of the EU Solidarity Fund covering the period 2002-2017 and concluded that the fund fulfils its mission effectively and that it is valued in its readiness to intervene with additional financial resources. The fund was also found to promote further learning in national public administrations in the area of disaster-risk management. The evaluation found that the integration of disaster-risk management in the national systems is likely to generate synergies for more effective implementation.

The evaluation found that the Solidarity Fund is an adaptable and flexible instrument for EU interventions in disaster situations. At the EU level, the mechanism established for the availability of resources on an annual basis ensures that the fund can provide assistance even in catastrophic events, as witnessed by the record grant of more than EUR 1 billion approved in response to the series of earthquakes which hit Italy during 2016 and 2017. At the operational level, this flexibility is ensured by the possibility for beneficiary countries to use the grant in order to cover expenditure incurred retrospectively, i.e. for projects started and implemented already before the actual deployment of Solidarity Fund on the ground.

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\(^{(353)}\) SWD (2019) 186 final of 15 May 2019
On the other hand, one of the most criticised features of the Solidarity Fund is the time taken for deployment of the grant, which remains on average about 1 year. In the current regulatory framework, the Solidarity Fund is not an instrument for rapid interventions in disaster situations and further discussion is required on solutions to help address the issue of timing for its mobilisation.

The solidarity instrument will continue, with a few new features providing more flexibility in its implementation.

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**European Globalisation Adjustment Fund**

**Programme objectives**

The European Globalisation Adjustment Fund provides support to workers made redundant, and to self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation or as a result of the continuation of the global financial and economic crisis.

**Implementation and latest achievements (354)**

In 2014-2018, the European Globalisation Adjustment Fund offered support to **49 062 targeted workers and persons not in education, employment, or training (NEETs)** in **27 different economic sectors**. The reintegration rate of redundant workers into the job market improved compared to the previous funding period 2007-2013 (from 49% to 56%) (355). In 2018, Member States received EUR 27.7 million to support former workers that had been made redundant. Some examples of the support offered in 2018 (356):

- for 550 former workers in the publishing sector in Greece;
- for 730 former workers in the Portuguese clothing sector;
- for 1 858 former workers of Air France;
- for 2 285 former Caterpillar employees in Belgium;
- for 646 former Goodyear workers in Germany;
- for 303 former workers in the Spanish clothing sector in Galicia;
- for 900 former Ericsson workers in Sweden.

This financial support was used for helping these workers with looking for a new job, career advice, education and training, mentoring and coaching or encouraging entrepreneurship and business creation.

**Assessment and evaluation (357)**

The results of the 2018 midterm evaluation of the European Globalisation Adjustment Fund (358) show that it offers redundant workers a unique combination of tailored measures that lead to more sustainable results, increase the self-esteem of beneficiaries (who finally have a more proactive approach to job seeking), and improves their employability.

However, the evaluation also indicated that the European Globalisation Adjustment Fund eligibility criteria of funding are limited to redundancies due to globalisation or the financial and economic crisis and do not cover other major economic developments. For example, when workers are made redundant for reasons of

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(355) The reintegration rates are very case specific, depending on, for example, the specific economic situation in the area concerned.
(356) In some cases the support was requested in 2017.
automation or digitisation, they cannot benefit from the European Globalisation Adjustment Fund support. Moreover, applying for support is unnecessarily burdensome (extensive justification required) and is subject to a long approval process. Finally, the evaluation showed that monitoring and reporting needs to be improved in order to better analyse the effectiveness of the fund.

Based on these findings, on 30 May 2018, the Commission adopted a proposal for a strengthened and more effective European Globalisation Adjustment Fund (359) as from 2021, with a wider scope of application covering also any large-scale restructuring events, such as the ones caused by automation and digitisation and with a lower threshold for intervention, as well as a simplified and faster budgetary mechanism.

Section 2
Internal control and financial management

1. The EU budget is well-managed

The European Commission attaches great importance to the proper use of the EU budget. Its well-designed control systems reduce the risk to the legality and regularity of financial transactions.

In this context, management action is taken to prevent, detect and remedy any errors, irregularities or fraud. In 2018, for the second year in a row, the overall level of error is estimated to be below 2% (360). For those segments which have a risk at payment above 2%, management actions are in place.

In 2018, all authorising officers by delegation (361) provided reasonable assurance on their verification (‘control’) systems and financial management. Where appropriate, this assurance was qualified with reservations — a keystone in the accountability chain. Reservations provide transparency on the challenges and weaknesses encountered in specific areas, as well as on the measures needed to address them. In the 2018 annual activity reports, the financial impact of the reservations remains limited.

(360) The ‘materiality threshold’ is set, in most cases, at 2% of the relevant expenditure, which is in line with the European Court of Auditors’ methodology.

(361) Articles 73–74 of Regulation 2018/1046 of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ-L 193/30.07.2018); hereinafter ‘the financial regulation’. 
The Commission’s governance, assurance and accountability model was further strengthened in 2018 (see the ‘building blocks’ in the chart overleaf). In addition:

- The revised financial regulation has been adopted, reducing red tape for beneficiaries of EU funds and simplifying each important phase in the funding process. These simplification measures are embedded in the new spending programmes proposed by the Commission.
- The Commission’s revised internal control framework is now fully implemented.
- Outside the Commission, the treatment of conflicts of interest and the Framework financial regulation for decentralised agencies (362) have been strengthened and the Commission has made proposals to protect the EU budget against generalised deficiencies in the rule of law in the Member States.
- Financial management has further improved, resulting in lower error rates, timely payments, further efficiency gains and appropriate costs of control in view of the management environment.
- The identification of any weaknesses leads to a steady level of financial corrections and recoveries.
- The internal auditor in his overall opinion considered that, in 2018, the Commission had put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance on the achievement of its financial objectives except for those areas under reservation by the directors-general (see section 2 subsection 5).

The steady improvement in financial management and control systems has also been confirmed by the European Court of Auditors. In 2018, for the second consecutive year, the European Court of Auditors gave a qualified (‘favourable, but...’) rather than an adverse (‘negative’) opinion on the legality and regularity of the 2017 EU budget payments. In addition, for the 11th consecutive year, the European Court of Auditors also gave a positive (‘clean’) opinion on the EU annual accounts.

On the basis of the assurances and reservations in the annual activity reports (363), the College adopts this 2018 Annual Management and Performance Report for the EU budget and takes overall political responsibility for the management of the EU budget.

The Commission achieved these positive results thanks to its assurance model and a robust control environment.

The Commission has strengthened its robust assurance and accountability model

The Commission has strong arrangements in place to ensure sound financial management. The main building blocks in its solid chain of assurance building and accountability, underpinned by clear roles and responsibilities. These are presented in the chart overleaf.

The underlying assurance and accountability model was reinforced in 2018 by strengthening oversight at corporate level while maintaining the decentralised accountability of authorising officers by delegation for the sound financial management of the funds allocated to their departments. (See also section 2 subsection 9.1 on our ‘robust governance arrangements’)

(362) Framework financial regulation for the bodies set up under the TFEU and Euratom Treaty adopted on 18 December 2018.
(363) Article 74(9) of the Financial Regulation.
Commission’s assurance building and accountability for the EU budget: clear roles and responsibilities.

*Integrated Financial and Accountability Reporting.*

 lineHeight: 0.5 cm; margin: 0 cm; list-style-type: none; text-indent: 0px; font-family: Arial; font-size: 16 px; color: #000000; width: 100%; border-width: 0px; border-style: none; border-color: initial; height: 100%; text-align: left; vertical-align: top; display: inline-table; position: relative; z-index: 1; background-color: white;
The revised internal control framework has been implemented

The Commission’s internal control framework is based on the 2013 framework proposed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). It meets the highest international standards.

Within this corporate framework and in line with the Commission's decentralised governance model, each department puts in place the organisational structure and internal control systems best suited to ensuring the achievement of its policy and operational objectives, including sound financial management.

2018 was the first year of full implementation of the revised internal control framework by all Commission departments. Thanks to intensive communication efforts, workshops and the exchange of good practice, the internal control culture has improved substantially. The internal control framework is increasingly perceived as a powerful management tool across the Commission. In line with this increased level of maturity, Commission departments increasingly monitor the effectiveness of their internal control systems beyond pure compliance considerations. Further efforts will be made to build on the progress achieved.

Overall, Commission departments assessed their internal control systems as effective (see chart below). The main strengths reported concern the control environment and risk assessment. This reflects the recent revision of the Commission’s governance arrangements and the reinforcement of corporate oversight of risk management during 2018.

Some Commission departments also identified areas for improvement in their control activities. These are in line with related audit findings and/or reservations. Action is being taken to address the weaknesses identified, including adjusting the control strategies concerned.

Chart: 2018 assessment of the 17 principles of the Commission's internal control framework. Graph shows the number of departments (X-axis) that consider the related principle to function well, or to need some improvements, or to need major improvements.
Source: European Commission annual activity reports.

**Validation of local systems**

As the accuracy of the local financial systems that feed the Commission’s corporate financial and accounting system is key to ensuring the overall reliability of the annual accounts, the accounting officer performs a separate validation of those local financial systems. This is in addition to Commission departments’ management assessments of their own internal control system(s).

From the work done during 2018, none of the weaknesses identified relate to the design or implementation of local systems not meeting the validation criteria. Furthermore, none of the weaknesses detected are likely to have a material impact on the annual accounts.

The analysis has nonetheless resulted in a number of recommendations intended to improve the control environment and accounting quality in the authorising departments (364) — mitigating risks to the accuracy of the financial and regulatory management reporting (365).

(364) Mainly the executive agencies and the paymaster, human resources, enlargement and justice departments.

(365) Mainly various issues with the accounting control environment, the recovery of receivable amounts and the provision of information to support the calculation of the employee benefits liability.
2. Control systems are cost-effective

The Commission strives to ensure that its management and control systems are cost-effective. Cost-effective controls are those which strike the right balance between being effective in fulfilling the intended control objectives, in an efficient manner and at an acceptable cost. We want controls solid enough to ensure that financial management systems and financial transactions comply with legal and contractual rules and support the fight against fraud. However, these controls must not be so burdensome as to prevent the swift processing of contract signatures and payments. The corresponding costs must also remain at an acceptable level.

In 2018, following the combined assessment of their effectiveness, efficiency and economy, all Commission departments conclude that, overall, their controls are cost-effective.

This means that they have struck the right balance between the three factors. Effectiveness in protecting the EU budget: the risk at closure is 0.8% (see subsection 2.1). Furthermore, the anti-fraud strategy is implemented (see subsection 4).

Efficiency: the Commission's average time to pay is only 18 days (well below the legal ceiling of 30 days) and efforts to achieve greater synergies and efficiency are being maintained (see subsection 2.2).

Economy: overall, the Commission’s estimated cost of controls is acceptable (see subsection 2.3).

Furthermore, whenever weaknesses are identified as a result of audit findings and/or lead to reservations, the control strategies are enhanced accordingly. Improvements can also be triggered by changes in the control environment or by internal reorganisations.

Cost-effectiveness of controls entails risk-differentiated control strategies. It involves a higher level of scrutiny and/or frequency of controls in riskier areas and less intensive, costly or burdensome controls in low-risk areas. There are also other ways of ensuring the cost-effectiveness of controls, such as: (i) reducing risks through simplified programmes (366) and/or processes; (ii) cross-relying on audits and controls performed by other entities (367); and/or (iii) achieving economies of scale through shared control functions. These aspects were also taken fully into consideration when the proposals for future spending programmes were prepared (see also the point on preparation of post-2020 programmes at the end of subsection 5).

366 For example, simplified cost options, which means making use of lump sums, flat rates and scales of unit costs to determine the amounts to reimburse or pay to beneficiaries.

367 The Commission may rely (in full or in part) on assessments, controls or audits made by other entities insofar as those were made compliant with conditions equivalent to those of the Commission and they provide equivalent assurance (Articles 126-127 of the Financial Regulation).
2.1. Control systems are effective: system weaknesses and financial errors are prevented, detected and corrected

Effective controls ensure that the internal control objectives are achieved. This is measured in the light of the benefits of controls, some of which can be quantified, others not. The main benefit of well-designed control systems is the reduced risk to the legality and regularity of financial transactions — as well as preventing, detecting and pursuing fraud (see subsection 4).

The risk to the legality and regularity of financial transactions remains below 2%

The Commission’s multiannual control cycle: a management tool to prevent, detect and correct financial errors and their causes

Although EU spending is subject to common control features, individual spending programmes may be very diverse. Therefore, control strategies need to be adapted to differing management modes, policy areas and/or specific funding procedures ('modalities') — and their associated risks. Riskier areas will trigger a higher level of scrutiny and/or frequency of controls, whereas low-risk areas should lead to less intensive, costly or burdensome controls.

Each year, the Commission provides assurance for its relevant expenditure, which was EUR 150.3 billion in 2018 (see graph below; for definitions and details, see Annex 2).

Chart: The European Commission's 2018 relevant expenditure per policy area ('relevant expenditure' includes the payments made, subtracts new pre-financing paid out (still owned by the Commission) and adds previous pre-financing cleared (ownership transferred to the beneficiaries) during the financial year.)
Source: European Commission annual activity reports.

The Commission is responsible for ensuring that EU funds (including the European Development Fund and the EU Trust Funds) are properly spent. This is so regardless of whether the funds are implemented by Commission departments themselves (direct management; approximately 21% of 2018 expenses), entrusted to external entities (indirect management; approximately 8%) or executed by Member State authorities (shared management; approximately 71%).
Accordingly, for 79% of the budget the Commission is dependent on the reliability of the management and control information reported by Member States and other entrusted bodies based on their own control systems. Therefore, before accepting them as partners for co-managing the EU budget, the Commission preventively verifies that they meet all financial management conditions (cf. the ‘designation’ or ‘accreditation’ procedure for Member State authorities, the ‘pillar assessment’ for entrusted entities). Furthermore, the Commission may also perform risk-based audits to verify the reliability of the control systems, the control results and/or the management reports of those entities but does so avoiding duplication of control layers.

Most departments use only one management mode. While direct management is used by all 50 departments, indirect management is used by 22 and shared management by seven.

The Commission analyses the risks to the legality and regularity of the financial transactions not only for reporting purposes, but also because it is an important management tool. This entails detecting any weaknesses at programme level and correcting them, identifying the root causes of systemic errors and preventing future errors, preparing the next programmes by considering the lessons learned. This approach ensures the continuous improvement of the Commission’s financial management over the years.

![Diagram of European Commission’s multiannual control cycle](chart)

**Chart:** European Commission’s multiannual control cycle

**Source:** European Commission.

As EU spending programmes are multiannual by design, the related control systems and management cycles also cover multiple years. This implies that while errors may be detected in any given year, they are corrected in the current or in subsequent year(s) until the very end of a programme’s lifecycle. Consequently, the risk (both as % and in amount) is estimated at two key stages in the cycle: at payment and at closure (see chart above). The Commission considers that the budget is effectively protected when the risk at closure is below the 2% materiality threshold.

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(368) Materiality is an expression of the magnitude of an error. Information is material if omitting, misstating or obscuring could reasonably be expected to influence the decisions that the users (for instance the discharge authority) make on the basis of this information. Determining specific materiality criteria involves making a judgment by the authorising officer by delegation. For most activities this benchmark for residual rate of error is set at 2%.
The risk at payment quantifies those errors that might remain after preventive controls have been applied and payments have been made (369). These errors are typically detected by Commission departments through surveys or audits. Measurement at this stage allows authorising officers to correct the errors and to take additional preventive measures if necessary (e.g. additional guidance to beneficiaries), and to gauge the effectiveness of their (ex ante) controls and to adapt them if needed. Once an error is detected, it will subsequently be corrected either via recovery or by being offset against future payments. As both detection and remedy may not be immediate, corrections will often not be made in the same financial year as the related payment. However, the multiannual control systems ensure that necessary corrections are made within the relevant programme's lifecycle.

To determine the risk at closure, the estimated future corrections are deducted from the risk at payment. These are the corrections that each department estimates they will implement as a result of (ex post) controls in subsequent years. These conservative and forward-looking estimates are to some extent based on the average financial corrections and recoveries made in past years adjusted as necessary, especially to neutralise elements no longer valid for the current programmes.

Subsection 3 presents the complete picture of all measures applied in 2018 to protect the EU budget. Those 2018 actuals must not be confused with the estimates of future corrections described here. Firstly, the scope of the actuals is broader as they include both preventive and corrective measures — not only ex post corrections. Secondly, the timing is different as the actuals relate to expenditure from previous years (during which errors may have been higher) — compared to the estimated future corrections calculated to relate only to 2018 expenditure.

While this approach is applied consistently across the Commission, individual departments also provide additional information on the specificities of their area, if relevant. Further methodological explanations are provided in Annex 2.

These concepts have been developed to fit the Commission’s management context, but they largely converge with those used by the European Court of Auditors in its audit approach (see also the comparison in the table on the following page).

- Risk at payment is closest to the European Court of Auditors’ ‘most likely level of error’. In recent years, the Court has recognised that the Commission figures are, in most cases, broadly in line with the Court’s own estimates and/or within its range (370).
- As a basis for calculating the amount(s) at risk, ‘relevant expenditure’ includes the payments made, subtracts new pre-financing paid out (still owned by the Commission) and adds previous pre-financing cleared (ownership transferred to the beneficiaries) during the financial year. This is fully in line with the European Court of Auditors’ approach (371).
- The ‘materiality threshold’ set, in most cases (372), at 2% of the relevant expenditure, is also in line with the Court’s methodology (373).

In addition, in order to be able to provide bottom-up management assurance, and to identify and address issues in specific areas, the Commission calculates the error rates per programme (or other relevant segment). This means that the Commission’s information on error rates is more detailed than that of the Court. Moreover, the Commission’s methodology takes into account the multiannual nature of the spending programmes, especially the fact that errors not identified at the point of payment can still be detected and corrected during the subsequent year(s).

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(369) Or equivalent, such as after the expenditure is accepted (registered in the Commission’s accounting system) or after the pre-financing is cleared.
(370) European Court of Auditors, 2017 Annual report, paragraphs 1.32, 1.34, 1.36.
(372) The only exceptions are: (a) 1% for revenue (by the budget department; stricter in view of the very large amounts); and (b) the range of 2-5% for the Horizon 2020 programme (by the research and family departments; see details in subsection 5).
(373) European Court of Auditors, 2017 Annual report, methodological Annex 1.1, paragraph 23.
### Objective
- provide annual management assurance
- identify weaknesses and take action on a multiannual basis
- provide an audit opinion on legality and regularity of financial transactions of one specific year

### Level of granularity
- EU budget as a whole and individual error rates for each department and policy area under all MFF headings (1 to 5), plus for revenue
- **error rates calculated per policy area, programme and/or relevant (sub)segments**
- expenditure and revenue of the year (or 2 years for research) with a multiannual perspective
- EU budget as a whole and individual error rates for MFF headings 1a, 1b, 2 and 5, plus for revenue
- expenditure and revenue of the year

### Multiannual
- **two error rates ('risk at payment' and 'risk at closure'); multiannuality prospectively taken into account for the risk at closure, through estimated future corrections for all programmes**
- one error rate ('most likely error'): multiannuality retroactively taken into account, only through financial corrections implemented for closed programmes

### Materiality threshold
- 2%
- except for revenue (1%) and for Horizon 2020 (between 2% and 5%)
- 2%

### More information
- Annex 2 of this report
- ECA’s annual report, Annex 1.1

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Table: Methodology used by the Commission to estimate the risk at payment and closure in comparison with the Court of Auditors’ methodology

Source: European Commission annual activity reports and annual report of the European Court of Auditors.
The 2018 control results show that, with an estimated risk at closure of 0.8% of EU spending, the EU budget is protected.

The graphs overleaf present the risks at payment and at closure for the period 2016 to 2018, for the entire Commission and per main policy area of the EU budget (in %). Annex 2 provides further details and definitions.

Chart: Risks at payment and at closure for the period 2016-2018, for the entire Commission in %.
Source: European Commission annual activity reports
Charts: Risks at payment and at closure for the period 2016-2018, per policy area in %.
Source: European Commission annual activity reports
The estimated risk at payment (1.7%) remains stable below the 2% level. The future corrections (0.9%) are conservatively estimated. The estimated risk at closure (0.8%) remains very low.

For agriculture, the risk at payment is continuing its downward trend (slight further decrease), both in absolute amount and as a percentage (2.1%). As in previous years, the risk remains higher (3.2%) in rural development (the common agricultural policy’s pillar II) than in the Guarantee Fund’s Market Interventions (2.5%) and direct payments (1.8%) (together the common agricultural policy’s pillar I). Owing to the design of the programmes and control systems, nearly all errors affecting payments not yet detected at year-end, are expected to be covered by subsequent financial corrections. This explains the high level of estimated future corrections (1.9% for 2018, 2.1% in 2017). Thus the estimated risk at closure (here termed ‘final amount at risk’ — in the absence of a formal closure of the Guarantee Fund programmes) remains low at 0.2%.

In cohesion, migration and fisheries, implementation of the current programmes is now fully up to speed. The risk at payment has increased from 1.1% in 2017 to 1.7% in 2018, but the estimated future corrections have increased as well (to 0.4%). The risk at closure is estimated at 1.3%, broadly in line with 2017 (1.1%).

In cohesion, a number of operational programmes in Member States proceeded to their first payments in 2018. This led to a significant increase in payments between 2017 and 2018, by approximately EUR 20 billion. It was possible for auditors to examine the full process for a higher number of programmes and higher volume of expenditure. This resulted in an increased number of or operational programmes under reservation compared to 2017 as well as a higher weighted average error rate. For the European Regional Development Fund, in particular, which entails the largest share of expenditure under this policy area, the risk at payment has increased to 2.0%.

In 2018, the Member States’ audit authorities reported irregularities under a common typology agreed with and recommended by the Commission. Ineligible expenditure and public-procurement irregularities are the main sources of irregularities they identified. This also corresponds to the most common types of irregularities identified by the Commission departments through their audits. Moreover, missing documentation or audit-trail issues constitute another important source of audit findings.

In order to tackle the most frequent errors, besides financial corrections for past expenditure and corrective measures on the system for the future in all cases, audit authorities are encouraged by the Commission services to report back to managing and certifying authorities on the main sources of identified irregularities. This allows these programme authorities to adjust their internal controls, reinforce their checklists and further train their staff and beneficiaries. Capacity-building events and joint workshops are also organised with the programme authorities in particular with audit authorities (for example to determine which minimum documentation should be available to ensure an adequate audit trail, a recommendation made by the Court in its 2017 annual report).

Given the importance of public procurement for cohesion policy, the Commission public-procurement action plan has been updated to improve compliance of public-procurement procedures (374) in this policy area. Particular emphasis is given to actions helping Member States to further professionalise procurers, in line with the public-procurement package adopted by the Commission in October 2017. Extensive guidance, good practices and explanations are made available online by the Commission and peer-to-peer exchanges are promoted under this action plan to support contracting authorities and programme authorities to deal with these issues and reduce errors.

All errors detected by the Member States, the Commission or by the Court of Auditors in their respective audits are systematically subject to financial corrections. Under shared management, programmes are not closed until all financial corrections are implemented and, for cohesion policy, the Commission applies further financial corrections when the level of error (reported or recalculated) remains above 2% in annual programme accounts.

(374) Public-procurement procedural errors can be assigned up to 100% error rates by the European Court of Auditors — even if their actual financial impact is (much) less. However, even when a procurement selection/award decision may have been non-compliant and the contractor could have been different, this does not necessarily mean that all related payments for the full value of the contract would be 100% erroneous. If the deliverable is well executed, then taxpayers’ money is not lost.
For *external relations*, studies carried out annually show that the error rates have further decreased, which leads to a lower risk at payment (0.9% *for 2018*, down from 1.2% in 2017) (see also subsection 5). The control strategies used lead to systematic *ex post* corrections but only those from the most recent years are used as the basis for the estimated future corrections.

For the broad *research, industry, space, energy and transport* policy area, the weighted average risk at payment is for the first time below 2% (1.9% *for 2018*, down from 2.4% in 2017). Within this policy area, the risk at payment for the research and competitiveness programmes remains above 2%. Higher risk is inherent to grants based on the reimbursement of actual eligible costs claimed which are used in the Horizon 2020 and the competitiveness for small and medium-sized enterprises programmes. Complexities in determining the exact direct and indirect costs which can be charged to projects lead to errors in cost claims and the related payments. Even though many such errors are later detected and corrected by *ex post* controls (see below), they still affect the risk at payment stage. Nevertheless, the research departments continuously strive to reduce the level of error: e.g. through further simplification of the model grant agreement, clearer communication of eligibility rules (15 events organised) and further extending lump-sum financing. The Commission’s proposal for the next generation research programme (Horizon Europe) also includes simplified cost options. Meanwhile, the *ex post* control strategy for the Horizon 2020 research programme common to all departments involved is well established and has led to significant *ex post* corrections over the years — which are used as the basis for the estimated future corrections.

However, outside the Horizon 2020 grants, the risks at payment and closure for the Connecting Europe Facility (transport, energy and telecom) — implemented by the Innovation and Networks Executive Agency (INEA) — are below 2%. Furthermore, the type of funding and the related full auditing of the entrusted entities active for the space and the global navigation satellite system (sub)programmes (375) — such as the European Space Agency (ESA) and the European GNSS Agency (GSA) — entail inherently lower risks at payment and closure, conservatively set between 0.5 - 0.6% nevertheless.

For *other internal policies*, the risk at payment, estimated future corrections and risk at closure remain stable and low, at 0.7%, 0.1% and 0.6% respectively. Some education and culture programmes have a higher-risk profile (also typically complex reimbursement programmes; see above) which has led to reservations (see subsection 5).

Finally, the *other services and administration* departments manage mostly low-risk types of expenditure. Nevertheless, a prudent approach is taken and a conservative 0.5% error rate is applied. This results in a weighted average risk at payment of 0.2%. As most of these departments have control systems with predominantly *ex ante* controls, a conservative 0.0% estimate is applied in terms of systemic future *ex post* corrections. Thus, the risk at closure is almost equal to the risk at payment and remains very low at 0.2%.

Given that the overall *risk at closure* is estimated to be *less than 2%* of the total relevant expenditure, the Commission departments’ multiannual control systems in general ensure appropriate management of the risks relating to the legality and regularity of the transactions and ensure that the financial corrections and recoveries made over the entire life of programmes protect the EU budget overall.

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(375) Such as Galileo, EGNOS and Copernicus for satellite system navigation or earth observation.
2.2. Control systems are efficient: they lead to less burdensome procedures and enable timely payments

During 2018, the Commission continued its efforts to generate synergies and efficiencies in financial management.

The 2018 revision of the financial regulation reduced red tape (376). It introduced concrete simplifications for beneficiaries of EU funds in terms of access to funds, use of funds and controls. For instance, less but more-targeted information is required from recipients; information will only be requested once (e.g. proof of legal status in the context of e-grants/e-procurement); the Commission can rely on existing assessments (national authorities/trusted international organisations) instead of checking the same thing twice (e.g. technical/financial capacity); payments may be based on outputs or results achieved instead of on costs incurred — this used to require justifying every cost with supporting documents; plus the acceptance of beneficiaries’ usual accounting practices will be checked ex ante and may not be challenged via ex post controls. Concrete simplification measures in shared management include simpler, harmonised and more-flexible financial rules and amendments for seven funds and the rollover of existing designations of implementing authorities in Member States. In terms of fraud, the simplification possibilities for the future programmes offer the chance to make those even more fraud-resilient.

Further progress has been achieved in the field of a common single-entry point for all tenderers/applicants, which went live in the second half of 2018.

For the next multiannual financial framework, the Commission has prioritised further simplification and harmonisation of the next generation of spending programmes. It has proposed a more consistent, focused and transparent set-up of the EU budget with a clear structure more closely aligned with political priorities. For example, the Commission has proposed reducing the number of programmes by more than a third, bringing funding sources together. The Commission also proposes more consistent and interoperable spending programmes by harmonising rules across programmes in order to facilitate combining support under several programmes and to avoid overlaps. In addition, the new spending programmes proposed by the Commission allow for the use of the simplification steps envisaged by the new financial regulation.

Commission departments reported that they made 92% of their payments on time. In 2018, the Commission’s average net payment time was 18 days (well below the statutory ceiling of 30 days). Furthermore, the number of payments affected by delay further decreased, from 10.4% in 2017 to 7.6% in 2018 (see details in Annex 6).

The Commission’s continuous efforts to introduce improvements in the control environment and to exploit synergies contribute to less burdensome procedures and increased efficiency of controls. This, amongst other things, enables timely payments to beneficiaries and other recipients of EU funds.

(376) Furthermore, the new financial regulation also paved the way to update the financial framework regulation for EU bodies, to reinforce rules on treating conflicts of interest in Member States and entrusted entities, and to strengthen the fraud early detection and exclusion system (see details in subsection 4).
2.3. **Control costs are economical**

The costs of controls vary substantially between departments. This can be explained by a number of factors: see examples in the box below.

<table>
<thead>
<tr>
<th>Examples of cost drivers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• the different degrees of complexity of the programmes managed;</td>
</tr>
<tr>
<td>• the volumes and amounts to be processed (i.e. processing a high number of low-value transactions is more labour intensive);</td>
</tr>
<tr>
<td>• the specific risk profiles of the programmes managed;</td>
</tr>
<tr>
<td>• possible diseconomies of scale for certain smaller programmes or funds managed by smaller entrusted entities</td>
</tr>
</tbody>
</table>

Therefore, a simple comparison between the quantifiable aspects reported by departments would be of limited value. For example, despite the fact that certain smaller programmes and/or departments (377) can benefit less from economies of scale, procurement controls may be irreducible regardless of the amount involved.

In the annual activity reports for 2018, the majority of the departments reported that, overall, their estimated costs of control were **stable** over time (378). This was mainly due to the unchanged control environments and strategies in place for the current programmes. Most of them reported that costs were **suitable** in view of their control environment. Those departments which reported an apparently high cost for (some parts of) their relevant control systems have explained this by referring to specific cost drivers in such cases.

In addition, for the sake of transparency, those departments dealing with shared and/or indirect management reported on the cost of controls in Member States and entrusted entities separately from the Commission’s own cost of controls.

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(377) The financial importance of the 50 Commission departments varies significantly. The management of funds is highly concentrated among a few big spending departments (e.g. 37% of the total amount of payments are made by the agriculture department on its own, 80% by six departments and 95% by 16 out of the 50 departments).

(378) The variations observed as compared to 2017 are mainly explained by the new guidance on the estimation, assessment and reporting on the cost-effectiveness of audits (‘controls’), which harmonises the estimation of the cost of controls.
3. Financial corrections and recoveries show that the multiannual control cycle protects the EU budget

The primary objective of financial corrections and recoveries is to ensure that only expenditure in accordance with the legal framework is financed by the EU budget.

When implementing the EU budget it is especially important to prevent, or detect and subsequently correct system weaknesses leading to errors, irregularities or fraud. The Commission and, for programmes under shared management, Member State authorities take preventive and corrective measures (i.e. financial corrections and recoveries) as provided for in EU legislation to protect the EU budget from illegal or irregular expenditure — see also subsection 2 above and Annex 2.

3.1. Overview of ex ante and ex post controls

3.1.1. Ex ante controls

Prevention is the first line of defence against errors. The Commission’s key preventive mechanisms include interrupting and suspending payments (379), as well as carrying out ex ante checks (‘controls’) leading to the rejection of ineligible amounts before the Commission accepts expenditure and makes payments. The Commission focuses more and more on such preventive measures with a view to better protecting the EU budget. These also serve as incentives for Member States to reduce irregular payments. In 2018, preventive measures confirmed amounted to EUR 449 million and preventive measures implemented amounted to EUR 551 million. These include ex ante controls such as deductions before payment/acceptance by the Commission, Member State deductions from new expenditure declared to the Commission (‘at source’ deductions) and other ex ante adjustments which, if not performed, would otherwise have led to expenditure being incurred that was not in line with the legal framework.

<table>
<thead>
<tr>
<th>Preventive measures confirmed</th>
<th>2018</th>
<th>Preventive measures implemented</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural policy:</td>
<td>87</td>
<td>Agricultural policy:</td>
<td>87</td>
</tr>
<tr>
<td>European Agricultural Guarantee Fund</td>
<td>87</td>
<td>European Agricultural Guarantee Fund</td>
<td>87</td>
</tr>
<tr>
<td>Rural Development</td>
<td>-</td>
<td>Rural Development</td>
<td>-</td>
</tr>
<tr>
<td>Cohesion policy:</td>
<td>-</td>
<td>Cohesion policy:</td>
<td>105</td>
</tr>
<tr>
<td>European Regional Development Fund</td>
<td>-</td>
<td>European Regional Development Fund</td>
<td>105</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>-</td>
<td>Cohesion Fund</td>
<td>-</td>
</tr>
<tr>
<td>European Social Fund</td>
<td>-</td>
<td>European Social Fund</td>
<td>-</td>
</tr>
<tr>
<td>Financial Instrument for</td>
<td>-</td>
<td>Financial Instrument for</td>
<td>-</td>
</tr>
<tr>
<td>European Agricultural Guidance and Guarantee</td>
<td>-</td>
<td>European Agricultural Guidance and Guarantee</td>
<td>-</td>
</tr>
<tr>
<td>Internal Policies</td>
<td>196</td>
<td>Internal Policies</td>
<td>195</td>
</tr>
<tr>
<td>External Policies</td>
<td>162</td>
<td>External Policies</td>
<td>161</td>
</tr>
<tr>
<td>Administration</td>
<td>3</td>
<td>Administration</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>449</td>
<td>Total</td>
<td>551</td>
</tr>
</tbody>
</table>

Tables: Preventive measures overview for 2018 (EUR million) It should be noted that due to the rounding of figures into EUR millions, some financial data in the tables above may appear not to add up.

Source: European Commission.

(379) These are not reported in the tables below but in a separate section in Annex 4.
3.1.2. Ex post controls

Where preventive mechanisms are not effective, the Commission, as part of its supervisory role, applies corrective mechanisms. The Commission’s main corrective mechanisms include *ex post* audits (‘controls’) on amounts it has accepted and paid out. In shared management, these lead to financial corrections and in direct and indirect management, they result in recoveries from final recipients. *In 2018*, corrective measures confirmed amounted to EUR 1.2 billion and corrective measures implemented amounted to EUR 2.6 billion. These include recovery orders issued, implementation of the results of the *ex post* controls in cost claims and invoices, financial corrections applied and replacement of expenditure (‘withdrawals’).

<table>
<thead>
<tr>
<th>Corrective measures confirmed</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural policy:</td>
<td>730</td>
</tr>
<tr>
<td>European Agricultural Guarantee Fund</td>
<td>358</td>
</tr>
<tr>
<td>Rural Development</td>
<td>372</td>
</tr>
<tr>
<td>Cohesion policy:</td>
<td>414</td>
</tr>
<tr>
<td>European Regional Development Fund</td>
<td>286</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>90</td>
</tr>
<tr>
<td>European Social Fund</td>
<td>34</td>
</tr>
<tr>
<td>Financial Instrument for Fisheries Guidance / European Fisheries Fund</td>
<td>-</td>
</tr>
<tr>
<td>European Agricultural Guidance and Guarantee Fund</td>
<td>3</td>
</tr>
<tr>
<td>Internal Policies</td>
<td>53</td>
</tr>
<tr>
<td>External Policies</td>
<td>25</td>
</tr>
<tr>
<td>Administration</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 222</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corrective measures implemented</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural policy:</td>
<td>1 579</td>
</tr>
<tr>
<td>European Agricultural Guarantee Fund</td>
<td>876</td>
</tr>
<tr>
<td>Rural Development</td>
<td>702</td>
</tr>
<tr>
<td>Cohesion policy:</td>
<td>965</td>
</tr>
<tr>
<td>European Regional Development Fund</td>
<td>902</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>48</td>
</tr>
<tr>
<td>European Social Fund</td>
<td>12</td>
</tr>
<tr>
<td>Financial Instrument for Fisheries Guidance / European Fisheries Fund</td>
<td>-</td>
</tr>
<tr>
<td>European Agricultural Guidance and Guarantee Fund</td>
<td>3</td>
</tr>
<tr>
<td>Internal Policies</td>
<td>47</td>
</tr>
<tr>
<td>External Policies</td>
<td>18</td>
</tr>
<tr>
<td>Administration</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2 609</strong></td>
</tr>
</tbody>
</table>

Tables: Corrective measures overview for 2018 (EUR million)

It should be noted that due to the rounding of figures into EUR millions, some financial data in the tables above may appear not to add up.

Source: European Commission.

3.2. Preventive and corrective mechanisms – from confirmation to implementation

The workflow of preventive and corrective mechanisms applied by the Commission entails two significant steps, the *confirmation* and the *implementation* phases. For example, a deduction before the acceptance of expenditure is confirmed as soon as decided by the relevant Commission services, while a financial correction is confirmed once it is accepted by the Member State or decided by an official Commission decision.

Some preventive and corrective mechanisms are implemented in the year in which they were confirmed but in most cases the beneficiary of the spending programme has, based on EU legislation, time to comment or provide additional material on proposed corrections/deductions/rejections. Once such an adversarial process is finalised the Commission needs to recover the amount corresponding to the correction proposed and thus the implementation takes place in one or often in several years after confirmation.

A financial correction is considered implemented when the correction has been applied and recorded in the Commission accounts, which means the financial transaction was validated by the responsible authorising officer in the following cases: deduction of the financial correction from the amounts declared by the Member
State in an interim or final payment claim, a recovery order and/or the cancelling (‘decommitment’) of the commitment appropriation(s) corresponding to the financial correction amount (380).

Example: The workflow of corrective mechanisms.

3.3. Preventive and corrective measures applied in 2018

The table below provides a complete picture (including one-off measures) of all preventive and corrective measures applied during 2018 to protect the EU budget — EUR 1.7 billion confirmed and EUR 3.2 billion implemented. These amounts cover preventive actions and corrective actions made during 2018 irrespective of the year in which the initial expenditure was made. More details can be found in Annex 4.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total EU budget payments in 2018</th>
<th>Total amounts confirmed in 2018</th>
<th>% of payments of the EU budget</th>
<th>Total amounts implemented in 2018</th>
<th>% of payments of the EU budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural policy:</td>
<td>56 777</td>
<td>817</td>
<td>1.4</td>
<td>1 666</td>
<td>2.9</td>
</tr>
<tr>
<td>European Agricultural Guarantee Fund</td>
<td>44 310</td>
<td>445</td>
<td>1.0</td>
<td>964</td>
<td>2.2</td>
</tr>
<tr>
<td>Rural development</td>
<td>12 467</td>
<td>372</td>
<td>3.0</td>
<td>702</td>
<td>5.6</td>
</tr>
<tr>
<td>Cohesion policy:</td>
<td>54 040</td>
<td>414</td>
<td>0.8</td>
<td>1 070</td>
<td>2.0</td>
</tr>
<tr>
<td>European Regional Development Fund</td>
<td>30 070</td>
<td>286</td>
<td>1.0</td>
<td>1 007</td>
<td>3.3</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>9 252</td>
<td>90</td>
<td>1.0</td>
<td>48</td>
<td>0.5</td>
</tr>
<tr>
<td>European Social Fund</td>
<td>13 932</td>
<td>34</td>
<td>0.2</td>
<td>12</td>
<td>0.1</td>
</tr>
<tr>
<td>Financial Instrument for Fisheries Guidance / European Fisheries Fund</td>
<td>786</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>European Agricultural Guidance and Guarantee Fund</td>
<td>0</td>
<td>3</td>
<td>n/a</td>
<td>3</td>
<td>n/a</td>
</tr>
<tr>
<td>Internal policies</td>
<td>26 213</td>
<td>249</td>
<td>0.9</td>
<td>243</td>
<td>0.9</td>
</tr>
<tr>
<td>External policies</td>
<td>9 519</td>
<td>188</td>
<td>2.0</td>
<td>179</td>
<td>1.9</td>
</tr>
<tr>
<td>Administration</td>
<td>9 944</td>
<td>3</td>
<td>0.0</td>
<td>3</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>156 493*</td>
<td>1 671</td>
<td>1.1</td>
<td>3 161</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Table: Financial corrections and recoveries overview for 2018 (381) (EUR million).

It should be noted that due to the rounding of figures into EUR million, some financial data in the table above may appear not to add up.

* Excludes EUR 180 million paid out under the ‘Special instruments’ heading.

Source: European Commission

(380) In cohesion this is not always a ‘net’ reimbursement to the EU budget, as Member States have the option to replace the ineligible expenditure with new eligible expenditure.

(381) Including financial corrections at source and corrections from financial clearance in agriculture.
3.3.1. Types of *ex ante* and *ex post* mechanisms in 2018

Net corrections leading to a reimbursement of the EU budget amounts previously paid are characteristic of agriculture and rural development and for direct and indirect management. For agriculture, in 2018 the Commission continued to apply the net financial corrections in the same way as in previous years.

For cohesion policy, net corrections were, prior to the 2007–2013 programming period, the exception. They were only applied in cases where Member States were not able to replace irregular expenditure with new expenditure or, after the corresponding contradictory procedure, they did not agree to implement the financial corrections proposed by the Commission. Under the legal framework for 2014–2020, the Commission is to apply net financial corrections — despite the Member State agreeing to the proposed corrections — where EU/ECA audits detect a serious deficiency leading to a material level of risk in reimbursed expenditure remained undetected, uncorrected and unreported by the Member State. In all other circumstances, the Commission will continue to apply financial corrections as before, meaning that the Member State can still reuse the funds if it accepts the corrections and has sufficient additional new expenditure to replace the amounts withdrawn as irregular.

The Commission applies a number of available preventive instruments such as the interruption, suspension and reduction of EU financing with a view to better protecting the EU budget and giving incentives to Member States to reduce irregular payments.
3.4. Multiannual character of EU spending programmes

Cumulative figures provide more useful information on the significance of corrective mechanisms used by the Commission because they take into account the multiannual character of most EU spending and neutralise the impact of one-off events — see Annex 4.

For the European Agricultural Guarantee Fund, the average correction rate for Commission financial corrections under conformity clearance of accounts for the period 1999 to end 2018 was 1.7% of expenditure (all of which are net financial corrections) — see Annex 4, Section 2.4.

For the 2007-2013 European Regional Development Fund, Cohesion Fund and European Social Fund, at the end of 2018 the combined rate of financial corrections, based on Commission supervision work only, was 2.0% of the allocations made — see Annex 4, Section 3.4.1.

During the period 2012-2018 the average amount of confirmed financial corrections and recoveries was EUR 3.2 billion or 2.3% of the average amount of payments made from the EU budget, while the average amount implemented in this period was EUR 3.5 billion or 2.4% of the payments.
4. The Commission’s anti-fraud strategy has been revised

The Commission’s anti-fraud strategy and the departments’ anti-fraud strategies

As part of the sound financial management of the EU budget, the Commission — under shared management together with the Member States in first instance — is responsible for the fight against fraud (382). Moreover the Commission has a specific objective to prevent, detect, correct and follow up fraud and irregularities (383).

As an essential tool in this endeavour, the Commission anti-fraud strategy (384) provides a policy framework for the prevention, detection, investigation and reparation of fraud at the level of the Commission and for the good functioning of the Commission departments in their management responsibilities for the protection of the financial interests of the EU. The Commission anti-fraud strategy was first adopted in 2011 (385) and recently revised (386) under the lead of the European Anti-Fraud Office.

A key achievement of the 2011 strategy was for every Commission department to develop, implement and regularly update its own anti-fraud strategy for the policy area that they are responsible for. Until 2018, they have fulfilled this task as presented in the table below.

<table>
<thead>
<tr>
<th>Year of update of department-level anti-fraud strategies</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015 or before</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Commission departments</td>
<td>13</td>
<td>18</td>
<td>9</td>
<td>10</td>
<td>50</td>
</tr>
</tbody>
</table>

Table: Anti-fraud strategies updated by Commission departments. Source: European Commission Annual activity reports.

Moreover, an evaluation of the 2011 Commission anti-fraud strategy identified an increase in the efficiency of the European Anti-Fraud Office’s selection and investigation procedures, as well as a more effective exchange of fraud-related information between the Commission departments and the European Anti-Fraud Office. Further improvement was nonetheless called for (387).

The revision of the Commission’s anti-fraud strategy prepares the Commission’s departments for the challenges of the multiannual financial framework 2021-2027 and takes into account: (i) important developments in EU fraud legislation (adoption of the ‘protection of the financial interests directive’ (388) and establishment of the European Public Prosecutor’s Office (389)); (ii) a special report by the European Court of...
Auditors on fraud risk management in EU spending (390); (iii) an audit by the Commission’s Internal Audit Service on anti-fraud activities in the revenue area (391); and (iv) the communication on governance in the European Commission adopted on 21 November 2018 (392).

The new strategy aims for more consistency and coordination in the fight against fraud and is based on knowledge-based, data-driven anti-fraud measures. All Commission departments will contribute to its implementation, coordinated by the European Anti-Fraud Office.

In parallel, the European Anti-Fraud Office will further develop into a knowledge and advisory centre for the fight against fraud. It will intensify its work with Commission services and Member States to identify, collect, enhance and analyse relevant fraud-related data more comprehensively and accurately.

The European Anti-Fraud Office will implement or coordinate most of these measures to broaden and improve the detection, understanding and assessment of fraud risks. A more comprehensive analysis of fraud risks will serve financial actors, auditors and investigators and contribute to a more cost-effective deployment of fraud controls.

**New financial regulation**

The adoption of the Commission proposal to simplify the financial regulation and 15 sectoral legal acts provided the departments with a simplified basis for the preparation of the post-2020 generation of funding programmes. The new financial regulation entered into force on 2 August 2018. Other secondary acts had to be aligned to the new financial regulation, such as the financial framework regulation for EU bodies.

A high priority was given to the implementation of the reinforced rules on conflict of interest in the new financial regulation in the area of shared management in close coordination with shared management departments. A survey of national legislation in this area was launched to help develop guidance to Member States’ authorities on how to apply the new rules. Negotiations started on the proposal for the protection of the EU’s budget in the case of generalised deficiencies as regards the rule of law.

The Commission also focused its efforts on a substantial simplification of the proposals for the post-2020 funding programmes and increased flexibility and interoperability of those programmes. Well implemented and monitored, such simplification offers the chance to make spending programmes even more fraud-resilient. Work in this context also included fraud proofing of future spending programmes.

**Early detection and exclusion system**

In parallel, fraud-prevention action also continued through the early detection and exclusion system which allows for the early detection and exclusion of unreliable economic operators from EU funds.

The early detection and exclusion system panel for the assessment of cases of intended sanctions on unreliable economic operators has become fully operational. Its recommendations have led, where appropriate, to decisions by the authorising officers to exclude operators from EU funding. This has represented an important step forward in the fight against fraud.

An internal audit has assessed positively the role of the panel since its creation in 2016. The budget department is implementing the recommendation to increase awareness among Commission departments and other institutions to make sure that all possible cases are referred to the panel.

The entry into force of the 2018 financial regulation has reinforced the early detection and exclusion system by integrating the financial irregularities panel, which allows for harmonised decision-making.
In terms of outputs, since 2016 the early detection and exclusion system panel:

- has adopted 27 recommendations (included three where the panel recommended not to exclude because the economic operator had taken remedial measures);
- has addressed a formal reply to the competent authorising officer in seven cases (e.g. inadmissible case due to the non-establishment of facts, case of dissolved company or case not falling within the scope of the panel’s competence); and
- has requested authorising officers to withdraw their request in four cases (e.g. absence of legal basis for the imposition of an administrative sanction).

Given that the ultimate responsibility remains with the individual authorising officers, it is important to note that all the panel’s recommendations were followed in full by the competent requesting officers.

The early detection and exclusion system aims at reinforcing the protection of the EU’s financial interests by ensuring (i) the early detection of economic operators representing risks to the EU’s financial interests; (ii) the exclusion of unreliable economic operators from obtaining EU funds and/or the imposition of a financial penalty; and (iii) in the most severe cases, the publication on the Commission’s website of information relating to the exclusion and/or the financial penalty, in order to reinforce the deterrent effect.

This system, which was set up in 2016, represents a significant improvement in the application of rules on administrative sanctions with respect to fundamental rights, independence and transparency. In the absence of a final national judgment or, where applicable, a final administrative decision, EU institutions, agencies, offices and bodies can decide to impose sanctions on unreliable economic operators only after obtaining a recommendation from the centralised interinstitutional panel.

The panel has no investigative powers. In principle, it bases its assessment on facts and findings established in the context of audits or investigations carried out by the European Court of Auditors, the European Anti-Fraud Office or the Internal Audit Service, or any other check, audit or control performed under the responsibility of the competent authorising officer. It is composed of a standing high-level independent chair, two permanent members representing the Commission (as owner of the system) and one ad hoc member representing the authorising officer of the service requesting the recommendation. It respects the right of defence of the economic operator concerned and applies the principle that a level of government must not take any action that exceeds that necessary to carry out its assigned task (‘proportionality’).

In 2018, various authorising services submitted 23 cases, including 16 on early detection, of which seven have already been referred to the panel through its permanent secretariat. As far as exclusion is concerned, the panel issued four recommendations including the publication of the exclusion for all of them. Recommended exclusions were based on grave professional misconduct, significant breaches of main obligations in the implementation of a contract, and fraud. Regarding the other three cases sent to the panel, in one case the panel did not issue a recommendation but addressed a formal reply to the competent authorising officer (since the situation of exclusion had not been legally established) and the other two cases are currently ongoing.

The Commission must also report on decisions taken by authorising officers (i) not to exclude economic operators, so as to ensure continuity of service for a limited period pending the adoption of remedial measures by the operators concerned; and (ii) not to publish information on administrative sanctions on the Commission website, either to protect the confidentiality of investigations or to comply with the principle of proportionality where a natural person is concerned. Authorising officers took no such decisions.
5. Management provides reasonable assurance and the financial impact of reservations is limited

In their 2018 declarations of assurance (393), all 50 authorising officers by delegation declared they had reasonable assurance that: (i) the information contained in their report presents a ‘true and fair view’ (i.e. reliable, complete and correct) on the state of affairs in their department; (ii) the resources assigned to their activities have been used for their intended purpose and in accordance with the principle of sound financial management; (iii) the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

Within the context of their overall assurance-building process and from their management perspective, authorising officers by delegation also perform a more detailed analysis for each programme or segment of their portfolio. They use all available information, especially the results of the ex ante and ex post controls, to spot any potential significant weakness in quantitative or qualitative terms. At the end of each financial year, they determine whether the financial and/or reputational impact from such a weakness is likely to be above the materiality threshold. If so, they qualify their declaration of assurance with a reservation for the specific area inside the programme affected (394).

Reservations are keystones in the accountability construction. They are an indicator of the Commission’s transparency concerning challenges or weaknesses encountered and their potential financial impact. That they may lead to the qualification of a declaration of assurance in an annual activity report is part of sound financial management. They are also a tool to address weaknesses that remain. Although most reservations are prompted by findings regarding management and control of past payments, they also have a positive preventive effect, with action plans being developed to mitigate future risks and to strengthen control systems.

Furthermore, the number of reservations is not an indicator of the quality of financial management. This is partly because there is no direct link between the number of reservations and their financial impact, and also because some weaknesses trigger multiple reservations. For example, multiple reservations may arise from programme segments implemented by more than one department; or because the weakness resulting in a ‘new’ reservation for the current programming period is a continuation of one from a previous programming period (e.g. the 2018 reservation for the competitiveness of small and medium-sized enterprises programme, which is the successor to the competitiveness and innovation programme). However, this reporting method provides more precision and transparency.

For the 2018 reporting year, 30 authorising officers by delegation issued unqualified declarations of assurance, while 20 issued qualified declarations with a total of 40 reservations (see chart below). These reservations affect revenue as well as expenditure. In all cases, the authorising officers by delegation concerned adopted action plans to address the underlying weaknesses and mitigate the resulting risks. The complete list of reservations for 2018 is provided in Annex 3.

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(393) https://ec.europa.eu/info/publications/annual-activity-reports_en
(394) See details in Annex 3.
Of the 40 reservations, 38 are recurrent and two are new (one by the Executive Agency for Small and Medium-sized Enterprises; and one by the home affairs department). Five recurrent reservations have been updated, from quantified to unquantified (or vice versa) or for a change of scope (see details in box below). For all reservations, the impact on 2018 expenditure has been (re)calculated.

Ten reservations are entirely or partially non-quantified for 2018. It is not possible to quantify a reservation when the financial impact is zero, when it is not possible to assess the impact accurately, or when the effect will be only reputational.

Half the reservations concern legacy programmes for the period 2007–2013. For these legacy programmes, there is only a very limited number of transactions remaining. These reservations are maintained, despite all having low financial impacts, as the related error levels remain above the 2% materiality threshold. (See also consideration below (page 173) on the possible introduction of a de minimis rule for reservations, which would be applicable to most of the legacy programmes.)
New and updated reservations in 2018

Two reservations have been newly introduced.

The Executive Agency for Small and Medium-sized Enterprises has issued an additional reservation for their competitiveness of small and medium-sized enterprises grants because of a residual error rate above 2%. This programme is the successor of the competitiveness and innovation programme, which had also been under reservation. The results of the initial audits performed suggest that the programme’s complexity (payment modalities based on reimbursement of eligible costs) may not yet have been sufficiently simplified to reduce the error level. This hypothesis will be re-examined in 2019, when results from a larger number of audits will have become available.

The home affairs department has issued an additional (reputational) reservation related to the European Border and Coast Guard Agency. The European Court of Auditors found an irregular procurement procedure (ferry transport services in Greece) for which payments had been made in 2018, and the European Parliament has mentioned several control weaknesses in the agency’s most recent discharge report.

Five recurrent reservations have been updated.

The regional and employment departments have modified their 2017 quantified reservations for the 2007-2013 programmes to non-quantified ones for 2018. This is because no new payments were made to the affected operational programmes in 2018, although related final payments are pending for the coming years.

The Structural Reform Support Service has modified its 2017 non-quantified reservation into a quantified one as the restricted scope has become clear. The residual error rate for direct management grants has been evaluated as being above 2% on the basis of the first results from the ex post controls, now in operation. However, this reservation is limited to grants from technical-support programmes agreed with organisations not subjected to a pillar assessment beforehand. They represent only a minority of all organisations with which such grants have been agreed.

The budget department has modified its 2017 quantified reservation for traditional own resources into a non-quantified one. This is explained by the absence of new material exposure from the United Kingdom for 2018 and by the impossibility of quantifying, as yet, the extent of potential undervaluation fraud in other Member States. Recovery of the traditional own resources lost between 2011 and 2017 is being pursued via infringement proceedings.

The Education, Audiovisual and Culture Executive Agency has modified the scope of its 2017 (non-quantified) reservation (related to internal control weaknesses identified by Internal Audit Service) to take into account progress made so far (none of the pending recommendations are now rated as critical). However, the reservation was maintained for 2018 as full follow-up of the audit will take place in 2019.
In cases where the residual error rate is above the materiality threshold, the financial impact resulting from a reservation is obtained by multiplying the relevant programme or segment expenditure by the residual error rate. The total amount for 2018 (EUR 1 078 million) and the evolution compared to the previous years is presented in the table and chart below:

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Total 2018 payments</th>
<th>Financial impact from the reservations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>56 830</td>
<td>725</td>
</tr>
<tr>
<td>Cohesion, Migration &amp; Fisheries</td>
<td>56 802</td>
<td>284</td>
</tr>
<tr>
<td>External Relations</td>
<td>13 281</td>
<td>16</td>
</tr>
<tr>
<td>Research, industry, space, energy &amp; transport</td>
<td>16 242</td>
<td>42</td>
</tr>
<tr>
<td>Other Internal Policies</td>
<td>6 712</td>
<td>9</td>
</tr>
<tr>
<td>Other Services &amp; Administration</td>
<td>6 881</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>156 749</strong></td>
<td><strong>1 078</strong></td>
</tr>
</tbody>
</table>

  of which 'current' programmes 1 037
  of which 'legacy' programmes 41

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Total 2018 own resources</th>
<th>Financial impact from the reservations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Resources</td>
<td>142 355</td>
<td>0</td>
</tr>
</tbody>
</table>

*Chart and Table: Financial impact ('exposure') of the 2016, 2017 and 2018 quantified reservations (EUR million)*
*Source: European Commission annual activity reports.*
The steady results across 2017 and 2018 have been delivered by the following.

- **Stability in agriculture**: the financial impact from the reservations remains fairly stable (slight decrease) compared to last year — for market measures, direct payments and rural development.

- **An increase in cohesion, migration and fisheries**: here the doubling can be explained by the implementation of the current programmes now being fully up to speed and the increase in the relevant expenditure by some EUR 20 billion compared to 2017. There are also more cases detected involving operational programmes in more Member States affected by high levels of error.

- **A decrease in the other policy areas**: there the financial impact has more or less halved. This is because the residual error rates have further decreased, fewer segments are affected by reservations than before and/or to smaller volumes of expenditure in the segments affected (e.g. the development department's direct grants).

As for reservations on legacy programmes, their financial impact continues, logically, to decrease: down to EUR 41 million in 2018 (EUR 129 million in 2017). As long as the related residual error rates surpass the 2% materiality threshold, the reservations cannot be lifted — even though their financial impact has fallen to very low levels.

As in previous years, the research departments and executive agencies have no reservations and have not qualified their declarations of assurance in relation to the Horizon 2020 programme. This is because they apply a specific 2%-5% materiality threshold to the programme to take into account its inherent risks and the control limitations (395). Their current residual error level appears to be below 5% and close to 2% (see also subsection 1).

**Progress made in assurance building during 2018**

In 2018, Commission departments continued to strengthen their assurance building through their annual activity reports. For example:

The cohesion departments have significantly revised, simplified and harmonised the presentation of their error rates, as recommended by and discussed with the European Court of Auditors and agreed with the Commission’s Central Financial Service. Furthermore, a subtotal for economic, social and territorial cohesion as per budget heading 1B has been added to the presentation of the overall risk at payment/closure tables (see subsection 1 and Annex 2).

In shared management, from 2018 Member States’ audit authorities report on the main types of weaknesses leading to irregularities under a common typology shared by the Commission and Member States (see details and actions under subsection 2.1). In addition, they report on possible conflicts of interest in general and the action taken to mitigate such situations in order to protect the EU budget.

The external relations departments for development and neighbourhood have further improved the segmented assurance building for their portfolios, thereby better focusing their reservation on the relevant higher-risk segment (direct grants). Both departments have also responded to observations by the European Court of Auditors and have provided further details to enhance the transparency of their residual error rate studies.

The research departments continue to act to obtain a further reduction of the level of error: e.g. further simplification of the model grant agreement, clearer communication on eligibility rules (15 events organised) and further extending lump-sum financing. The Commission’s proposal for the next generation research programme (Horizon Europe) also includes simplified cost options (see also in subsection 2.1).

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(395) The legislative financial statement accompanying the Commission’s proposal for the Horizon 2020 regulation states: ‘The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5% is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research projects. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, corrections and recovery measures will have been taken into account is to achieve a level as close as possible to 2%.’
Since its creation in 2016, the structural reform support service has made significant progress in setting up a mature system for internal control and management to enable appropriate management of its expanding budget. The *ex post* control function became operational during 2018. This has enabled the service to quantify its risk exposure in grant management (see above).

The Internal Audit Service's overall opinion and emphasis of matter paragraph

Accompanying its 2015, 2016 and 2017 overall opinions, the Internal Audit Service reiterated its emphasis of matter paragraph (396) that departments relying on entrusted entities to implement parts of their policy and/or budget should strengthen their monitoring and supervision strategies and activities, albeit while also duly taking into account the specific (i.e. sometimes limited) mandates and roles these departments have been assigned in this context. This has been repeated *for 2018* as well. See more details in subsection 6 and/or Annex 5.

As four reservations concern issues in agencies and other entrusted entities (the Education, Audiovisual and Culture Executive Agency, the European Asylum Support Office, the European Border and Coast Guard Agency and the African Union Commission), this remains a point of particular attention for the Commission. In 2018, central services and departments set up joint working groups to clarify and delineate the role of the departments supervising such bodies.

Actions to improve the situation are undertaken by the agencies, the partner departments and the central services. This includes the enhancement of the governance arrangements (new framework financial regulation has been adopted) and the preparations of a strengthened risk management by the decentralised agencies.

Possible developments for 2019

The Commission will consider exploring with the European Court of Auditors the introduction of a *de minimis* rule for reservations. If agreed, reservations would no longer be considered meaningful for segments below a certain proportion of a department’s portfolio (e.g. less than 5%) and with a financial impact below a certain threshold (e.g. less than EUR 5 million). This would apply to many of the legacy programmes.

Looking forward beyond 2019 and/or 2020

The revised financial regulation entered into force *in 2018*. It provides a simplified basis for post-2020 funding programmes for which the interinstitutional negotiations are ongoing. Special attention is being given to maximising simplifications, synergies and efficiencies, as well as to risk-differentiated and cost-effective control systems. The aim is to achieve both the policy/programme and the internal control objectives, i.e. fast payments, low errors and economical control costs. Examples which can contribute to these three goals are the increased use of lump-sum grants (which furthermore reduces the need for detailed record-keeping) and the possibility of funding based on outputs or results (which eliminates the need to track working hours through time sheets).

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(396) A paragraph included in the auditor’s report that is required, or is included at the auditor’s discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s professional judgment, is of such importance that it is fundamental to users’ understanding of the financial statements. (definition of the AICPA)
6. Assurance obtained through the work of the Internal Audit Service

The Commission departments also based their assurance on the work done by the Internal Audit Service. Annex 5 to this Annual Management and Performance Report includes more information on the assurance provided by the Internal Audit Service. A summary report of the internal auditor’s work is forwarded by the Commission to the discharge authority in accordance with Article 118(8) of the Financial Regulation.

The Internal Audit Service has a strict follow-up policy in place to assess the implementation of its recommendations. The Internal Audit Service’s work confirmed that 97% of its recommendations followed up during 2014-2018 were effectively and timely implemented by the auditees.

With a view to contributing to the Commission’s performance-based culture and greater focus on value for money, the Internal Audit Service carried out performance audits and audits which include important performance elements (comprehensive audits) in 2018 as part of its 2016-2018 strategic audit plan.

(i) As regards horizontal processes, the Internal Audit Service made recommendations to help improve the overall performance of several key processes in the areas of governance, information technology security, human resources, synergies and use of resources.

- In particular, the Internal Audit Service audited the state of play of the ‘synergies and efficiencies’ review launched in 2016 and recommended proportionate improvements aimed at helping to ensure that this initiative is ultimately successful in delivering against its objectives. Following the Internal Audit Service audit, the Commission issued a new communication on The synergies and efficiencies initiative: stock-taking and way forward in April 2019.
- On governance processes, the Commission issued a set of communications and decisions (‘Governance package’) in November 2018 to address the issues identified by the Internal Audit Service in its audit report issued in January 2018 and update the corporate governance arrangements of the Commission. In 2018, the Internal Audit Service made further recommendations in the governance areas of Connecting Europe Facility telecom programme and IT governance in the Directorate-General for International Cooperation and Development.
- On human-resources management, several observations were made to the Joint Research Centre in Internal Audit Service audits and, in view of similar issues identified in recent years in other Commission departments, the Internal Audit Service sent a management letter to Directorate-General for Human Resources and Security raising a number of issues for consideration to help the Commission respond effectively to the human resources challenges faced by the Directorates-General and services.
- Appropriate coordination of activities and cooperation with stakeholders are essential in order to ensure consistent and effective action between different policy areas. The Internal Audit Service made specific recommendations concerning the coordination activities between the Commission (Directorate-General for International Cooperation and Development, Directorate-General for Neighbourhood and Enlargement Negotiations and the Service for Foreign Policy Instruments) and the European External Action Service and the cooperation between Eurostat and EU bodies and international organisations.
- Various audits concluded that further progress can also be made in improving the overall performance of other horizontal processes, as presented in Annex 5.
- Several aspects of better regulation were audited (as presented in Annex 5), but no significant issues were identified in these areas.

(ii) Performance in implementing budget operational and administrative appropriations.

- The Internal Audit Service performed several audits assessing programme management and payment processes in shared management, but did not identify significant performance weaknesses in these areas.
• In the area of **directly managed funds**, several audits assessed the management of grants by executive agencies (Education, Audiovisual and Culture Executive Agency, Executive Agency for Small and Medium-Sized Enterprises, European Research Council Executive Agency, Innovation and Networks Executive Agency, Research Executive Agency) and no significant performance weaknesses were identified, except for Education, Audiovisual and Culture Executive Agency. In this agency, serious shortcomings affecting the effectiveness of the overall internal control system put in place for the project management of Erasmus+ and Creative Europe grants were identified. The Internal Audit Service noted that the agency had already started to address these issues (see subsection 5), in line with the audit recommendations.

• In the area of **indirectly managed funds**, several audits focused on the supervision arrangements in place in the departments. While no significant performance weaknesses were identified in department Internal Market, Industry, Entrepreneurship and Small and Medium-Sized Enterprises, the Internal Audit Service identified weaknesses with regard to specific issues in the management of financial instruments in department for Climate Action, department for Environment and department for Neighbourhood and Enlargement Negotiations. The Internal Audit Service also made recommendations to department for International Cooperation and Development concerning the assurance-building process in headquarters, in particular the monitoring process of the annual management declarations to be provided by the international financial institutions and/or national agencies implementing projects under indirect management.

In addition to its audits, the Internal Audit Service issued in February 2019 **limited conclusions on the state of internal control** to every department. These conclusions contributed to the 2018 annual activity reports of the concerned departments and cover all open recommendations issued by the Internal Audit Service related to the management and control systems in the audited processes in the departments in the past 3 years. Particular attention was drawn in the limited conclusion addressed to the Education, Audiovisual and Culture Executive Agency, with regard to one critical and two very important recommendations issued in the context of the audit on Erasmus+ and Creative Europe — grant management (phase 2 — from project monitoring to payment). The agency issued a reservation in line with the limited conclusion of the Internal Audit Service (see subsection 5).

Finally, as required by its mission charter, the Internal Audit Service issued an annual overall opinion on the Commission’s **financial management**. It is based on the audit work in the area of financial management in the Commission carried out by the Internal Audit Service during the previous 3 years (2016-2018). It also takes into account information from other sources, namely the reports from the European Court of Auditors.

Based on this audit information, the internal auditor considered that, **in 2018** the Commission had put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance on the achievement of its financial objectives. However, the overall opinion is qualified with regard to the reservations made in the authorising officer by delegation’s declarations of assurance issued in their respective annual activity reports.

In arriving at the overall opinion, the internal auditor also considered the combined impact of all amounts estimated to be at risk at payment as these go beyond the amounts put under reservation. The overall amounts at risk are the authorising officers by delegation’s best estimation, in their 2018 annual activity reports, of the amount of the expenditure authorised not in conformity with the applicable contractual and regulatory provisions at the time of the payment in 2018. Taken together, these correspond to an overall amount below the materiality of 2% of all total relevant expenditure (397) in the Commission budget, the European Development Fund and the EU Trust Funds in 2018. These amounts at risk at payment in 2018 do not yet include any financial corrections and recoveries related to deficiencies and errors the departments will detect and correct in the next years due to the multiannual corrective mechanisms built into the Commission’s internal control systems. Given these elements, the Internal Audit Service considers that the EU budget is therefore adequately protected in total and over time.

Without further qualifying the opinion, the internal auditor added an ‘emphasis of matter’, relating to the supervision strategies regarding third parties implementing policies and programmes, which is described in Annex 5 to this report.

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(397) ‘Relevant expenditure’ means the total amount of payments made in 2018 minus the total amount of new pre-financing paid in 2018 plus the total amount of old pre-financing cleared in 2018 as reported by the Commission services in their 2018 AARs.
7. Summary of conclusions on the work carried out by the Audit Progress Committee

The Audit Progress Committee has focused its work on four key objectives set out in its 2018 and 2019 work programmes, namely: considering the audit planning of the internal auditor; analysing the results of internal and external audit work to identify potentially significant risks, including in a thematic manner; monitoring the follow-up to significant residual risks identified by audit work; ensuring the independence of the internal auditor and monitoring the quality of internal audit work.

The Audit Progress Committee is satisfied as to the independence and quality of internal audit work and that the internal auditor’s planning adequately covers the audit universe and continues to cover the key risk areas. Following the revision of its charter in autumn 2018, the Audit Progress Committee was able for the first time to compare the internal auditor’s risk assessment with the critical risks identified by the management.

The committee welcomed that the internal auditor’s overall opinion for 2018 is positive and is qualified only with regard to the management reservations as expressed in the annual activity reports of the authorising officers by delegation. But for the fourth year in a row the internal auditor includes an emphasis of matter relating to outsourcing (‘externalisation’). The committee has highlighted its concerns about such risks on numerous occasions, and again reiterated that efforts to mitigate them through adequate control strategies and tools need to be continued as a matter of priority.

The committee took note of the internal auditor’s overall conclusions on performance audits, in particular concerning governance, financial instruments, human resources and risk management processes, and noted the parallelism with its own thematic priorities and that most of the highlighted key audit findings have been discussed by the committee.

The Audit Progress Committee noted that all of the audit recommendations issued by the internal auditor in 2018 were accepted by the management and satisfactory action plans are being implemented to address the risks identified.

One critical recommendation was issued by the internal auditor during the reporting period, addressed to the Education, Audiovisual and Culture Executive Agency. This is the second critical recommendation concerning the grant management process in the agency and results from the second phase of a three-phase audit. The committee engaged with the agency and its parent directorates-general to ensure intensive and timely action to address the recommendations issued. All recommendations from the phase I audit have been assessed as fully implemented by the internal auditor and are now closed. Sufficient progress has been made to partially mitigate the risks underlying the critical recommendation issued in phase II for the internal auditor to downgrade its ranking to very important.

The Audit Progress Committee took note of the internal auditor’s findings on the progress made in implementing the synergies and efficiencies initiative and welcomed the renewed political commitment to the initiative as demonstrated in the recent Commission communication (398). The committee stressed the need for ongoing further efforts to ensure that this way of working is fully embedded in the culture of the institution at all levels.

The committee continued to follow-up on the issues raised in its previous annual reports and paid particular attention to governance, risk management, anti-fraud, information-technology security, externalisation and performance.

- Significant progress has been made in implementing the recommendations of the internal auditor’s report on the Commission’s governance/oversight arrangements concerning risk management, financial reporting and the ex post verification/audit function, in particular through the adoption of the governance package in November 2018. This included a revised Audit Progress Committee

Charter, in line with which the committee now considers consolidated information on the list of critical risks identified by the management alongside the internal auditor’s own risk assessment and scrutinises the follow-up to the European Court of Auditors’ audit recommendations relating to the reliability of the European Union consolidated accounts. Whilst the committee had already fully met the requirements of the new financial regulation over many years, these further developments have enabled it to bring further added value, consolidating the role it has developed over the past mandate as a mature and effective actor in the Commission’s overall governance structure.

- In the context of a thematic discussion on internal and external audit findings in the area of anti-fraud strategies, the committee followed up on audit recommendations to combat fraud in the own resources and taxation areas. With the adoption of the enhanced Commission anti-fraud strategy in April 2019 (399), all recommendations are considered by the management as implemented.

- In the area of externalisation, and in addition to the above-mentioned developments in the Educational, Audiovisual and Culture Executive Agency, all recommendations from the internal audit on the transportation department’s monitoring of the aviation and maritime security policies have been closed.

- As concerns information security, the long-overdue very important recommendation on the information security of the emission trading scheme has recently been assessed by the internal auditor as appropriately implemented.

- In the area of performance, the three very important internal audit recommendations to the statistics department as concerns the production process and the quality of statistics other than those produced by that service are yet to be implemented, one of them is nearly 6 months overdue.

- One of the two very important internal audit recommendations addressed to the paymaster department concerning the budget of the European Anti-Fraud Office’s Supervisory Committee was reopened after the internal auditor’s follow-up work, but given the mitigating measures taken, the risk rating was downgraded to important. The Audit Progress Committee strongly encouraged the paymaster department to complete the necessary steps to fully implement this recommendation which is overdue by more than 12 months.

The effective implementation rate of the internal auditor’s recommendations (i.e. 97% for recommendations issued over the period 2014–2018) is high. The number of very important audit recommendations which are overdue by more than 6 months has considerably fallen over recent years, from an average of 28 in the period from June 2015 to October 2016 to an average of 15 since January 2017.

![Chart: Number of critical and very important recommendations overdue for more than 6 months](chart)

*Source: European Commission.*

During the reporting period the Audit Progress Committee has further integrated consideration of the European Court of Auditors’ audit reports and special reports into its thematic discussions and has enhanced its scrutiny of the follow-up given to the Court’s recommendations. After the committee’s intervention many overdue recommendations were reported as having been addressed. As of March 2019 only 10 European Court of Auditors’ recommendations from the years 2001 to 2015 remain overdue, including eight recommendations from the year 2015, which is the focus of the European Court of Auditor’s latest follow-up review. The committee has helped ensure that the Commission was prepared for this review, including by discussing the recommendations which were long overdue with the respective auditees. Following the revision of its charter, the Audit Progress Committee has also for the first time engaged with the accounting officer as concerns the follow-up to the Court’s audit findings on the reliability of the EU accounts.

The Audit Progress Committee will continue to pay attention to these and other emerging issues in the remainder of its mandate. Over the past 5 years the committee’s responsibilities and workload have increased, whilst through improved working methods and composition, and greater a focus on themes which are of crosscutting relevance for the institution as a whole, the committee has increased the quality and added value of its oversight and advice, and has evolved into a mature and effective player in the Commission’s governance structures.
8. External audit and discharge: learning from the past to improve the future

The Commission is responsible for implementing the EU budget in cooperation with Member States in line with the principles of sound financial management, i.e. funds are to be spent in an effective, efficient and economic manner. An accountability framework based on comprehensive reporting, external audit and political control exists to provide reasonable assurance that EU funds are spent well in a proper manner.

The discharge procedure

Every year the European Court of Auditors, which is the European Union’s independent external auditor, examines the reliability of accounts, whether all revenue has been received and all expenditure incurred in a lawful and regular manner, and whether the financial management has been sound. The publication of the annual report of the European Court of Auditors is the starting point for the discharge procedure. The auditors also prepare special reports on specific spending or policy areas, or budgetary or management issues.

The decision on the discharge is also based on the Commission’s integrated financial and accountability reporting, on hearings of Commissioners and on the replies provided to written questions addressed to the Commission.

The annual discharge procedure allows the European Parliament and the Council to hold the Commission politically accountable for the implementation of the EU budget. The European Parliament decides, after a recommendation by the Council, on whether or not to provide its final approval, known as ‘granting discharge’, to the way the Commission implemented the EU budget in a given year.
2017 discharge

The European Parliament granted discharge to the Commission for the financial year 2017 by a clear majority on 26 March 2019 after having examined the reports of the European Court of Auditors, the Commission's Integrated Financial Reporting Package, and the Council's discharge recommendation. The European Parliament's Committee on Budgetary Control also invited selected Commissioners and Directors-General for exchanges of views during the discharge procedure.

The European Parliament's discharge resolution for 2017 includes many examples of success stories for the EU budget, and highlights great improvements in financial management of the EU budget (a better performance framework, lower error rates and improved absorption of funds). In addition, it includes recommendations for the improvement of budget implementation, as well as recommendations linked to specific policy areas and situations (in particular in relation to specific reported conflicts of interest).

The Commission reports every year on its follow-up of requests addressed by the European Parliament and the Council to the Commission. This follow-up report is part of the Commission’s integrated financial and accountability reporting. The Commission’s follow-up report for 2016 fed into the 2017 discharge procedure, while the follow-up report for 2017 will be published in June 2019.

Follow-up of audits of the European Court of Auditors

The European Court of Auditors has also increased the number and scope of its special reports during the past few years. In 2018, the Court published 32 special reports addressed to the Commission, compared to 23 in 2017, resulting in the Commission facing an increasing number of recommendations (the Commission accepted 297 recommendations either fully or partially). The Commission will continue to ensure an adequate follow-up of these recommendations, and report in its IT tool ‘RAD’ and annual activity reports on the measures taken. Moreover, the Commission reports on a regular basis on the implementation of recommendations to the Audit Progress Committee, which performs certain monitoring activities under its mandate.

The European Court of Auditors also monitors the Commission’s implementation of its recommendations and provides feedback, helping the Commission to enhance its follow-up activities. In its 2017 annual report, the European Court of Auditors assessed the quality of the Commission’s follow-up measures based on a sample of 100 audit recommendations from 17 special reports published in 2014. The European Court of Auditors noted that the Commission had implemented 58% of the recommendations fully, 17% were implemented in most respects and 19% in some respects, while 6% were not implemented (recommendations that were not implemented at all were not accepted by the Commission). The outcome for fully implemented recommendations is broadly in line with figures from previous years.

(400) RAD: recommendations, actions, discharge.
9. Organisational management

9.1. Robust governance arrangements

The governance system used by the European Commission (401) is tailored to its unique structure and role. This system was set up as part of administrative reforms in 2000 (402). This reform significantly strengthened the Commission’s system of governance and established clear lines of accountability and responsibility. These governance arrangements help the College to deliver the Commission’s objectives, to use resources efficiently and effectively, and to manage the EU budget in accordance with the principles of sound financial management. Under this system, the College delegates responsibility for the day-to-day operational management to the directors-general and heads of service, who lead the administrative structure of the Commission. They manage and shape their departments in accordance with the rules and standards laid down by the Commission in order to deliver on their various objectives, taking into account available resources. They are responsible for the operational implementation of the EU budget, under the supervision of the relevant Commissioner. The directors-general and heads of service are supported in this role by the presidential and central services of the Commission and by the Corporate Management Board and other specialised corporate governance bodies.

This governance system has continued to evolve — adapting to changing circumstances and keeping the Commission at the forefront of good administrative practice. This was demonstrated in 2018 when the Commission adopted a ‘governance package’ (403), which significantly streamlined and strengthened its corporate governance arrangements and leveraged recent audit work by the European Court of Auditors (404) and the Commission’s Internal Audit Service (405).

The new package clarifies the corporate level role — by providing advice to the College as well as oversight and strategic direction to the services on all corporate management issues.

In particular, the package:

- formalised and clarified the role of the Corporate Management Board: a new Commission decision (406) formally established the Corporate Management Board as the main corporate
governance body. Acting under the President’s authority, the Corporate Management Board supports the services by providing oversight and strategic direction in all areas of corporate management.

- **streamlined the subgroups reporting to the Corporate Management Board:** a number of specialised subgroups and boards were formally brought under the authority of the Corporate Management Board. For example, a new information technology and cybersecurity board, replaced two previous boards to ensure that the Commission’s information technology is effective, secure and efficient. In this context, it will also oversee the implementation of the new European Commission digital strategy (407).

- **strengthened corporate oversight of risk management:** the Secretariat-General and the budget department organised a peer review process to ensure that critical risks are identified and assessed coherently and that the necessary steps are being taken to manage these risks. The Corporate Management Board now reviews the list of critical risks — both crosscutting and department specific — from all services. The results are communicated to the College and made available to the Internal Audit Service.

- **clarified the role of the Audit Progress Committee** in relation to risk management and the EU consolidated accounts (409).

In addition to the revision of the Commission’s corporate governance arrangements, the Corporate Management Board and its subgroups continued to provide coordination, advice and strategic orientation on corporate management matters in 2018. This included the delivery of synergies and efficiencies across the Commission in areas such as IT, translation and logistics; the creation of a Commission data strategy; the implementation of new data protection rules; the security of staff, information and assets; the further modernisation of the Commission’s IT solutions; the fight against fraud and risk management.

**9.2. Reinforced Code of Conduct for Commissioners**

All Members of the European Commission are required to follow the rules regarding ethics and integrity contained in the treaties and in the Code of Conduct for Commissioners while carrying out their duties.

A new Code of Conduct for the Members of the Commission entered into force on 1 February 2018. It puts the Commission at the forefront of ethics in public-sector organisations. The modernised rules set new standards in Europe. The new Code of Conduct continues President Juncker’s push for greater transparency since the beginning of his mandate and extends the ‘cooling-off’ period for former Commissioners from 18 months to 2 years and to 3 years for the President of the Commission. The modernisation goes further by setting clearer rules and higher ethical standards as well as by introducing greater transparency in a number of areas.


9.3. Data protection

On 11 December 2018 (409) the new data protection regulation entered into force. In July 2018, the Commission’s Data Protection Officer and the Secretary-General addressed an implementation roadmap to all Commission departments. On 7 November 2018, a communication to the Commission ‘The Commission’s data protection action plan’ for the implementation of the new internal regulation was adopted. This plan indicated key actors, precise tasks and a time period for the Commission departments to implement the new regime. Structured collaboration with Commission departments was carried out throughout the year with monthly meetings of the Network of Data Protection Coordinators, chaired by the Data Protection Officer.

In their annual activity reports, almost all departments have given a clear account of their implementation of the new data protection framework.

In July 2018, the Commission appointed a new Data Protection Officer.

In the second half of 2018, new operational procedures (410) and a new IT system (the Data Protection Management System) were implemented. These measures allowed continued compliance with the new regulation in 2018 without any delay. Information about the entry into force of Regulation (EU) 2018/1725, together with new guidance material, was published on the Commission internal web-portals and on the website of the Commission’s Data Protection Officer.

The Data Protection Officer continued internal awareness-raising via a wide range of activities, such as publications on the Commission’s intranet and their own dedicated portal, but also with speeches and meetings with senior management, through collaborating with relevant corporate management entities and by reviewing training material for the classroom courses about the new regulation. The number of training courses was increased to respond to the high demand.

(410) Reviewed workflow for the drafting and validation of records (documentation of processing operations on personal data under Article 31 of Regulation (EU) 2018/1725).