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REPORT FROM THE COMMISSION

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

2017 Annual Management and Performance Report for the EU Budget

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Foreword

While 2016 was a year of doubt for the European project, not least with the decision of the United Kingdom to leave the Union, 2017 was a year of renewed hope and perspective. The 60th anniversary of the Treaty of Rome provided the backdrop to a period of deep reflection on the future of Europe, and a chance to reaffirm our commitment to the values of the Union and define priorities for the Union of 27.

The European Union was able to focus on making the economic recovery sustainable. Growth rates for the EU and the euro area beat expectations in 2017 to reach a 10-year high at 2.4 %. It also had to tackle a series of challenges, from competitiveness, migration, security to solidarity and addressing some natural disasters.

The EU budget is a unique asset for the Union, helping translate ambitions into tangible results on the ground. It complements national budgets by delivering European added value in areas where a coordinated response is the most efficient and effective way to deliver on our priorities.

In the **Annual Management and Performance Report on the EU budget** we describe the many ways in which the EU budget contributed to the achievement of our common goals in 2017.

2017 was the fourth year of implementation of the current Multiannual Financial Framework and all the financial programmes are now fully operational. At the same time, with many unexpected challenges, the importance of a flexible approach to budget implementation was once more confirmed..

Boosting investment continued to be a top priority. The European Fund for Strategic Investments, part of the Investment Plan for Europe, has already triggered more than EUR 287 billion in new investment and has helped creating more than 300 000 jobs. In December, the European Parliament and Council decided to increase and extend the fund to catalyse investments of up to EUR 500 billion by 2020. Solidarity and support was also important with e.g. EUR 1.2 billion mobilised under the EU Solidarity Fund, the highest sum ever mobilised in a single instalment, following the earthquakes of 2016 and 2017 in the Italian regions of Abruzzo, Lazio, Marche and Umbria.

The EU budget also continued to underpin the comprehensive European response to the migration crisis and the management of Europe's external borders. 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 with the aim of supporting the Member States in their border management activities and jointly implementing an integrated border management at EU level.

The EU budget also allowed the Union to play a strong role beyond Europe's borders during a period of turbulence in Europe's neighbourhood and global challenges such as climate change.

An optimal performance of the Union's budget has been a priority for the Juncker Commission from day one. We strongly support the increasing emphasis of the European Parliament, the Member States and the European Court of Auditors not only on how programmes are managed, but on whether they are delivering results in the areas that really matter for Europe's citizens.

The **Annual Management and Performance Report** reflects the European Commission's dual focus on the **performance of the EU budget but also on sound financial management.** This Report is part of the Commission's Integrated Financial Reporting Package and an essential part of our highly developed system of financial accountability. **Through this report, we take overall political responsibility for the management of the EU budget**. This is a responsibility we take extremely seriously.

Looking ahead, the Commission recently tabled its proposals for the future Multiannual Financial Framework. Building on a comprehensive Spending Review of the current financial programmes, these proposals show how the future EU budget will contribute to the ambitious agenda agreed by Leaders in Bratislava and in the Rome Declaration. It is a proposal for a more modern, streamlined and flexible budget, targeting those areas where pooling resources creates real added value for all European citizens. Performance and sound financial management are at the heart of these proposals.

The Commission will continue to play its role to the full, together with the Member States, to harness the potential of the EU budget investing in growth, create jobs and tackle common challenges.

Günther H. Oettinger
Commissioner for Budget and Human Resources

Executive summary

This **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).

This report is part of the annual Integrated Financial Reporting Package, which provides detailed information on revenue, expenditure, management and performance of the EU budget, in line with best practices for transparency and accountability. This package is also the Commission's main contribution to the annual budgetary discharge process.

Section 1 of the Annual Management and Performance Report covers the results achieved with the EU budget across all budget headings and policy areas. It explains how the EU's financial programmes have contributed to the Union's political priorities and summarises the latest evaluation results on the performance of EU programmes in the 2014-2020 period.

2017 was the fourth year of the current Multiannual Financial Framework and the third of the mandate of the current Commission. The Commission proposed a budget reflecting and supporting the political priorities set by President Juncker, in particular contributing to the greatest extent possible to jobs, growth and investment, and providing a coordinated European response to the challenges of migration management and the fight against terrorism and organised crime. Besides these two clear priorities, through the EU budget and other instruments, the Commission will continue to progress towards a connected Digital Single Market, a resilient energy union, including climate action, a social Union and a stronger EU as a global actor and in the field of defence.

Jobs, growth and investments

The European economy continued to recover in 2017. Jobs are being created, public finances are on a much firmer footing, and structural reforms are laying the foundations for sustainable growth in the longer-term. Downside risks remain, for example in relation to the world economy and the volatility of global financial markets. The priority for the EU budget in 2017 was to build on the steady recovery, particularly focused on closing the European investment gap.

The **European Fund for Strategic Investments**, part of the Investment Plan for Europe, was at the heart of these efforts. By mid-2018, the Fund has already mobilised over EUR 287 billion in new investments in the fields of transport, digital, energy, health care, research and innovation throughout the EU. This helped already to create more than 300 000 jobs. Thanks to these investments, high-speed internet access has been provided for 11 million households, renewable energy for more than 4 million households and better health care for 1 million citizens[1].

It is estimated that projects financed by the European Fund for Strategic Investments will generate an increase of Gross Domestic Product in the Union of 0.7 % and create 700 000 new jobs by 2020[2].

There are also strong synergies between the European Fund for Strategic Investments and other financial instruments supported by the EU budget, for example the loan guarantee facility of the **Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme (COSME).** By the end of 2017, COSME provided financing to more than 275 000 small and medium sized companies (of which 50 % were startups) in 25 countries that would otherwise have struggled to secure private financing due to their high risk profile.

The **European Regional Development Fund** has also contributed to the success of small and medium sized enterprises, providing financing to more than 457 000 small and medium sized enterprises.

Around 156 000 jobs are expected to be directly created in small and medium enterprises supported by the European Regional Development Fund (projects selected by the end of 2016).

The **Connecting Europe Facility** is supporting targeted investments in infrastructure projects in the areas of energy, transport and digital services. 86 % of transport investment is allocated to cross-border projects that will lead to a significant improvement in European transport infrastructure and a strengthening of Europe's Single Market.

The Connecting Europe Facility contributed to:

- the upgrade of an important railway section in the North-East of Poland (Białystok-Ełk) as part of the Rail-Baltica global project;

- a new electricity line between Alytus (Lithuania) and the Lithuanian border with Poland which ended the energy isolation of the Baltic States;

- 16 Member States using the Core Service Platform of eHealth thus facilitating cross-border patient safety and continuity of care.

Europe's flagship **research and innovation programme, Horizon 2020** is key for promoting innovation and a knowledge based economy. For example, the Graphene Flagship is a striking example of the strong EU added value of Horizon 2020. Due to its unique combination of superior properties, graphene is a credible starting point for new disruptive technologies across a wide range of fields. More than 150 partners in over 20 European countries from both industry and academia are jointly developing applications in areas such as 5G mobile technologies, batteries, aerospace, medical applications, and automotive.

Thanks to the EU's research and innovation programme the first microprocessor for examining brain activity in high resolution was developed, a major boost to the fight against diseases like epilepsy.

Through Marie Skłodowska-Curie Actions the programme has funded 36 000 researchers at all stages of their career, regardless of their age or nationality, contributing significantly to keeping, developing and attracting research talents in Europe.

Agri-businesses also received strong support from the EU budget in 2017 through the Common Agricultural Policy. The benefits of this investment is the safeguarding of one of the EU's greatest assets, its rural industries, which despite a declining industry size, have maintained positive growth of nearly 9 % since 2005 while cutting greenhouse gas emissions by 24 % since 1990 and reducing fertiliser use with a positive impact on water quality.

By the end of 2016, Rural Development Programmes contributed to the restructuring and modernisation of almost 45 000 agricultural holdings.

The emphasis on the environment, climate and the wider rural context in which farming operates has been substantially increased within this Policy.

European response to the migration challenge and the fight against terrorism

For 2017, tackling the refugee crisis and the migration challenge has been at the top of the Commission's agenda. The EU budget has responded to this with financial support for effective border management and the integration of refugees. The flexibility of the EU budget to mobilise funds was used to the full, providing invaluable support to Member States in an areas where a coordinated European approach is vital.

Inside the EU…

The management of migratory flows within the EU is supported by the **Asylum, Migration and Integration Fund** and the **Internal Security Fund**. Between 2013 and 2017, the number of people provided with assistance (in reception and asylum systems) increased from 18 944 to 184 122.

By December 2017, 26 849 people in need of international protection have been resettled and 33 151 people were relocated. Specific support from the EU budget was earmarked in support of the two relocation schemes for Italy and Greece (EUR 651 million) and of the resettlement scheme (EUR 872 million).

Also in 2017 the EU budget has been mobilised to implement the 'hotspot' approach, whereby EU agencies work on the ground to swiftly identify, register and fingerprint incoming migrants. This work continued in Greece and Italy with a total capacity of around 5 600 places in Greece[3] and 1 850 in Italy.

At the end of 2017, over 45 000 refugees and migrants were still stranded in Greece. From mid-2016 almost 40 000 people benefitted in Greece from the Emergency Support to Integration and Accommodation programme and cash assistance scheme under the **Emergency Support Instrument.**

During the first semester of 2017, around 1 000 places for unaccompanied minors in dedicated shelters were covered by the Emergency Support Instrument.

As of August, the Greek authorities took over the funding of these shelters through their national programme under the Asylum, Migration and Integration Fund.

Effective border management is also important in response to the current migratory challenges. **Frontex, the European Border and Coast Guard Agency,** has become an essential actor in migration enforcement on the European level, taking on new responsibilities and tools related to returns of people who have exhausted all legal avenues to legitimise their stay within the EU. The pace of return operations organised by the Agency has continued to grow, reaching a total number of 14 271 persons returned in 2017.

The European Border and Coast Guard Agency contributed to rescuing 111 000 migrants that arrived in Italy via the Central Mediterranean Route.

External border control was also supported by further development of information technology systems, in particular the **Visa Information System** and the **Schengen Information System**. The Visa Information System contained information on 55 million short-stay visa applications at the beginning of 2018.

In this context, the **International Security Fund** contributed to the training of,8 134 law enforcement officials on cross-border-related topics (terrorism, organised crime, corruption).

Also, large scale infrastructure and space projects financed by the EU budget played a role in the response to the refugee crisis. **Galileo**'s Search and Rescue service drastically reduces the time to detect emergency distress beacons from up to three hours to just ten minutes, greatly improving accurate localisation.

…and in partnership with our neighbours

In addressing migratory challenges, fostering a coordinated and collaborative partnership with neighbouring regions and other third countries to address the root causes was vitally important. For that reason, an increasing share of the EU's non-humanitarian aid for Syria's neighbouring countries was provided through the **EU Regional Trust Fund in Response to the Syrian crisis, the "Madad Fund":** financing passed in 2017 the goal of EUR 1 billion.

Thanks to the Madad Fund, improved access to quality education, protection, and psycho-social support was obtained by more than 450 000 refugee and host community children and youths[4].

Libya remained the main country of departure towards Italy. As a response, the pace of implementation of the North of Africa window of the **EU Trust Fund for Africa** increased considerably with eight new programs approved for a total amount of EUR 232.5 million, as well as one cross-window program for EUR 8.6 million.

By the end of 2017 almost the full EUR 3 billion allocated to the **Facility for Refugees in Turkey** had been committed to projects which ensure that the needs of refugees and host communities in Turkey are addressed in a comprehensive and coordinated manner.

Almost two million people received access to primary healthcare services and around one million to rehabilitative mental health services thanks to the Facility for Refugees in Turkey[5].

The EU budget continued to provide strong support in 2017 to many other political priorities of the Union.

Besides these priorities, through EU spending programmes, the Commission has made progress in other fields as well, on for example the social Union, external action, a resilient energy union, including climate action, a connected digital single market and on defence.

Social investment and youth

Employment, Social Inclusion and Education was also an important priority for the 2017 budget. The **Youth Employment Initiative** focuses on decreasing youth unemployment throughout the Union. This programme provided support to young people living in regions where young unemployment was higher than 25 % in 2012. Its budgetary allocation was topped up in 2017 for regions with youth unemployment higher than 25 % in 2016.

Since 2014, about 790 000 people were back in employment, 820 000 had gained a qualification, 276 000 were in education or training following actions funded by the European Social Fund including the Youth Employment Initiative.

*As a result of all actions of the **European Social Fund** almost, 8 million people have been helped in their search for a job, training, or education between 2014 and 2016.*

Erasmus+ celebrated its 30th anniversary in 2017. Since 2014, over 1.8 million students have taken part in mobility activities, and more than 240 000 organisations are involved in cooperation projects. The mid-term evaluation indicates that:

Willingness to move abroad permanently is higher under Erasmus + participants (31 % more willingness compared to non-participants); also they identify themselves more as a EU citizen (19 % more).

Volunteering supported by the Erasmus+ together with eight other EU programmes and instruments contributed to the creation of further opportunities for young people under the European Solidarity Corps. One year since its launch, more than 42 000 young people from all Member States have signed up. By the end of 2017, one year since the opening of the online registration tool, more than 2 500 placements have been offered to the young people[6].

External action

The 2017 budget also contributed to **a stronger EU as a global actor.** The EU provided more than EUR 2.2 billion in **Humanitarian Aid** in 80 different countries[7]. Together with its Member States, the Union remained the largest donor of humanitarian aid in the world.

EU humanitarian funding has supported the education of over 4.7 million children caught up in emergencies in over 50 countries[8].

In 2017, an agreement on the **European Fund for Sustainable Development** was reached. This Fund is part of the External Investment Plan for Europe, which is tasked with scaling up private sector involvement in socio-economic development in partner countries. The response to the call for proposals for the first two investment allocations was very positive, 30 proposals from 12 partner institutions for a total value of more than EUR 2.5 billion were received.

Climate action and environment

The EU budget remained an important tool in the fight against climate change. 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 as well as the EU's development policy.

In 2017 the total budget contribution to climate mainstreaming (i.e. budget spending on environmental projects) was estimated at 20.3 %.

Positive developments were also seen in the field of **energy efficiency in the Union**. The EU has set itself a 20% energy savings target by 2020 (when compared to the projected use of energy in 2020) – this is roughly equivalent to turning off 400 power stations.

*More than 2 000 Megawatts of additional capacity of renewable energy production and reduction of greenhouse emissions of more than 3 million tonnes of CO_2 equivalents is expected as a result of projects selected up to 2016 under the **Cohesion Fund**.*

Furthermore, a reduction of greenhouse gas emissions of 3 million tonnes of CO_2 equivalents is the estimated result of projects financed under the **European Regional Development Fund**.

Digital Single Market

The European Fund for Strategic Investments has also contributed to the completion of the **Digital Single Market**, along with the **Connecting Europe Facility.** Besides this, up to the end of 2017, around 5 500 projects were selected under the Cohesion Fund to support the achievement of a connected Digital Single Market.

1 million additional households had broadband access by the end of 2016 as a result of support from the European Regional Development Fund.

Defence

The launch of the European Defence Fund in 2017 marked the beginning of a new chapter in defence cooperation. This Fund will act to support Member States to spend more efficiently in joint defence capabilities, to strengthen European citizens' security and to foster a competitive and innovative industrial base.

Internal control and financial management

In addition to the results achieved through EU spending, the way the EU budget is managed has a major impact on its overall performance. This is why the Commission strives to achieve the highest standards in financial management in terms of efficiency, effectiveness and cost-effectiveness. This is the focus of Section 2 of the Annual Management and Performance Report.

A stronger internal control framework

The Commission further strengthened its internal control framework in 2017 based on international standards and best practices. The aim is to move from a compliance-based system to a performance-based system. This will ensure robust internal control while giving Commission departments the necessary flexibility to adapt to their specific needs and circumstances. Although 2017 was a transition year, already one third of departments have reported on the effect the new principles were having on the effectiveness of their controls. **Overall, all departments concluded that the internal control standards and principles were working well and implemented effectively**. The new internal control framework also allows for a more nuanced assessment; some departments indicated a need to improve effectiveness in the implementation of specific principles or standards.

The financial management and control systems for the EU budget have improved considerably over time. This achievement has also been recognised by the European Court of Auditors. For the first time, the European Court of Auditors in its most recent statement of assurance[9], gave a qualified rather than an adverse opinion on the legality and regularity of the EU budget payments. The level of error dropped in all policy areas, continuing the downward trend in the overall level of estimated error. The level of error was below 2 % for about half of EU spending, and no material error was found in revenue.

The Commission nevertheless continues to improve its control systems.

Effective management and protection of the EU budget

The Commission gives the highest priority to ensuring that the EU budget is well-managed and that all the necessary measures are in place to **protect taxpayers' money**.

Although management of the budget is the ultimate responsibility of the Commission, 68 % of expenditure is executed by Member State authorities under shared management, and 8 % through entrusted entities under indirect management.

The Commission has two main mechanisms for protecting the EU budget, i.e. EU spending, from undue or irregular expenditure:

- preventive mechanisms (e.g. ex ante controls, interruptions and suspension of payments); and
- corrective mechanisms (e.g. ex post controls; these are primarily financial corrections imposed on Member States but can also be recoveries of funds from the recipients of EU payments).

While errors may be detected in any given year, they are also duly corrected in subsequent years. A multiannual analysis of those errors and corrections is thus necessary and appropriate. **In the context of the Multiannual Financial Framework, the Commission's spending programmes, most control systems and management cycles are also multiannual by design.**

The 2017 overall amount at risk at payment is estimated to be 1.7 % of total relevant expenditure.

In 2017, in terms of financial corrections and recoveries, the Commission departments' multi-annual control systems have enabled them to **detect and correct** EUR 897 million before the funds were released and EUR 1 949 million after the funds were released.

The forward-looking overall amount at risk at closure, i.e. once all corrections have been made, is estimated to be 0.6 % of total relevant expenditure.

This result implies that the Commission departments' multiannual control mechanisms in general ensure appropriate management of the risks relating to the legality and regularity of the transactions and that the financial corrections and recoveries made in subsequent years do protect the EU budget overall.

In the meantime, further action is being taken for those programmes with persistently high levels of error to address their root causes and to prevent, detect and correct fraud[10]. 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.

Management Assurance

In their 2017 Annual Activity Reports, all 50 Authorising Officers by Delegation declared that they had reasonable assurance that (i) the information contained in their report gives a true and fair view; (ii) the resources assigned to the activities have been used for their intended purpose and in accordance with the principle of sound financial management; (iii) and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

To ensure transparency, in the Annual Activity Reports, reservations are issued for those programmes for which the residual error rate has not (yet) fallen below 2 % at the time of reporting. 30 Authorising Officers by Delegation declared unqualified assurance, while 20 declarations were qualified with a total of 38 reservations for 2017 (37 in 2016). In all cases, the Authorising Officers by Delegation concerned drew up actions that need to be taken to address the underlying weaknesses and mitigate the resulting risks.

The financial impact of the reservations on management assurance has decreased to EUR 1 053 million for expenditure (EUR 1 621 million in 2016) and to EUR 431 million for revenue (EUR 517 million in 2016). The 'legacy' generation of the 2007-2013 programmes, which are phasing out, accounts for half of the number of reservations but only a minor share of the total amount at risk.

Another area of increased transparency concerns the EU Trust Funds. Given their increasing importance, the departments responsible for the trust funds now ensure complete coverage of the funds in their management reporting. This covers: (i) accountability for the contributions from the EU budget and the European Development Fund paid into the funds; and (ii) the management of the transactions made out of the funds (i.e. including other donors' funds).

Efficient, effective and cost-effective internal control systems

High standards of financial management require cost-effective measures to be in place to ensure the effective protection of the EU budget.

With this in mind, measures are taken to **develop synergies and seek efficiency gains**, for example by simplifying rules and procedures, improving and linking financial IT systems, and further pooling financial expertise. This ultimately leads to a lower bureaucratic burden, proportionate costs for controls on beneficiaries, lower error rates, improved data quality, and shorter payment times.

The **average payment time** of the Commission departments has **steadily decreased** over the years and is now below 30 days. The 2017 overall average net payment time is 20.4 days.

Increasingly, Commission departments are also taking measures to ensure that their control systems remain **risk-differentiated (i.e. more scrutiny and/or frequency is riskier areas, and less in low-risk areas) and cost-effective**. By the end of 2017, the periodical reviews carried out by all departments to examine their control systems had concluded that these systems were cost-effective.

Moreover, for the next generation of spending programmes, the departments are asked to justify (in the legislative financial statements annexed to their legislative proposals) why the proposed management mode(s), funding implementation mechanism(s) and methods of payment are considered to be the most appropriate solutions – not only in terms of the policy/programme objectives but also in terms of how they balance three of the internal control objectives, i.e. fast payments, low errors and low cost of control.

Introduction

The EU budget is key for implementing European policies and priorities. Investment from the EU budget delivers results in its own right and serves as a catalyst for additional investment from other public and private sector sources. It works hand in hand with other policy instruments at European and national level to address the many challenges, and opportunities, faced by the Union today.

Unlike national budgets, the EU budget is predominantly focused on investment. Its programmes are multiannual in nature, providing a stable and predictable framework which is ideally suited to supporting strategic investments over the medium to longer term. The EU budget focuses on areas where pooling resources to tackle common challenges can deliver results for all Europeans 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. In all these areas, the EU budget is uniquely placed to deliver for all Europeans. This is the essence of 'European added value'. It also applies to common policies such as the Common Agricultural Policy and Cohesion Policy.

The Commission plays a central role in the management of the budget, either managing programmes directly (e.g. in the areas of research or the mobility of young people) or in conjunction with Member States (for instance in Cohesion Policy).

The Commission is responsible for ensuring that the EU budget is managed responsibly and in compliance with the relevant rules in order to protect taxpayers' money. The Commission implements a robust system of governance and internal control to ensure that this is the case. The management of the EU budget is subject to external scrutiny from the European Court of Auditors.

The stronger record of financial management in recent years has allowed a reinforced focus on the **performance** of the budget: is the EU budget 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, project sponsors and all those involved in implementing the EU budget.

The **2017 Annual Management and Performance Report for the EU Budget** brings together both management and performance aspects into a single integrated report. It presents an overview of the latest information on the performance of the budget, and contains detailed reporting on issues arising in relation to the management and protection of the EU budget. This report is the Commission's main input to the annual 'discharge procedure' by which the European Parliament and the Council scrutinise the implementation of the EU budget.

Section 1 of the report describes, with examples, how the EU budget supports the Union's political priorities and provides the latest available data on results achieved up to the end of 2017. This reporting draws on information from the programme statements that form part of the budget proposal for 2019, the 2017 Annual Activity Reports produced by all Commission departments, and other sources such as implementation reports on EU programmes. For this year's Report, the mid-term evaluations have been a valuable additional source of performance information.

Section 2 reports on developments in relation to internal control, financial management and the protection of the EU budget in 2017. This is 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 these challenges. This section summarises information on the achievement of:

- **internal control objectives** (managing legality and regularity risks; the cost effectiveness of controls; and anti-fraud strategies);
- the **protection of the EU budget** and;
- the **management assurance** provided to the College of Commissioners.

This assurance is based on the conclusions of the Commission's management, which are based on statistical and non-statistical indicators on control results and corrections. These conclusions are also cross-checked against opinions from independent parties, including the Commission's Internal Audit Service (IAS) and the European Court of Auditors, as well as the conclusions of the work of the Audit Progress Committee.

The management assurance received from all departments and the assurance obtained through internal audit work form the basis for this report's overall conclusion. This conclusion enables the Commission, by adopting the report, to take **overall**

political responsibility for the management of the 2017 EU budget.

The report also incorporates the former **Communication on the protection of the EU budget**[1] and, as last year, will be part of the broader **EU budget Integrated Financial Reporting Package**, which also includes the annual accounts.

Section 1
Performance and results

2017 was an active year for the Union on many fronts, with positive results in job creation being seen throughout the Union on the back of the economic recovery. This allowed the **Union to focus increasingly on the efficient delivery of its political priorities in areas such as social policy, the digital single market and the completion of the Economic and Monetary Union**. Work continued on the development of a comprehensive approach to the internal and external aspects of migration and on the protection of the Union's external borders. New initiatives were launched to build up the Union's security and defence capabilities.

It was also a year for **reflection on the future of the Union** following the decision by the United Kingdom to leave the Union. The Commission's White Paper on the Future of Europe launched a Europe-wide debate on what the priorities should be for the future Europe of 27. The subsequent Reflection Paper on the Future of EU Finances looked at this challenge and put the key elements for discussion on the table.

In budgetary terms, 2017 was the fourth year of implementation of the current Multiannual Financial Framework. Most financial programmes are now fully operational following some initial delays and results are being seen on the ground.

Investment continued to be a major focus with the continued implementation of the European Fund for Strategic Investments to bridge Europe's investment gap. **The budget was also mobilised to support the development of a comprehensive European response to the internal and external aspects of migration, and to respond to growing and diverse security threats**. Being at mid-term in the implementation of current programmes, in 2017 a number of interim evaluations were finalised, providing a comprehensive analysis on the EU added value, relevance, effectiveness, efficiency and coherence of the programmes.

This section begins with a brief summary of the performance frameworks built into EU financial programmes. It then presents the latest information on results achieved with the EU budget up until the end of 2017. **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 available yet, therefore definitive reporting will not be possible until a later stage.

The section is structured around the headings on the current Multiannual Financial Framework. The main programmes within each heading are covered. The report also describes how these programmes contribute to the Europe 2020 objectives and to the political priorities of the Juncker Commission. It also summarises evidence on the results achieved by the financial programmes but also on the areas where performance has fallen short of expectations or 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 but also to inform the legislators shaping the Commission's proposals for the future Multiannual Financial Framework, which were proposed by the Commission in past weeks. This report goes therefore hand in hand with the Spending Review accompanying the Commission's recent proposals for the future Multiannual Financial Framework[11]. Indeed, when formulating its proposals, the Commission has sought to draw lessons from the current and past financial frameworks in order to create high-performing programmes that will generate positive results for the European economy and society within their respective fields.

Performance of the EU budget

2014–2020 performance framework

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 helped a stronger focus on results across the budget. These frameworks entail the definition of clear and measureable objectives and indicators, as well as the necessary monitoring, reporting and evaluation arrangements. While there is scope for improvement, the Commission considers that indicators, together with other sources of performance information such as evaluations, provide a sound basis for monitoring progress towards programme objectives. They also help to anticipate and resolve problems in programme implementation when they arise.

During the early years of programme implementation, performance information is essentially based on inputs - i.e. the financial allocation to a particular programme - and, when possible, outputs. This type of information gives a good initial indication of how the EU budget is being spent and how it is contributing to the political priorities. As programme implementation progresses, information on the results and impact of spending will become available. However, it may be some time before the ultimate impact on the European economy and society can be assessed,

This year is the fourth year of implementation and many programmes are starting to report on direct results; however, some programmes have long implementation cycles and indicators on achievements are not yet fully available and reported in the Programme Statements i.e. this is notably the case for shared managed programmes.

Audits from the European Court of Auditors also help to 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. Nineteen recent reports for instance have confirmed the need to simplify rules and to strengthen or streamline the performance framework.

Lessons learned from audits and the practical experience of implementation, and findings from mid-term evaluations have fed into the comprehensive Spending Review accompanying the Commission's recent proposals for the future Multiannual Financial Framework and the accompanying sectoral programmes. Simplification and streamlining both of implementing rules and performance frameworks are an important theme of these proposals.

Performance reporting

In its 2016 Annual Report, the European Court of Auditors focused in particular on the quality of performance reporting in relation to the EU budget. Many of these reports are produced by the Commission. The analysis found that while the quality of performance reporting has improved considerably, there are several areas where further improvements could be made, for example:

- **Data quality**: in its performance reports, the Commission relies on the performance indicators that have been listed in the legal basis of the programmes and reported annually in the Programme Statements. The data is coming from a wide range of sources. The Court and the Internal Audit Service recommended disclosing those sources together with an assessment of the quality of the data collected. Acknowledging the importance of data quality, the Commission services paid particular attention this year to the quality of performance data when preparing their 2017 Annual Activity Reports. Data sources are clearly identified and any concerns regarding data quality clearly flagged. In certain cases, Commission services stopped reporting on some of the indicators where the available data was considered not sufficiently accurate or relevant.
- **Balanced reporting:** in its annual report of 2016 the Court recommended on the Annual Management and Performance Report of 2015 that the Commission make further efforts to ensure that performance reports provide a balanced picture, covering both programme achievements and challenges encountered. The Commission is committed to producing balanced reports and has, for example, provided extensive coverage in this report on the lessons drawn from the mid-term evaluations of financial programmes.
- **Links between performance frameworks:** the Court recommended that the Commission make more systematic use of cross-references between performance reports to bring out more clearly the links and complementaries between reports and between the performance framework for the EU budget (eg programme statements) and the framework for the Commission services.
- **Readability:** as the Court recommended, the Commission continued to improve the visual presentation of its reports, using visual aids,

graphs, diagrams, charts or text boxes where appropriate to present performance data and convey key performance messages.

Shared responsibility for results

Approximately three quarters of the EU budget is implemented under shared management with the Member States. Although the Commission has the ultimate financial responsibility for the management of the EU budget, **the responsibility for the results achieved with the EU budget is shared with a wide range of actors** at European, national and regional level. All have a part to play to ensure that every euro spent with the EU budget serves efficiently and effectively its intended purposes.

2017 EU budget

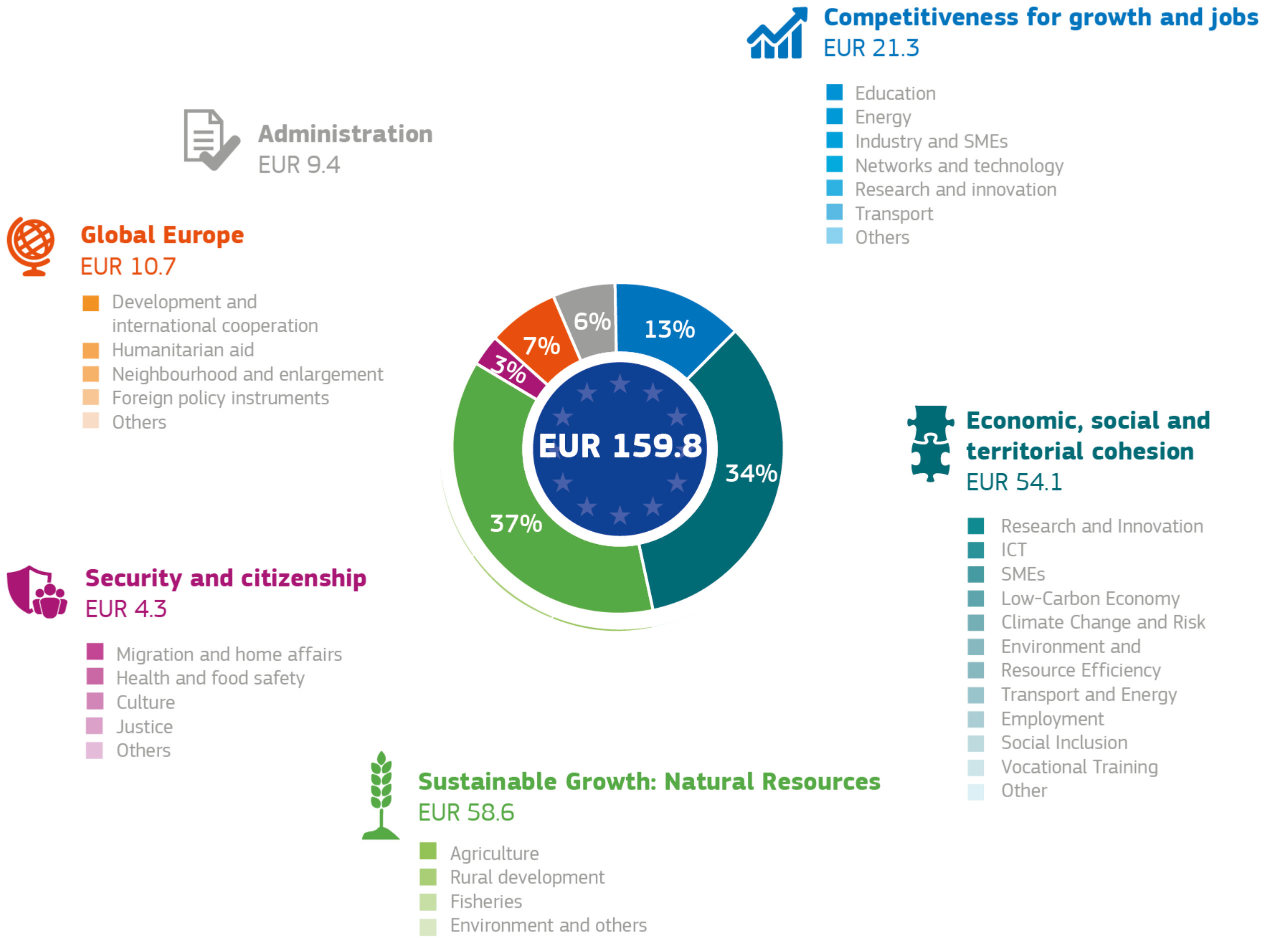


Chart: 2017 EU budget per budget heading. All amounts in EUR billion.

The EU budget, including amending budgets, amounted to EUR 159.8 billion in 2017. About half of this, EUR 75.4 billion, was allocated to smart and inclusive growth. Support to the European agricultural sector totalled EUR 58.6 billion. EUR 4.3 billion was spent on reinforcing the external borders of the Union and addressing the refugee crisis and irregular migration. EUR 10.7 billion was allocated to actions outside the Union and EUR 9.4 billion was spent on the administration of the EU institutions. In 2017 six 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 and adjustments were needed as a consequence of the adoption of the mid-term review.

Outside the ceilings of the Multi-Annual Financial Framework, there are Special Instruments; the Emergency Aid Reserve, the EU Solidarity Fund, the Flexibility Instrument and the European Globalisation Adjustment Fund.

Summary account of progress on horizontal issues

The EU budget and the Europe 2020 strategy

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

The Europe 2020 headline targets are monitored by the Commission using nine indicators. Information on progress is regularly updated and published on Eurostat's website[12]. The table below presents the latest available data for these indicators.

Member States are making progress towards the goals they set eight years ago in the Europe 2020 strategy. Overall, the EU is approaching its targets on education, energy, climate and employment. 14 Member States have already achieved their national targets in reducing early school leaving and in increasing the share of tertiary educated population. 11 Member States have hit their renewable energy targets. The EU target of 75 % employment in 2020 is on track assuming the current trend continues and seven Member States have already attained their national goals. This is a remarkable achievement given the severe impact of the crisis on employment. However, the number of the people at risk of poverty or social exclusion peaked in 2012 and has since then decreased 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 investment in Research and Development is far from sight and will require major efforts to be met[13].

The contribution to Europe 2020 should not be confined within the limits of a single programme, but rather be seen as mutually reinforced contribution of the EU budget as a whole. It is estimated that 59 % of the EU budget commitments in 2017 are linked to the Europe 2020 strategy.

1. Increasing the employment rate of the population aged 20-64 to at least 75%	68.6%	72.3% (Q3-2017)	Target likely to be met
2. Increasing combined public and private investment in R&D to 3% of GDP	1.93%	2.03% (2016)	Target unlikely to be met
3a. Reducing greenhouse gas emissions by at least 20% compared to 1990 levels	14% reduction	23% reduction (2016)	Target likely to be met
3b. Increasing the share of renewable energy in final energy consumption to 20%	12.5%	17.04 (2016)	Target likely to be met
3c. Moving towards a 20 % target in energy efficiency	5.7% (for primary energy consumption)	16.0% (2016) (for primary energy consumption)	Target likely to be met
4a. Reducing school drop-out rates to less than 10%	13.9%	10.6 % (2017)*	Target likely to be met
4b. Increasing the share of the population aged 30-34 having completed tertiary education to at least 40%	33.8%	39.9 % (2017)*	Target likely to be met
5. Lifting at least 20 million people out of the risk of poverty and social exclusion	0.5 million increase (compared to the 2008 base year)	1 million increase (compared to the 2008 base year)	Target unlikely to be met

Table: progress towards EU2020 targets. Sources: https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-communication_en.pdf. and updates* from Eurostat :

http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_40&plugin=1; http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_41&plugin=1

Mainstreaming of climate action and biodiversity

The EU budget is also an important tool in the achievement of cross-cutting 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 − should be spent on climate change-related action. 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 as well as the EU's development policy. Starting from the 2014 draft budget, the estimates for climate related expenditures have been monitored on an annual basis with EU climate markers, adapted from the OECD development assistance tracking ''Rio markers''. In 2017 the amount was more than EUR 31 billion, 20.3 % of the total budget. The brings the total cumulative amount for climate mainstreaming by the end of 2017 to more than EUR 100 billion.

The tracking procedure for biodiversity-related expenditure forecasted that 9.3 % of the 2016 budget and 8.1 % of the 2017 budget were allocated to limiting and reversing the decline of biodiversity in the EU, making an important contribution to the Europe 2020 sustainable growth objectives.

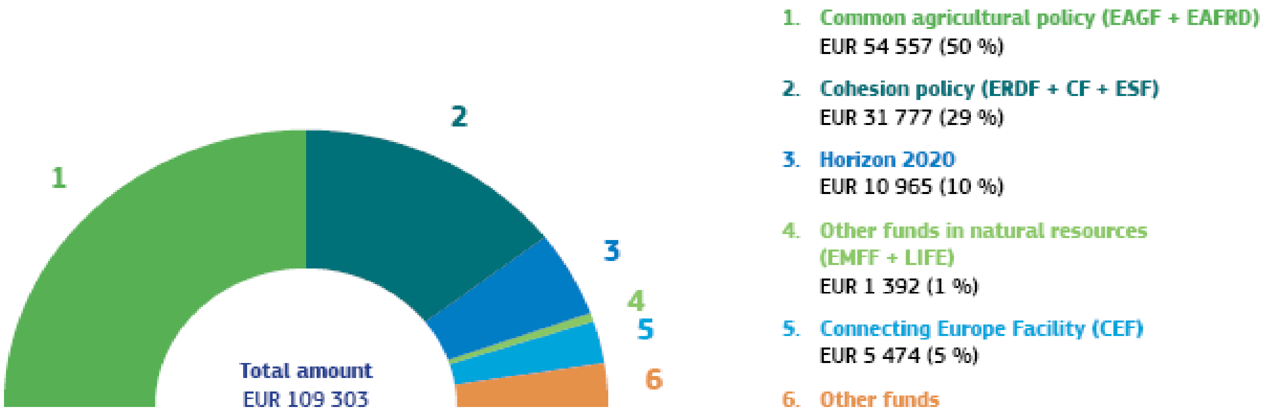


Chart: Mainstreaming of climate action (2014-2017). All amounts in the chart are in EUR million. Actual amount for the period 2014-2017 is EUR 109 billion; Budgetted amount for the entire period 2014-2020 is EUR 200 billion.

The EU budget and Sustainable Development goals

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) and 169 targets, adopted by the United Nations (UN) in September 2015, have given 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 to maximise progress towards the Sustainable Development Goals, as outlined in its Communication (COM(2016) 739) ''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 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 Sustainable Development Goals, although often in an indirect and not quantifiable way. These elements are provided for information purposes and do not constitute the official reporting on the EU budget contribution towards Sustainable Development Goals. As the Sustainable Development Goals are interlinked, many EU actions can contribute to several Sustainable Development Goals.

1.1. Competitiveness for Growth and Jobs (Budget Heading 1A)[14]

EUR 21.3 billion was allocated to the programmes for Competitiveness for Growth and Jobs (commitments in Heading 1A) in 2017, representing 13 % of total annual budget expenditure. Heading 1A consists of 23 different spending programmes. The main programmes under the budget heading 'Competitiveness for growth and jobs' are: Horizon 2020 Framework Programme for research and innovation, programmes for large infrastructure projects (Galileo, International Thermonuclear Experimental Reactor, Copernicus and the European Geostationary Navigation Overlay Service – EGNOS), the Erasmus+ programme funding education, training, youth and sport actions, the Connecting Europe Facility for developing trans-European networks in transport, energy and the digital sector and the European Fund for Strategic Investments, part of the Investment Plan for Europe.

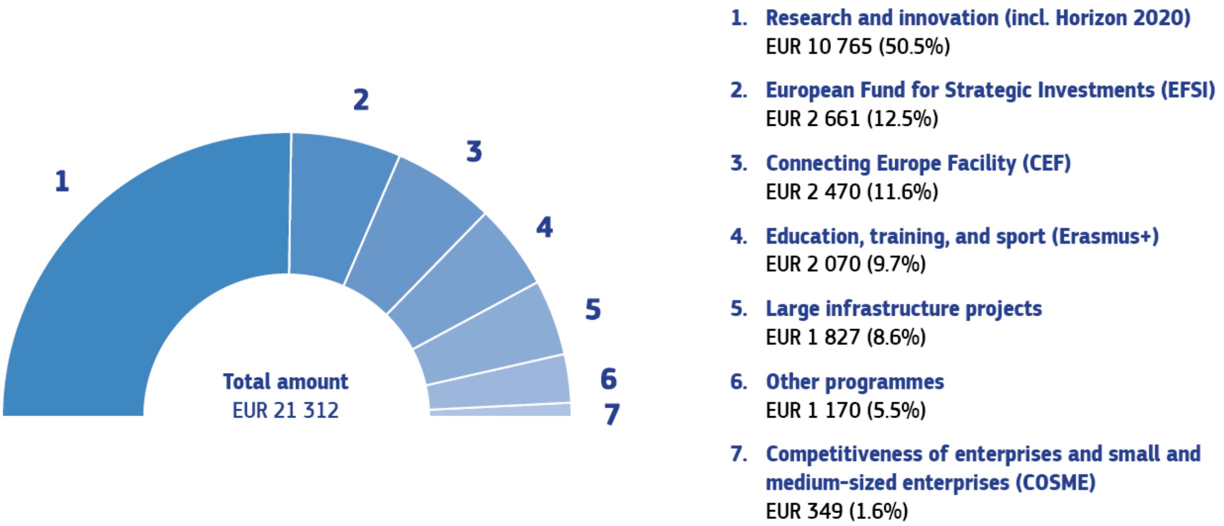


Chart: Main programmes financed in 2017 under Heading 1A. Category 'Other programmes' include among others EU programme for Employment and Social Innovation (EASI), Customs and Fiscalis. All amounts in EUR million.

Support to the priorities of the European Commission

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 'Deeper and Fairer Economic and Monetary Union.' They contribute to the Europe 2020 priorities of 'smart and sustainable growth' and to 'inclusive growth' mainly through the job creation and employability effects of Horizon 2020 and Erasmus+. The programmes under this budget heading also contribute to Europe 2020 by boosting research and innovation, improving skills levels and (life-long) education, fostering entrepreneurship, facilitating the use of smart networks and the digital economy, building interconnected trans-European networks, investing in pan-European infrastructures, and aiming at greater energy and resource efficiency.

The European Fund for Strategic Investments

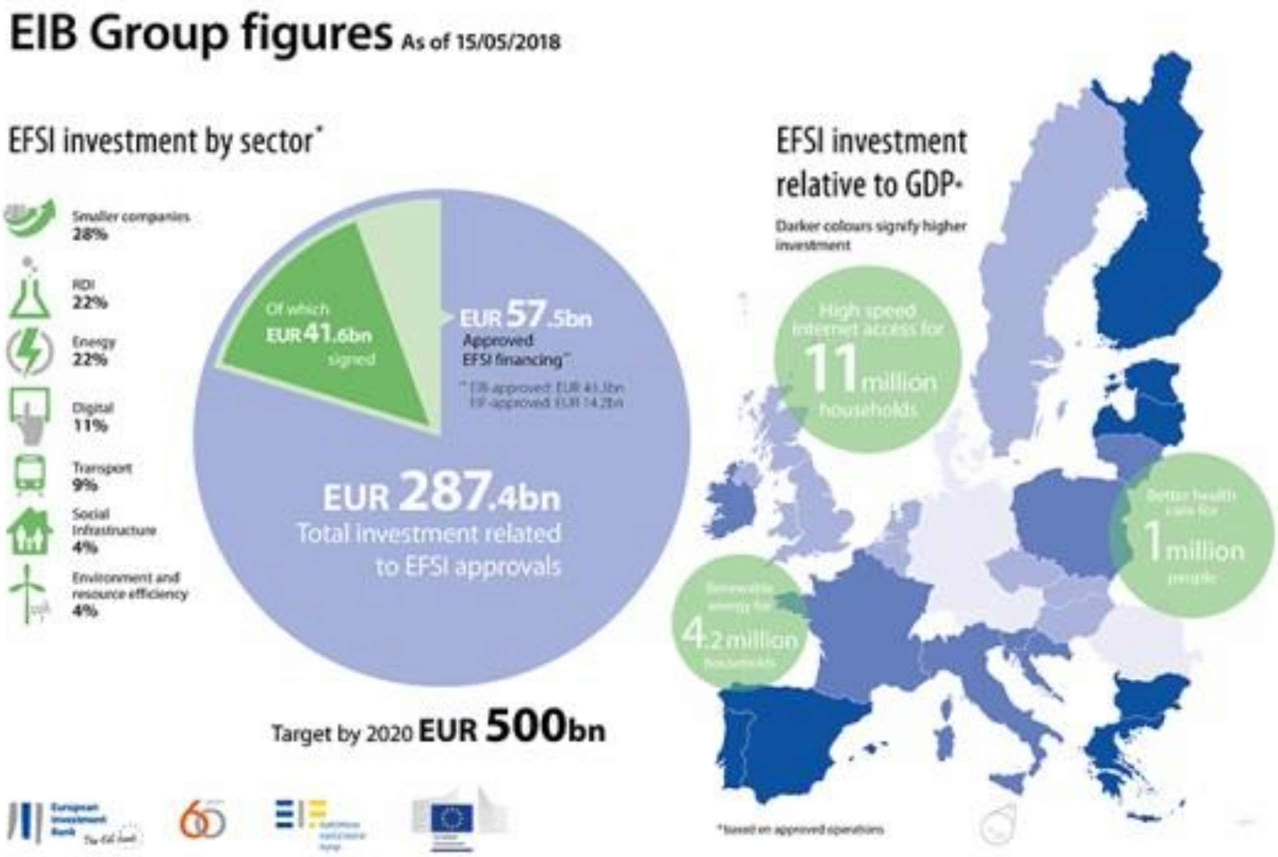


Figure: EFSI dashboard. Source: EIB Group figures as of 15/05/2018, source: http://www.eib.org/efsi/

The overarching goal of the Investment Plan for Europe launched in 2014 was to kick start investment in Europe and, consequently, to restore EU competitiveness and boost growth and employment. The Plan is centred on the European Fund for Strategic Investments which combines an EU guarantee with European Investment Bank resources; the European Investment Advisory Hub that is a single point of entry for advisory services and technical assistance; and the European Investment Project Portal which matches project promoters with investors.

The European Fund for Strategic Investments was intended to mobilise EUR 315 billion of total investment in the real economy. As of December 2017, the volume of investment mobilised by the approved European Fund for Strategic Investments operations stood at 81 % of the initial target.

Cumulatively, since the launch of the fund, the projects approved amount to a total investment value EUR 287 billion distributed between the two strands: EUR 186.2 billion for the Infrastructure and Innovation Window and EUR 101.2 billion for Small and Medium-Sized Enterprises Window. Over 445 000 smaller companies are expected to benefit from this and this has helped to create more than 300 000 jobs.[15].

At the end of 2017 the EU formalised[16] the decision to extend the duration and size of the fund to EUR 500 billion to be mobilised by 2020 with a view to further boosting investments and providing stability for project promoters.

Support under the European Fund for Strategic Investments is focused on sectors of key importance for the European economy, including:

- Strategic infrastructure including digital, transport and energy;
- Education, research, development and innovation;
- Renewable energy and resource efficiency;
- Support for small and mid-sized businesses.

These investments helped provide, for example, high speed internet access for 11 million households, renewable energy for more than 4 million households and better health care for 1 million citizens[17].

The Commission actively increases the visibility of the projects. At the end of 2017 there were 239 projects from 27 Member States published on the European Investment Project Portal launched[18] in 2016.

Projects include:

- *the development of an onshore wind farm in Sweden;*
- *research into new ways of treating Alzheimer and arterial diseases in Spain;*
- *support to producing reusable and compostable alternatives to single use plastic bags in the Czech Republic;*
- *expanding and improving broadband wireless access in Italy;*
- *building social housing in Poland.*

The European Fund for Strategic Investments ***is expected to increase the Gross Domestic Product in the Union by 0.7% and to create 700 000 new jobs by 2020***[19]

The preliminary findings of the on-going evaluation highlight that despite an improvement in investments and access to finance by small and medium-sized enterprises, needs for funding persist and are still considerable. The leverage effect of the fund is clearly evidenced in this evaluation. For some projects, with high social benefits a low multiplier was achieved, due to reluctance on part of private investors. There is also scope for improving the synergies between the European Fund for Strategic Investments and other financial instruments supported by the EU budget. For instance with the financial instruments of the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme (COSME).

Also, the experience up to now with the European Fund for Strategic Investments showed that there is room for an increased contribution to address social issues; no more than 4 % of approved and signed projects concerned social infrastructure[20]. That is why, as part of the European Pillar of Social Rights it was agreed to pull together contributions from the European Fund for Strategic Investments with that of the Programme for Employment and Social Innovation.

Horizon 2020

Horizon 2020 aims at strengthening the EU's science base, at boosting industrial leadership and innovation capability in the private sector, and at fostering the contribution of research and innovation to tackling societal challenges (such as food security or climate action). It supports EU policy priorities, as reinforced by the Sustainable Development Goals framework.

In 2017, Horizon 2020 provided EUR 8.5 billion of funding, which further mobilised direct additional investments, leading to a total of EUR 10.6 billion. Some 5 000 projects were funded, ranging from grants to world-class researchers, to cutting-edge science, to supporting innovative SMEs to create new products and offer new services[21].

So far, through the Marie Skłodowska-Curie Actions, Horizon 2020 has funded 36 000 researchers at all stages of their career, regardless of their age and nationality. This has contributed significantly to keeping, developing and attracting research talents to Europe.

2017 marked the 20th anniversary of the Marie Skłodowska-Curie Actions, and the 150th birthday of its namesake, the Polish French double Nobel Prize winner Marie Skłodowska-Curie, with a series of events around Europe and beyond.

Two of the three 2017 researchers, who were awarded the 2017 Nobel Prize in Chemistry for optimising electron microscopes, have participated in Marie Skłodowska-Curie Actions and other EU-funded research projects, while 14 Marie Skłodowska-Curie Actions-funded doctoral candidates supported the historic detection of gravitational waves that led to the 2017 Nobel Prize in Physics.

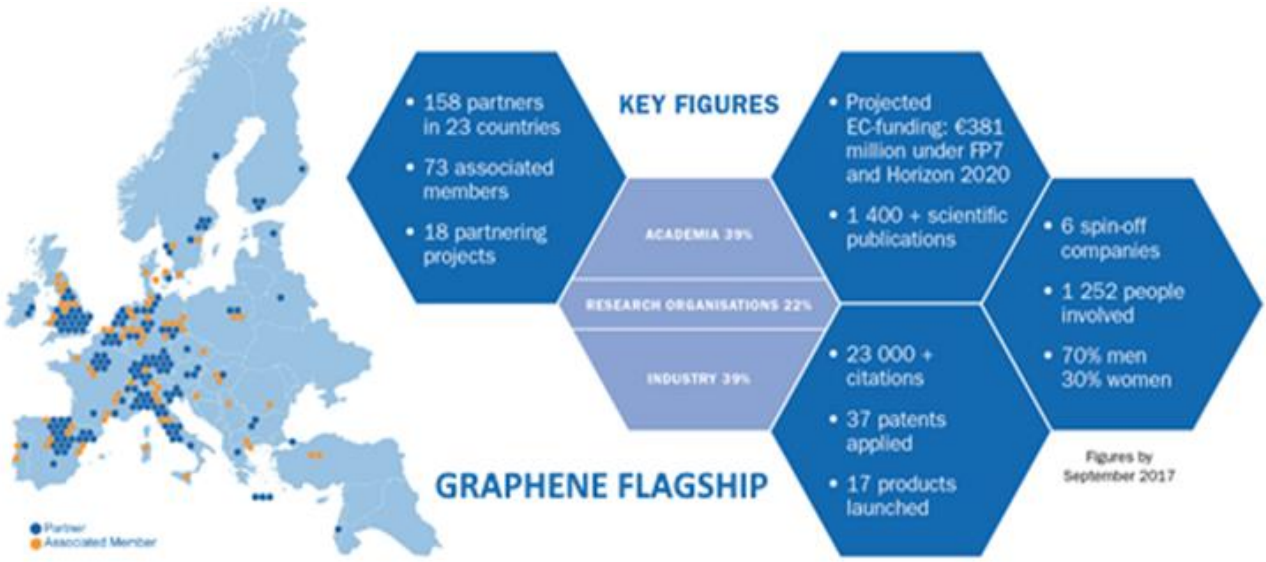


Figure: Key figures of the Graphene Flagship, source: https://graphene-flagship.eu/SiteCollectionDocuments/EC_leaflet.pdf

The Graphene Flagship is a telling example of the strong EU added value of Horizon 2020. This 10 year research initiative is one of the biggest ever funded in Europe. More than 150 partners in over 20 European countries from both industry and academia are jointly developing applications in areas such as 5G mobile technologies, batteries, aerospace, medical applications and automotive technology. Recent breakthroughs are the first microprocessor made from graphene-like material which has great potential for use in everyday objects and for applications to examine brain activity in high resolution, which can help to better understand diseases such as epilepsy.

In 2017, a European Research Council funded team discovered the security flaws in computer processors, named Meltdown and Spectre, opening new paths for increased security in the design of modern computer systems.

Horizon 2020 also contributed to developing and deploying integrated observatory systems across the Mediterranean Sea – Horizon 2020 has awarded EUR 8.4 million to the international ODYSSEA consortium to integrate networks of observation and forecasting systems across the Mediterranean basin. It involves 28 partners from 14 countries, mainly around the Mediterranean basin.

The E-ferry project was also supported by Horizon 2020, developing and demonstrating the world's most capable medium range electric car and passenger ferry. This project addresses an urgent need to cut CO_2 emissions and air pollution from waterborne transport. It employs 56 tons of advanced Lithium Titanate batteries, high efficiency and a fast charge capability to deliver 7 trips per day, carrying 31 vehicles and almost 200 passengers over 40 km between Danish mainland and the island of Aero. E-ferry uses 50% less energy each year and cuts pollution by 2,000 tons of CO_2.

The recent mid-term evaluation of Horizon 2020 concluded in 2017[22] provided indications that the programme is producing important additional benefits compared to national and regional-level support mechanisms for research and innovation in terms of scale, speed and scope and is improving the competitive advantage of participants while, overall, it increases the EU's global attractiveness as a place to carry out research and innovation. Horizon 2020 creates an EU wide competition in research and innovation, operating transnational competitive calls for proposals, as well as identifying the most promising collaborative research and innovation projects.

It also concluded that the simplification measures introduced in Horizon 2020 (such as the single reimbursement rate, the flat rate for indirect costs, or the Participant Portal) have decreased costs for participating and reduced the time-to-grant. The time-to-grant is now 192 days on average, a decrease of more than 100 days compared to the predecessor 7th Framework Programme.

Compared to the previous programme, greater efforts have been made to increase the synergies between Horizon 2020 and other programmes, notably the European Structural and Investment Funds and the European Fund for Strategic Investments. Examples of increased synergies include the Seal of Excellence, i.e. the award of a European high-quality label to proposals rated above quality threshold but not funded with a view to allow them to find funding by alternative private or public funding sources. This award helps interested funding bodies willing to invest in promising proposals (including national & regional authorities through European Structural & Investment Funds) to identify these projects more easily. The Seal of Excellence however could further benefit from increased alignment among existing rules to increase funding opportunities for the projects concerned.

The results of the mid-term evaluation have also identified a number of areas for improvement, notably the need for more flexibility to adapt to emerging priorities and the need for monitoring systems more adequate for measuring of progress. In addition, the evaluation pointed to the need for greater impact and more outreach to citizens. This is important for improving the communication of the contribution of research and innovation to tackling societal and technological challenges and for adopting a more impact focused, mission oriented approach in the future.

Erasmus+

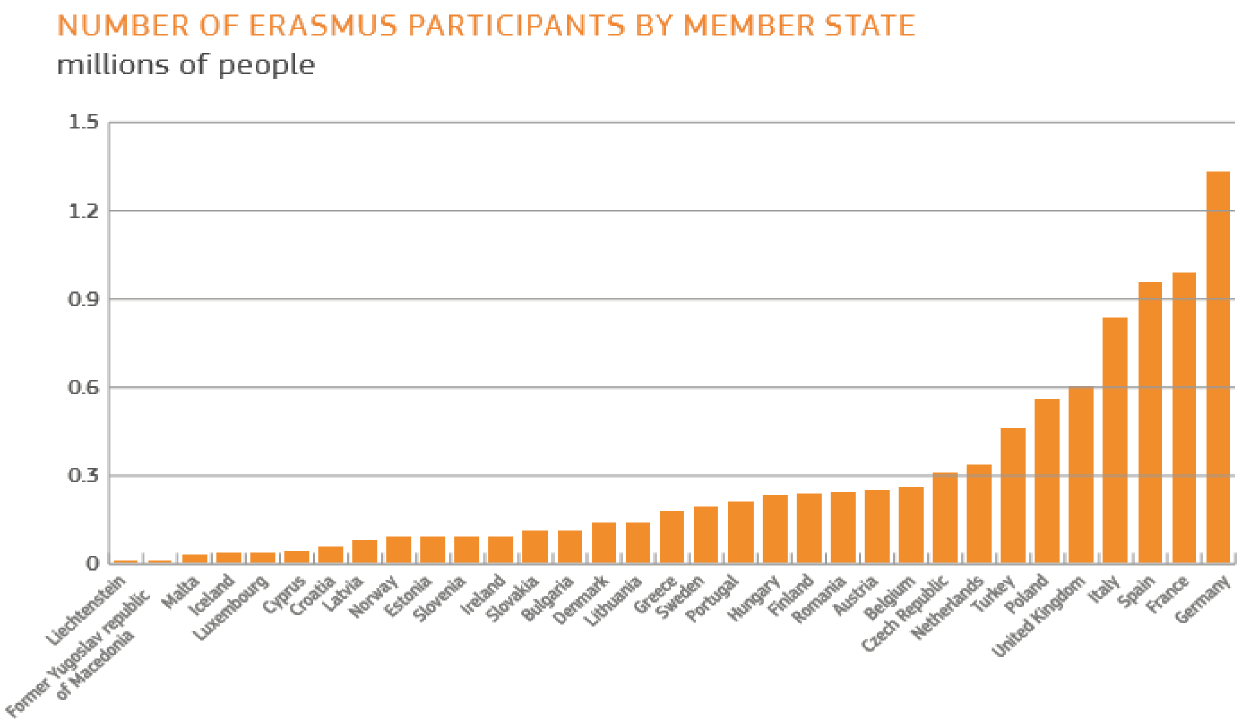


Chart: Number of Erasmus participants by Member State, source: https://ec.europa.eu/commission/sites/beta-political/files/leaders-working-lunch-mobility_en.pdf

2017 celebrated the 30th anniversary of the Erasmus programme. The programme is aimed at cross-border cooperation between States through university exchanges to aid the growth of international studying. It started as a modest mobility scheme for higher education students back in 1987 – with only 3 200 students in its first year – but it has now developed into one of the most successful EU programmes, with a well-known brand name that projects a positive image of the Union, well beyond its borders.

Thirty years after its launch in the field of higher education, Erasmus+ has expanded to other sectors such as schools, vocational education and training, adult learning, youth and sport.

In 2017 the 'From Erasmus to Erasmus+' campaign celebrated the 30th Anniversary of Erasmus+ across the EU and beyond and more than 750 000 people took part in over 1 900 events in 44 countries to celebrate and discuss the impact of the activities supported by Erasmus and debate on its future. This programme is consistently identified by citizens as one of the three most positive results of European integration.

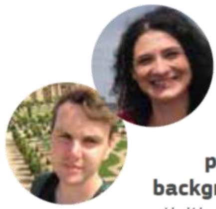
In June 2017 the new Erasmus+ Mobile App was launched to help students, including those involved in an exchange from or to third countries outside Europe, apprentices and people involved in youth exchanges to be better prepared for their mobility. It allows them to easily keep track of their progress in the different steps before, during and after their experience abroad. Since its launch, the app has already been downloaded more than 27 000 times. The recent midterm evaluation of Erasmus+ (2018)[23] showed that the programme is well on track to achieve its performance, with notably over 1.8 million individuals taking part in mobility activities, and more than 240 000 organisations involved in cooperation projects so far. Programme beneficiaries report satisfaction rates above 90 %. It fosters willingness to work or study abroad and the development of foreign language skills, encourages positive civic behaviour and a sense of feeling 'European' (+19 % compared to non-participants).

Erasmus+ has a positive effect on the acquisition of skills and competences, thereby increasing employability and entrepreneurship and shortening the transition from education to employment (13 % faster, compared to individuals who did not take part in Erasmus+ or its predecessor programmes).In light of the outcomes delivered, the evaluation highlighted the undisputable European added value of Erasmus+. This stems from the high volume and broad scope of the activities funded, together with fair access to learning mobility, mainstreamed best practices, deeper EU integration and a clear international dimension. Other schemes funding comparable actions at national level remain significantly smaller both in volume and scope. They are unlikely to be able to substitute for Erasmus+ funding.

The evaluation also noted that there is potential to introduce better-targeted actions to maximise the relevance of Jean Monnet activities, the coherence in the field of sport and the programme's added value in the adult learning sector. It concluded that the contribution in the adult learning sector is highly fragmented due to the diverse nature of the sector; in the field of sport, resources should not be spread too thinly in order to achieve a meaningful result. Regarding Jean Monnet activities, there is a need to strengthen the youngest generation's (notably school pupils') awareness and understanding of European integration.

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 having 100 000 young people taking part by the end of 2020. As well as offering volunteering, traineeships and job placements, in the future the European Solidarity Corps would also offer participants the opportunity to set up their own solidarity projects or to volunteer as a group.

Aaron, from the Netherlands, is deployed in Berlin, where he volunteers at a school and day-care centre to **teach Syrian refugees** and create theatre projects with them, in order to help them with their integration in society.



Denisa from Romania and Andrew from Ireland are deployed in Rotterdam where they **organise activities for young people from disadvantaged backgrounds,** including cultural activities, games and sports for children with special needs.

And Theodoros from Greece is volunteering in Stuttgart where he helps **improving the chances of young people** in the Danube region to find a job that matches well their skills and educational background.

Volunteering supported by the Erasmus+ together with 8 other EU programmes and instruments contributed to the creation of further opportunities for young people under the **European Solidarity Corps**. One year since its launch, more than 42 000 young people from all Member States have signed up. By the end of 2017, one year since the opening of the online registration tool, more than 2,500 placements have been offered to the young people[24]. In August 2017, 16 European Solidarity Corps volunteers arrived in Norcia, Italy, one of the towns that were hit hard by several severe earthquakes between August 2016 and January 2017. They help with the ongoing efforts to repair damage and rebuild social services for the local community. In total, by 2020, 230 volunteers will have been deployed in the Italian earthquake regions.

Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME)

The Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme is a diverse programme, encompassing numerous actions for the support of small and medium-sized enterprises delivered via grants and financial instruments. The programme has four specific objectives: access to finance for SMEs, access to markets, promoting a business favourable environment and competitiveness and promoting entrepreneurship.

Financial instruments operated under the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme met the interest of financial intermediaries across the EU and non-EU countries participating in the programme, especially for the Loan Guarantee Facility. At the end of 2017, the European Investment Fund signed 87 agreements for loan guarantees for a total volume of EUR 859 million, out of which 72 agreements were backed by the European Fund for Strategic Investments. Under these agreements, more than 275 000 small and medium-sized enterprises already received over EUR 12.8 billion of financing by the end of December 2017. The programme's financing scheme has a high leverage effect turning 1 euro of the EU budget into 30 euros of financing for small and medium sized enterprises.

Signing agreements for the Equity Facility for Growth took longer, as equity entails more complex due diligence and fund-raising processes. At the end of 2017, the European Investment Fund has invested through the Equity Facility for Growth in 12 funds investing around EUR 157 million into small and medium-sized enterprises in their expansion and growth phase.

Two thirds (EUR 365 million) of the programme's objective for access to markets is devoted to the **Enterprise Europe Network** the world's largest network of business service centres. These provide a broad range of support on internationalisation and innovation management support, as well as advice and partnership services for small and medium-sized enterprises seeking to export outside their own country within the EU Single Market as well as outside Europe. Services range from information on EU matters, company visits and awareness-raising campaigns to specialised advisory services, company missions and matchmaking and technology brokerage events.

Data on beneficiaries for 2017 are not available yet because of the 2-year duration of the grants, however about 254 000 small and medium-sized enterprises received support in 2016 and a similar number of beneficiaries is expected for 2017. Around 3 000 network staff have been active in local events and have provided specialised advisory services to 70 000 small and medium sized enterprises on access to finance, intellectual property rights, business and technology and resource efficiency services. About 25 000 participated in matchmaking events.

Since its renewal in 2015, the Enterprise Europe Network reached 8 620 partnership agreements between small and medium-sized enterprises thanks to Network partnering services..

In 2017, the Network expanded its advisory services with dedicated Scale-up Advisors helping young innovative small and medium-sized enterprises develop their activities outside their home country. Final reporting data on the operational period 2017-2018 is due in March 2019.

In 2017, **Erasmus for Young Entrepreneurs** has already reached the level of 5 800 exchanges between new and experienced entrepreneurs since the start of the programme. Currently the Erasmus for Young Entrepreneurs scheme is being implemented by a network of 175 local intermediary organisations in 33 countries (out of 38 participating).

Preliminary results from the mid-term evaluation[25] of the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme indicate that the overall concept of the scheme proved to be successful in addressing the needs of entrepreneurs in the European market.

New entrepreneurs that took part between 2014 and 2016 have created 241 new companies so far, and over 1 000 new jobs. Host entrepreneurs also confirmed the positive effects as next to over 1000 new jobs created on their side.

58% of experienced entrepreneurs participating in the COSME programme have seen an increase in turnover and 41 % in increased employment.

Preliminary findings of the mid-term evaluation indicate that the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme (COSME) allows economies of scale in areas such as support to small and medium-sized enterprises abroad or to intellectual property rights enforcement by bundling of national efforts and by establishing services that would lack critical mass if provided at national level. Findings further indicate that the programme brings EU added value through for example the Enterprise Europe Network supporting European companies in enlarging their market outside the EU.

However, 20 percent of the budget is spread over a large number of relatively small actions. Without questioning the usefulness of flexible pilot actions which are by their very nature of a small scale, this fragmentation has a negative influence on the potential for cost-efficiency of these actions and may hamper the strategic direction and coordination of the programme.

Connecting Europe Facility

The Connecting Europe Facility is a key EU funding instrument that supports investments in infrastructure for the development of high performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services. The programme focuses on EU projects aiming at funding cross-border sections and eliminating bottlenecks in transport, ending energy isolation and increasing security of supply in energy and by providing EU wide solutions in the digital services infrastructures that can benefit all Europeans.

The extension of the core network and corridors to neighbouring countries enhances connectivity and contributes to making the EU as stronger global actor. On the basis of the on-going analysis for the third version of the Core Network Corridor work plans, the investment necessary to develop the nine Core Network Corridors until 2030 could generate some EUR 4,500 billion of cumulated GDP over that period. This would mean 1.8% additional GDP in 2030 compared to 2015. The number of job-years created by the implementation of the 9 Core Network Corridors could reach around 13 million jobs[26].

Major sections were completed in 2017, such as the rail links between Berlin and Munich, or between Paris and Bordeaux, that were both opened for public use. Both projects took many years to be completed and are essential sections on the Core Network Corridors.

Projects selected for the Connecting Europe Facility funding in 2017 include

In the transport sector: the upgrade of the over 100 km-long Białystok-Ełk rail section in North-East of Poland as part of the Rail-Baltica project modernisation; modernisation of Air Traffic Management systems in all EU Member States; full expansion of the Karawanken road tunnel linking Slovenia and Austria; development of a high-speed electric vehicle charging network across Sweden, Denmark, Germany, France, the United Kingdom and Italy.

In the energy sector: the Litpol Link Electricity line. This project connected the grids of Baltic countries to those of Western Europe (Lithuania to Poland link) for the first time, ending the energy isolation of the Baltic countries.

In the digital sector, 16 Member States are using the Core Service Platform of eHealth thus facilitating cross-border patient safety and continuity of care

The first blending call was launched in 2017 under the Connecting Europe Facility Transport aimed at combining the Connecting Europe Facility grants with financing from the European Investment Bank and the European Fund for Strategic Investments, as well as national promotional banks or private sector investors. The objective is to support economically viable projects using private finance by providing an EU grant to bridge the funding gap. Under the first phase of the 2017 Blending call, the largest part of the funding was devoted to developing the European rail network (EUR 719.5 million), decarbonising and upgrading road transport (EUR 99.6 million), as well as developing maritime ports (EUR 78.9 million) and inland waterways (EUR 44.7 million).

The projects under the 2017 Blending call include such initiatives as increasing the cross-border speed of the railway access line to the Fehmarnbelt tunnel between Denmark and Germany; enlarging and modernizing the Divača-Koper railway line in Slovenia to improve its capacity, safety and reliability; adapting the most important Belgian inland waterway, the Albert canal, for larger freight transport; as well as improving the capacity of the Port of Gdansk in Poland. In the area of Innovation and Alternative Fuels, several projects encompassing multiple Member States have been selected with an objective of deploying ultra-fast charging for electric vehicles.

The mid-term evaluation[27] of the Connecting Europe Facility found that investment needs in infrastructure development remain high and market failures persist especially in large cross-border projects where costs are present at local or national level, whereas the benefits are achieved on a European scale or when the distribution of costs and benefits in projects with multiple Member States is asymmetrical. Thus, the programme continues to be relevant and largely effective, despite many long-term projects still not being finalised.

In transport, 86 % of the funds currently allocated relate to cross-border transport infrastructure, mainly focused on the development of the core network and the nine corridors that need to be completed by 2030. In the energy sector, the Connecting Europe Facility is contributing to strengthening interconnectivity, aiming at ending energy isolation and completing the internal energy market. In the digital sector, the programme has been found to contribute to the deployment of digital service infrastructures which allow administrations, citizens and businesses to benefit from cross-border online services. Awareness raising is still necessary however, to fully exploit its potential. The Connecting Europe Facility has continued to use and develop innovative financial instruments, however the evaluation highlighted that their deployment has been limited partly due to the new possibilities offered by the European Fund for Strategic Investments

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Space

The EU's economy and society are increasingly dependent on space-based applications and services, with a potential disruption likely to be very costly in terms of revenues to business, and more importantly, in terms of human safety[28].

Copernicus is the EU's programme for Earth observation and monitoring and as such represents one of the largest data providers in the world that provides considerable added value, especially when compared with what could be achieved at national level. Based on a system of satellites and sensors (ground stations, airborne sensors, sea-borne sensors), Copernicus provides reliable and up-to-date information through services addressing six thematic areas: land, marine, atmosphere, climate change, emergency management and security. This information supports various EU policies and applications from environmental protection to regional and local planning, agriculture, sustainable development and border surveillance.

Galileo and the European Geostationary Navigation Overlay Service are the EU's satellite navigation programmes. Together, these programmes provide positioning and timing signals used in critical economy areas such as mobile phone networks, in-car navigation and increased precision for landing aircrafts.

The Copernicus Emergency Service was activated more than 80 times in 2017 to assist civil protection and humanitarian actors in emergency activities. Disasters covered include: storms and floods in Europe, forest fires in Spain, Portugal, Greece, hurricane Ophelia in Ireland, high winds in Poland and internationally – earthquakes in Mexico and Iraq and hurricanes Harvey and Irma in the US and the Caribbean.

There are 22 Galileo satellites in orbit of which 18 operational and 4, launched in December 2017, in testing phase. Also in 2017 there has been an increase in market uptake with some 75 million Galileo enabled smartphones sold. For instance the devices produced by Apple, Samsung and Sony include Galileo-enabled chipsets.

According to the mid-term evaluation finalised in 2017[29], Copernicus is well on track and delivering its objectives although not all are being achieved to the same extent. The data provided is of good quality and reliability, which, together with the adoption of the free data policy, is one of the programme's strengths. Nevertheless, the evaluation also showed the need to improve the distribution and access to data and strengthen the integration of space data with other sources of data and other policy areas and economic sectors to achieve an increased user uptake.

Both Galileo and the European Geostationary Navigation Overlay Service are progressing well in delivering on their objectives as shown by the interim evaluation[30]. At the end of 2016 more than 250 airports in 20 countries were using the European Geostationary Navigation Overlay Service landing approach procedures[31].

From 2018, all new car models sold in the European Union will rely on the European Geostationary Navigation Overlay Service and Galileo to calculate the position of emergency calls in case of accidents[32].

The evaluation also identified some inefficiency issues linked to the governance set up. For example low reactivity of the decision-making process due to the number of actors involved but also due to a different governance set-up between deployment, exploitation and working arrangement between the Global Navigation Satellite System Agency and the European Space Agency. Security governance has also been identified as a source of inefficiency: the launch of initial services and the transition from the deployment to the exploitation phase have raised challenges that need to be properly addressed in order to maintain and improve the appropriate level of security.

*These projects also played a role in the refugee crisis. **Copernicus, the EU's Earth Observation programme** provided for example imagery to help monitor ports and beaches identified as departure points for migrant vessels throughout 2015 and 2016. **Galileo**'s Search and Rescue service drastically reduces the time to detect emergency distress beacons from up to three hours to just ten minutes greatly improving accurate localisation.*

International Thermonuclear Experimental Reactor (ITER)

The International Thermonuclear Experimental Reactor (ITER) aims to demonstrate fusion as a viable and sustainable source of energy, at building and operating an experimental fusion reactor, a major step towards the demonstration of fusion as a sustainable energy source. Due to its important advantages, such as the availability of large fuel reserves and the lack of CO_2 emissions, fusion could greatly contribute to the long-term EU strategy of decarbonisation of the energy system in a safe, efficient and secure way. It is a unique long-term scientific collaboration project agreed internationally between seven partners (EU, United States, Russia, Japan, China, South Korea, and India). The aim is for the experimental reactor that is being built to prove the viability of fusion as a sustainable energy source.

As the project involves the building of over 10 million components hundreds of contracts have been placed with European industry and research institutions. As of December 2017, 50 % of the total construction work needed for the first operational stage of ITER has been completed[33].

ITER requires magnets to ensure the stability of the plasma and in 2017 the most sophisticated superconducting magnet in history has been unveiled[34] and is being built in Europe.

This magnet is 14 meter high, 9 meter wide and weighs 110 tonnes. This is the first of the 18 Toroidal Field coils that will operate in ITER. The coils will create a powerful magnetic cage that will entrap the fusion fuel which is expected to reach 150 million degrees Celsius. The ITER toroidal field coils will generate a magnetic field that will be about 1 million times stronger than the magnetic field of the Earth. Europe will manufacture nine of them, plus one spare. The other nine will be fabricated in Japan. At least 600 people from 26 companies will be involved in the production of these magnets.

First-of-a-kind products have been developed providing European companies advantage in terms of innovation and competitiveness as well as opportunities for developing knowledge, know-how and potential spin-off technologies and products. As of 30 September 2017, 601 operational procurement contracts and 322 grants for a total of EUR 3.97 billion (2008 value) were signed.

Europe is also working on building part of the magnetic shell that will host the fusion reaction (the vacuum vessel). A one of a kind testing facility has also been built in Europe to test the heating systems that will be necessary in ITER[35].

1.2. Economic, Social and Territorial Cohesion (Budget Heading 1B)[36]

EUR 54 billion was allocated to the programmes under Heading 1B for 2017, which represents 34 % of the total 2017 EU budget. Heading 1B consists of 6 different spending programmes. It covers the European Regional Development Fund, the Cohesion Fund, the European Social Fund[37] — including the 'Youth Employment Initiative' (a specific top-up allocation), and the 'Fund for European Aid to the Most Deprived'. All these programmes are delivered under shared management.

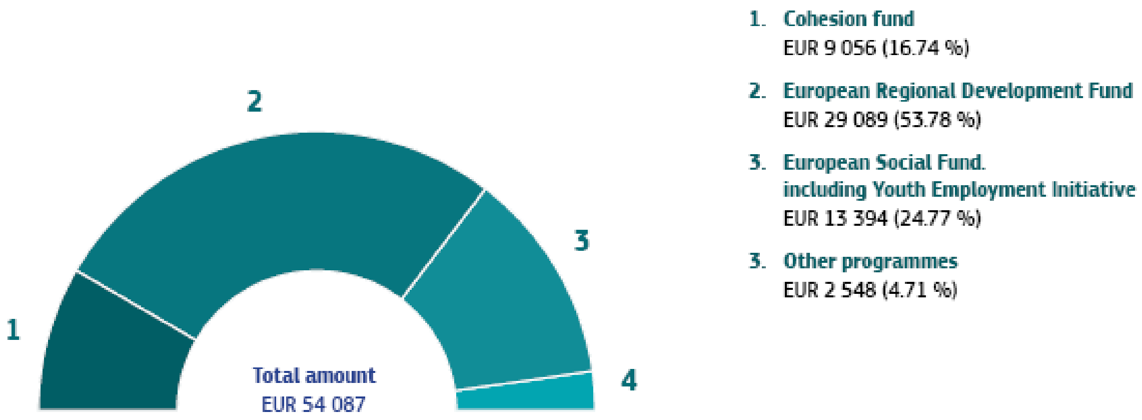

Chart: Main programmes financed in 2017 under Heading 1B. Category 'Other programmes' include *the contribution to the Connecting Europe Facility, European Aid to the Most Deprived, Outermost and Sparsely Populated Regions, Technical Assistance and Pilot Projects and Preparatory Actions. All figures in EUR million.*

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Support to the priorities of the European Commission

Cohesion Policy interventions contribute to the attainment of several of the priorities of the Juncker Commission notably 'Jobs, Growth and Investment,' It is the most important EU investment instrument for the delivery of the Europe 2020 objectives supporting growth and job creation at EU level and structural reforms at national level. It has become a key part of Europe's economic governance and a key contributor to all elements of the virtuous triangle of investment, structural reforms and responsible public finances. Ex-ante conditionalities have fostered favourable legislative and structural conditions for sound investments with positive spill-over effects beyond the sole remit of Cohesion Policy. The Policy is increasingly important means of tackling the effects of the economic crisis in the short term and of enhancing the regions' endogenous potential for development in the medium term. In addition to the Policy's macroeconomic conditionalities, which create a further stimulus for sound macroeconomic policies, the regulation governing Cohesion Policy provides for reprogramming at the discretion of the Commission if new investment relevant Country Specific Recommendations (CSRs) emerge in the annual exercise. Cohesion Policy contributes to the Investment Plan for Europe and complements the European Fund for Strategic Investments. This is being done in several ways: by leveraging public and private investment, supporting structural reforms, and improving access to funding. Funding is being strategically invested in research and innovation, support to small businesses and digital technologies, thereby contributing to the EU's smart growth objectives.

It also contributes to 'Digital Single Market' and 'Energy Union and Climate.' Thanks to the largest EU budget ever allocated to investments in energy, environment, climate and sustainable transport, a significant contribution to steering Europe on the path to a low-carbon economy is being made.

Cohesion Policy also contributes to the development of the internal market as well as a number of actions relating to the response to the refugee crisis and migration policy and several social issues, like moderating the effects of poverty and social exclusion of people who find themselves in situations of severe deprivation and supporting (youth) employment.

The **European Regional Development Fund** and the **Cohesion Fund** aim to strengthen economic and social cohesion in the EU by reducing disparities between its regions and supporting the full integration of the less developed regions within the EU's internal market. 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. The **Fund for European Aid to the Most Deprived** supports EU countries' actions to provide assistance to the most deprived, including food, clothing and social inclusion measures to help people out of poverty.

Cohesion policy is the EU’s main investment policy and it targets all regions and cities in the EU in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens’ quality of life.

The cohesion policy regulatory framework for 2014-2020 was adopted about six months later compared to the 2007-2013 Multiannual Financial Framework. This late adoption of the legal acts together with new requirements seeking to enhance the performance of the policy and the quality of delivery (e.g. ex-ante conditionalities, designation of programme authorities) have led to a delayed start of implementation of the 2014-2020 programmes.

Despite this, looking at the first years of the 2014-2020 programmes, initial results are taking shape.

While starting more slowly than in the 2007-2013 period, the rate of project selection in the current programming period has now caught up. By January 2018 673 800 projects have been selected for support by the European Regional Development Fund, the Cohesion Fund, the European Social Fund, and the Youth Employment Initiative all over Europe, amounting to EUR 260 billion or 54 % of the total financing available for the period. This level of project selection over 2014-2016 is comparable to the early years of the 2007-2013 period[38] and it can reasonably be expected that implementation rates from now on will be broadly similar to those in the previous period. By the end of 2017, 99 % of the action plans for ex ante conditionalities affecting the European Social Fund, the Cohesion Fund and the European Regional Development Fund have been completed. These conditionalities were meant to provide an incentive for Member States to implement structural changes and policy reforms, including those linked to the relevant Country-specific Recommendations[39].

European Regional Development Fund and Cohesion Fund

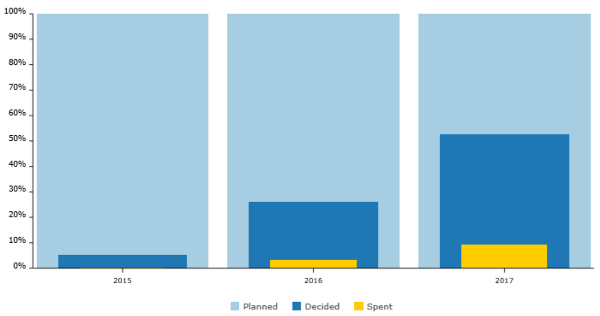


Chart: Implementation progress (total cost) for European Regional Development Fund – Period covered up to 31/12/2017.

Source: https://cohesiondata.ec.europa.eu/funds/erdf

Project selection rates have increased significantly, reaching 53 % for the European Regional Development Fund, EUR 147 billion worth of investments covering 160 000 projects (compared to 72 billion by the end of 2016) and 64.3 % for the Cohesion Fund at the end of 2017, EUR 48 billion of investments covering 8 600 projects (compared to EUR 19.6 billion by end-2016. This compares favourably to the same time frame in 2007-2013. The data at the end of 2017 showed more homogeneous progress across most of the Member States and themes.

Given the specific long-term nature of the funds' investments, the level of financial execution (EU payments) in the first years of the programming period tends to be low, as was the case during the years 2014-2016 with an increase in the last programming years. This applies particularly for major projects which, due to their nature as large infrastructure investments, typically have a long life cycle and a start-up phase (planning, programming, authorisations) without significant financial execution. Payments to programmes stand at 13% for the European Regional Development Fund and 18% for the Cohesion Fund at the end of 2017.

The European Regional Development Fund and the Cohesion Fund support the development of the Single Market, while also producing spill-over effects from less developed regions to the rest of Europe, notably via increased connectivity and trade flows. The average net positive impact of the 2007-2013 programmes for non-cohesion countries is estimated at 0.12 % of Gross Domestic Product by 2023.[40]

As regards the programmes' achievements reported by Member States up to the end of 2016, the implemented projects under the Cohesion Fund and the European Regional Development Fund have already delivered:

- support to 84 579 enterprises, of which more than 36 000 are supported by financial instruments;
- more than EUR 593 million of private investment leveraged, matching public support to enterprises (grants and non-grants);
- 10 300 jobs created along with 636 new researchers employed;
- 41 800 households with an improved energy consumption classification and a 14.9 million kWh/year decrease in annual primary energy consumption of public buildings;;
- 2.7 million people benefitting from improved health services; 156 000 additional people served by improved water supply and 73 000 served by improved waste water treatment
- 54 km of new Trans-European Transport Network (TENT-T) roads, 217 km of reconstructed or upgraded roads and 92 km of reconstructed or upgraded railway line.

Recent data[41] shows that the structural funds constitute a share of above 40% of public investment in a significant number of Member States over the period 2015-2017.

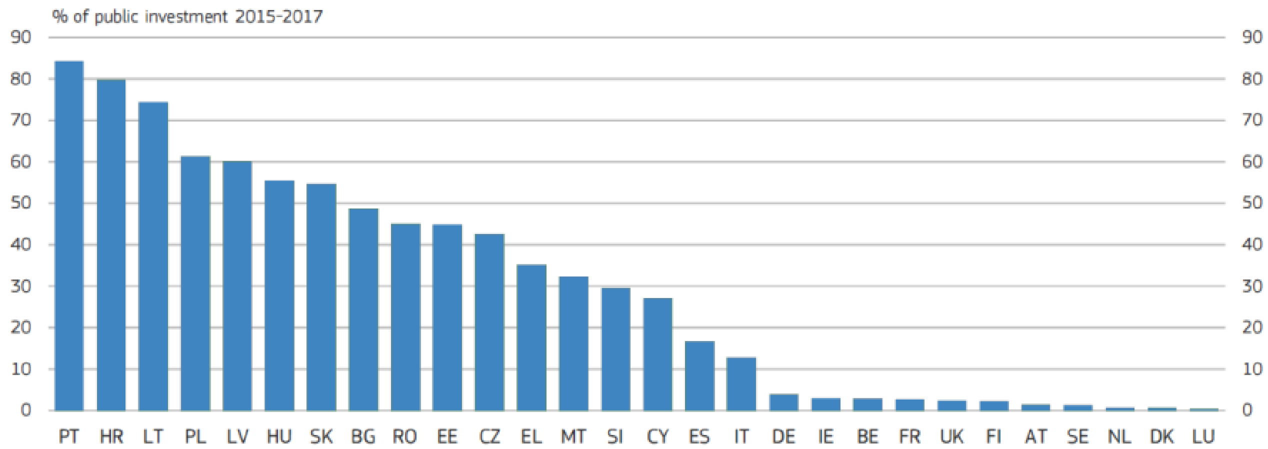


Chart: Cohesion policy funding as an estimated share of public investment, 2015-2017. Source: Eurostat, DG Regio http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf

As regards particularly jobs, growth and investment, projects selected up to the end of 2016 have the objective of creating 155 600 direct jobs as a result of support to small and medium-sized enterprises.

Until the end of 2017, the projects selected for financing by the European Regional Development Fund provide support to more than 450 000 small and medium sized enterprises. Amongst those projects:

- more than 200 000 of those companies will be supported with advice and counselling (which corresponds to 45 % of the final target);
- more than 70 000 start-ups have been selected for support (46 % of target), with projects already completed benefitting more than 16 800;
- more than EUR 9.5 billion of private investment will be leveraged through projects selected up to the end of 2016, matching public support to enterprises (grants and non-grants), with EUR 0.6 billion already achieved.

Support has also been granted to around 30 700 research and innovation projects by the end of 2017, thus ensuring a significant level of investment in this area and positively influencing the gross EU domestic expenditure on research and development.

A wide range of interventions in the area of **education** (more than 16 500 investments in infrastructure) and of social inclusion have also been granted support by the European Regional Development Fund and the Cohesion Fund, thus contributing towards the achievement of the related headline targets.

The contribution to the **Digital Single Market** delivered through the 2014-2020 programmes is also gaining steam. Up to the end of 2017, around 5 500 projects were selected to support the achievement of a connected Digital Single Market, corresponding to EUR 9.1 billion of total investment (combining European Regional Development Fund and national co-financing).

Notable achievements are also expected to be delivered in the area of **energy efficiency and renewables** by projects selected up to the end of 2016 with more than 2 000 MW of additional capacity of renewable energy production; reduction of greenhouse emissions of more than 3 million tonnes of CO_2 equivalents, thus contributing to climate change objectives.

Up to the end of 2016 an estimated 1 million additional households will be covered by broadband access, which helps create the right conditions for digital networks and services to flourish, giving consumers and businesses better access to digital goods and services across Europe, in particular in rural areas.

Cohesion Policy has also actively contributed to the Commission's efforts towards the effective **integration of migrants**, through investments in social, health, education, housing and childcare and infrastructure, thanks to more than 3 500 projects already selected and being implemented in the area of social inclusion. In order to give further prominence and increase the focus of investments in support to migrants and refugees, a new investment priority to this effect was proposed for inclusion in the European Regional Development Fund regulation.

Evaluation evidence from the Member States on impact and output of the 2014-2020 programming period is expected to arrive starting in 2018, given that up to now mostly only data on the progress of the programmes is available. As of 2018, projects will be at a more mature stage and the first results will be assessed.

The Commission also launched an evaluation of major projects supported by the European Regional Development Fund and the Cohesion Fund between 2000 and 2013. In the course of 2018 the Commission will also carry out the mid-term review of the Joint Assistance to Support Projects in European Regions (JASPERS) initiative.

European Social Fund and Youth Employment Initiative

The European Social Fund is the EU's main financial instrument to support structural reforms in the fields of employment, education and training, with a direct link to the priorities and headline targets of the Europe 2020 strategy in terms of employment, education and poverty. It contributes to the promotion of economic and social cohesion and social inclusion within the EU and serves as an instrument for financial solidarity and economic integration.

Ample evidence demonstrates the EU added value of the policies supported by the European Social Fund, which would not have been implemented or would have been realised to a significantly lesser extent had it not been for EU investment. At the same time, through European funding, Member States invest in areas and target groups (or pursue reforms) which they would not have pursued - even when national funding is available. As such, the European Social Fund acts as an important instrument to support the reform efforts of many Member States in areas of crucial importance for the European economy in line with recommendations issued in the context of the European Semester: reforms in labour market policies, youth employment, modernisation of vocational education and training, welfare systems and administrative reforms.

The year 2017 has marked a strong acceleration of implementation for all operational programmes despite important disparities between Member States and programmes. The 2017 Strategic Report[42] underlines that the European Structural and Investment Funds provide a stable, long-term investment framework for Member States and their regions.

Throughout the course of 2017 nearly EUR 11.0 billion has been paid for the 2014-2020 European Social Fund programmes (including pre-financing) and by the end of 2017 the absorption rate (interim payments vs. 2014-2020 allocation) was 8.25 %. Despite the low level of certified expenditure, the average project selection rate had exceeded 42 %, which shows that implementation on the ground is well under way, paving the way for a strong contribution of the structural funds to the Europe 2020 objectives in these areas.

Concerning the Youth Employment Initiative, implementation in 2017 accelerated. By the end of 2017 the total eligible cost of operations selected for support was nearly EUR 7 billion and over EUR 3.20 billion had been declared by beneficiaries. The Commission had received around EUR 2.70 billion in Youth Employment Initiative payment applications from Member States (including interim payments and initial and annual pre-financing).

For the implementation of the European Social Fund, simplified cost methodology and amount are defined in advance resulting in a reduction of the administrative burden associated with the documentation that needs to be retained for management verification. The total expenditure expected to be covered by unit costs would be approximately EUR 9 billion.

While implementation greatly varies between Member States and operational programmes, in aggregate terms the European Social Fund's Youth Employment Initiative accomplished by the end of 2016 the following achievements:

7.8 million participants[43], including 4.2 million unemployed and 2.1 million inactive; 1.6 million participants were long term unemployed;

Amongst those participants 787 000 were in employment following a European Social Fund or Youth Employment Initiative operation, 820 000 had gained a qualification upon leaving the operation;

276 000 participants were in education or training thanks to the Fund's support;

458 000 disadvantaged participants, including people with a migrant background, were engaged in job searching, education/training, gained a qualification or were in employment, including self-employment.

By September 2017 Member States had already declared that **1.7 million young people had benefitted from the Youth Employment Initiative.**

In Cyprus and Bulgaria 45 % of participants in the Youth Employment Initiative (YEI) were in employment after leaving the programme. In Italy, 35 % of the participants who have completed the programme are now in employment.

The majority of the evaluations carried out by Member States, related to the Youth Employment Initiative, concluded that interventions generally provided support to those areas that are in greatest need such as: the long-term unemployed, the inactive and discouraged young people, these interventions were expected to deliver a significant positive impact. The best results were achieved where project partners and stakeholders such as the public employment services, schools and municipalities cooperated. A specific challenge identified was the difficulty of approaching the individuals not in employment, education or training, especially those belonging to the most vulnerable groups. Moreover, individuals not in employment, education or training seemed to be a very heterogeneous target group and each target group needs another combination of interventions when considering the labour market needs.

Beyond the Youth Employment Initiative, few evaluations were carried out by Member States relating to the European Social Fund in previous years. In general, these evaluations concluded that there was a positive effect on job placement and employment stability.

Fund for European Aid to the Most Deprived

Poverty and social exclusion are major obstacles to the achievement of the Europe 2020 objectives. The Fund for European Aid to the Most Deprived complements existing cohesion instruments by providing assistance to those who are too far from the labour market to benefit from the activation measures of the European Social Fund.

2017 saw the implementation and rollout of the Fund operational programmes on the ground. By the end of 2017 interventions supported by the fund were achieving results in the vast majority of Member States both in terms of provision of material assistance, as well as social inclusion activities for the most deprived persons. The annual implementation reports for 2016 show continuous progress in the execution of the programmes.

In 2016 it is estimated that 15.3 million persons benefitted from food support operations, over 660 000 persons received basic material assistance and close to 23 000 people were involved in social inclusion activities. Over 377 000 tonnes of food co-financed by the Fund for European Aid to the Most Deprived were distributed.

The implementation on the ground of the Fund is also reflected in the financial implementation: by the end of 2017 the Commission had made payments for the amount of EUR 1.02 billion, out of which EUR 602.8 million in the form of interim payments and 419.5 million in the form of pre-financing.

The outputs and results described above indicate that the objectives of the Fund are on track to be achieved and that, in spite of having a small budget, this instrument complements national efforts to eradicate poverty and promote social inclusion. Furthermore, it is a key tool to address situations of extreme poverty as well as to build-up partnerships and networks, raise awareness and share knowledge among operators.

The 2016 implementation reports point towards the following programme achievements:

- it is estimated that in 2014-16 there were 37.1 million cases of participation in food support operations, 0.7 million cases of provision of basic material assistance and close to 23 000 participants in social inclusion activities.
- almost 940 000 tonnes of food were distributed cumulatively until the end of 2016.
- 50 % of the end recipients of the Fund for European Aid to the Most Deprived are estimated to be women, close to 30 % children aged 15 or below and more than 11 % are migrants, participants with a foreign background or minorities, including marginalised communities such as the Roma Community.

The interim results of the ongoing mid-term evaluation of the Fund show that there are clear volume effects in a number of Member States where this instrument fills a gap in national coverage. In Finland, Italy, Lithuania and Slovakia, the Fund is the only source of food aid. Even in Member States with established channels for food aid, the Fund for European Aid to the Most Deprived is an additional source of funding and can bring additional products to the end recipients (volume effect). Moreover there is evidence of process effects in improved partnerships between Non-Governmental Organisations and central administrations in the delivery of food and material aid.

The evaluation also shows that the fund is effective in alleviating food deprivation and contributing to social inclusion. Stakeholders value and stress the need to preserve the fund specific aspects such as flexibility and generally the less stringent administrative requirements compared to the mainstream European Social Fund programmes, along with the established networks and operational delivery modes. Low thresholds allow aid to be provided to persons not reached by the social services such as the homeless, new or undocumented migrants and elderly people at the risk of poverty. It also facilitates quick responses to emerging needs and crisis situations. Much of the administrative burden stems from requirements imposed at Member State level, such as narrow definitions on eligibility.

Further evaluative findings common to cohesion policy programmes

The Commission has carried out a number of evaluations[44] and studies[45] analysing the results of the 2007-2013 period and the early stages of programming and implementation of the 2014-2020 cohesion policy programmes. The evidence collected confirms the important contribution of cohesion policy investments in generating growth, jobs and investment, as well as their significant impact for boosting socio-economic convergence, improving the environment and territorial cohesion across EU Member States and regions.

The Commission's ex-post evaluation of Cohesion policy[46] over the 2007-2013 period demonstrated the continuing long-term effects of Cohesion Policy. It also indicated that every region and country in the European Union benefits from Cohesion Policy even the net contributors through the sum of its direct and indirect effects.

The final monitoring data reported by Member States for the period 2007-2013 illustrate the achievements of Cohesion policy in some important policy fields.

Overall, more than 1.3 million jobs were created by funding from the 2007-2013 period and more than 355 000 SMEs were directly supported by Cohesion policy.

Substantial increases were reported by the Member States in the achievements in the transport sector:

6 500 km of new roads were constructed, 41 000 km of roads were upgraded, 476 km of new railway lines were built and 7 500 reconstructed. A reported additional 15 million people were served by improved supply of clean drinking water and 19.7 million additional people were served by improved wastewater treatment facilities. The population covered by broadband increased by 20.5 million over the 2007-2013 period due to Cohesion policy funding.

Still, reforms are needed in a number of areas. Cohesion policy responded to the financial crisis, playing a countercyclical role with stabilising effect, and to emerging needs such as the migration crisis but its capacity to adapt to new circumstances and challenges was limited. This confirms the need to review how cohesion policy can better prepare and react to unexpected developments, crises and societal changes.

While there have been positive examples of closer alignment between EU funding instruments in the 2014-2020 period, synergies with sectoral policies and other spending programmes need to be maximised. The experience from the 2014-2020 period shows that additional efforts to harmonise rules are still needed[47] and that the synergies with sectoral policies and programmes such as LIFE, Connecting Europe Facility, Horizon 2020, Erasmus+, Asylum, Migration and Integration Fund and Internal Security Fund were not exploited to their full potential.

Rules differ between EU funds investing in human capital development. This fragmentation leads to inefficiencies. Also, complementarities, impact and visibility of measures are hindered by the current fragmentation of funds. For example, basic material assistance provided by the Fund for European Aid to the Most Deprived could be better integrated with social inclusion and employability measures under the European Social Fund.

Project beneficiaries still find difficulties in accessing these funds and delivering projects quickly. Authorities at national and regional level also find the policy too complex to manage. Therefore, a strong effort for further simplifying implementation and allowing for more agile and flexible programming is needed for the future. In a number of special reports[48] the European Court of Auditors has made observations and recommendations with regards to simplification for cohesion policy funds, calling for the streamlining of performance schemes, for the reduction of the administrative burden and implementation delays, for the alignment of national development plans and for the rationalisation of the number of indicators in use.

1.3. Sustainable Growth: Natural Resources (Budget Heading 2)[49]

EUR 58.6 billion has been allocated to Heading 2 in 2017, which represents 37 % of the total 2017 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; and 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, the international dimension of the Common Fisheries Policy (i.e. the Regional Fisheries Management Organisations and the Sustainable Fisheries Agreements), as well as activities in the fields of climate and environment through the Programme for the Environment and Climate Action (LIFE).

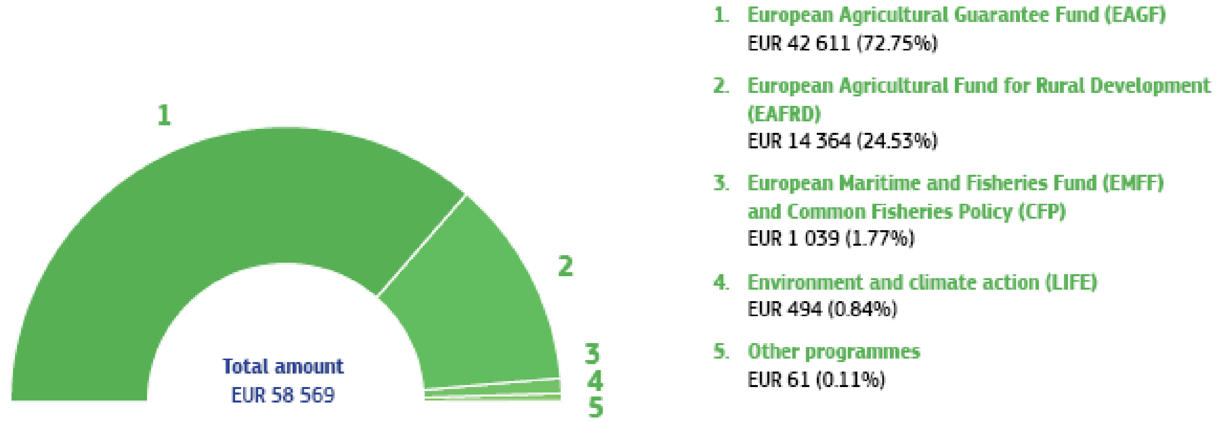


Chart: Main programmes financed in 2017 under Heading 2. Category 'Other programmes' include Decentralised agencies, pilot projects and preparatory actions. All figures in EUR million.

Support to the priorities of the European Commission:

Actions under this heading contribute to the achievement of the Commission priorities 'Jobs, Growth and Investment,' 'Energy Union and Climate' and to some extent to the priority 'Digital Single Market', as well as to 'A balanced and progressive trade policy to harness globalisation'. They also contribute to the Europe 2020 objectives in the area of sustainable growth with links to smart and inclusive growth with regard to investments contributing to job creation and innovation.

Viable food production, sustainable management of natural resources and climate action, and balanced territorial development are the main objectives of the Common Agricultural Policy (CAP) in the 2014-2020 Multiannual Financial Framework period. Measures under the European Agricultural Guarantee Fund are focused on further improving the situation of primary producers in the food chain, strengthening the farm and agri-food sectors' competitiveness and supporting farm income through direct payments which are largely decoupled from production. Under the second pillar of the Common Agricultural Policy, the European Agricultural Fund for Rural Development targets the economic, social and environmental well-being of rural areas, and the sustainability of the rural environment.

The core priority of the European Maritime and Fisheries Fund under the 2014-2020 financial framework is to foster the implementation of the Common Fisheries Policy by supporting environmentally sustainable, resource efficient, innovative, competitive and knowledge-based fisheries and aquaculture. Other objectives include increasing employment and fostering territorial cohesion, enhancing marketing and processing of fisheries products, as well as supporting the implementation of the Integrated Maritime Policy. The LIFE programme is a specific funding instrument dedicated to the environment and climate action, which operates in addition to the mainstreaming approach adopted for the 2014-2020 Multiannual Financial Framework implying that environment and climate action are an integral part of all the main instruments and interventions.

The programmes under heading 2 contribute to fulfilling the EU's commitments related to the achievement of the Sustainable Development Goals and the implementation of Agenda 2030.

2017 was a year of reflection on the future of the Common Agricultural Policy. In particular, issues of simplification, modernisation, as well as the position of farmers in the food supply chain were focused on. After a wide consultation, the Commission published in November 2017 the Communication on the future of food and farming[50]. It outlines the future delivery model for a smarter, modern and sustainable Common Agricultural Policy. The policy should be more flexible, result-driven, boosting subsidiarity and responsibility by giving Member States a much greater role in rolling out the funding schemes, pursuing agreed, realistic and adequate targets, and helping to reduce the EU-related administrative burden for beneficiaries.

This Communication showed that the sector increased its productivity by nearly 9 % since 2005 while cutting greenhouse gas (GHG) emissions by 24 % since 1990 and reducing fertiliser use with a positive impact on water quality. It however also showed that agricultural income is still lagging behind salaries in the whole economy.

The effectiveness of EU agricultural policy is demonstrated by trade statistics:

The value of agricultural food exports reached EUR 137.9 billion in 2017, an increase of 5.1% compared to 2016.

In 2017, the Commission also consulted on the position of farmers in the food supply chain and in relation to Unfair Trading Practices and adopted in April 2018 a proposal to ban the more damaging unfair trading practices in the food supply chain to ensure fairer treatment for small and medium sized food and farming businesses.

European Agricultural Guarantee Fund

During the initial years of the Multiannual Financial Framework 2014-2020, the implementation of the European Agricultural Guarantee Fund has run smoothly, including some market support measures of limited duration. In general, implementation is on track with no significant difficulties and with a positive evolution in execution over the years.

Market related expenditure

Market support measures in the fruit and vegetables and livestock sector have continuously helped to rebalance the sectors concerned. Especially, (introduced in 2016) adjustment aid and aid for milk production reduction for dairy farmers allowed to manage the market imbalance resulting from several macro-economic factors (expiration of the production quotas, collapse of certain important marketing destinations outlets outside the EU). These aid programmes provided effective support to affected producers in the Member States.

Total export values over the last 12 months reflect a continuing increase by EUR 6.7 billion in 2017 (+5.1 %) and in particular the recovery in dairy products exports (EUR +1.0 billion for dairy powders and butter; EUR +530 million for fresh dairy products and cheese), sugar (EUR +271 million), olive oil (EUR +153 million). The substantial increase on sugar exports during last quarter of 2017 was related to the end of the sugar production quotas as from October 2017 which completes the removal of former supply limitations from the CAP and reinforces its market orientation approach. Equally, the success of national support programmes for wine is witnessed by the long-term development of EU wine exports - which, between 2012 and 2016, continued to increase in value from EUR 8.9 billion to EUR 10.7 billion and brought a net contribution of EUR 7.9 billion to the EU trade surplus. This trend appears to have continued in 2017: wine exports sustained expansion (EUR +1.2 billion vs. 2016 figure, with net contribution to trade surplus which increased to EUR 9.2 billion).

In 2017, the Member States participating in the EU School Fruit and Vegetables Scheme submitted evaluation reports on implementation of the scheme over the last five years. Most reports show a positive short-term impact (increase in children's consumption of fruit and vegetables at school) and some observe changes in the frequency or quantity of consumption patterns. Most reports also highlight positive developments in children's knowledge and attitude towards healthy eating. The scheme was positively assessed by children, teachers and parents with an almost unanimous support for its continuation. The main recommendations for improvement concern an appropriate frequency and diversity of supply of fruit and vegetables, more systematic involvement of teachers and parents, better communication, and the reduction of the administrative burden.

Direct payments

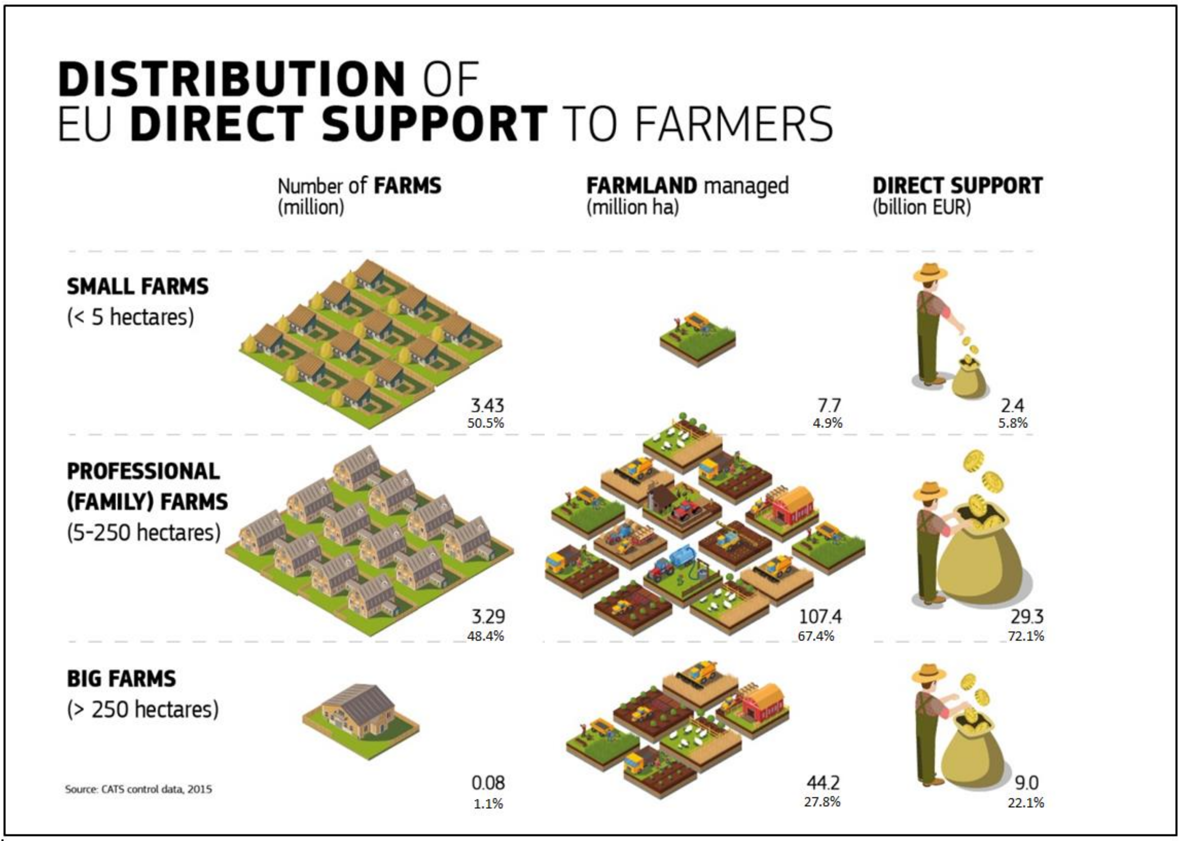
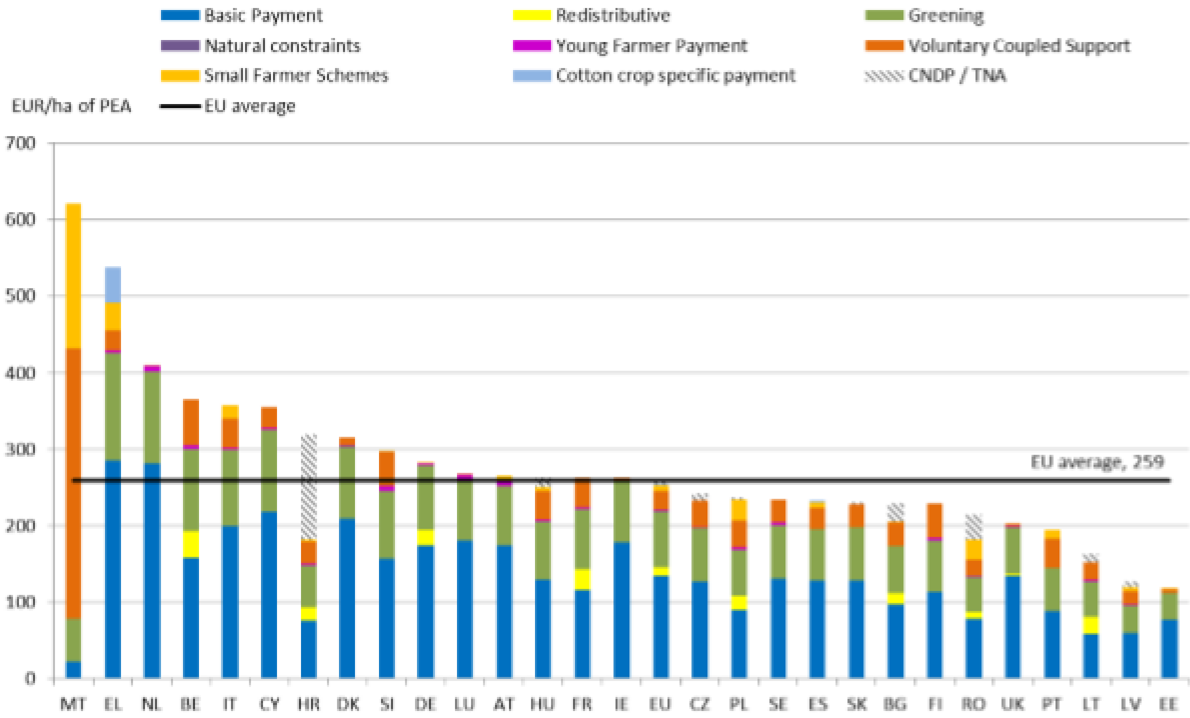


Figure: Distribution of EU direct support to farmers, source: Agri AAR

In claim year 2016 (financial year 2017) which was the second year of implementation of the reformed system, roughly 7 million farmers benefitted from direct payments and the total determined area paid covered some 85 % of the EU Utilised Agriculture Area (178 million ha).

The re-balancing of the distribution of payments between and within Member States has continued: data confirm that the average direct payments per hectare are converging (at Member State and farmer levels)[51].

The various schemes allowing further targeting of the needs of certain categories of beneficiaries, in particular the young farmers, the small farmers and certain specific sectors or regions with structural problems are fully in place. Where necessary, Member States have revised their decisions within the limits of the flexibility given by the new system in order to adjust the modalities of implementation building on the experience gained in the first year. In financial year 2016 payments to farmers were in certain cases made later than usual as it was the first year of implementing the reform. However, already in financial year 2017, the implementation was closer to normal rhythm and it is expected that Member States' implementation will further improve in the following years.



Graph: Direct payment expenditure per hectare of PEA by Member State – 2016, Source: https://ec.europa.eu/agriculture/sites/agriculture/files/statistics/facts-figures/direct-payments.pdf

The payment for agricultural practices beneficial for the climate and the environment (so called ‘‘greening’’ payment) was introduced with the 2013 Common Agricultural Policy reform to provide ambitious benefits for the climate and environment. It accounts for 30 % of Member States’ annual direct payment envelopes. Holdings subject to at least one of the three ‘greening’ obligations cover about 79 % of the total EU agricultural area. However, the evaluation on the payment for agricultural practices beneficial for the climate and the environment[52] found that the greening measures have not fully realised their intended potential. Based on data from the 2015 and 2016 implementation, the overall effects are uncertain but appear fairly limited and variable across the Member States. They appear to have had a negligible effect on production or economic viability of farms.

The evaluation concluded that the overall current environmental and climate architecture of the Common Agricultural Policy has proved to be more complex and difficult to manage. The European Court of Auditors concluded that greening added significant complexity to the Common Agricultural Policy, which was not justified in view of the results that greening was expected to produce[53]. It mentioned that as greening overlaps with the other environmental instruments under the Common Agricultural Policy, there is risk of deadweight and double funding, although certain decisions and actions by the Commission and Member States mitigate these risks

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European Agricultural Fund for Rural Development

Under the second pillar of the CAP, rural development programmes make a vital contribution to the economic, social and environmental EU priorities, taking into account the national and regional specificities of agriculture and rural areas across the EU. Support for interactive innovation projects under the European Innovation Partnership for Agriculture as well as support for training and diversification aim to deliver on the Europe 2020 objectives as they encourage innovation and entrepreneurship. In 2017, the Member States submitted their second Annual Implementation Reports covering the period up to 31 December 2016. Despite the late adoption of certain programmes, mainly due to the late adoption of the legislative framework, the implementation is at cruising speed. These implementation reports generally confirm a steady acceleration in spending levels that has made up for the initial delays.

Until the end of financial year 2017, spending levels reached 21 % of total EU rural development resources (excluding pre-financing paid to the Member States) matched by 42.7 % in terms of commitments over planned total public expenditure. The latest figures available on outputs and results achieved (end of 2016) are therefore not yet fully representative. An acceleration in programme implementation is expected in the coming years, in particular regarding investments and job creation operations. Some positive results can already be pointed out, with an achievement of 60 % of the 2020 targets for agricultural land under management contracts contributing to biodiversity, soil and water management, and 89 % for the 2020 target for rural population covered by local development strategies.

The Rural Development Programmes allowed[54] 43 400 holdings to invest in restructuring or modernisation;

12 100 farms with supported business development and investments for young farmers.

5 600 farms to become involved in quality schemes, short supply chains, local markets or producer groups/organisations;

61 800 farms to be covered by risk management schemes.

For the 2014-2020 rural development programming period, a number of initiatives have been launched which are expected to improve efficiency and effectiveness of expenditure of the European Agricultural Fund for Rural Development, for example:

– Modifications via the so-called Omnibus Regulation[55] to improve risk management tools for farmers, reduce administrative burden for beneficiaries and simplify conditions for financial instruments.
– The use of the Simplified Cost Options in 64 % of the Rural Development Programmes is improving the efficiency and effectiveness of the expenditure and reducing the administrative burden.
– As regards the use of financial instruments for leveraging and revolving the rural development budget, the fund is well on track to meet the target of doubling the use of financial instruments as compared to 2007-2013.

Project Examples Under Rural Development[56]:

[Aquaponics – a greenhouse for innovative food production in Sweden](#)

Project Summary

The environment suffers more and more loss of soil nutrients, while at the same time there is a problem with the overload of nutrients in lakes and seas. Peckas Naturodlingar has invested in a technology that combines the cultivation of tomatoes with the breeding of fish in a closed system. The nutritious water from the fish is directed to the tomatoes that take on the nutrients. The clean water is then lead back to the fish. By doing this, all the nutrients and water are used in an efficient way, and no waste comes out of the system. The support from the Swedish rural development programme was used to build a greenhouse of 4000m^2. The new greenhouse allowed to upscale the tomato production for sale.

Project results

In January 2018, Peckas delivered their first batch of tomatoes to grocery stores in Härnösand. The whole production of tomatoes for 2018 has been booked by the distributor company 'Gronsakshuset'. 100% of the nutrient water from the fish farm is circulated into a bio-bed / plant bed and then back into the fish farm. This comes with a reduced need of water and all nutrients in the water are used in the tomato cultivation.

Reconstruction of a forest road for effective protection from forest fires in Slovakia

Project summary:

The forest road outside the Hrusovo village in Southern Slovakia was in poor condition and an intervention was necessary in order to restore the functionality of the road. The main activity of this project was the reconstruction of the road by laying new asphalt. Construction works included modifying the adjacent slopes, constructing sluices including concrete fronts from the reinforced concrete pipes, as well as concrete drainage channels, drainage ribs, road ditches and drainage gutters. A wooden lookout tower was also constructed.

Project results:

The project enables authorities to access the site all year round as necessary;

The wooden lookout tower allows the monitoring of the site and implementation of of fire-protection measures;

The new constructed forest road enables the implementation of forest management and maintenance.

Financial instruments are fully programmed in 27 programmes in eight Member States with a total public budget of EUR 669 million (European Agricultural Fund for Rural Development EUR 465 million, national co-financing EUR 204 million). Targeted coaching on financial instruments helps managing authorities to implement specific financial instrument schemes. The latter can be used by farmers, foresters and rural businesses, including through a combination of financial instruments and grants. Financial instruments under the European Agricultural Fund for Rural Development may be implemented together with the European Fund for Strategic Investments developed by the European Investment Bank and the Commission.

The implementation of Rural Development Programmes under the European Agricultural Fund for Rural Development is subject to a number of ex-ante conditionalities. For some of them specific action plans had to be established in view of reaching full compliance by the end of 2016. All action plans except one have successfully been implemented and the conditionalities can therefore be considered as fulfilled.

A comprehensive common monitoring and evaluation framework for the Common Agricultural Policy is in place for the 2014-2020 period. The European Court of Auditors raised some concerns with respect to the monitoring and evaluation system and the related indicators and noted that performance reporting may not provide information in time to design future policy, and manage the budget by results[57]. The Court recognised that the performance framework aimed to enhance the result-based approach and invited the Commission to review and take stock of the experience from the implementation of the current system for the post 2020 programming period. Furthermore, the Court stated that the rural development programmes were approved late, were too long, and entailed complex documents, pointing to shortcomings that hinder the focus on performance and results.

An evaluation of forestry measures under the European Agricultural Fund for Rural Development is about to be finalised (mid 2018). Preliminary results show that the Fund provides a coherent set of measures capable of covering the needs of the forest sector and fostering sustainable forest management in rural areas. The flexibility of the Rural Development Programmes enabled the Managing Authorities to adapt the measures to local needs and specificities, and to provide highly targeted support. However, the effectiveness of the forest measures remained highly dependent on the detail of the measure design at programme level, and where, when and for how long it is implemented by the beneficiaries.

The synthesis of Rural Development ex-post evaluations 2007-2013 is being finalised[58]. This evaluation builds upon evaluations carried out by the Member States. Preliminary findings from the synthesis of ex-post evaluations of Rural Development Programmes 2007-2013 show that the programmes provided positive effects on enhancing competitiveness and environment. However, the effectiveness of measures related to quality of life and diversification of activities were hampered by a lack of priorisation and budget.

The European Agricultural Fund for Rural Development was also subject to the scrutiny of the **High Level Group on Simplification** which delivered its conclusions and recommendations for the improved management of the European Structural and Investment-Funds in 2017. The European Agricultural Fund For Rural Development is covered, together with other Funds, by a number of on-going studies, notably in the fields of a) simplification, b) coordination and harmonisation of Funds, and c) possible alternative delivery modes. Preliminary findings of the simplification study show higher administrative burden and administrative costs for the Rural Development Fund compared with other European Structural Investment Funds.

European Maritime and Fisheries Fund

After a difficult start due to the late adoption of the European Maritime and Fisheries Fund Regulation, 2017 has marked an acceleration of the implementation of the Fund in the majority of the Member States.

Throughout 2017 the rate of implementation started to take off considerably. The number of operations (excluding technical assistance) more than doubled, from 6 200 in 2016 to 15 500 in 2017. The number of fishing vessels benefitting from the European Maritime and Fisheries Fund almost tripled from 3 600 in 2016 to over 9 600 in 2017. The number of small-scale coastal fishing fleet vessels benefitting from the fund doubled. The provided support promotes sustainable balance between fishing fleets and resources and the protection of the marine ecosystems. The European Maritime and Fisheries Fund has also supported better management of more than 60 000 km² of Natura 2000 areas, and almost 1.5 million km² of other marine protected areas (2016 data)[59]. Through projects facilitating transboundary cooperation on Maritime Spatial Planning, it prepares the ground for the sustainable development of the maritime economy in sea basins with an increasing amount of economic activities. Supported operations not only benefit the (legal or natural) persons that officially act as beneficiaries of the operation, but also others, as detailed in the box below.

It is estimated that more than 71 000 fishermen and 25 000 members of producer organisations benefit from the support, as well as 77 000 employees and 32 000 other persons. By the end of 2017, the 368 Fisheries Local Action Groups had selected 1 156 projects for implementation and an additional 56 cooperation projects with other Member States were under preparation.

By the end of 2017, Member States did commit on average 27 % of the Fund. Although commitments are satisfactory, the gap with payments to beneficiaries is substantial in all Member States. By the end of 2017 interim payments reached a bit less than 3.4 % of the planned Fund support for the current period.

The development of the common monitoring and evaluation system for the European Maritime and Fisheries Fund has been a common learning process involving the Commission and the Member States. A recent report on the implementation of the common monitoring and evaluation system[60] makes some recommendations for further improvement based on the experience so far. While Member States should have the flexibility to use supplementary indicators at national level, the common indicators should cover all investments in order to allow for aggregation at EU level and to provide an overall picture of the use of the funds.

In 2017, the ex post evaluation of the European Fisheries Fund 2007-2013 was finalised[61]. It concluded that the objectives of the Fund were reached to a large extent, but there was scope for improvement, in particular its effectiveness and sustainability. The links between the Fund and the sustainable exploitation of fisheries could be strengthened and the contribution of the Fund to broader conservation objectives such as protection and enhancement of the environment and natural resources related to the fisheries sector be made more visible. It also concluded that there was a need to take a more strategic approach for making aquaculture more competitive and increase production while taking better account of the specific challenges faced by the small-scale coastal fishing fleet, except in the case of local development, where complementarities and synergies with other funds remained limited. To a large extent, these issues have been addressed in the development of the 2014-2020 European Maritime and Fisheries Fund with a greater focus on results.

Sustainable Fisheries Partnership Agreements

Sustainable Fisheries Partnership Agreements between the EU and third countries aim to contribute to a regulated framework for EU long-distance fishing fleet, to ensure a sustainable exploitation of the third countries' relevant fisheries resources and to support competiveness of the Union's fishing fleet. These partnerships give the EU a crucial leverage effect on third counties in order to improve ocean and fisheries governance (through better science, data management, institutional capacity, monitoring and surveillance, etc.).

At the end of 2017, 12 protocols to Sustainable Fisheries Partnership Agreements were in force. Negotiations have been successfully completed for the renewal of the protocol with Mauritius, further negotiations have been started with Guinea Bissau and continued with Mozambique and Kiribati. Negotiations with Guinea-Bissau took longer than expected, leading to an interruption of the agreement. In addition, Comoros failed to comply with Illegal, Unreported and Unregulated Fishing Regulation requirements, and was added to the list of non-cooperating countries. As a result, and following a Commission proposal, the Council formally denounced the Sustainable Fisheries Partnership Agreement with Comoros in December.

A total of 200 EU vessels flagged in one of the EU Member States currently benefit from a fishing authorisation granted under Sustainable Fisheries Partnership Agreements, providing them the access they need, also providing jobs and growth in the EU. These agreements have also been contributing to the development of the fisheries sector in the 12 partner countries and to the better governance of their fisheries sector. At the same time, they contribute to eliminating illegal fishing and providing better framework conditions for local fishermen.

The commitment appropriations for Sustainable Fisheries Partnership Agreements in 2017 amounted to EUR 123.1 million and were consumed up to 99.7 %. The payment appropriations amounted to EUR 132.5 million and were fully used.

Programme for the Environment and Climate Action (LIFE)

The LIFE Programme for the Environment and Climate Action promotes the exchange of best practices and knowledge on implementing EU legislation and policies and it facilitates the testing of new approaches for future scaling-up. 2017 was the 25th anniversary of the LIFE programme. Over the years, the programme with its visible activities on the ground, is appreciated by stakeholders and the public across the EU.

Policy achievements initiated under LIFE will shape the EU economy and society in the coming decades. To name a few: the circular economy package including the ambitious plastic strategy, the Paris agreement on a legally binding, global climate deal and the 2030 climate and energy framework.

In 2017, the LIFE programme provided EUR 222 million which will mobilize additional investments leading to a total of EUR 379 million for new projects, 112 of these under the environment sub-programme. A significant amount of the projects will help Member States in their transition to a more circular economy. 33 climate related projects were recommended for funding, half of them addressing adaptation.

By the end of 2017, some 435 traditional projects across all priorities have been selected and financed, plus 15 integrated projects, 4 projects for the European Voluntary Corps (contractualisation of an additional two in 2018)[62] and other technical assistance and preparatory projects.

Examples of traditional projects include: testing an Italian prototype that could cost-effectively convert petrol into hybrid, creating bio based products from wastewater sludge in the Netherlands and applying a new biological treatment to remove pesticides and nitrates from water in southern Spain. Support focuses also on Natura 2000 sites and species protection, such as in the Slovenian cross-border project to help the survival of a highly endangered Alpine lynx species.

Besides giving grants for demonstration projects, pilot and best practice projects, LIFE also provides grants to integrated projects facilitating implementation of plans by Member States and local authorities and raising awareness to induce behavioural change. These integrated projects ensure environmental and climate policy implementation at a large territorial scale and are channelling funding from other sources towards environmental and climate objectives.

LIFE Integrated Project - Water: Integrated approach to delivery of the North West England river basin management plan

One third of the poorest quality rivers in England and Wales is currently found in the North West (England) river basin district. This project will address barriers holding back the achievement of good ecological status for the region's water bodies, as required by the Water Framework Directive. In addition to the EUR 11 988 811 LIFE contribution, the project will facilitate the coordinated use of EUR 37 050 000 of complementary funding from the European Agricultural Fund for Rural Development and European Regional Development Fund, EUR 139 500 000 in national public funds and EUR 52 500 000 in private sector funds.

Another example is the 'LIFE OPTIMELT' project which will carry out the first full-scale demonstration of an innovative waste heat recovery concept. The technology, called OPTIMELT, is able to use an endothermic reaction of natural gas with water vapour CO_2 in the flue gas to recover more heat than previously possible in high-temperature manufacturing processes. It serves as an add-on to existing oxy-fuel combustion furnaces, making this option more environmentally friendly and cost-effective (20% reduction in fuel and oxygen consumption).

According to the proposals received, for a total financing of EUR 251.7 million, the integrated projects should facilitate the coordinated use of about EUR 5.7 billion in total for environmental and climate actions, of which EUR 3 billion is coming from other EU programmes, such as the European Agricultural Fund for Rural Development and the European Regional Development Fund. For each euro the LIFE programme finances, it is expected that a further 22 euros will be financed from other sources for environment and climate objectives.

In 2017, the LIFE mid-term evaluation was finalised[63]. It was carried out at an early stage of the programme's implementation and therefore focussed mainly on the processes put in place to reach the programme's objectives, expected results and on-going activities. It provides reasonable assurance that the programme's implementation is on the right track to deliver on environmental and climate objectives. The mid-term review of the EU biodiversity strategy to 2020[64] concluded that 'the LIFE programme remains a small but highly effective funding source for nature and biodiversity'.

As regards efficiency, the LIFE mid-term evaluation estimated that the benefit to society of some of the projects selected following the first call for proposals will amount to EUR 1.7 billion, which represents four times the cost of the overall LIFE budget for that year. Moreover, the transfer of most of the grant management from the Commission to the Executive Agency for Small and Medium-sized Enterprises is exceeding the expected efficiency gain of EUR 8.2 million initially planned for 2014-2020.

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Furthermore, LIFE is designed to be complementary to other EU funding programmes. In particular, synergies are exploited by giving preferential treatment to LIFE project proposals that are taking up results from EU funded research and innovation. Also, larger scale deployment of measures successfully tested in LIFE projects may be financed through other EU funding programmes, e.g. a more sustainable fishing practice can be promoted through the European Maritime and Fisheries Fund.

The mid-term evaluation also identified some aspects for improvement aimed at increasing the strategic focus of the demand-driven part of the programme, e.g. by targeting topics not covered by the projects funded in previous years. More should be done to reproduce the projects and transfer their results, e.g. by developing the capacity to plan and implement investments and by addressing the lack of financial resources. It also pointed to the need to simplify grant management procedures, in particular the application and reporting processes.

1.4. Security and Citizenship (Budget Heading 3)[65]

Under Heading 3, the EU budget brings together a range of programmes (EUR 4.3 billion representing 3 % of the total 2017 EU budget) supporting pressing political challenges such as security, asylum, migration and integration of third country nationals, health and consumer protection, as well as those relating to culture and dialogue with citizens. Funding is geared to projects where EU collaboration brings about significant efficiency gains.

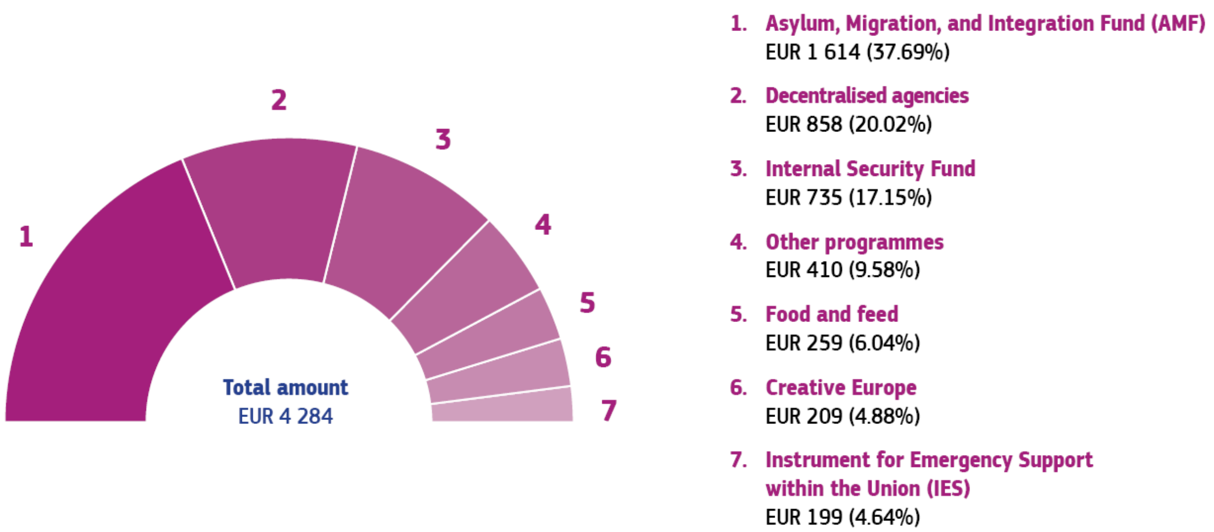


Chart: Main programmes financed in 2017 under Heading 3. Category 'Other programmes' include amongst others IT systems like the Schengen Information System and the Visa Information System, the Justice Programme, Rights, Equality and Citizenship, Europe for Citizens, the Health and Consumer Programmes and the Union Civil Protection Mechanism within the EU. All figures in EUR million..

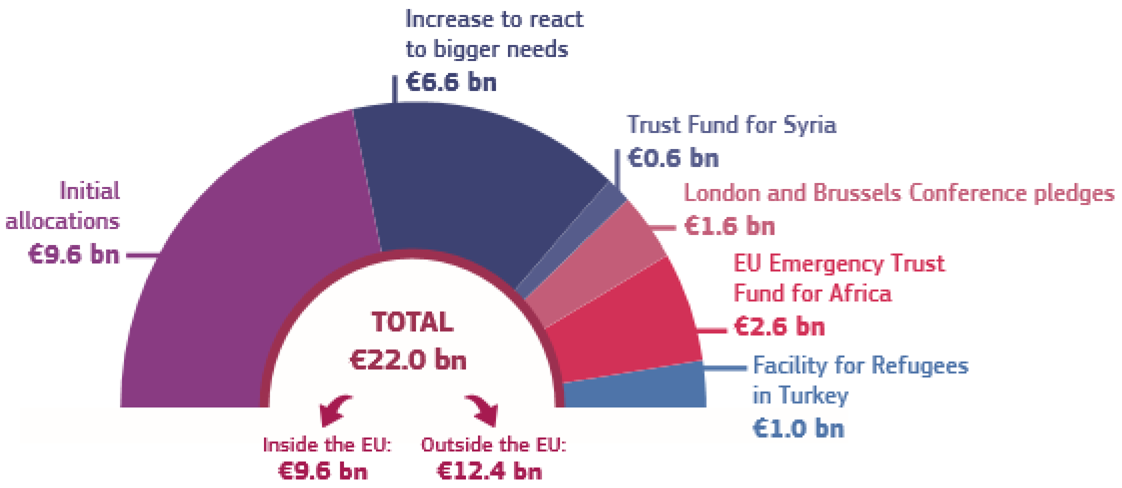
Support to the priorities of the European Commission

The programmes under Heading 3 contribute mainly to the Commission priorities of 'Justice and Fundamental Rights' and 'Migration.' Despite the relatively small budget involved, these programmes contribute to Europe 2020 achievements. For example, the Health Programme stands on the crossroads between smart and inclusive growth: it funds actions for the up-take of innovation in health and health care and supports Member States in their health systems' reforms and, the same time, it pursues work on the promotion of health and prevention of diseases and addresses the increasing trend of health inequalities through actions on the health of vulnerable groups and, since 2015, with a specific focus on refugees. The Asylum, Migration and Integration Fund contributes to inclusive growth through financing of projects for integrating non-EU nationals.

This part of the budget played a particularly important role in 2017 as part of the ongoing response to the refugee crisis and the putting in place of a comprehensive European approach to the management of migration flows. As recent experience has shown, the management of migration flows and security threats present challenges which cannot be dealt with by the Member States acting alone. The abolition of internal border controls must be accompanied by common measures for the effective control and surveillance of the Union's external borders. The principle of solidarity and the fair sharing of responsibilities between Member States is at the heart of the common policies on asylum, immigration and external borders. The EU budget provides the means to address the financial implications of this principle. In the area of security, serious and organised crime, terrorism and other security-related threats are increasingly cross-border in nature. Transnational co-operation and coordination between law enforcement authorities is essential to successfully preventing and fighting these crimes, for example through the exchange of information, joint investigations, interoperable technologies and common threat and risk assessments.

Dealing with migration flows, the management of the EU's external borders and the security of the EU requires substantial resources and capabilities from the Member States. Improved operational co-operation and coordination involving the pooling of resources in areas like training and equipment creates economies of scale and synergies thereby ensuring a more efficient use of public funds and reinforcing solidarity, mutual trust and responsibility sharing for common EU policies among Member States.

Migration related expenditure, internal and external



EU funding to meet migratory challenge inside and outside of the EU for the period 2015-2018, source: https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20171207_eu_budget_for_the_refugee_crisis_and_improving_migration_management_en.pdf

Asylum, Migration and Integration Fund

The Asylum, Migration and Integration Fund promotes the efficient management of migration flows and the development of a common Union approach to asylum and migration. It contributes to the achievement of four specific objectives, namely strengthening and developing the Common European Asylum System, supporting legal migration to EU Member States in line with the labour market needs and the effective integration of third-country nationals; it also contributes to enhancing fair and effective return strategies and to ensure solidarity and responsibility-sharing between the EU Member States, in particular those most affected by migration and asylum flows. Further, it supports the integration of third country nationals who are victims of trafficking in human beings.

In 2017, national programmes were amended to support the integration of third- country nationals, in particular through actions carried out by civil society organisations and local authorities, to enhance the return and resettlement areas. The 2014-2020 allocated resources increased from EUR 2 752 million to EUR 5 391.5 million by the end of 2017. The recent top-ups to the budget for shared management were earmarked in support of the two relocation schemes for Italy and Greece (EUR 651 million) and of the resettlement scheme (EUR 872 million).

The total of payments executed in 2017 is EUR 576.2 million, almost double that of 2016.

Under the Fund's emergency assistance, EUR 973 million has been allocated since the beginning of 2014. Out of this, as of 16 January 2018, EUR 630 million has been awarded to Member States under migratory pressure for addressing the migration and refugee crisis.

Emergency assistance responded to immediate and basic needs, like food, shelter and medical care to refugees, reception services and support to unaccompanied minors, the strengthening of capacity of the asylum services to be able to cope with large numbers of applications, and providing support to asylum seekers returning to their countries of origin and the relocation schemes. Such activities were most pressing in frontline countries such as Greece, Italy and Bulgaria.

The Fund also continued to support the European Migration Network.

The Fund provided assistance through various projects in the field of reception and asylum systems (e.g. legal aid and representation, social counselling, targeted services to vulnerable groups, etc.). Between 2014 and 2017, the number of target group persons provided with assistance (in reception and asylum systems) increased from 148 045 to 297 083, and of these, the share of persons having benefited from legal assistance has risen from 18 395 (12.4 %) to 56 933 (19.1 %).

The Fund also supported the creation of over 7 000 additional places in reception centres in 2017. The number of places adapted for unaccompanied minors, an especially vulnerable migrant group, has also increased from only 183 places in 2014 to 17 070 places in 2017.

Member States agreed in July 2015 to resettle over 22 000 persons in need of international protection during the period 2015-2017. They also agreed in March 2016 under the EU-Turkey Statement to resettle up to 54 000 Syrian refugees from Turkey (instead of Syrians being returned to Turkey).

As of the end of 2017, 26 849 persons had been resettled. ***33 151 persons were relocated*** *(11 445 from Italy and 21 706 from Greece. This represented over 94 % of all those eligible and registered for relocation in Italy and Greece).*

The high influx led to growing gaps in unemployment, educational level and risk of social exclusion between third-country nationals and host country nationals.

However, with the Fund's support, the share of third-country nationals having received long-term residence status increased from 30 % in 2013 to 44 % in 2016. Also, by the end of 2017, 1 432 612 third-country nationals have received integration assistance.

Between 2013 and 2017, the number of returnees and those who received pre- or post-return reintegration assistance co-financed by the Fund has increased. The number of returnees co-financed by the Fund was 48 250 in 2017 compared to 5 904 in 2014. Of those returned, the share of non-voluntary returns has increased from one quarter in 2014 to half in 2017. The reported number of persons who returned voluntarily was 17 736 in 2017. Steps were also taken towards enhancing practical cooperation between Member States on return issues and between Member States and third.

At mid-term, the evaluation[66] found that overall, the Fund has generated EU added value, despite the relatively small size in comparison with the important challenges imposed by the crisis that occurred during this period (from 0.23 % (initially planned) to 0.63 % (after top-ups) of the EU budget appropriations for 2014-2020). The main EU level benefit arises from the transnational dimension of actions such as European Migration Network but also the burden-sharing EU level benefit, supported in particular by emergency assistance and the relocation mechanism.

The Fund is therefore also achieving its objectives. However, the internal coherence of the Fund among different management modes could be improved especially by raising awareness among beneficiaries about the actions and projects supported by the Fund. The administrative burden appeared to be the main factor that undermined efficiency even if the Fund has already significantly simplified compared to the previous funding programme. There was also limited evidence of increased capacity to develop, monitor and evaluate asylum systems. While the EU resettlement programme has made significant progress, there is still a limited contribution towards the establishment, development and implementation of national resettlement programmes. The Fund's monitoring and evaluation system needs further improvement, including the definitions of its indicators and the collection of data. The distribution system of funds could be more adaptable in order to ensure an appropriate response to changing needs and the sustainability of projects enhanced.

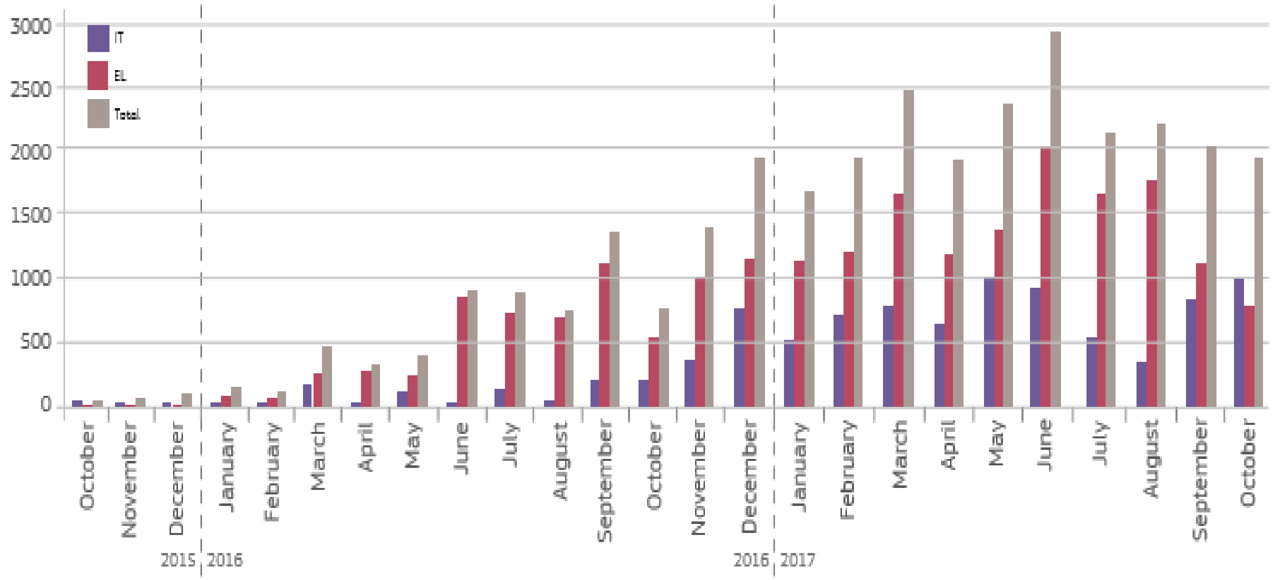


Chart: Number of relocations from October 2015 - October 2017, source: https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20171114_relocation_eu_solidarity_between_member_states_en.pdf

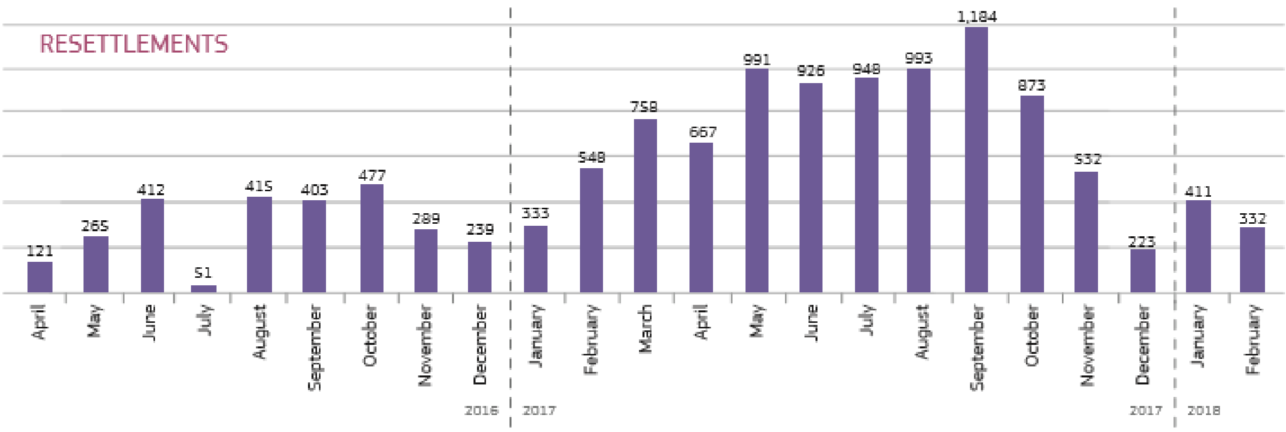


Chart: Number of resettlements of Syrian refugees from Turkey April 2016 - February 2018, source: https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20180314_eu-turkey-two-years-on_en.pdf

Internal Security Fund

The Internal Security Fund promotes the implementation of the Internal Security Strategy, law enforcement cooperation and the management of the Union's external borders. The Fund is composed of two instruments, Internal Security Fund Borders and Visa and Internal Security Fund Police. The first instrument – Borders and Visa – contributes to ensuring a high level of security in the Union while facilitating legitimate travel. The second instrument -

Police – focuses on the fight against crime as well as risk and crisis management.

In 2017, the implementation reached cruising speed.

Under the Internal Security Fund Borders and Visa emergency assistance, as of 16 January 2018, EUR 309 million, representing 53 grant agreements, was awarded to Member States for addressing the migration and refugee crisis. Under Police emergency assistance, EUR 6.3 million was awarded, representing 5 projects. In 2017, EUR 57.8 million was awarded to two Member States facing the most urgent pressure on their external borders - Greece (EUR 3.8 million) and Italy (EUR 54 million), notably at the hotspots.

The interim evaluation[67] showed that the Internal Security Fund Borders and Visa has contributed to the implementation of the EU common visa policy and facilitated legitimate travel in an effective manner. Information-exchange and training activities contributed to the uniform implementation of Union's acquis on visa policy.

The Fund supported the development of EU information technology systems, with particular regard to the Visa Information System, containing information on 55 million short-stay visa applications at the beginning of 2018, and the Schengen Information System, a database which included over 76 million alerts on persons or objects such as wanted or missing persons and objects for seizure, and had more than 5 billion searches and 243 500 hits[68] in 2017.

All these together contributed towards a high quality service to visa applicants, equal treatment of third-country national and tackling illegal migration in a homogeneous way, showing high EU added value. The contribution of the Fund in consular cooperation and in strengthening cooperation with third countries, however, remained limited. The Fund also contributed to the implementation of integrated border management in an effective manner despite the migration and security crisis. It supported the development of integrated border management policy and it increased solidarity among Member States by co-financing equipment used in Joint Operations of the European Border and Coast Guard Agency. The Fund also made a contribution to the development of the European Border Surveillance Network (EUROSUR) and border management information technology systems. However, the evaluation showed that the continuity of the actions relies to a large extent on the EU funding. From a financial point of view, without a dedicated EU funding instrument, national funding would not have allowed the effective and efficient funding of the planned actions.

Moreover, the evaluation found that the Common Monitoring and Evaluation Framework was established too late, well after the projects had started. Monitoring, reporting, and controlling measures are still perceived as burdensome by stakeholders.

The Internal Security Fund Police has contributed to a high level of security in the Union via preventing and combating cross-border, serious and organised crime, including terrorism, and reinforcing coordination and cooperation between law enforcement authorities. It has also contributed to improving the capability of Member States to effectively manage security-related risks and crises, and to a lesser extent by protecting people and critical infrastructures against terrorist attacks and other security-related incidents.

Available evidence indicates that the Fund has contributed to enhance cooperation and coordination among Member States and European bodies, and towards improving Member States capability to develop comprehensive threat and risk assessments, although the number of funded projects at national and Union level is relatively low. Several actions have been founded in the area of early warning and cooperation on crisis prevention (for example the ATLAS network). The evaluation showed that the monitoring and evaluation framework should address issues such as definition of indicators, and simplification of reporting. Issues linked to the further efficiency of the fund and flexibility in the design of the national programmes and allocation of funding the programme remain challenging. The perceived administrative burden linked to the Fund is still high though several improvements were registered compared to the previous programming period.

The Commission, together with the European Border and Coast Guard Agency and Member States continued to work towards the effective and strengthened management of the EU's external borders. In 2017, the Agency carried out 15 joint operations at the EU's sea, land and air external borders in which the Agency deployed between 1 175 and 1 700 border guards totalling 347 805 man-days (up 11.6% on 2016). For those external borders exposed to the highest pressure, the Agency was present on a permanent basis with its Triton joint operation at the Central Mediterranean and its Poseidon joint operation at the Eastern Mediterranean.

The European Border and Coast Guard Agency contributed to rescuing 111 000 migrants that arrived in Italy via the Central Mediterranean Route.

The pace of return operations organised by the Agency has continued to grow, reaching a total number of 14 271 persons returned in 2017

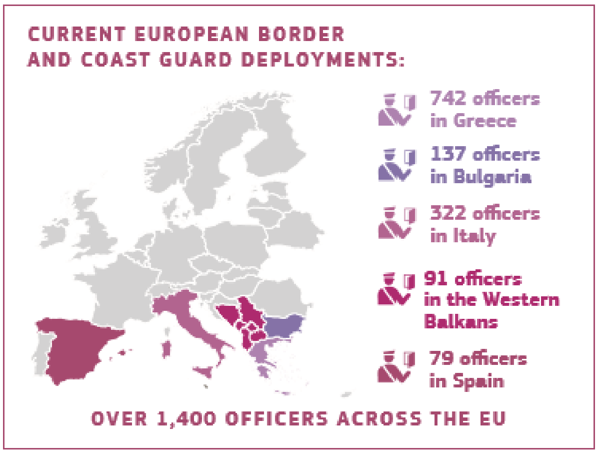
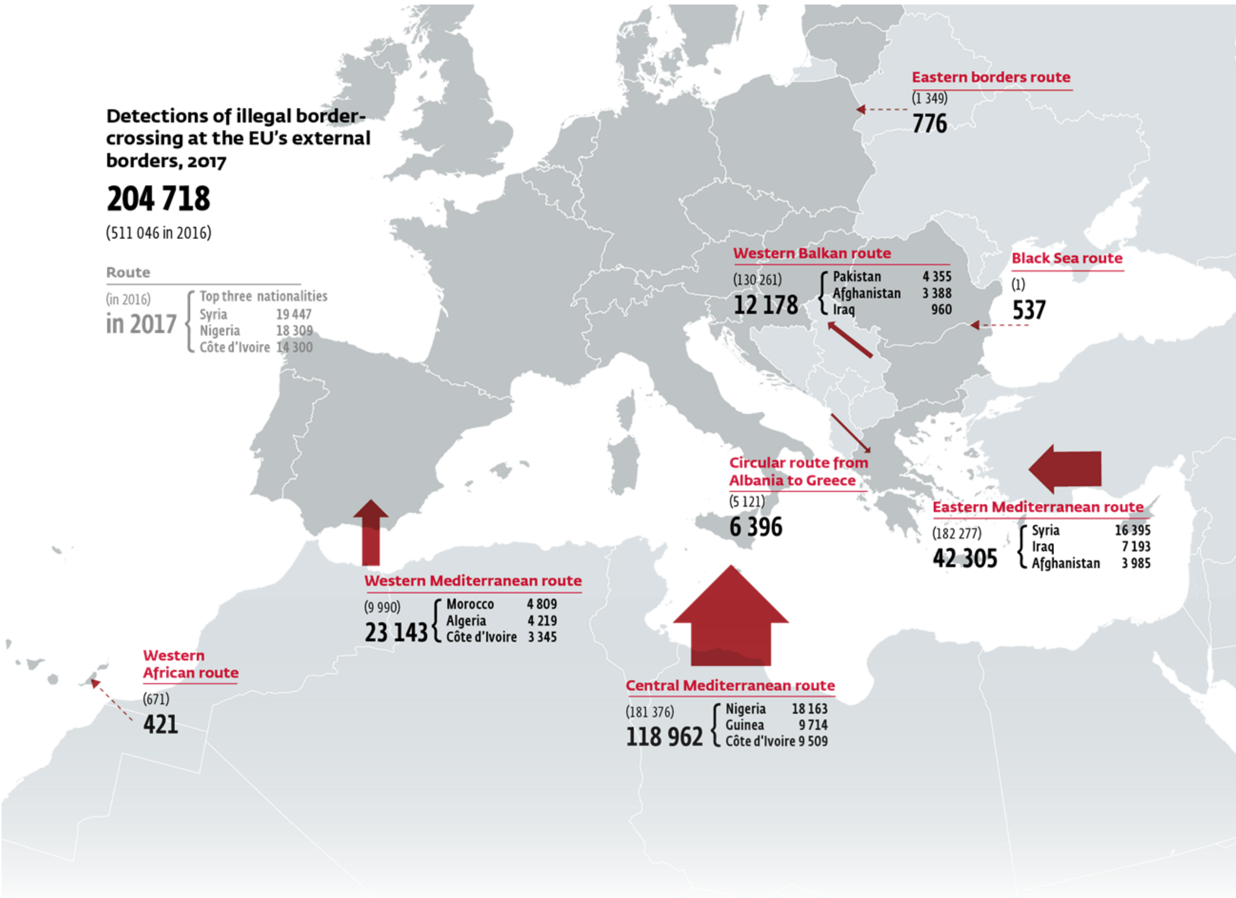


Figure: Breakdown of European coast Guard Deployments, source: https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20171207_the_european_border_and_coast_guard_agency_en.pdf

Additionally, through the Common Security and Defence Policy mission in Niger and Mali and the EU Trust Fund for Africa, the EU supports search and rescue missions in the desert: so far over 1,100 migrants have been rescued in the Sahara in Niger this year by Nigerien authorities and the International Organisation for Migration (IOM)[69].

Five hotspots (Moria, Vathy, Vial, Lepida and Pyli) are operational in Greece where all migrants are properly screened, identified, fingerprinted, registered and informed about their rights. As of 31 December 2017, these hotspots had a combined capacity of approximately 5 600 places. Continuous efforts were made to improve the living conditions of migrants staying for longer periods on the islands pending a decision on their situation due to requirements of the EU-Turkey Statement. To cope with further demand, an additional five hotspots with a combined capacity of 1 850 places opened in Italy (Lampedusa, Messina, Trapani, Taranto and Pozzallo), this increased the total declared hotspot capacity by 15 %.

Despite the continuous high inflow of migrant arrivals in the first half of 2017, Italy managed to sustain the overall fingerprinting rate close to 100 % in 2017.



Instrument for Emergency Support within the EU

In its second year of implementation, the Instrument for Emergency Support continued to provide valuable support to vulnerable refugees within the European Union (in Greece). 2017 was a transitional year for the implementation of the Instrument as the approach shifted from a first emergency operation to a more normalised one. Two ways of implementing humanitarian aid were scaled up: (1) a shift from catering to a cash-based system for food in camps, and (2) a progressive shift from shelter in camps to a rental accommodation scheme. These two policy initiatives resulted in the Emergency Support to Integration and Accommodation programme. At the beginning of 2017, around 60 000 refugees and migrants remained in Greece, according to Greek Government Statistics. The United Nations Refugee Agency declared that at the end of 2017, over 45 000 refugees and migrants were still stranded in the country.

In 2017, the Instrument catered for up to 40 000 of these beneficiaries, allocating up to EUR 198 million through humanitarian organisations for the provision of needs-based emergency support.

The funding complemented efforts by Greek authorities in addition to support provided to Greece by other EU instruments. Funded actions were carried out by 15 humanitarian organisations and their implementing partners through the provision of multi-sectorial support based on cash as the basic modality. Services included basic needs assistance, food assistance, shelter, rental accommodation, site planning and site management, protection in particular for unaccompanied minors, education, healthcare including psychosocial support, water, sanitation and hygiene. 37 597 recipients benefitted from the Emergency Support to Integration and Accommodation programme and cash assistance scheme by December 2017.

In the first semester of 2017, the Instrument also covered the management of around 1 000 places for unaccompanied minors on dedicated shelters As of August, the Greek authorities have taken over the funding of these shelters with their national programme under the Asylum, Migration and Integration Fund. The Emergency Support Instrument has contributed to the creation of 24/7 safe zones for these minors in sites when needed.

Union Civil Protection Mechanism

The Union Civil Protection Mechanism has delivered effectively on its primary role of facilitating the delivery of in-kind assistance from EU Member States to disasters inside and outside Europe. The aim of the Union Civil Protection Mechanism is to support, coordinate and supplement the actions of the Member States in the field of civil protection with a view to improving the effectiveness of systems for preventing, preparing for and responding to natural and man-made disasters. The Mechanism focuses on reducing loss of human life, environmental, economic and material damage caused by disasters through a comprehensive approach covering disaster prevention, preparedness and response; improving the understanding in Member States of disaster risks through cooperation on risk assessment and planning, and the gradual development of a European culture of disaster prevention; as well as on improving the preparedness for disasters through training, exercises, exchange of best practices and similar activities.

In 2017, the Union Civil Protection Mechanism was activated in response to 32 emergencies in total and registered several notable achievements. In light of more complex and frequent natural disasters that have seriously affected many European countries over recent years, the Commission submitted in November ambitious new plans to strengthen Europe's ability to deal with natural disasters, both strengthening European response capacities via rescEU as well as Stepping up disaster prevention and preparedness.

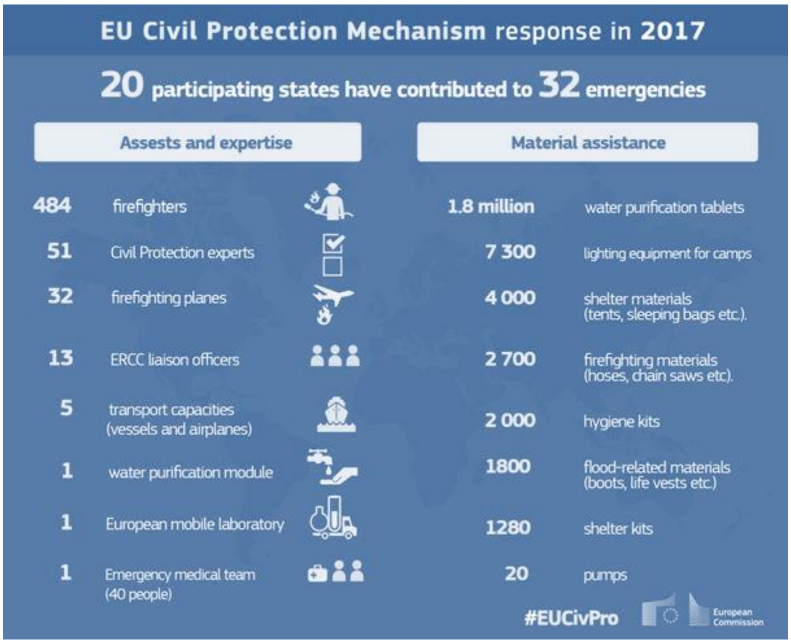
European Emergency Response Capacity was set up in the form of a voluntary pool. The voluntary pool of Member States' response capacities brings together a range of civil protection modules, other response capacities, and experts, which Member States keep on standby for EU civil protection missions all over the world. The teams need to meet minimum quality criteria and undergo a certification process to ensure quality and interoperability. Trained and certified modules, response capacities and experts guarantee an effective response to disasters inside and outside the EU. The voluntary pool also enables a shorter deployment time. Capacities from the voluntary pool were mobilised in all major emergencies including ones needing specialised assets.

For example, during the Ebola crisis, medical evacuation aerial capacities for Ebola patients and mobile laboratories were provided.

Following the successful implementation of the 'Buffer-IT' project of 2016 to reinforce Member State aerial capacities to fight forest fires:

Two aerial forest fire fighting capacities (buffer capacities) were co-financed for the 2017 forest fire season. The buffer capacity based in Italy was composed of two heavy amphibious planes and the one based in Spain consisted of two medium amphibious planes. In 2017, these buffer capacities were deployed four times in Europe for a total of 230 flight hours and 773 firefighting drops.

Also, the European Medical Corps that was launched in February 2016, is the new framework for mobilising medical and public health experts and teams for preparedness or response operations inside or outside the EU. So far, 9 Member States have committed medical teams, mobile laboratories, and logistical support teams and two teams were already mobilised during the Ebola outbreak in Western Africa.



Outside of the EU borders, in 2017 the Mechanism facilitated the provision of assistance to the following countries: Albania, Armenia, Bangladesh, Chile, Dominica, Iraq, Mexico, Montenegro, Peru, Tunisia and Uganda. The Mechanism also provided expertise in the form of preparedness and prevention (advisory) missions to Jordan, Bhutan and Armenia. Selected prevention and preparedness actions were implemented in candidate countries, potential candidate countries and countries covered by the European Neighbourhood Policy.

Assistance deployed included shelter materials and shelter kits (Bangladesh), medical kits (Iraq), and water purification units (Dominica). EU experts provided further support to the Mexican authorities on the assessment of damage to cultural heritage sites following the earthquake in Mexico.

The mid-term evaluation of the Mechanism was completed in 2017[70]. The evaluation underlined that the Mechanism has clear EU added value for Participating States under all three thematic pillars – disaster prevention, preparedness and response. For example, in the area of response, EU added value was most evident in the comprehensive overview of capacities available at the EU level and the possibility to request coordinated EU wide response through a single platform.

The Mechanism has proven to be a useful tool to mobilise and coordinate the assistance provided by the Participating States responding to crises inside and outside the Union, constituting a tangible proof of European solidarity. For example, the existence of a single European 'hub' for information sharing, operational coordination, the introduction of European standards for disaster response capacities and common guidelines on risk assessment clearly flag the EU added value in the area of disaster response, preparedness and response.

The addition of new capacities via the European Emergency Response Capacity (Voluntary Pool) has enhanced the overall disaster preparedness at EU level and allowed for immediate deployable response resources bringing together a range of teams, experts and equipment from Participating States. Key challenges remain in establishing capacity needs, setting appropriate capacity targets and further development of quality standards as well as better linking prevention with preparedness and response activities. Articulation with broader EU programmes such as the European Regional Development Fund is also challenging. The evaluation pointed to the need for strengthening the monitoring framework, enhancing the coherence between the actions under the Mechanism and the EU climate change adaptation agenda, and further improving the sustainability of the results. The Mechanism is still 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.

Europe for Citizens Programme

The Europe for Citizens Programme is implemented through two strands: 'European remembrance' and 'Democratic engagement and civic participation'. They offer co-funding for European remembrance projects, town-twinning activities, networks of towns and civil society projects. The two strands are complemented by horizontal actions for dissemination and use of project results. The programme is implemented through action grants and operating grants granted to European civil society organisations and think tanks active in the thematic areas targeted by the programme.

In 2017, under 'European remembrance', 39 supported initiatives focused on creating a sense of ownership with citizens for how the EU develops and the values it is built upon. The 373 town-twinning projects, 32 networks of towns and 27 civil society projects under the strand 'Democratic engagement and civic participation', focused on promoting solidarity in times of crisis and combatting the stigmatisation of migrants and minority groups.

In 2017, all programme's actions were implemented. During the year, out of 1 942 applications received, 412 projects were selected, with a total budget of EUR 25.6 million. The Programme was implemented in 33 eligible participating countries.

The outcome of the mid-term evaluation[71] of the Europe for Citizens programme confirms the programme's added value in promoting civic participation and strengthening a sense of belonging and supporting mutual understanding. The programme's structure, with two strands and a cross-cutting measure on valorisation has proved to work efficiently and both operating and action grants have helped deliver the desired outcomes. Altogether, 3.3 million citizens were directly involved in activities supported by the programme (for example participants in town twinning activities, participants at events organised by civil society organisations, etc.) and a further 3.9 million were indirectly involved (for example users of online material produced as part of the programme, readers of studies produced by think tanks). However, the evaluation also pointed to lack of visibility due to the small scale of activities, the need to strengthen synergies with other existing EU programmes and the need to improve monitoring indicators.

Rights, Equality and Citizenship Programme

In 2017, the Rights, Equality and Citizenship Programme operated with a budget of EUR 61.5 million. The Annual Work Programme 2017 was adopted on 1 March 2017 with 10 calls for proposals of action grants launched and 8 closed. 3 calls for operating grants to support the framework partners were also closed. Operating grants of EUR 15 million were awarded to 12 national authorities and 32 grass roots organisations for projects focusing on detection and improving the protection and support standards for victims.

Most of the activities under the Programme contribute to the EU Priorities of Justice and Fundamental Rights, Delivering a Union of Democratic Change and to the European Security Agenda (notably activities combatting racism and xenophobia). The Programme also contributes to the Digital Single Market by supporting activities proposed on data protection and fighting hate speech online. Activities on consumer rights relating to cloud computing, digital contracts also contribute to a connected Digital Single Market, as well as to a deeper and fairer internal market.

In the non-discrimination and Roma integration policy area, the Programme supported actions that ensure that discrimination on the grounds of religion or belief, age, disability and sexual orientation is prohibited whenever possible in the same way it is on grounds of sex and race or ethnic origin. The programme supported the European Disability Strategy 2010-2020 through funding actions aimed at protecting the rights of persons with disabilities. In 2017, EUR 701 207 was allocated to support initiatives such as the European Disability Card, the Access City Award and launching the European Day of Persons with Disabilities.

The programme continued to prioritise actions on preventing and combating all forms of violence against women, young people and children. One project in Finland involved training approximately 1 000 doctors, nurses and other social and healthcare workers in recognising signs of domestic violence and encouraging disclosure and reporting of violence.

The Programme also supported actions targeted at preventing and combating all forms of violence. This prepared the ground for the EU and its Member States' accession to the Council of Europe Convention on preventing and combating violence against women and domestic violence. These include for instance the support of the Maltese Presidency conference focusing on gender-based violence in the context of intersectional discrimination and women's access to justice and services in February 2017. On this occasion, a web tool for professionals in contact with women affected by female genital mutilation was launched.

In the gender equality area, the Programme supported women's participation in the labour market and the elimination of discrimination including the gender pay gap. Under the implementation of the Strategic engagement for gender equality 2016-2019, the Programme contributed to increasing gender balance in economic decision-making positions, through the creation of a Commission database on women and men in decision-making.

Actions in the area of the rights of the child supported the promotion of child-friendly justice and given the emergency of migration, funds prioritised initiatives in protecting children in vulnerable situations.

As an example, the Programme funded the 11th Annual European Forum on the Rights of the Child in November 2017, focusing on the topic of children deprived of their liberty and alternatives to detention.

The preliminary results of the interim evaluation show that the Programme achieved good progress towards its objectives, in an effective and efficient manner. However, the distribution across different groups of beneficiaries and amongst the Programme's objectives is not optimal and neither is its geographical distribution. A more systematic planning, monitoring and implementation of Programme activities would support the sustainability of project results. The efficiency of the application, implementation and reporting mechanisms could be strengthened.

Justice Programme

The Justice Programme contributes to the development of a European area of justice based on mutual recognition and trust. The programme promotes judicial cooperation in civil and criminal matters and judicial training to foster a common judicial culture. The programme supports effective access to justice in Europe, as well as initiatives in the field of drugs policy. The Justice programme aims at improving implementation of EU justice instruments (e.g. European Investigation Order, European Arrest warrant and surrender procedures, European Protection Order, European Account Preservation Order, family law) and apply faster cross-national judicial proceedings through cooperation, dialogue, exchange of information, training activities and harmonisation of practices. All the activities funded by the Justice programme have a transnational dimension. Most of them are implemented by partnerships representing at least two countries or networks grouping members from at least 14 participating countries.

The operational budget allocated to the Justice Programme in 2017 (EUR 52.6 million) was primarily used to strengthen judicial cooperation in civil and criminal matters and to improve access to justice.

All calls for proposals and tenders under the 2014, 2015 and 2016 work programmes are finalised. The implementation of related projects and contracts is ongoing.

The Programme finances the European Judicial Network in civil and commercial matters. The network brings together national judicial authorities aiming to simplify and strengthen judicial cooperation between Member States and to improve the implementation of EU civil justice.

With the Electronic Criminal Records Information System, an increase in the number of exchanges of information helped to provide more rapid and targeted exchanges of information on criminal convictions between Member States. In 2017, the increase was more than eight fold compared to the 2012 baseline.

Continued funding for the European e-Justice Portal resulted in close to 2.7 million hits being registered in 2017 - a six fold increase compared to 2012.

The portal gives access to documents on cross-border proceedings, case law, on EU judicial systems and training material, thereby facilitating access to justice for citizens and businesses and contributing to mutual trust.

In combatting terrorism, a key priority of the European Agenda on Security, funded actions prioritised the prevention of radicalisation in prisons and improving prison conditions. In 2017, operating grants were awarded to organisations like EuroPris and the Confederation of European Probation for projects that contributed to enhancing the use of alternatives to imprisonment and improving detention conditions in Member States. Improving poor prison conditions is a political priority at EU level as there is a higher risk of radicalisation in these settings and can limit the efficient operation of, for example, the European Arrest Warrant.

The preliminary results of the interim evaluation show that the programme's progress at mid-term has been considerable. Nevertheless, some challenges in the implementation of the programme have emerged. The Programme so far has been accessed by beneficiaries from a small number of Member States. Better communication activities could address this in the future. The Programme indicators are adequate to monitor progress towards the objectives of the Programme, but sometimes difficult to measure due to a lack of adequate tools. The objectives of the programme are wide and flexible but initiatives in the field of drug policies are sometimes difficult to reconcile with other Programme priorities, such as judicial cooperation and access to justice. To increase the programme's relevance, a more systematic analysis of the stakeholder needs and additional target groups is warranted. In order to minimise the potential risk of duplications and increase the possible synergies, further coordination and information exchange between EU programmes and projects could be instrumental, allowing more coherent and efficient allocation of resources according to the most relevant priorities. Finally, there is still room for reducing the administrative burden.

Consumers Programme

The Programme supports the enforcement of consumer legislation, in particular through actions aiming at strengthening the knowledge base and review process of the Consumer Protection Cooperation Regulation, as well as through joint actions aiming at enhancing administrative cooperation for the application and enforcement of product safety legislation (General Product Safety Directive) across the internal market. These objectives cannot be sufficiently achieved by the Member States, in particular due to the cross-border nature of the issues involved.

The implementation of the Consumer Programme 2014 – 2020 is well on track to meet its multiannual objectives. Most of the related performance indicators expected for 2014, 2015, 2016 and 2017 have been achieved.

By the end of 2017, 99 % of the operational budget of EUR 23.7 million allocated for the implementation of the 2016 annual work programme was consumed and translated into legal commitments. In March 2018, the implementation of the 2017 work programme (24.1 million EUR) reached 61 %. Global commitments for the remaining already-defined actions (legal commitments to be concluded during the first half of 2018) were done at the end of 2017.

Compared with its predecessor, the 2014-2020 programme brought important improvements, in particular the simplification of grants for the European Consumer Centres (based on multiannual strategic partnerships), and of the system for exchange of enforcement officials (indemnities instead of grants).

The European Consumer Centres Network helps consumers with cross-border purchases, explaining their rights when shopping internationally and helping them seek redress with a trader in another EU country (or Iceland or Norway) if something goes wrong.

The European Consumer Centres network developed a 'Travel App' to help consumers exercise their rights while on holiday abroad, which registered approximately 100 000 contacts with consumers per year.

Online platforms were set up to encourage administrative cooperation for the application and enforcement of product safety legislation. They registered in 2017 a boost in rates of participation. For example, the Consumer Protection Cooperation knowledge exchange platform, has seen a 28 % increase in the number of exchanges from officials since 2016:

- The EU-wide Online Dispute Resolution platform established in 2016 continued to reinforce consumer rights through access to simple, expedient and low-cost dispute resolution. The platform enables consumers and traders to settle their online disputes about domestic and cross-border online purchases without going to court. In 2017, confidence in the system improved with the number of cases received totalling 52 735. According to a survey about 44 % of complaints were solved outside of the platform through a direct contact between consumers and traders initiated by the platform.

- The E-enforcement academy set up in 2017 to boost the Consumer Protection Cooperation and product safety networks' ability to conduct online investigations has already gathered 158 officials in its first year operation.

- The Rapid Alert System for dangerous non-food products has continued to facilitate the exchange of information between Member States and the Commission on measures taken against dangerous products. In 2017, national authorities circulated 2 201 alerts on dangerous products through the system providing consumers with quick access to information on unsafe products sold in the EU. The alerts in 2017 also prompted nearly 4 000 follow-up actions in other Member States, showing a close collaboration by national authorities towards the common goal of keeping the market safe and protecting EU consumers. Toys, cars and motorcycles top the list of dangerous products detected and removed from the market.

The interim evaluation of the Programme is on-going and the first results show a general satisfaction of the stakeholders in terms of relevance and effectiveness of the activities. Overall the objectives and priorities of the Consumer Programme are assessed as being still fully relevant and should be continued. However, several areas for improvement have been identified, in particular the limited programme 's flexibility to be able to respond to policy needs on short notice, suboptimal planning process which should also cater for the possibility to react fast to new policy demands or market developments and scope for improving links to third countries (especially in the area of enforcement).

Food and Feed

The food and feed programme is contributing to a high level of health for humans, animals and plants along the food chain. It supports actions preventing and eradicating diseases and pests and ensuring a high level of protection for consumers and the food and feed industry and favouring the creation of jobs. The 2017 mid-term evaluation of the food and feed programme[72] confirmed its relevance and that it is well functioning environment. 'At the same time, the support the programme provided should also help make the Union more competitive in this field. In 2017, the implementation of the 130 national veterinary programmes, co-financed with EUR 150 million under the Food and Feed programme, progressed as foreseen. These programmes target transmissible, often epidemic animal diseases and have a direct impact on public health because of food safety issues and because some animal borne diseases are transmissible to humans. Furthermore, animal disease outbreaks can trigger significant economic costs through loss of internal EU and export markets and the direct cost of disease control on the EU and Member States' budgets. However, disease eradication is a long-term exercise that requires continuous and consistent effort over a long period of time.

In 2017, there have been new intrusions of the African swine fever disease in new areas of Poland and in new Member States (Czech Republic and Romania) linked to human activities and not to the natural way of disease spread by wild boar movement. The EU well-targeted and multifaceted response to the African swine fever outbreaks kept the negative effects limited while the epidemics could have had devastating effects on animal health and on the sustainability of the sector. Containment of the disease in the EU has no equivalent in other non-EU affected countries where the disease spread thousands of kilometers in a few years.

Also in 2017, 24 national survey programmes for organisms harmful to plants were co-financed (+7 compared to 2015) to ensure early detection and eradication of pest outbreaks. Globalisation of the plant trade together with the climate change have substantially increased the risk of plant pest infestation. Thus, early detection and control is essential to mitigate the trade and the economic consequences.

In addition to the co-financing of the national programmes, EU financial support to emergency measures is on-going in order to contain animal diseases and pest outbreaks at an early stage. A severe outbreak of Avian Influenza in 2016/17 necessitated a major financial contribution exceeding EUR 100 million. The Avian Influenza virus is propagated by movement of wild birds; its spread, therefore, cannot be controlled. Early containment is important as outbreaks can come at a huge cost for the EU budget, the national budgets, and the farming community if not treated immediately and spiral out of control.

Cost-effectiveness indicators for the programme are still missing; projects have been established in 2017 to establish them.

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 EU citizens and reducing health inequalities, encouraging innovation in health and increasing the sustainability of health systems. The 2017 mid-term evaluation of the Health Programme[73] confirmed the relevance of the programme and the effectiveness of the simplifications introduced compared to its predecessor programme. The evaluation recommended strengthening efforts to achieve EU-added value and increase synergies and ensure the upscale of significant results through cooperation with other EU financial instruments

In 2017 new Joint Health Actions have been launched for Member States' cooperation. These Joint Actions cover topics such as health inequalities, Innovative Partnership on Action against Cancer, vaccination, preparedness at entry points for refugees and migrants, actions supporting the eHealth Network, and on sustainable EU health information systems. These actions should allow for a better and quicker transfer of knowledge and information sharing necessary to the development of policies at national level.

In 2017 a Framework Partnership Agreement has been launched with non-governmental bodies active in the health areas. Those non-governmental bodies are expected to assist the Commission with the information and advice necessary for the development of health policies and the implementation of the Health Programme objectives and priorities. The support of these non-governmental bodies is warranted given the contribution they can bring to increased health literacy, the promotion of healthy life styles and the organisation of public consultations on science policy. Non-governmental bodies also contribute to the optimisation of healthcare activities and practices by providing feedback from patients and facilitating communication with them.

In 2017, the first of the 24 European virtual networks serving patients with rare and complex diseases are up and running. These European Reference Networks involve 900 highly specialised health care units from over 300 hospitals in 26 EU countries concentrating knowledge and resources.

Patients can be referred to the relevant European Reference Network member in their country by their healthcare provider. These then convene a 'virtual advisory board' of medical specialists providing diagnosis and advice on the best treatment for their specific condition.

Creative Europe

The Creative Europe Programme provides EUR 1.46 billion to support the European cultural and creative sectors, in particular audio-visual, in order to promote cultural and linguistic diversity and stimulate European competitiveness. Creative Europe aims to unlock the potential for growth by overcoming the obstacles created by fragmented markets, responding to fierce international competition and adapting to the digital transformation of society. The MEDIA sub-programme fosters the creation and distribution of audio-visual content (films, TV series and videos).

In 2017, the Programme progressed as foreseen with nearly 100 % of the final budget being reached in both commitments and payments. A total of 5 025 applications were submitted of which 2 317 projects were selected for funding.

Under the Culture sub-programme, the success rate for cooperation projects rose slightly from 13.96 % in the period 2014-2017 to 14.78 % in 2017, indicating a continuous high demand for EU support and a high number of excluded quality projects due to limited funds. In addition to this, more emphasis was placed on selecting organisations representing a broader range of sectors covering areas so far not reached, such as digital arts and photocopy.

In 2017, the Programme also expanded in the number of participating countries, with the first Mediterranean neighbour, Tunisia, joining and two other countries ready to sign their agreement in the first half of 2018 (Armenia and Kosovo). This represents a clear indication of the relevance of the Programme as a useful tool for cultural diplomacy and the recent EU strategy on the role of culture in EU external relations.

Preliminary results from the mid-term evaluation of the Programme confirm its added value. Creative Europe has contributed to delivering the EU policy agenda, stimulating investment and job creation (3 000 jobs created over 2014-2016) and deepening the internal market especially through greater circulation of creative content. It finds that the implementation is on the right track to deliver on the Programme's objectives. Strengthening the financial capacity of cultural and creative small and medium sized enterprises also proved highly relevant in meeting the financial needs of cultural and creative sectors. Moreover, the added value of the Programme was recognised in the transnational character of its actions that create positive effects through exchanges, networks and partnerships. However, preliminary findings suggest that the Programme is not sufficiently flexible enough to fully reap the opportunities offered by the digital shift (e.g. digital creation and distribution, reinforced engagement with audiences, accessing new markets or big data). While cost-effectiveness is satisfactory, there is scope for further streamlining application and implementation to reduce costs. The mid-term evaluation also identified the need to develop a comprehensive performance monitoring framework consisting of a set of indicators which are closely related to the objectives of the programme, both in terms of the outputs and benefits for beneficiaries as well as the wider, more long-term cultural, economic and social impacts.

In 2017, the MEDIA sub-programme helped increase the visibility of European films. Over 400 European films were distributed across borders, reaching audiences of 65 million people per year. Iso, a network of over 1 000 cinemas in 33 countries was supported, focusing on European films.

The quality of films also gained international recognition. For instance, at the Cannes Film Festival, 'The Square' won the Palme d'Or, while at the Oscars 'Call me by your name' won the prize for best-adapted screenplay. According to the mid-term evaluation, the impact of MEDIA would be further strengthened through increasing collaboration and flexibility in the support schemes, as well as focusing on scaling up of the audiovisual industry.

The newly established Cultural and Creative Sectors' Guarantee Facility has helped cultural and creative small and medium-sized enterprises, which have difficulties accessing loans due to the intangible nature of their assets. From its launch in 2016 to end 2017, eight financial intermediaries in six countries had already participated, demonstrating the relevance of this instrument.

As of the second half of 2017, 161 small and medium-sized enterprises received loans for a total value of EUR 32 million, for over 200 projects employing more than 900 people. A top-up of EUR 60 million, equivalent to 50 % of the total budget, was provided already in 2017 allowing a quicker deployment of guarantee support.

The Guarantee Facility, aimed at addressing the financing gap for small and medium enterprises in the cultural and creative sectors received strong demand in 2017. Approximately 500 loans were awarded to beneficiaries from Spain, France, Romania, Czech Republic, Belgium and Italy. Given this strong market demand, the European Fund for Strategic Investment was mobilized to top-up the Guarantee Facility by EUR 60 million.

1.5. Global Europe (Budget Heading 4)[74]

EUR 10.7 billion of budget commitment appropriations have been allocated to the programmes under Heading 4, which represents 7 % of the total 2017 EU budget. EU development assistance is strengthened by the European Development Fund, which is not financed from the EU budget but from direct contributions from EU Member States.

Heading 4 of the financial framework covers all external actions undertaken by the Commission and covers a broad spectrum of actions such as development assistance, pre-accession assistance and humanitarian aid. Additionally actions contributing to stability and peace, the promotion of human rights, election observation missions and many others are included under this heading.

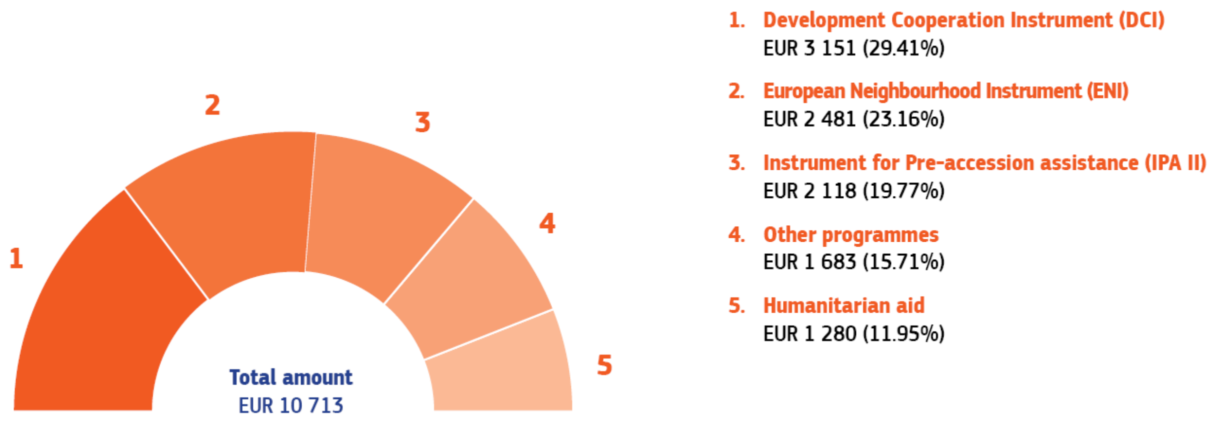


Chart: Main programmes financed in 2017 under Heading 4. Other programmes include amongst others the Partnership Instrument, the Instrument contributing to Stability and Peace, the Common Foreign and Security Policy, the Guarantee Fund for External Actions, and the Instrument for Nuclear Safety Cooperation. All figures in EUR million.

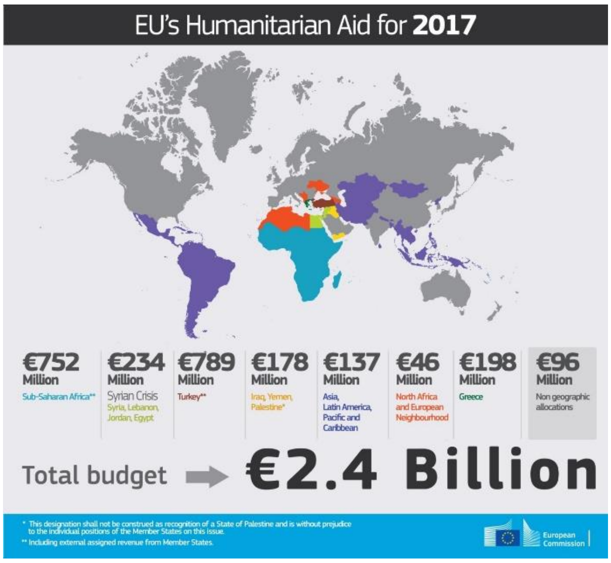
Support to the priorities of the European Commission

The programmes under Heading 4 contribute to the Juncker Commission priorities 'EU as a Global Actor' and 'Migration'. They also support in particular the external dimension of other Juncker Commission priorities such as 'A resilient Energy Union with a Forward Looking Climate Change Policy', 'Jobs Growth and Investments'; and 'An Area of Justice and Fundamental Rights based on Mutual Trust' which includes a strong focus on security.

Humanitarian aid

The EU and its Member States represent the world's largest humanitarian aid donor and thus play a key role in tackling humanitarian challenges by providing relief and protection to affected populations. The EU's Humanitarian Aid Programme supports the most vulnerable populations in countries experiencing crisis, including so-called 'forgotten crises' (crises with limited media attention and poor coverage).

In 2017 the EU provided over EUR 2.2 billion in aid[75] to more than 80 countries. More than 50 % of this was directed to the most vulnerable countries, as determined through risk assessment analysis.



EU humanitarian aid 2017

In 2017, the EU dedicated 6 % of its annual humanitarian aid budget to education in emergencies, one of the most underfunded sectors of humanitarian aid. Nearly 4.7 million children in 52 countries around the world have benefited from EU funding between 2012 and 2017[76].

Over the period 2012 – 2016, EU humanitarian aid mainly focused on the following sectors: food security and livelihoods (over 30 % of total for the period), health (over 12 %), nutrition (over 10 %), shelter and settlement (over 9 %), and water sanitation and hygiene (over 9 %)[77].

Iraq crisis

In 2017 the EU stepped up its response for the humanitarian crisis in Iraq. Almost a third of the country's population was, at the end of 2017, in need of humanitarian aid. The EU continued to be a leading donor with a total of EUR 82.5 million of support provided in 2017. This financial aid was focused on providing lifesaving aid to civilians in all active conflict areas and facilitating medical evacuation of the wounded and sick and for the provision of emergency medical services.

Horn of Africa Drought crisis

The region known as the Horn of Africa faces multiple challenges, both in terms of internally displaced persons and refugees, with high food insecurity the leading factor. After 2016, a year marked by drought and floods, 2017 saw the worst drought since 2011 affecting the entire region. In response to this the EU allocated EUR 185 million in 2017 for aid in the Horn of Africa.

Rohingya crisis (Myanmar/Bangladesh)

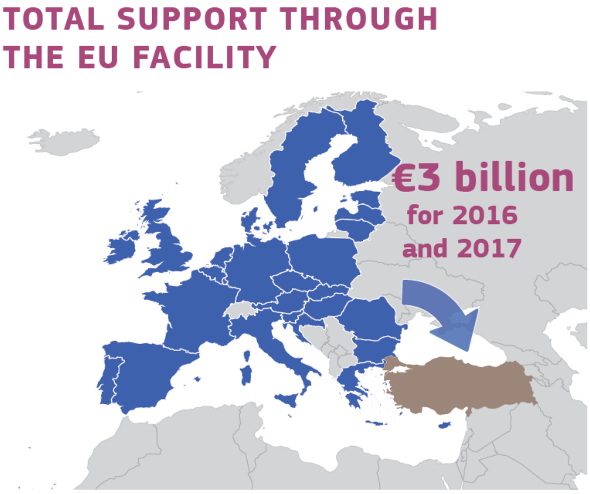
Over 688 000 Rohingya sought refuge across the border from the Rakhine State in Cox's Bazar, Bangladesh, bringing the total number of Rohingya refugees in Bangladesh close to one million people. In response, a UN pledging conference on the Rohingya Refugee Crisis was organised in 2017, resulting in total pledges of USD 345 million for Rohingya refugees. With some EUR 136 million, the EU and its Member States accounted for over 50 % of the total.

Syrian crisis

The European Union continues to deliver life-saving assistance and support to millions of people across Syria and the region. The assistance contributed to the vital delivery of food, medicine, water, and shelter for millions of Syrians directly affected and/or internally displaced by the conflict. In neighbouring Lebanon, EU funding has contributed to assistance for most vulnerable refugees, secondary healthcare for life-saving cases, non-formal education and shelter – including water, hygiene and sanitation – to improve the living conditions of the vulnerable families mostly affected by the displacement.

In 2017, a comprehensive evaluation of the EU's humanitarian aid actions between 2012 and 2016 was carried out. Preliminary findings highlight that the humanitarian actions funded were overall needs-based and implemented in line with humanitarian principles. The actions made an important contribution to the core objectives to save lives, reduce morbidity and suffering as well as improve dignity of life of the populations affected by disasters. Preliminary findings further point to the fact that the scale of funding allowed the EU to have a real impact on the ground, addressing the needs of a significant number of beneficiaries in a large number of countries and regions.

The Facility for Refugees in Turkey



Total support through the EU facility

This facility was established in January 2016, continued to provide for a joint coordination mechanism of existing instruments and to ensure that the needs of refugees and host communities in Turkey are addressed in a comprehensive and coordinated manner.

Despite challenging circumstances, EUR 3 billion was contracted and EUR 1.85 billion disbursed as humanitarian and non-humanitarian assistance in 2017.

The facility continued to implement the Emergency Social Safety Net (ESSN) a single card social assistance scheme that by the end of 2017 had reached over 1.2 million of the most vulnerable refugees in Turkey, helping them meet their most pressing basic needs.

Other multi-sectoral activities in particular in the areas of health, protection and education in emergencies, also being supported in Turkey,as a result of this:

Half a million refugee children with access to education, two million refugees with primary healthcare services and one million with rehabilitative mental health services[88].

European Instrument for Democracy and Human Rights

This Instrument has a key role in the promotion and protection of democracy and human rights by working mainly with and in support of civil society and its actions. In light of the results achieved between 2007 and 2013, EU support to Human Rights and Human Rights Defenders organisations for the 2014-2020 was increased. The success and performance of the emergency support to Human Rights and Human Rights Defenders at risk, considered as a flagship of the Instrument's activities, turned into an increasing number of requests.

Since 2014, a growing number of small grants were awarded providing emergency support to over 870 Human Rights and Human Rights Defenders and their families of which 107 was in 2017.

The Mid-Term evaluation[78], completed in December 2017, confirms that the European Instrument for Democracy and Human Rights is on track to deliver on its objectives and commitments and that it remains an enabling, flexible and responsive instrument to protect and promote human rights and democracy worldwide. Support to democracy and human rights is also provided under other EU External Financing Instruments, but the specific features enable it to operate where the others do not or cannot, as well as at a different level through civil society. The evaluation found that the in-built flexibility of the programme is not always used to its full extent and that the call for proposals process is considered lengthy, burdensome and over-competitive by civil society organisations.

Instrument for Nuclear Safety Cooperation

The Instrument for Nuclear Safety Cooperation is meant to promote in third countries a nuclear safety culture, the safe management of radioactive waste and spent fuel and effective safeguards of nuclear material.

The first project supporting the Iranian Nuclear Regulatory Authority has been kicked-off in July 2017 and is running smoothly. A second project supporting the implementation of the stress tests exercise at the Bushehr nuclear power plant has been contracted at the end of 2017 and will start in April 2018.

A follow-up project has been agreed with Iran in 2017, in compliance with the EU commitment to the implementation of the Joint Comprehensive Plan of Action; it will be contracted in the second half of 2018.

Successful engagement with Turkey has been achieved in 2017 with the contracting of a project supporting capacity building for the nuclear regulatory authority in view of the decision to introduce nuclear energy in the national energy mix. The kick-off meeting has been held in January 2018.

According to the Mid-Term evaluation concluded in 2017[79], the highly technical content and the focus on transfer of know-how with an international outreach is appropriate. Moreover, the Instrument is aligned with nuclear safety priorities expressed in the EURATOM Directives and in the relevant international treaties. EU cross-cutting issues such as protecting the environment and good governance are directly addressed or mainstreamed in interventions.

Instrument contributing to Stability and Peace

Since the beginning of the Syrian crisis, over EUR 200 million has been allocated under this instrument and its predecessor, the Instrument for Stability, to support crisis response measures inside Syria and in the neighbouring countries affected by the conflict. This assistance has included delivery of non-humanitarian assistance to the population in Syria, support to dialogue initiatives, transitional justice and countering violent extremism, and support to refugees, host governments and host populations in Syria, Lebanon, Jordan, Iraq and Turkey.

In 2017, three new programmes were adopted. The first phase of the Syria Peace Support Initiative supported UN-brokered international mediation efforts. The Instrument contributing to Stability and Peace also expanded its commitment of support to transitional justice and accountability with targeted support to the International Commission on Missing Persons as well as providing support to the International, Impartial and Independent Mechanism on international crimes committed in Syria. Finally, the Instrument contributing to Stability and Peace also provides support for education in opposition-held areas.

In addition to the Colombian Peace Process, the Syria Peace Support Initiative and the Kosovo-Serbia Dialogue, the Instrument contributing to Stability and Peace also engaged in supporting other peace processes, dialogue and mediation activities in 2017, with targeted actions supporting the work of the committee on the peace accord in Mali, but also in Afghanistan, Libya, Turkey, Yemen, Iraq, the Central African Republic, in Senegal (Casamance), in the Niger Delta region of Nigeria, between Tebou and Touaregs communities in Niger, and in between Guatemala and Belize. It also included support to the regional initiatives by the African Union in Sudan and in South Sudan. For Colombia, after the rejection of the Agreement for the termination of the conflict in a plebiscite in October, a new Financing Decision of EUR 8 million was urgently required to safeguard the gains achieved through the peace negotiations and enable a potential Peace Agreement to succeed.

With three new programmes in the Western Balkans, the Instrument continues the stabilisation efforts in the immediate EU neighbourhood. In 2017, the programme engaged upon confidence building in Kosovo through the protection of cultural heritage. Directly in line with the EU's efforts, it is also supporting dialogue between Belgrade and Pristina as well as mine clearance related action in Bosnia and Herzegovina.

The 'European New Training Initiative' ensures high level pre-deployment training for participation in EU civilian stabilisation missions and in international civilian crisis management missions. In 2017 the project has continued and increased the cooperation with the European Security and Defence College allowing the alignment and integration of the respective training activities. The project has also increased the synergies and the cooperation on delivery of in-country training in particular with the EU missions but also with other International organisations such as the UN Department of Peace-Keeping Operations and the European Policy College.

The Civil Society Dialogue Network has increased the visibility and access of civil society organisations (including from third countries) vis-á-vis international multilateral organisations and national authorities in particular where the dialogue between authorities and civil society organisations is more difficult. Conferences, debates, and dialogues have been organised on a wide range of peace-building related topics and specific geographic countries/regions. The programme has directly supported actions in local Civil Society Organisations in third countries to perform their roles as independent peace-building actors. This support has increased grassroots civil society capacity to engage in peace-building and conflict prevention actions. Civil Society Organisations' intervenes when other instruments cannot intervene. This was the case, in 2017, of specific grants in Burundi and Venezuela.

Progress in the area of Preventing and Countering Violent Extremism in 2017 was particularly notable. Strengthening Resilience against Violent Extremism Horn of Africa has contributed to advancing the prevention and terrorism-countering efforts in the area through a number of pilot approaches. Among others, Strengthening Resilience against Violent Extremism activities in Kenya have generated knowledge and lessons learned on drivers of violent extremism in the country, which has fed into and informed on the development of the National Strategy to Counter Violent Extremism in Kenya, launched in September 2016. In the area of youth engagement the 'peer to peer approach' to tackle the issue of violent extremism at both community and global level has proved to be very effective.

Following the examples of the 10 young leaders of the EU funded project 'Extremely Together' implemented by the Kofi Annan Foundation, many youths around the world have started mobilising against violent extremism by using the Extremely Together guide within their communities and ask to join similar initiatives. In addition, as an example of the impact that the project has produced on the 10 young leader's life, Fatima Zaman was awarded the top Asian Woman of Achievement Award in May 2017 for the most outstanding candidate across all categories for her work with the Kofi Annan Foundation among others.

The Mid-Term evaluation of December 2017[80] confirms that the Instrument is found to be efficient due to its defining characteristics of speed and flexibility of action and due to its added value; it performs a unique function of crisis response and conflict prevention, triggered by EU political priorities, contextual needs and opportunities in fragile and conflict-affected contexts. Moreover, it successfully provided complementarities and synergies within the wider set of the EU External Financing Instruments and revealed effective when delivering on its objectives and commitments. The evaluation also pointed to a number of challenges to be addressed such as for example the need to engage meaningfully with all relevant actors in the security sector including the military. A new Regulation was adopted in 2017[81] to tackle this issue given that military actors are often key to ending a conflict. Findings also suggest that important contributions to the mainstreaming of conflict prevention, democracy and good governance are being achieved; underlining however that more could still be done to mainstream gender and human rights.

Partnership Instrument

Actions under the Partnership Programme enhance the ability of the EU to project its interests abroad and engage internationally on issues of global concern, fostering partnerships with strategic partners and beyond, underpinning peer-to-peer relationships, influencing partners' policy making and contributing to building global alliances and a level playing field. Activities underpin the growing recognition of the EU's key role on climate change, environment and energy while also advancing cooperation on responsible business conduct and security.

The Mid-Term Review of the EU External Financing Instruments[82] concluded that the PI has effectively influenced policy/political processes in partner countries in line with EU interests and has contributed to development of mutually beneficial relationships with partner countries. The mid-term evaluation on the Partnership Instrument[83], supported by an external evaluation[84] confirmed that the Instrument is a directly relevant tool to support the EU's bilateral, regional and multilateral agenda as set out in the EU's Global Strategy and in line with several EU international commitments (notably Agenda 2030). The programming of the Instrument is focused on EU strategic objectives and interests, and its implementation is flexible to make it responsive to challenges, policy priorities and opportunities that have newly emerged or evolved since the Instrument was first created.

2017 has been a productive year for the Partnership Instrument which has now reached full implementation speed. Contracting for the Annual Action Plans 2014, 2015 and 2016 has been completed, and formulation of the Annual Action Plan 2017 was finalised. This gives a total to date of 81 stand-alone actions, which were complemented by 82 Policy Support Facility and 56 TAIEX short-term actions. In total, EUR 111 million were committed in 2017 under the Partnership Instrument.

Notably, in 2017 the Partnership Instrument strengthened engagement between the EU and economic and business stakeholders with a view to opening up market access and ensuring a level playing field for EU companies. Under this objective, three actions were adopted covering the areas of civil society involvement in trade agreements and business-related policy dialogues. With a view to realise the external dimension of the Europe 2020 strategy as well as for the strengthening of the EU's political relationship with partners more broadly, six stand-alone actions were adopted in 2017, with a special accent on the themes of Responsible Business Conduct and Economic Empowerment of Women. In 2017, one public diplomacy action was adopted in 2017 covering academic cooperation and outreach under Jean Monnet and civil society engagement in Indonesia and Russia.

EU-India cooperation on ICT-related standardisation, policy and legislation: India is a strategic economic partner for the EU and a key player both in the South Asia region and at global level. Significant market access barriers exist in the Indian ICT sector and there is a risk that additional India-specific ICT standards could result in further market access barriers for European companies. The action is a clear example of how the PI supports mutually beneficial objectives. The project helped facilitate collaboration on standard setting and capacity building with a view to supporting the realisation of a digital society / the Digital Agenda. Furthermore, it acted as a catalyst for an active dialogue between EU and Indian experts from the public and the private sectors, leading to the identification of priority areas (including 5G and Intelligent Transport Systems) of cooperation.

The EU-Australia Leadership Forum is a comprehensive tool of engagement to raise the profile and the importance of the EU-Australia relations across all sectors of Government including the Parliament as well as business, civil society, academia and the media. Specifically, it aims to effectively inform the formal agenda of the EU-Australia relations as well as to enrich the Senior Official Dialogues, through provision of ideas and informed input.

Instrument for Pre-Accession II

The Instrument contributes to the reinforcement of cooperation with Western Balkans, a key strategy highlighted in President Juncker's State of the Union address. Given the complexity of the reforms required, no countries have transitioned out of the early stage of preparation, both in terms of the political criteria (issues such as judiciary, fighting organised crime, freedom of expression, fight against corruption and public administration reform), and as regards alignment with the economic criteria. Throughout 2017, the EU continued to work in favour of improved transport connectivity within the Western Balkans and with the EU, and improved relations among enlargement countries. The EU supported concrete investments in the Western Balkans Six (Albania, Bosnia and Herzegovina, Kosovo, Former Yugoslav Republic of Macedonia, Montenegro, Serbia) transport and energy networks with the purpose of creating a regional environment conducive to economic growth and job creation.

The connectivity package endorsed at the Trieste Summit in July 2017[85] included seven new projects financed by the Western Balkans Investment Framework for a total grant size of EUR 194 million, leveraging EUR 500 million in investments.

As the Mid-Term evaluation[86] of the instrument for Pre-Accession II shows, the overall objectives and design of the Instrument are in line with EU priorities and beneficiary needs. Compared to its predecessor, the current Instrument presents a stronger focus on key reforms required for the EU accession. In addition, it is more strategic and results-oriented, and has allowed greater leverage of other donors' funds[87]. However, the involvement of the civil society organisations during the implementation of this Instrument remains limited. The evaluation further underlined that while complementarity with other instruments (notably the European Instrument for Democracy and Human Rights and the Instrument contributing to Stability and Peace) is good, further coordination is needed during both the planning and programming phases.

Development and Cooperation Instrument

The Instrument's overall objective is to eradicate poverty in partner countries and provide a long-term response to global challenges. It includes the Global Public Goods and Challenges programme and the Civil Society and Local Authorities programme. The independent mid-term review of the Development and Cooperation Instrument concluded that the Global Public Goods and Challenges programme is highly relevant and coherent with stated EU policy objectives. It also highlighted the importance of the strong emphasis the Civil Society and Local Authorities programme has on improving governance and strengthening the rule of law by engaging civil society and work on Civil society roadmaps by EU Delegations. Those programmes build on a longstanding EU tradition of providing transversal thematic instruments, satisfying the need to focus strategically on core EU priorities, to have a flexible tool to complement geographic interventions or to target.

Within the Pan-African Programme, the Development and Cooperation Instrument Budget financed programmes contributing to the five strategic areas of the Multi-Annual Indicative Programme, in line with the Joint Africa - EU Strategy Roadmap 2014-2017. Over 2014-2017, 32 actions for an amount of EUR 401.65 million contributed in particular to the strategic areas 'sustainable and inclusive Growth' (42 %) and 'Human Development' (42 %), as well as 'global issues' (13 %), 'Democracy, Good Governance and human rights' (12 %) and Peace and Security (4 %).

Increased financial and technical support is provided to internally displaced persons, refugees and host communities in Afghanistan, Pakistan, Bangladesh, Iran and Iraq.

In total, EUR 287 560 500 was committed under special measures in 2016 and 2017 to support the above countries, specifically, in addressing challenges related to migration and forced displacement.

A focus of these interventions is on strengthening cooperation with these partner governments over supporting returnees. In 2017, decisions dating from 2012 and 2013 that had been suspended in 2014 due to the ongoing conflict were substantially amended and re-activated.

The Mid-Term evaluation completed in December 2017[89] shows that the Instrument is largely on track to deliver on its objectives and commitments. The added value is apparent through the Instrument's ability to lead on joint actions with Member States. The

Instrument also helped to leverage significant resources through blending, however leveraging political and policy engagement has shown mixed results. Despite the simplification undergone with the new set of External Financing Instruments, some users still view this Instrument as administratively burdensome.

71 partner countries either developed and/or implemented climate change strategies, to help them adapt to global changes such as climate change and ecosystem degradation.

3 448 000 hectares of agricultural and pastoral ecosystems were managed by sustainable land management practices to reverse the degradation of agricultural ecosystems in partner countries caused by factors such as climate change.

10 485 000 women of reproductive age and children under five benefited from nutrition-related programmes.

11 481 000 food-insecure people received assistance through social transfers.

401 000 individuals benefited directly from justice, rule of law and security sector reform programmes

1 373 000 people benefited directly from programmes that specifically aimed to support civilian post-conflict peace building and/or conflict prevention

European Neighbourhood Instrument

The **European Neighbourhood Instrument** is the main financial instrument for implementing the European Neighbourhood Policy. The instrument provides the bulk of EU funding to the 16 European Neighbourhood Policy partner countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Syria[90], Palestine[91], Tunisia, and Ukraine.

In 2017, EUR 2.5 billion was committed for bilateral, regional and cross-border cooperation programmes (including projects via the EU Trust Fund in Response to the Syrian crisis,, the North of Africa Window of the EU Trust Fund for Africa and the Neighbourhood Investment Facility), contributing to the policy objectives of the renewed European Neighbourhood Policy, which also stresses the need for more effective delivery and greater flexibility in the use of EU financial assistance.

2017 saw major progress with EU partners' countries in the Eastern Partnership: Armenia has concluded a Comprehensive and Enhanced Partnership Agreement with the EU and has adopted joint EU-Armenia Partnership Priorities.; a new agreement is being negotiated with Azerbaijan; negotiations on joint Partnership Priorities are ongoing and Belarus is close to finalising joint Partnership Priorities with the EU.

Two major milestones were reached with Ukraine, with the adoption of the visa-free regime for Ukrainian Citizens traveling to Europe and the ratification and full entry into force of the Association Agreement including the Deep and Comprehensive Free Trade Agreement. In the Southern Neighbourhood, new Partnership Priorities with Egypt were adopted in July 2017 and focus on economy and social development, foreign policy partnership and the enhancement of stability. New Partnership Priorities with Algeria were adopted in March 2017 and focus on governance and rule of law, socio-economic development and trade with EU, energy and environment, security, the human dimension and migration/mobility. On Palestine, throughout 2017, the Commission had several rounds of preparatory talks on future Partnership Priorities, which could soon turn into formal negotiations. On Israel, formal Partnership Priority negotiations with Israel could be launched. EU and Tunisia started developing joint Strategic Priorities in view of their joint endorsement at the Association Council foreseen in May 2018. The existence of a dedicated financial instrument for the neighbourhood has been one of the most concrete pieces of evidence translating the political importance attached to the region by the EU. However, as argued in the Mid-Term evaluation of December 2017[92], the Instrument's assistance has allowed to keep supporting structural reforms but at times limited the scope for adjusting the EU financial response to pressing needs. Despite increasing differentiation, the complex political environment in some

Neighbourhood countries means that the implementation of the European Neighbourhood Instrument before the European Neighbourhood Policy review has not been equally effective in all countries. Also, the implementation of the incentive-based approach resulted in significantly higher financial resources to those partners that have made the strongest progress on political reforms. The review of the European Neighbourhood Policy in 2015 introduced a new approach which directly addressed some of the concerns raised in the context of the Mid-Term Evaluation. In particular, it introduced greater respect for the diverse aspirations of the EU's partners; more effective pursuit of areas of mutual interest; new working methods to support a greater sense of ownership by the partners and greater involvement and shared responsibility by the Member States; as well as greater flexibility of financial assistance. 2017 saw the second year of implementation of the revised European Neighbourhood Policy and the adoption of a Joint Communication on developments in the neighbourhood and implementation of the European Neighbourhood Policy review in May 2017[93].

An increasing share of the EU's non-humanitarian aid for Syria's neighbouring countries is provided through the **EU Regional Trust Fund in Response to the Syrian crisis, the 'Madad Fund'.**

Large programmes focusing on education, livelihoods, health, socio-economic support, water and waste water infrastructure – benefitting both refugees and their host communities - have already been approved by the Fund's Board, for a total of more than EUR 1.2 billion. Of this, EUR 920 million have been contracted in over 46 projects to the Trust Fund's implementing partners on the ground, now reaching more than 2 million beneficiaries[94].

In 2017, the Fund passed the one-billion-euro goal, set by President Juncker in September 2015. In 2017, the focus of migration shifted to the Central Mediterranean route. Libya remained the main country of departure towards Italy.

The first 21 projects of the 'Madad' Fund are already showing results:

453,552 refugee and host community children and youth obtain improved access to quality education, protection, and psycho-social support.

253 schools and education facilities are constructed and renovated.

28,520 refugee and host community youth are gaining access to higher and further education and

vocational training, among which 4,437 full scholarships and 6,126 language trainings.

Access to quality emergency health, maternal and child care for Syrian refugees and host communities is improved:

209,000 vulnerable beneficiaries receive medical care and essential medicines.

462,491 refugees and members of host communities improve their economic self-reliance and livelihoods through different vocational, employability and skills trainings, support to small and medium sized enterprises and access to the job market.

In 2017, Libya remained the main country of departure towards Italy. As a response, the pace of implementation of the **North of Africa window** of the **EU Trust Fund for Africa** increased considerably with eight new programs approved for a total amount of EUR 232.5 million, as well as one cross-window program for EUR 8.6 million.

External Guarantee Fund

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.

The objective of the **External Lending Mandate** of the European Investment Bank is to support small and medium sized enterprises in targeted third countries, to enhance the development of social and economic infrastructure, and to support projects related to climate change. The coverage of the EU guarantee allows the European Investment Bank to conduct operations outside the Union while limiting its risk exposure and thus preserving its creditworthiness. In 2017, for a total amount of EUR 3.95 billion projects were signed, of which 2.3 billion for the private sector projects directed to the long-term economic resilience of refugees, migrants, host and transit communities and communities of origin

The mid-term evaluation of the European guarantee to the External Lending Mandate of the European Investment Bank[95] that took place in 2016, found that all the operations launched under the current External Lending Mandate since its inception in July 2014 are fully aligned with the high-level objectives set out in the External Lending Mandate Decision. It also found that the objectives themselves are aligned with the Sustainable Development Goals and that the External Lending Mandate has supported the EU external policy agenda, showing sufficient flexibility and reactivity to new geopolitical challenges as demonstrated through the cases of Syria, Ukraine (the Ukrainian crisis), Egypt and Morocco (the Arab Spring) and Jordan (the refugee crisis). Moreover, the evaluation concluded that the External Lending Mandate has substantially contributed to the EU's climate change-related objectives, especially in terms of climate change mitigation.

The External Lending Mandate operations had allowed a saving of an estimated 1.35 Metric tons of CO_2-equivalents per year of greenhouse gas emissions through the operations signed between July 2014 and December 2015.

Macro-Financial Assistance has gained increasing prominence in the EU's external toolbox.

Since 2014, around EUR 3.66 billion has been already disbursed and other EUR 500 million has been committed for and is expected to be disbursed between 2018 and 2019.

The EU can encourage specific economic adjustments in countries that are geographically close to the EU dealing with serious balance-of-payments difficulties and therefore receive support from the International Monetary Fund.

During the course of 2017, three Macro-Financial Assistance loan operations have been completed: Georgia II (EUR 46 million), Tunisia I (EUR 300 million) and Ukraine III (EUR 1.2 billion). Two Macro-Financial Assistance operations, adopted by the co-legislators in 2016, have not been fully implemented yet: Jordan II (EUR 200 million) and Tunisia II (EUR 500 million). A Macro-Financial Assistance operation adopted in 2017 is yet to be disbursed: Moldova (EUR 100 million).

The Macro-Financial Assistance country-specific evaluation reports[96] so far conclude that Macro-Financial Assistance operations have contributed to restoring macroeconomic stability and returning the external financial situation of beneficiary countries on a sustainable path, whilst underpinning economic adjustments and structural reforms in the medium term through conditionality.

However, given its specificities, Macro-Financial Assistance cannot be linked directly to identifiable outputs, and its concrete economic achievements are therefore difficult to assess

European Fund for Sustainable Development

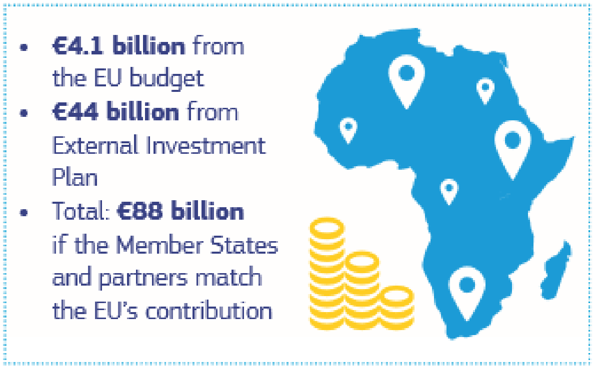


Figure: Budget breakdown of European Fund for Sustainable Investment

In 2017, an agreement on the **European Fund for Sustainable Development,** part of the External Investment Plan was reached. The first agreements with the financial institutions are expected to be signed in 2018. The response to the call for proposals for the first two Investment Windows was very positive. The Commission received 30 proposals from 12 partner institutions for a total value above EUR 2.5 billion, thus exceeding the current entire capacity of the European Fund for Sustainable Development Guarantee by over EUR 1 billion.

1.6. Special instruments

The special instruments are designed to make the financial framework more flexible. They include:

- Emergency Aid Reserve
- EU Solidarity Fund
- Flexibility Instrument
- European Globalisation Adjustment Fund

Once more, the Commission had to make greatest use of the flexibility instruments to cope with challenges linked with investment and migration. For example it was necessary to mobilise the **Flexibility Instrument** by the amount of EUR 275 million to provide the financing for the European Fund for Sustainable Development. .

The European Union Solidarity Fund can be mobilised in the event of major and regional disasters upon application from the national authorities of the country concerned. Mid-2017, the Commission proposed to mobilise EUR 1.2 billion under the **EU Solidarity Fund**, the highest sum ever mobilised in a single instalment. This was a response to the request of the Italian government for financial support after the earthquakes of 2016 and 2017 in the Italian regions of Abruzzo, Lazio, Marche and Umbria.

In 2017, other applications received were: three cases from Spain (Murcia flooding 2016, Doñana fires 2017 and Galicia fires 2017), Portugal relating to the forest fires of 2017, two cases from Greece (Lesbos and Kos earthquake 2017), Poland for the storm of 2017, Latvia and Lithuania for the flooding of 2017 and relating to the hurricanes Irma and Maria of 2017.

From day one, the Commission provided support to address the immediate emergency situation and committed to stand side by side with Italy throughout the entire reconstruction process. The EU Solidarity Fund will support reconstruction operations and regenerate economic activity in the affected regions. The money can also be used to cover the costs of emergency services, temporary accommodations and clean-up operation, and of protection measures for cultural heritage sites, in order to relieve the financial burden borne by the Italian authorities at the time.

The **European Globalisation Adjustment Fund** intended to provide support to workers made redundant as a result of major structural changes in world trade patterns due to globalisation or the negative effects of the global economic and financial crisis.

Between 2014 and 2017 a total of 48 applications have been submitted by 11 Member States. Whereas 5 applications are still in the assessment or adoption phase, the other 40 applications met the funding criteria and therefore resulted in the mobilisation of almost EUR 128 million for more than 40 000 targeted workers.

Based on the final reports received in 2014, 2015 and 2016 it can be observed that on average 46 % to 47 % of the targeted workers have taken up new employment following intervention of the European Globalisation Adjustment Fund. As regards the final reports received in 2017, the re-employment rate is significantly higher and reaches 57 %.