



Council of the
European Union

Brussels, 7 July 2016
(OR. en)

11053/16

FIN 460

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	6 July 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2016) 446 final
Subject:	Report from the Commission to the European Parliament, the Council and the Court of Auditors: 2015 Annual Management and Performance Report for the EU Budget

Delegations will find attached document COM(2016) 446 final.

Encl.: COM(2016) 446 final



Strasbourg, 5.7.2016
COM(2016) 446 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT,
THE COUNCIL AND THE COURT OF AUDITORS**

2015 Annual Management and Performance Report for the EU Budget

Table of contents

INTRODUCTION	3
SECTION 1 PERFORMANCE AND RESULTS	6
1.1. Performance at the heart of the Juncker Commission	6
1.2. Summary account of progress	7
1.3 Competitiveness for Growth and Jobs (Budget Heading 1A)	9
1.3.1 Implementation of 2014-2020 programmes	10
1.3.2 Results of 2007-2013 MFF programmes	15
1.4 Economic, Social and Territorial Cohesion (Budget Heading 1B)	19
1.4.1 Implementation of 2014-2020 programmes	20
1.4.2 Results of 2007-2013 programmes	23
1.5 Sustainable Growth: Natural Resources (Budget Heading 2)	29
1.5.1 Implementation information on 2014-2020 programmes	30
1.5.2 Results of 2007-2013 programmes	32
1.6 Security and Citizenship (Budget Heading 3)	36
1.6.1 Implementation of 2014-2020 MFF programmes	37
1.6.2 Results of 2007-2013 MFF programmes	39
1.7 Global Europe (Budget Heading 4)	41
1.7.1 Implementation of 2014-2020 programmes	42
1.7.2 Results of 2007-2013 programmes	43
Conclusions on performance and results	46
SECTION 2 MANAGEMENT ACHIEVEMENTS	47
2.1 Achievement of internal control objectives	47
2.1.1. Managing legality and regularity risks: Amount at risk at closure	48
2.1.2. Control cost-effectiveness and simplification	52
2.1.3. Anti-fraud strategies	53
2.2 Management assurance	54
2.3 Assurance obtained through the work of the Internal Audit Service (IAS)	57
2.4 Follow-up of discharge and external audit recommendations	58
Conclusion on management achievements	59

Introduction

The **EU budget** enables Europeans, acting together, to tackle common challenges both at European and international level. Representing around 1 % of EU Gross National Income, and 2 % of public spending in the EU, the EU budget is used in conjunction with national budgets and other policy and regulatory tools at European level to help the Union achieve its strategic objectives. In particular, it contributes to delivering the **political priorities set out by President Juncker**. These priorities reflect the key challenges faced by Europe's economy and society and are the reference point for all the Commission's activities.¹ They are highly complementary to the goals of the **Europe 2020 jobs and growth strategy**, launched in 2010, which established a series of headline targets to be achieved by 2020 for employment, research and development, climate change and energy, education, poverty and social exclusion.² These common targets provide a roadmap for action at European level and also at national level, and are translated into orientations for Member States via the European Semester process.

The **Multiannual Financial Framework** (MFF) for 2014-2020 and the related financial programmes were designed to support delivery of the Europe 2020 targets. In order to reinforce the link between expenditure and political objectives, the 2014-2020 MFF includes a comprehensive set of performance indicators. These indicators make it possible to measure progress within each programme in terms of their outputs and their contribution to the final outcomes and impact on economic growth and the welfare of European citizens.

The **2015 Annual Management and Performance Report for the EU Budget** combines two former reports: the Evaluation Report produced in accordance with Article 318 of the Treaty on the Functioning of the European Union; and the Synthesis Report required by Article 66 (9) of the Financial Regulation.³ Bringing together information on the performance and management of the EU budget, the report provides a comprehensive overview of how the EU budget supports the Union's political priorities, and of the role the Commission plays in fostering a culture of performance and in ensuring and promoting the highest standards of budgetary management. Covering both compliance and results assessment, the report is an important part of the Commission's contribution to the annual budgetary discharge process.

The EU budget in 2015 – contributing to policy delivery and crisis response

During 2015, the Commission made **significant progress on the ten political priorities** identified in President Juncker's political guidelines.⁴ The EUR 315 billion Investment Plan for Europe is giving a much-needed boost to investment in jobs and growth. In addition, key strategic proposals in areas such as the Energy Union, Capital Markets Union and Digital Single Market have set out a path to a deeper, more open internal market and greater economic dynamism.

2015 was also a year in which the Commission responded swiftly and comprehensively to a series of major challenges for Europe's economy and society: the ongoing refugee crisis; terrorist attacks and instability in Europe's neighbourhood; high unemployment and a sluggish economic recovery; financial instability in Greece, and the

¹ <http://ec.europa.eu/avservices/photo/photoByPriorities.cfm?sitelang=en>

² http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm

³ http://ec.europa.eu/smart-regulation/evaluation/docs/syn_pub_rf_mode_en.pdf

'No later than 15 June each year, the Commission shall send to the European Parliament and the Council a summary of the annual activity reports for the preceding year. The annual activity report of each authorising officer by delegation shall also be made available to the European Parliament and the Council.'

⁴ The General Report on the activities of the European Union provides further detailed reporting: <http://publications.europa.eu/en/web/general-report>

economic impact of the Russian ban on agricultural and processed food exports. **This challenging context shaped how the EU budget was implemented throughout 2015.**

Addressing these immense challenges required a combination of political leadership and strategic use of the EU budget. In line with the political priorities, the EU budget was oriented towards maximising its contribution to jobs, growth and investment. The successful implementation of Horizon 2020 programmes, the frontloading of resources to fund financial instruments providing finance to SMEs, the acceleration of payments to support the Youth Employment Initiative, the mobilisation of the Erasmus+ programme, the establishment of the European Fund for Strategic Investments and the 'Solidarity Package' seeking to alleviate the situation of farmers illustrate how the budget was mobilised quickly and effectively to support political priorities.

The response to major challenges in 2015 required a combination of political initiatives and strategic use of the EU budget.

The refugee crisis is creating unprecedented challenges for the EU. Although it is clear that the refugee crisis will not be addressed only by the allocation of additional financial resources and moreover that the EU will only be able to contribute marginally to the global financial needs in this area, a strategic approach to funding is absolutely necessary in combination with the policy instruments the EU has at its disposal. The **EU response to the refugee crisis** is a clear example of how the EU budget was used as part of a multi-faceted response to a very serious challenge.

During 2015, the Commission presented the European Agenda on Migration⁵, setting out a comprehensive plan to reduce the incentives for irregular migration, save lives and secure the EU's external borders. It provides for the development of a strong common asylum policy and a new policy on legal migration. The Commission also presented the European Agenda on Security as the basis for cooperation and joint action by the Union on security in the next five years, with the aim to develop a genuine area of EU internal security.⁶

Funding for the refugee crisis was increased by 50 %, up to EUR 3.7 billion in 2015 and over EUR 10 billion for the 2015-2016 period. This additional funding strengthened the Triton and Poseidon operations in the Mediterranean as well as the capacity of Frontex, EASO and Europol. It also includes emergency measures inside the Union and supports the setting up of a mechanism for the relocation of refugees away from the frontline Member States. By tripling the funding for its maritime patrols on the central and eastern Mediterranean migratory routes, the EU contributed to saving over 252 000 lives in 2015 and additional 100 000 by mid-2016. It also redoubled its efforts to counter smugglers and dismantle human trafficking groups.

Besides actions to deal with the incoming flow, the EU budget was also used to target the root causes of migration, through immediate humanitarian aid for Syria, Iraq and other neighbouring countries (Turkey, Lebanon, Jordan); the establishment of two new Trust Funds and a financing Facility to provide a framework for the implementation of actions on the ground. The European Union Regional Trust Fund in response to the Syrian crisis supported by EUR 570 million from the EU budget, will provide a coherent and increased aid response to the Syrian crisis on a regional scale. They will respond to the resilience and early recovery needs of Syrian refugees in neighbouring countries, as well as of the host communities and administrations. Likewise, the Commission has launched an Emergency Trust Fund for stability that addresses the root causes of irregular migration and displaced persons in Africa. This Trust Fund is made up of EUR 1.8 billion from the EU budget and the European Development Fund, combined with contributions from EU Member States and other donors. The EU Facility for Refugees in Turkey was set up coordinating a total of EUR 3 billion to support refugees in Turkey and their host communities. EUR 1 billion of this assistance will be financed from the EU budget. The facility has been providing grants and other financial support as of 1 January 2016.

⁵ COM(2015) 240 final.

⁶ COM(2015) 185 final.

Thanks to rigorous monitoring of implementation, substantial redeployment efforts and positive developments on the revenue side, the additional expenditure in 2015 did not require an additional call for own resources from Member States. The 2015 budget was fully implemented and brought back on a sustainable path thanks to the progressive elimination of the backlog of unpaid bills from the past programming period, in line with the 'Payments Plan' agreed with the European Parliament and Council. However, with the demands placed on the EU budget ever increasing, it will be essential to ensure both that adequate funding is available to support the political priorities in future years, and that the budget is sufficiently flexible to react to unforeseen events.

Structure of the Annual Management and Performance Report

Section 1 of this report summarises the **EU budget performance** based on the latest available evidence on the results achieved with the EU budget up to end 2015. This reporting draws on information from the Annual Activity Reports produced by Commission departments; the Programme Statements that are part of the budget proposal for 2017; and other sources such as evaluation and implementation reports on EU programmes. The report provides a summary account whereas further detailed reporting on programmes' objectives and progress on indicators measured against baseline and targets are available in the Annual Activity Reports and Programme Statements. While the report relates to the 2015 reporting year, it draws on the latest available data, which sometimes relate to previous reporting years.

For each of the budget headings, the report provides implementation information on the progress of the 2014-2020 MFF programmes and the latest available evidence on the results of the 2007-2013 MFF programmes. As requested by the European Parliament and the European Court of Auditors, the report also presents the links with the Europe 2020 Strategy and provides concrete examples of the added value of EU financing. The report also provides key examples of other types of non-spending policy instruments used together with spending programmes to support the Union's overall priorities.

This section also describes the work under way in the Commission on an EU 'Budget Focused on Results', a wide-ranging initiative designed to ensure that the EU budget is used to maximum effect to deliver results for EU citizens.

Section 2 describes the Commission's **management of the EU budget** in 2015. Reporting on management performance is based on the Annual Activity Reports of Commission departments, in which the internal control environment and related issues are described in detail. Where problems were encountered in the course of the year the report describes how Commission departments tackled these challenges. This section summarises information on the achievement of the internal control objectives; managing legality and regularity risks; the cost-effectiveness of controls; and anti-fraud strategies.

The conclusion at the end of the section, reached on the basis of the management assurance received from all departments and of the assurance obtained through internal audit work, enables the Commission through adopting this report **to take overall political responsibility for the management of the 2015 EU budget**.

Section 1

Performance and results

1.1. Performance at the heart of the Juncker Commission

In the context of budget discipline and competing demands on the EU budget, a strong focus on performance and on delivering results on the ground is an imperative. In the course of 2015, this has required maximum use of the flexibility available within the MFF, including substantial redeployments, in order to direct available resources to the most pressing priorities, while continuing to provide a stable framework for long-term investment.

President Juncker set the tone at the beginning of his mandate: *'It is not enough to allocate money wisely. We will have to do more, with less. We need to get the best out of the budget and spend money smartly. [...] People want us to achieve results. They also want to know how we spend the tax payer's money.'*⁷

The EU 'Budget Focused on Results' (BFOR) initiative launched in 2015 by Vice-President Georgieva is designed to deliver on this commitment. It builds on the existing performance-based budgeting framework to promote a new balance between compliance and performance, fund absorption and programme results. 'Focus, speed and results' are the guiding principles of a number of initiatives, which fall into four areas:

- identifying in which areas the EU budget should be invested to promote key priorities and serve multiple objectives with the requisite agility and flexibility;
- improving how the EU budget is to be invested, in order to maximise the leverage of funds via an increased use of financial instruments, simplification and proportionate, cost-effective controls;
- reflecting on how the implementation and performance of the EU budget are assessed in order to implement a streamlined and realistic performance framework, including reporting on legality and regularity and results;
- ensuring effective communication that provides easily accessible and understandable information on the results achieved with the EU budget for the wider public as well as productive stakeholder dialogue, including expert and political discourse on performance-based budgeting and an annual conference dedicated to BFOR.

One of the examples of better communicating EU budget results to citizens is a specific EU Results web tool launched by Vice-President Georgieva in September 2015 at the BFOR annual conference. It provides examples on how the EU budget is spent showing the impact on the ground of EU financed projects in Europe and beyond, covering different funding areas.⁸

While the BFOR agenda is based on continuous progress, **specific improvements were already introduced during 2015** in the Commission's Strategic Planning and Programming cycle as well as in the budgetary procedure. These changes enhance performance planning, monitoring and reporting for both Commission activities and all spending programmes.

⁷ Speech of President Juncker at the Conference 'EU Budget focused on Results', Brussels, 22 September 2015.

⁸ It is not an exhaustive database of EU projects but a selection of examples that is gradually enriched: https://ec.europa.eu/budget/euprojects/search-projects_en

Work is ongoing to review the **performance indicators** established for programmes financed by the EU budget. This review will allow the most suitable indicators to be selected, backed by reliable evidence, to measure progress in the achievement of objectives and to provide clearer and more comprehensive performance information for the preparation of the annual EU budget.

Other improvements will be visible in the reporting for 2016. One example is the introduction of a multiannual **Strategic Plan** for every Commission department based on common general objectives that cover the ten political priorities of the Juncker Commission and which support the Europe 2020 goals and the Treaty obligations.⁹

In the area of **sound financial management**, progress was achieved in measuring indicators to assess the cost-effectiveness of controls as well as the amounts at risk per policy area.

In this exercise, the Commission also draws on the work and the recommendations provided by the Internal Audit Service (IAS). In line with its methodology and best practice, the IAS has approached performance in an indirect way, i.e. an assessment of whether and how management have set up control systems intended to measure the performance (efficiency and effectiveness) of its activities. In order to help the Commission to follow its methodology and best practice, IAS carried out a number of **performance audits** in 2015, addressing how Commission departments manage, monitor and report on the specific objectives that are under their control and can be achieved through their outputs and actions, and on how they manage, monitor and report on the performance of EU policies. (see Annex 3 for additional elements on IAS performance audits).

This new **Annual Management and Performance Report** reflects the Commission's new approach to performance reporting. It is also an example of the Commission's commitment to streamline reporting on the performance of the budget. This report is part of an integrated reporting package supporting the discharge process.¹⁰ The following sections present the **latest evidence** available on the results achieved with the EU budget. The section begins with a summary account of progress towards the Europe 2020 targets and then covers both the implementation of the 2014-2020 programmes and the results from the 2007-2013 programmes.

1.2. Summary account of progress

To achieve its objective of smart, sustainable and inclusive growth, the Europe 2020 strategy includes five headline targets on employment, research and development, climate and energy, education, and the fight against poverty and social exclusion. These headline targets are translated by each Member State into national targets. While Member States are primarily responsible for progress towards these targets at national level, the EU budget contributes to the achievement of the headline targets at EU level.

The Europe 2020 headline targets are monitored by the Commission using nine indicators. Information on progress on these indicators is regularly updated and published on Eurostat's website.¹¹ The following diagram presents the latest available data¹² for the nine indicators. It shows the progress made since 2008 and the distance still to cover towards

⁹ With the new approach, the planning documents are more streamlined and centred on the priorities of the Commission, helping DGs to establish operational priorities and build and develop a coherent performance structure with a clear distinction between attribution (for results and outputs that are a direct consequence of the Commission's activities) and contribution (where the Commission's activities play a part in bringing about a given result or impact) for policy and programmes' results.

¹⁰ Including for example the consolidated accounts, the communication on the protection of the EU Budget, the report on the protection of the European Union's financial interest, the report on the internal audits, the report on the follow-up to the discharge.

¹¹ <http://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy>

¹² Latest update made in January 2016.

the related Europe 2020 targets. Indicators related to environmental targets and education are showing progress towards the headline targets. On the contrary, further efforts are required in the area of employment, research and development and fight against poverty or social exclusion.

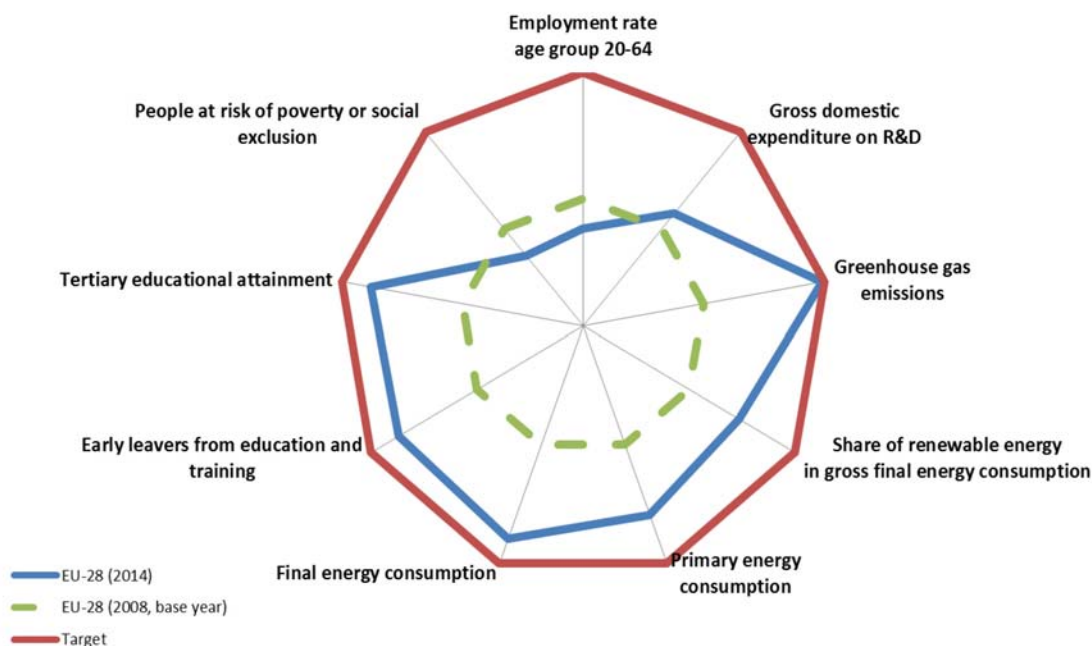


Chart 1: Europe 2020 headline targets

The EU budget is also an important tool to support 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 180 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 Cohesion Policy, regional development, 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 the climate related expenditures are monitored on an annual basis in accordance with the methodology based on Rio markers. In 2015 the total contribution to the climate mainstreaming was estimated at around 17 % and should reach 22 % in 2016.

Similar to the mainstreaming of the climate action, the tracking procedure for biodiversity-related expenditure forecasted that 7 % of the 2015 budget and 9 % of the 2016 budget will be allocated to limiting and reversing the decline of biodiversity in the EU, making an important contribution to the Europe 2020 sustainable growth objectives.¹³

The following sections describe the links between the objectives of the 2014-2020 MFF programmes and the Europe 2020 Strategy. For the budget headings most directly linked to Europe 2020 (1A, 1B, and 2), the reporting on the achievements of 2007-2013 programmes is also structured around the Europe 2020 priorities, showing to the extent possible the contribution of the EU budget to the Strategy’s objectives.¹⁴

¹³ As support for this, the ‘Common Framework for Biodiversity proofing of the EU budget’ provides general and fund-specific guidelines to be used by national and regional authorities as well as by the Commission services: <http://ec.europa.eu/environment/nature/biodiversity/comm2006/pdf/cfbp%20-%20General%20Guidance.pdf>

¹⁴ As indicated in the 2013 edition of the Evaluation Report, the Europe 2020 Strategy had not been adopted when the 2007-2013 MFF programmes were designed and their monitoring, reporting and evaluation arrangements were not therefore intended to provide a link between the achievements of the programmes and those of the Strategy.

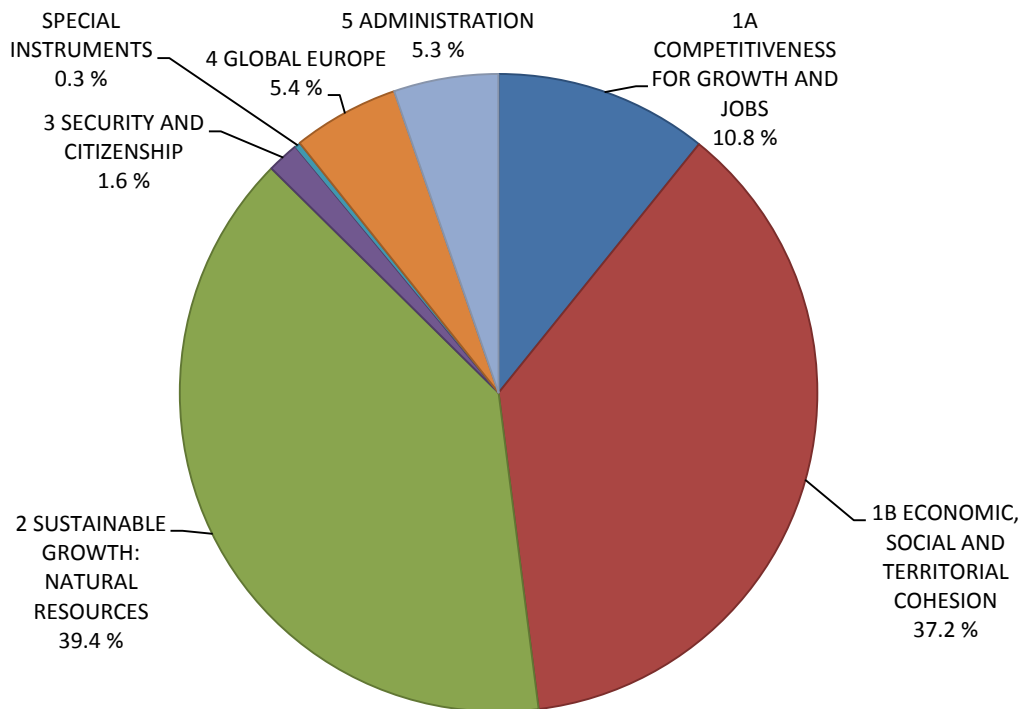


Chart 2: 2015 EU budget per budget heading

The EU budget amounted to EUR 162.273 billion in 2015. About half of this (48 % or EUR 78 billion) was allocated to Heading 1 'Smart and Inclusive Growth' split between Heading 1A 'Competitiveness for growth and jobs' (10.8 %) and Heading 1B 'Economic, social and territorial cohesion' (37.2 %). Heading 2 'Sustainable Growth: Natural Resources' was the second largest area of the budget, accounting for 39.4 %.¹⁵

1.3 Competitiveness for Growth and Jobs (Budget Heading 1A)

EUR 17.55 billion was allocated to the programmes for Competitiveness for Growth and Jobs (commitments in Heading 1A) in 2015. This represents 10.8 % of total annual budget expenditure.

The main programmes under the budget heading 'Competitiveness for growth and jobs' are:

- the Horizon 2020 Framework Programme for research and innovation;
- large infrastructure projects (Galileo, International Thermonuclear Experimental Reactor (ITER), Copernicus);
- the Erasmus+ programme funding education, training, youth and sport actions;
- the Connecting Europe Facility (CEF) funding interconnections in trans-European transport, energy and ICT networks; and
- the new European Fund for Strategic Investments (EFSI), part of the Investment Plan for Europe.¹⁶

¹⁵ Calculated as a percentage of commitment appropriations compared to the entire budget for 2015.

¹⁶ http://ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan_en

Commission priorities

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 (successor of the Seventh Research Framework Programme (FP7)) and Erasmus+.

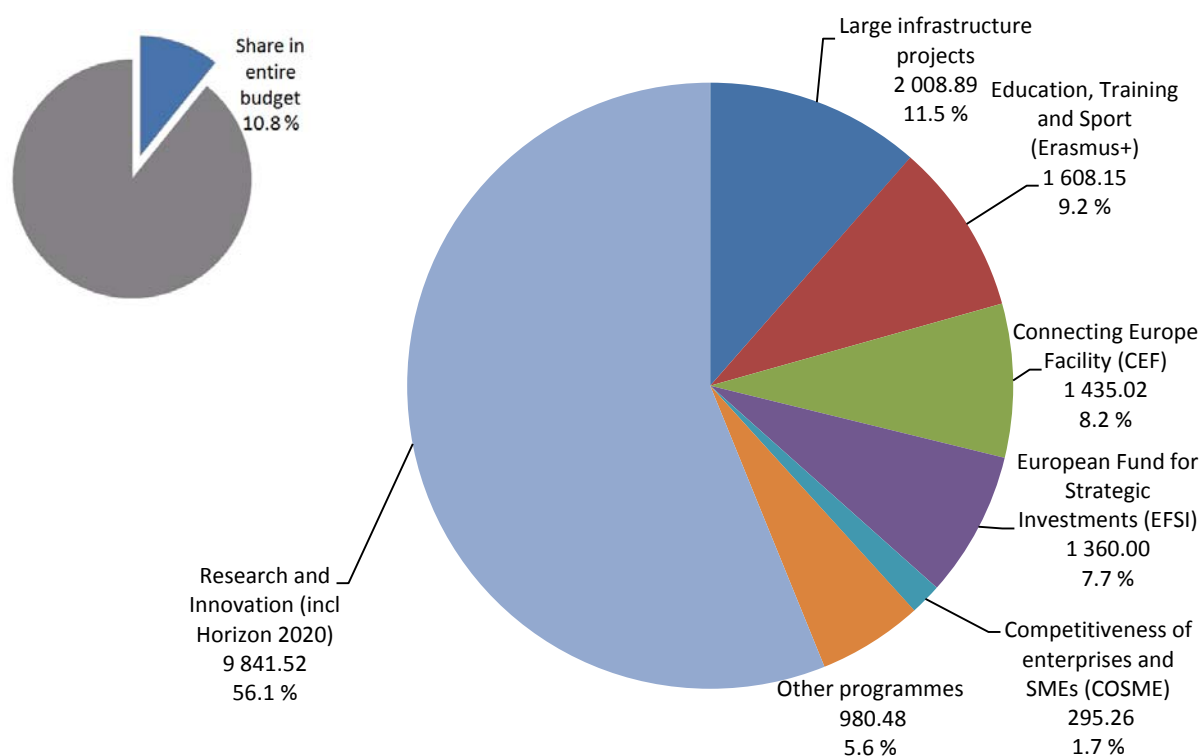


Chart 3: Left: Share for Heading 1A in the entire 2015 budget. / Right: Main programmes financed in 2015 under Heading 1A. Category 'Other programmes' includes among others European Union programme for Employment and Social Innovation (EASI), Customs and Fiscalis. Category 'Large infrastructure projects' includes among others Galileo, European Geostationary Navigation Overlay Service (EGNOS), Copernicus, ITER. All figures in EUR million.

1.3.1 Implementation of 2014-2020 programmes

Since the new MFF, many of the implementation functions of the programmes under Heading 1A are now being carried out either through agencies (executive or national and in some cases decentralised), Joint Undertakings,¹⁷ Article 185 initiatives,¹⁸ or the European Investment Bank (for financial instruments).

¹⁷ Joint Undertakings, set up under Article 187 TFEU, are new ways of realising public-private partnerships at European level in the field of industrial research.

¹⁸ Public-Public Partnerships between Member States (and Associated States) and the EU.

Horizon 2020, Framework Programme for Research and Innovation

The Horizon 2020 work programme for 2014-2015 was fully implemented. By the end of 2015, 198 calls for proposals had been published and 78 268 proposals received. Out of these proposals, 10 658 were put on the main or reserve list. The average success rate for proposals was 14 % which means that oversubscription rates continue to be high and shows the high demand for EU funding in this area.

Number of Horizon 2020 proposals received

78 268

Galileo, European Geostationary Navigation Overlay Service (EGNOS), Copernicus

In 2015 the deployment of the Galileo satellites was accelerated with three successful launches and the deployment of six additional satellites. By December 2015, the total number of satellites launched had doubled to 12 of which nine operational, which sets a significant deployment pace within the satellite navigation world. The number of airports with EGNOS capability went up from 150 (2014) to 174 (2015). The implementation of the Cooperation Agreement with Ukraine continued, with EUR 5 million made available through the neighbourhood instrument for developing EGNOS in Ukraine. In 2015 Copernicus further progressed towards becoming a fully operational earth observation programme with the successful launch of Sentinel-2A on 22 June 2015 adding optical imaging capability to the system. Satellite data from Copernicus triggered for example early flood warning in the UK and Ireland in 2015, and helped assess the consequences of the earthquake in Afghanistan.

Total number of Galileo satellites launched into orbit

12

International Thermonuclear Experimental Reactor (ITER)¹⁹

A total of 104 out of 139 procurement arrangements have been signed by the ITER Organisation for the different work packages of the construction of the ITER reactor. This represents 90.5 % of the project's total in-kind value. This means that a significant part of ITER activity is now in the hands of the ITER members who will deliver the ITER components. The European Joint Undertaking for ITER (F4E), in charge of delivering the EU contribution to the ITER Organisation, has now placed most of the large value contracts (more than EUR 100 million). As of 31 December 2015, F4E has signed 766 operational procurement contracts and 145 grants for a total of about EUR 2.8 billion (2008 value). The project is however facing challenges, in particular in terms of delays, risk of cost-overruns and overall governance. Many of these risks are linked to the inherent nature of the project which goes beyond the current state-of-the-art of fusion technology, and to the complex governance set-up. An action plan for improvement, also addressing the observations raised by the European Parliament and the Court of Auditors in their reports on the 2013 discharge was approved by the Governing Board of F4E in March 2015, and is currently being implemented.

Erasmus+

Since 2014, the Erasmus+ programme has brought together seven previous programmes and included new actions for education exchange.²⁰ In 2014-2015, more than one million individuals took part in 18 000 EU-funded actions with

¹⁹ Designed to demonstrate the scientific and technological feasibility of fusion power, ITER is the world's largest experimental fusion facility currently under construction in the south of France (Cadarache). ITER is a first-of-a-kind global collaboration between seven parties that represent half of the world's population. ITER is governed by an international agreement signed by the European Commission on behalf of Euratom and China, India, Japan, the Republic of Korea, the Russian Federation and the USA. Europe is contributing almost half of the costs of its construction, while the other six Members to this joint international are contributing equally to the rest.

more flexible terms of mobility, which better reflect the evolution of student needs and the structure of degrees (Bologna process) across Europe.

Connecting Europe Facility (CEF)

In 2015, EUR 12.8 billion was allocated to 263 transport projects through grant agreements signed in 2015, under the 2014 CEF calls for proposals. The CEF funding has generated EUR 28.3 billion of total investments, combining an EU contribution with regional and Member State budgets, as well as loans from the European Investment Bank (EIB).

EU funding for CEF transport projects in 2015

€12.8 billion

Under the two calls for proposals for CEF energy launched in 2015, an amount of EUR 366 million of support was allocated to 35 projects for studies and for works. The bulk of the support went to projects in the Baltic region as well as in Central Eastern and South Eastern Europe, addressing the security of supply challenges of these parts of Europe. All projects selected aim at increasing energy security and reducing the isolation of Member States from EU-wide energy networks. Their objective is to contribute to the completion of a European energy market and the integration of renewables into the electricity grid.

Some EUR 2 billion are planned for use by the CEF financial instruments for the period 2014-2020. For this purpose, the CEF Debt Instrument Delegation Agreement for the implementation of the CEF Debt Instrument was signed on 22 July 2015 with the European Investment Bank. This important step allowed the Debt Instrument to start operating, building on the experience gained with the instruments from the period 2007-2013 such as the Loan Guarantee Instrument for Trans-European Transport Network (TEN-T) Projects and the Project Bond Initiative (PBI) Pilot phase.

The work plans proposed by the European Coordinators for the nine Core Network Corridors provided for by the TEN-T Regulation were endorsed by the Member States concerned in May 2015 and officially presented in the TEN-T Days in Riga in June 2015. On that basis, priorities have been set for each of the corridors, and actions such as studies, works, and governance arrangements were decided as a consequence.

Compact for growth and jobs:²¹ How the Pilot Phase of the Project Bond Initiative (PBI) helped leverage additional financing for important infrastructure projects

To give an additional boost to the attainment of Europe 2020 objectives, the EU Heads of State or Government adopted the 'Compact for Growth and Jobs' in June 2012. One of the actions under this Pact was the launch of the 'Project Bond Initiative.'

The external evaluation of the Pilot Phase of the PBI²² finalised in December 2015 assessed a number of infrastructure projects supported by the Project Bond Credit Enhancement solution between 2012 and July 2015 and concluded that the PBI responded to a clear market failure by providing a product that mitigated the key risks associated with

²⁰ The Erasmus+ programme 2014-2020 combines all the EU's former schemes for education, training, youth and sport, including the Lifelong Learning Programme (Erasmus, Leonardo da Vinci, Comenius, Grundtvig), Youth in Action and five international cooperation programmes (Erasmus Mundus, Tempus, Alfa, Edulink and the programme for cooperation with industrialised countries). In 2015, the Erasmus+ international mobility and Master Student Loan were also both launched.

²¹ The 2013 and 2014 editions of the Art. 318 Report already included information on different actions under this initiative such as the redeployment of Structural Funds to boost growth and jobs and preliminary information on the progress of the Project Bond Initiative.

²² Evaluation of the Pilot Phase of Europe 2020 Project Bond Initiative – Final Report - December 2015 (Ad-hoc Audit of the pilot phase of the Europe 2020 Project Bond Initiative): http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/eval_pbi_pilot_phase_en.pdf

infrastructure projects by institutional investors.²³ To this effect the PBI pilot facilitated greater private sector involvement in the long-term capital market financing of major projects in the areas of Trans-European Transport Networks, Trans-European Energy Networks, ICT and broadband. Moreover, the risk-sharing arrangement between the European Commission and the EIB as well as the EU contribution provided were crucial to developing the initiative, allowing the EIB to target riskier and larger transactions, and to widening the investor base.

Furthermore, the evaluation pointed out that the leverage gained on the five Project Bond Credit Enhancement transactions closed as of 31 July 2015 (i.e. the cut-off date for the evaluation) with the available EU contribution was 12.9, while the expected leverage of all Project Bond Credit Enhancement transactions to be closed with the existing EU budget support was 18.6 (EUR 4 270 million in capital cost divided by EUR 230 million of EU budget contribution) which is fully in line with expectations. Two more Project Bond Credit Enhanced transactions were signed in the first three months of 2016 with the EU budget support, driving the total number of deals signed under the PBI (including transactions at EIB own risk) to 10.

Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME)

In 2015, the frontloading mechanism put in place for the Loan Guarantee Fund (LGF) under COSME²⁴ triggered an even more significant contribution to financing for riskier SME transactions than would have been the case without the EFSI guarantee — (18 guarantee agreements signed, for a total amount of EUR 163 million of legal commitments). It is expected that especially start-ups and smaller SMEs, which find it hardest to access finance, will benefit from the enhanced LGF. As of 30 September 2015, more than 30 000 SMEs had already received financing to a total of more than EUR 700 million. As of 31 December 2015, more than 51 000 SMEs had already received financing for almost EUR 1 300 million under the enhanced COSME LGF.

About 450 000 SMEs have received services via the Enterprise Europe Network ranging from information on EU matters, to specialised advisory services or services facilitating partnership between SMEs via company missions and matchmaking events. The objective is to increase SME's competitiveness and increase their innovation capacity via the 3 000 network staff present in all EU regions and 35 countries outside the EU. The 625 participating organisations provided specialised advice to 60 000 SMEs on access to finance, intellectual property rights, business and technology reviews and resource efficiency. About 22 000 SMEs participated in matchmaking events. These activities resulted in 3 190 special achievements reported by companies and numerous success stories.

Erasmus for Young Entrepreneurs gives new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs running small businesses in other countries. So far nearly 12 000 entrepreneurs' profiles have been registered and 3 900 matches involving 7 700 entrepreneurs have been established.

The Investment Plan for Europe

A major Commission priority in 2015 consisted in preparing²⁵ the implementation of the Investment Plan for Europe, launched in 2014.

²³ On the basis of this evaluation, the European Commission prepared a Commission Staff Working Document which was published in March 2016: http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/eval_pbi_pilot_phase_sw_d_en.pdf

²⁴ COSME LGF offers guarantees and counter-guarantees, including securitisation of SME debt finance portfolios, to selected financial intermediaries (e.g. guarantee institutions, banks, leasing companies, etc.) to help them to provide more loans and leases to SMEs. EFSI resources are used to accelerate the deployment of COSME. LGF is a successor to the SME Guarantee Facility (SMEG), successfully implemented under the Competitiveness and Innovation Framework Programme (CIP) in the period 2007-2013.

²⁵ On 25 June 2015, Council and European Parliament adopted the relevant legislation: Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub

Mobilising finance

The cornerstone of the Investment Plan is the European Fund for Strategic Investments (EFSI), which is managed by the EIB Group.²⁶ As of end of May 2016, EFSI projects were approved by the EIB Group for a total investment value of about EUR 100 billion²⁷ underpinned by EFSI supported financing of EUR 9.3 billion for Infrastructure and Innovation investments, and EUR 3.5 billion in favour of SMEs, evidence of a successful roll out of the instrument. The full impact on the economy can only be comprehensively assessed after full deployment of the Initiative. In May 2016, the Commission submitted its first Report on the management of the guarantee fund of the EFSI in 2015 as required by the legal basis.²⁸

Supporting investment in the real economy

2015 also featured substantial efforts to prepare the launch of two key tools that make the Investment Plan easily accessible to the project promoters: the European Investment Advisory Hub (EIAH) started operating on 1 September 2015, and the European Investment Project Portal (EIPP) which went live on 1 June 2016.

The European Investment Advisory Hub (EIAH) offers project promoters a single point of entry for technical assistance, guidance and advice. As of the end of May 2016, it had dealt with more than 160 requests. The EIB and the European Commission worked closely with a Core Group of National Promotional Banks (NPBs) and prepared a Memorandum of Understanding (MoU) for possible cooperation between EIAH and the NPBs. 18 NPBs from 16 Member States had signed the MoU by the end of May 2016.

The European Investment Project Portal (EIPP), developed by the Commission, is designed as a publicly available web portal enabling EU-based project promoters to boost the visibility of their projects to potential international investors.

Creating an investment friendly environment

To improve the business environment and financing conditions, the investment plan foresees progress towards a Digital Single Market, Energy Union and Capital Markets Union.

Since the crisis, investment has evolved differently across countries, both in terms of private and public investments. Both regulatory and non-regulatory obstacles to investment remain. Identifying and removing those challenges to investment is part of the efforts to improve framework conditions and remove red tape and regulatory bottlenecks. The Commission is engaging in a structured dialogue with Member States to help removing these national obstacles to investment in the context of the European Semester.

Support for Small and Medium-sized Enterprises (SMEs)

The SME Guarantee Facility (SMEG) with an EU budget commitment²⁹ of EUR 649.90 million catalysed EUR 20.7 billion SME financing for 381 592 SMEs through 463 295 loans.³⁰ The achieved leverage effect for the SMEG Facility is 38.6.³¹

Total number of small and medium sized enterprises receiving a loan through the SME Guarantee Facility

381 592

and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments.

²⁶ Following the signature of the EFSI Agreement between the Commission and the EIB on 22 July 2015.

²⁷ Investment Plan — EU wide state of play April 2016: http://ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan_en

²⁸ Report on the management of the guarantee fund of the EFSI, adopted on 31 May 2016, COM(2016) 353.

²⁹ Including EFTA contributions and third countries contribution paid by Participating Countries as well as regularised interest generated on the trust accounts).

³⁰ As at 31 December 2015.

³¹ Calculation based on total loan volume received by the recipient SMEs = EUR 20 715.1 million divided by EU guarantee cap amount = EUR 536.3 million as of 31 December 2015.

Under the High Growth and Innovative SME Facility (GIF), EUR 555 million of EU resources has been invested in venture capital funds, catalysing a total achieved financing of nearly EUR 3.12 billion to 437 eligible investees (SMEs).³² The achieved leverage effect for GIF is around 5.6.³³ Such SMEs experience a larger growth in sales, assets and employment than those not backed by an equity or venture capital fund and are also less likely to default than other companies.

1.3.2 Results of 2007-2013 MFF programmes

Implementation aspects

The recently completed ex-post evaluation of the Seventh Research Framework Programme (FP7)³⁴ shows that during the seven years of the programme (2007-2013) there were 487 concluded calls with nearly 136 000 eligible proposals received. Around 25 000 projects were funded, involving more than 134 000 participations from 170 different countries. In total around 29 000 organisations participated, of which over 70 % were newcomers. SMEs accounted for more than 50 % of all industry organisations participating in grant agreements. Furthermore, FP7 had a significant contribution to the Juncker Commission priority 'EU as a Global Actor' with more than 7 800 participations from non-associated third countries, receiving more than 700 million euros from the European Commission. FP7 simplification measures saved participants over EUR 550 million compared to FP6.

Savings achieved from programme delegation to the Research Executive Agency (REA)

€53.4 million

The evaluation of the Research Executive Agency (REA)³⁵ which manages a large share of Horizon 2020 revealed that the actual costs of running REA in 2012-2015 were EUR 34.8 million (15 %) lower than the initial estimation due to cost savings in the staff and infrastructure expenditure. The actual savings from the programme delegation to the REA were 24 % higher than the initial estimations (EUR 53.4 million compared to EUR 43.1 million).

The analysis of the actual costs of the European Research Council Executive Agency (ERCEA) which manages the European Research Council (ERC) part of Horizon 2020 in 2012-2015 were EUR 20.6 million (12 %) lower than the initial estimation due to cost savings in overheads, whereas actual staff-related expenditure exceeded its estimations for 2014-2015. The actual savings from the programme delegation to the ERCEA were slightly higher than the initial estimations (EUR 46.5 million compared to EUR 44.6 million).

As of January 2014 the TEN-T Executive Agency became the Innovation and Networks Executive Agency (INEA), responsible *inter alia* for the implementation of parts of the CEF programme³⁶ (transport, energy and telecoms) and of the transport and energy specific programmes of Horizon 2020. The ex-post evaluation study carried out for the period 2011-2013 demonstrated that the agency was the most cost-effective option available for the implementation of the

³² As at 30 September 2015.

³³ Calculation based on actual size of the VC funds = EUR 3 099 million divided by GIF net approved capital = EUR 555 million. Source: EIF-European Investment Fund (2015a), GIF-High Growth and Innovative SME Facility, Quarterly Report. 30 September 2015.

³⁴ Report by an independent group of high level experts, as well as the Commission's Communication containing the response to the group's recommendations, accompanied by a SWD of the European Commission Services evaluating FP7, in line with the five mandatory evaluation criteria of the 'Better Regulation' Guidelines: http://ec.europa.eu/research/evaluations/index_en.cfm?pg=home

³⁵ Evaluation of the operation of REA (2012-2015): https://ec.europa.eu/research/evaluations/pdf/archive/.../rea_evaluation_report.pdf

³⁶ Connecting Europe Facility, Regulation (EU)1316/2013.

TEN-T programme. This option generated savings of EUR 8.8 million of EU budget compared with what would have cost an in-house implementation of the programme.

Contribution to policy achievements

Smart Growth

In 2015, the ex-post evaluation of **FP7** reported on the achievements of 12 149 completed FP7 projects (representing about 50 % of total FP7 projects). While it is still too early to make a final assessment of the market impact of FP7, the evaluation estimated an indirect economic effect of EUR 500 billion over 25 years, or approximately EUR 20 billion annually in additional Gross Domestic Product (GDP).

Estimated additional Gross Domestic Product (GDP) through FP7-funding

€20 billion annually

Through short-term leverage effects and long-term multiplier effects, each euro spent by FP7 generated approximately EUR 11 of estimated direct and indirect economic effects through innovations, new technologies and products. The ex-post evaluation of FP7 reported 1 700 patent applications and more than 7 400 commercial exploitations resulted from FP7 projects. With more than half of the projects from FP7 still ongoing, reported impact is expected to increase in the coming years.

Projects supported under FP7 have finished with higher Technology Readiness Levels, which are proxies for the assessment of their innovation thrust, compared to FP6 participating organisations. An analysis of the Community Innovation Survey shows that innovative companies supported by FP7 were more likely to introduce product, process or service innovations new to the market and to obtain on average a higher proportion of turnover from innovation than those not supported by FP7. Similarly, a counterfactual analysis assessing the 'average number of patent applications per researcher' showed that, on average, researchers in organisations participating in FP7 tend to apply for patents more than researchers in organisations which do not take part in the EU's Framework Programmes.

11 Nobel Laureates

5 Fields Medallists

FP7 was particularly effective in strengthening scientific excellence. FP7 projects have so far generated 170 000 publications. Of these, 54 % are in open access. The share of FP7 publications among the top 1 % of highly cited publications is on average 3.6 %. This proportion is 2.8, 2 and 3.6 times higher than the EU, US and World average respectively. The numbers of publications in top-rated scientific journals that acknowledge ERC funding, and the fact that ERC funding included 11

Nobel Laureates and 5 Fields Medallists are testimony to ERC's scientific excellence. More than 13 000 SMEs participated in FP7 and received EUR 6.4 billion. This is well above the 15 % target of funding to go to SMEs within the FP7 cooperation programme as set by Council and European Parliament at the outset of FP7. Econometric analyses show that SMEs participating in FP7 scored 38 % higher than the control group with regard to employment growth and operating revenue.

Example of EU added value

According to respondents to an online stakeholder consultation on the ex-post evaluation of FP7, tackling pan-European challenges through European research is among the three most important areas of European added value compared to Member State actions (alongside increasing competition in research, and enhancing researchers' mobility).

Under Horizon 2020, the successor programme of FP7, the European Commission is introducing a set of 'societal challenge' prizes. These Horizon Prizes offer a cash reward to those who most effectively meet a defined challenge. They act as an incentive for innovation. They prescribe the goal but not who the innovator should be or how the goal should be achieved.

In 2014, the German biopharmaceutical company CureVac GmbH won the Innovation Prize and was awarded EUR 2 million for progress towards a novel technology to keep life-saving vaccines stable at any ambient temperature, thereby overcoming one of the biggest barriers to using vaccines in developing countries.

In 2015, the prize leveraged additional private investment in research when the Bill and Melinda Gates Foundation announced a commitment to invest EUR 46 million in CureVac in order to accelerate the development of its innovative vaccine technology and the production of numerous vaccines against infectious diseases.

Under the FP7 **Marie Skłodowska Curie actions (MSCA)**, over 50 000 fellowships have been awarded to researchers (including 10 000 PhD candidates). These fellows represented 148 different nationalities located in 86 countries around the globe, making the MSCA the most international part of FP7. MSCA contributed to retaining the best researchers in Europe as nearly 34 % of the fellows were nationals of non-EU countries and 46 % of researchers coming to the EU from industrialised countries stayed in Europe after the end of their MSCA fellowship (although it is not possible to measure the direct influence of the programme). Survey results show that some 80 % of the MSCA fellows felt that their fellowship experience had improved their career prospects, showing the appreciation of those who received financial support of the programme's contribution to the development of their scientific careers.

Sustainable Growth

The **Intelligent Energy Europe programme (IEE)** has delivered tangible benefits: since 2007 IEE projects have delivered renewable energy equivalent to the annual electricity consumption of 7 million citizens, saved primary energy equivalent to the annual electricity use of more than 2 million households, and are expected to trigger more than EUR 4 billion of sustainable energy investments. A preliminary estimate of the annual primary energy savings expected from the ongoing IEE projects shows that they should exceed 312 000 tonnes of oil equivalent (toe) per year. IEE reached out to more than 40 million people across the EU.

The evaluation pointed out that the expected average leverage factor of eco-innovation projects is around 20 (EUR 1 of public investment leads to a gross revenue leverage factor of 20 times, 2 years after the project ends) with an average net employment generation of around 8 individuals (full-time) per project. Converted into cash terms, the value of the total global environmental and economic benefit from the CIP (Competitiveness and Innovation Framework Programme) Eco-Innovation initiative is estimated at more than EUR 1.6 billion over a span of 5 years.

Global environmental and economic benefits from CIP eco-innovation initiative

€1.6 billion over 5 years

Making energy more secure, affordable and sustainable

The EU headed into 2015 with a commitment to deliver secure and affordable energy to its citizens and businesses, while also fighting the causes of climate change. It launched the Energy Union in February to help consumers save money and energy, help the environment, promote a competitive energy market and ensure security of supply. A number of related proposals were launched in July covering the revision of the EU emissions trading system, making energy efficiency labels clearer and delivering a better deal for consumers. The Commission also launched a public consultation on the new design of the electricity market.

In February the Commission presented a Communication on how to achieve a 10 % electricity interconnection target in all Member States by 2020. By the end of 2015 several interconnection projects had already been unveiled, linking the Baltic States in the north, the Iberian peninsula in the south and Malta with the rest of the EU.

In September the Commission adopted the new Strategic Energy Technology plan (SET plan). Its aim is to accelerate the development and deployment of low-carbon technologies and to increase the cooperation among the Member States.

In November the Commission issued the first annual State of the Energy Union, which showed the progress made since the adoption of the energy union framework strategy. Its implementation will require further efforts, however, and 2016 will be a crucial year of delivery.

In addition the EU played a central role in brokering the world's first universal, legally binding climate deal, which was adopted by 195 countries in December in Paris. The agreement set out a global action plan to enable the world to avoid dangerous climate change by limiting global warming to well below 2 °C. It also sent a clear signal to investors, businesses and policymakers that the global transition to clean energy is here to stay and that resources have to shift away from polluting fossil fuels.

Inclusive Growth

The **FP7 ex-post evaluation** shows that, while FP7 was not specifically set up to create jobs, the programme will directly create 130 000 research jobs over a period of 10 years and indirectly 160 000 additional jobs over 25 years.

The **Marie Skłodowska Curie actions (MSCA)** have enhanced the employability, career development opportunities and mobility of researchers in Europe and beyond. 95 % of MSCA fellows were in employment two years after the end of their fellowship. FP7 contributed to longer term researcher recruitment as a large share (43 %) of temporary researchers hired by projects stayed in the beneficiary research teams after the end of the project.

With one out of two European graduates who studies or trains abroad benefits from Erasmus, evidence from the **Erasmus programme** demonstrated that Erasmus increases the employability advantage over non-mobile students by 45 %. Students from Eastern Europe were 83 % less likely to experience long-term unemployment if they had taken part in Erasmus.

A survey conducted among the **Erasmus for Young Entrepreneurs** programme showed that more than a third of the would-be entrepreneurs who took part actually started a business; and two thirds of the experienced entrepreneurs participating gained new ideas or technical know-how, tapped into new markets and increased their turnover.

1.4 Economic, Social and Territorial Cohesion (Budget Heading 1B)

EUR 60.4 billion was allocated to the programmes under Heading 1B for 2015, which represents 37.2 % of total 2015 EU budget.

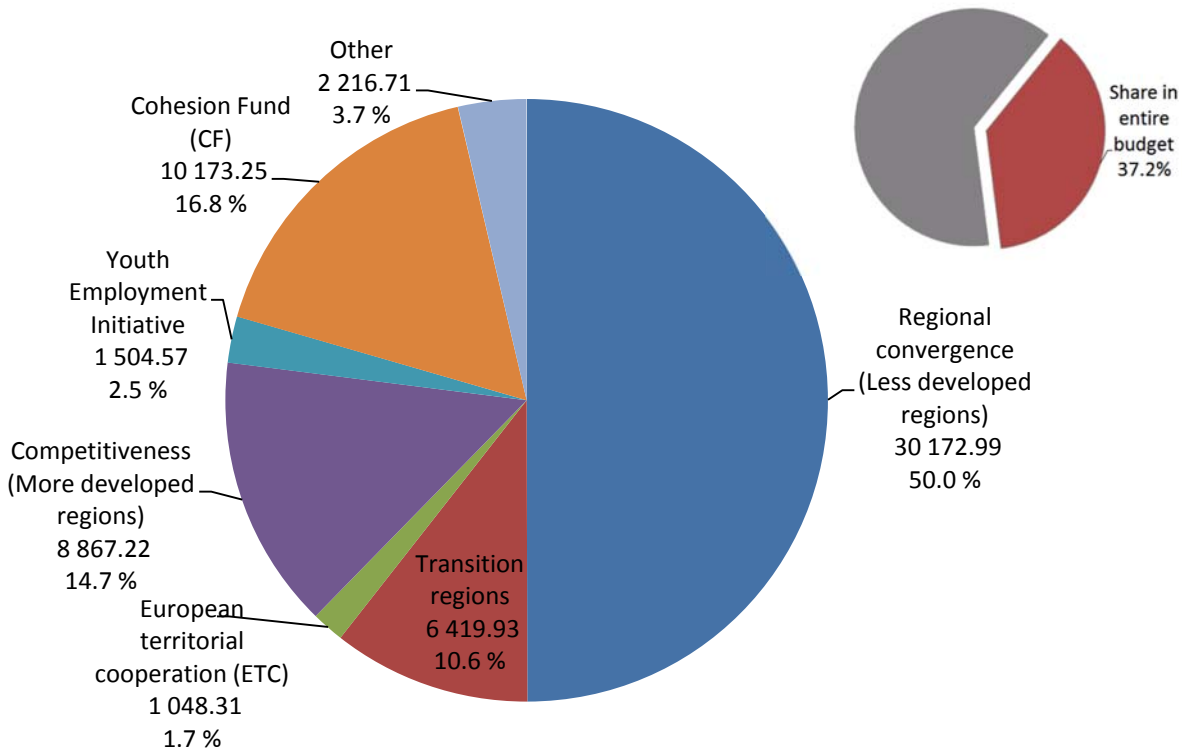


Chart 4: Left: Main programmes financed in 2015 under Heading 1B. Category 'Other' includes among others 'Outermost and sparsely populated regions' and 'Fund for European Aid to the most deprived' / Right: Share for Heading 1B in the entire 2015 budget. All figures in EUR million.

Heading 1B of the MFF covers the 'European Regional Development Fund' (ERDF), the 'Cohesion Fund' (CF), the 'European Social Fund' (ESF)³⁷ — including the 'Youth Employment Initiative' (YEI) (a specific top-up allocation), and the 'Fund for European Aid to the Most Deprived' (FEAD). All these programmes are delivered under shared management.

Commission priorities:

The ERDF, CF and ESF constitute the Cohesion Policy of the EU with a budget of EUR 351.8 billion for 2014-2020, which 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. Cohesion Policy interventions contribute to the attainment of several of the priorities of the Juncker Commission notably 'Jobs, Growth and Investment,' 'Digital Single Market' and 'Energy Union and Climate.' 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.

³⁷

Five Funds, forming the European Structural and Investment Funds (ESIF), work together to support economic development across all EU countries, in line with the objectives of the Europe 2020 strategy: European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD); European Maritime and Fisheries Fund (EMFF). The latter two are covered by Budget Heading 2 (Sustainable Growth).

The reformed Cohesion Policy in 2014-2020 has been fully aligned with the Europe 2020 strategy for 'smart, sustainable and inclusive growth'. Cohesion funding represents more than 60 % of the public investment budget in a number of Member States and it has continued to play a pivotal role in supporting long-term investment strategies.

How Cohesion Policy contributes to the implementation of country-specific recommendations

In accordance with the legal framework covering the European Structural and Investment Funds (ESIF), the programmes co-financed by the ESIF for the period 2014-2020 address all relevant country-specific recommendations³⁸ in the context of the European Semester. The operational programmes have been closely aligned with past country-specific recommendations and their approval has been subject to the implementation of a number of reforms (ex-ante conditionalities) in order to facilitate the use and effectiveness of the ESIF.

This firm integration of the reformed Cohesion Policy into the new economic governance of the EU in the MFF for 2014-2020 helps to increase the responsiveness of the policy to changing economic circumstances and emerging imbalances.

While the main efforts of the Commission were linked to the successful finalisation of negotiations on the 2014-2020 programmes, throughout 2015 the Commission also implemented targeted actions aimed at addressing country specific difficulties and increasing the Member State capacity to effectively complete their 2007-2013 programmes.

1.4.1 Implementation of 2014-2020 programmes

All Cohesion Policy operational programmes have been adopted in 2015.

By end of 2015, all 2014-2020 Cohesion Policy operational programmes (OPs) were adopted by the Commission, enabling all programmes to start implementation on the ground. The improvements introduced for the 2014-2020 period ensure that programmes have more robust result orientation, with investment needs linked to specific objectives and priorities with corresponding indicators and targets for outputs and results. Every programme has a performance framework against which performance will be assessed. This makes transparent reporting and evaluation of progress towards programme objectives possible.

At the end of 2015, more than 100 000 projects had already been selected by Member States. The Communication 'Investing in jobs and growth – maximising the contribution of the ESIF'³⁹ issued by the Commission in December 2015 provides a good overview of ESIF investments programmed for the 2014-2020 programming period and their expected outputs.

Overall, it is estimated⁴⁰ that a positive impact, compared to the status quo, will directly result from the implementation of 2014-2020 ESIF programmes notably on GDP growth and will continue well beyond the end of the

³⁸ Recommendations on how to boost jobs and growth, while maintaining sound public finances, issued annually by the Commission based on its analysis of Member States' economic and social policies.

³⁹ COM(2015) 639 final.

⁴⁰ Simulations based on the macro-economic model QUEST, developed in cooperation by DG REGIO and DG ECFIN.

implementation. The expected impact is particularly significant for EU-13 Member States,⁴¹ for which the ESIF represent a significant proportion of public investment. For those Member States, it is expected that the difference compared to the status quo will peak at +2.7 % at the end of the implementation, remaining consistently above 2 % for at least 10 years after 2020.

Information on implementation and results will notably be provided as part of the yearly Annual Implementation Reports for the ERDF-CF and the ESF programmes, and closely monitored by the Commission. The first Annual Implementation Reports are due for submission by the Member States in June 2016.

Pre-conditions for implementation

The ex-ante conditionalities⁴² (ExACs) are one of the key new elements of the reformed Cohesion Policy, aiming at increasing the effectiveness of the funds. They establish framework conditions for investments to be effective and should be met upfront – during the first years of implementation at the latest. Although around 75 % of all ex-ante conditionalities were fulfilled by the time the programmes were approved some 750 were not (for example transport master plans underpinning transport investment). Action plans for their fulfilment by the end of 2016 at the latest were agreed with the Commission. Some delays were noted in the fulfilment of these action plans: out of 470 action plans originally planned to be completed by end 2015 142 action plans were completed in 2015 together with 3 action plans planned for 2016. The Commission has been carefully monitoring the situation of action plans related to the fulfilment of ex-ante conditionalities and will continue to do so throughout 2016.

Designation is another new element of the reformed Cohesion Policy, aiming at reinforcing assurance by making Member States more responsible, in line with the principle of subsidiarity. It is a process whereby Member States designate the authorities which will be in charge of the management and control of the programmes, ensuring that adequate systems have been appropriately set up from the start of the period. Once the process is completed, programmes can start to submit payment requests to the Commission. The first authorities were designated by Member States in 2015. At the end of 2015, Member States had notified to the Commission the designation of programme authorities for 20 % of the ESF,⁴³ ERDF and CF programmes, at a slower pace compared to the initial schedule. The Commission is however providing support to Member States to help them overcome the difficulties encountered.

Specific support for Greece

As part of the measures taken to help Greece, an increase of the pre-financing for structural funds under the 2014-2020 programming period, together with a 100 % EU financing rate for the eligible expenditure and an early release for the remaining 5 % for the 2007-2013 programmes has been agreed. The cumulative impact was EUR 2 billion (half in 2015 and half in 2016).

Youth Employment Initiative (YEI)

As regards the Youth Employment Initiative (YEI), the first set of monitoring data submitted by Member States in April 2015 (cut-off date end 2014) reports on some 138 000 participants on aggregate. A major problem identified was the

⁴¹ Member States that joined the EU after 2004.

⁴² Pre-conditions aimed at making sure that Member States have put in place adequate regulatory and policy frameworks and that there is sufficient administrative capacity before investments of the ESIF are made in order to maximise the performance of the funding.

⁴³ For ESF, DG EMPL indicates in its 2015 Annual Activity Report that the percentage reached 25 % at the cut-off date of 8 April 2016.

lack of public funding to advance YEI activities. For this reason, the Commission proposed to increase the pre-financing of the YEI to 30 % in 2015 to facilitate the financing of the initial measures.⁴⁴ This pre-financing was paid on the EU budget 2015.

A subsequent survey and interviews with the Managing Authorities in 2015 show that YEI implementation has started in most eligible Member States. As of November 2015, 10 Member States reported that they had already committed for funding 75 % or more of their YEI budget for concrete actions.

10 Member States committed 75 % or more of their YEI budget.

Overall, for the 20 Member States implementing the YEI, at the end of December 2015, the total cost of operations selected for support was EUR 3.3 billion and EUR 380 million had been declared by beneficiaries. According to the same study, by November 2015, larger Member States and/or main recipients of the YEI had managed to engage thousands of young people each – Italy (around 375 000 contacted or already in measures), Portugal (100 000), Greece (32 000), France (32 000) and Hungary (16 000).

SME Initiative

Implementation has also started on the ground for the SME Initiative, which is a joint financial instrument of the Commission and the EIB Group (the European Investment Bank and European Investment Fund) which aims to stimulate SME financing by providing partial risk cover for SME loan portfolios of originating financial institutions. The corresponding products, which are attractive to banks and SMEs alike, can be extremely effective in providing a rapid and effective way to increase lending to the real economy, create jobs and stimulate economic growth. Implementation has already started in several Member States (Bulgaria, Spain, Malta), with several others (among which Romania, Italy and Finland) having also announced their intention to join.

Creating jobs and improving labour market conditions

In addition to the support provided by the EU budget and the dedicated programmes, the Commission also contributed to the improvement of the jobs and employment situation in the EU through a series of initiatives:

- A new European Pact for Youth was launched seeking to create 10 000 business education partnerships and at least 100 000 new apprenticeships, traineeships and entry-level jobs by end 2017.
- A new start for social dialogue was launched with a broad cross-section of social partners aiming to better address the economic and social challenges faced in Europe.
- The Commission proposed the European Accessibility Act to improve the functioning of the internal market for accessible products and services designed for disabled persons, by removing and preventing barriers to their free movement.
- Supporting labour mobility and better coordination of social security systems has been one of the Commission's main actions to improve the European labour market. EURES, the European Job Mobility Portal allows workers to easily access a database of job vacancies from the public employment services of all Member States and match them with their job applications on line. In 2015 EURES was strengthened and modernised, becoming an up-to-date mobility tool using the latest IT technologies, accessible for all.

⁴⁴ Regulation 2015/779 of the European Parliament and the Council of 20 May 2015 amending Regulation 1304/2012 as regards an additional prefinancing amount paid to operational programmes supported by the YEI.

- Progress was made in evaluating the EU legislation in the area of fair and safe working conditions. A comprehensive evaluation of the acquis consisting of 24 directives in the area of occupational safety and health is soon to be completed. This evaluation is part of the Commission's programme on Regulatory Fitness and Performance (REFIT)⁴⁵ aiming at a simplified, clearer and more robust regulatory framework supporting growth and jobs.

1.4.2 Results of 2007-2013 programmes

Implementation aspects

A total of 440 operational programmes (322 for ERDF-CF and 118 for ESF) benefit from Cohesion Policy funding in the 2007-2013 programming period for a total budget allocation of EUR 346.5 billion.

Implementation reached satisfactory levels in most Member States at end 2015 for the three Cohesion Policy funds (80.2 % while excluding pending claims not yet paid), with only Romania, Italy and Croatia still experiencing some delays. The overall **ESF** implementation rate for all Member States reached 80.5 % towards the end of 2015. The absorption rates for the ESF in the least performing countries exceeded 65 %, with the exception of Croatia (52.3 %) and Romania (51.1 %). For **ERDF and CF**, the rhythm of delivery has further accelerated towards the end of 2015, with an overall implementation rate excluding pending claims for all Member States of 80 %, with delays being noted only for Romania, Italy and Croatia. The impact of these delays can still be mitigated, as expenditure linked to financial instruments can still be presented and the eligibility period for Croatia runs until the end of 2016.

*Implementation rate (excluding pending claims not yet paid)
ESF, ERDF and CF combined:*

80.2 %

The analysis of available monitoring information in relation to project selection, as well as information contained in the annual implementation reports submitted by programme authorities in June 2015, shows that most of the 2007-2013 Cohesion Policy operational programmes are on track. By autumn 2015, more than 760 000 projects have been supported by ERDF-CF across all Member States.

A stronger focus on performance

In line with the Commission's stronger focus on performance, and as part of a pilot exercise launched in 2014 by the Commission, a review of the performance of all the 322 ERDF-CF programmes was carried out again in 2015. Performance was considered to be good or acceptable for 91 % of the programmes and poor or critical for 9 % of them. This represents a positive evolution compared to the picture resulting from the assessments recorded for 2014 previous exercise (according to which, 12 % of the programmes were considered at risk).

In particular, the performance of programmes improved with regard to management and control issues, project selection and financial instruments leading to accelerated implementation with the overall ERDF-CF implementation rate for all Member States increasing to 87 % at the end of 2015.

⁴⁵ http://ec.europa.eu/smart-regulation/refit/index_en.htm

The implementation of financial engineering instruments remains however slower than initially planned, with EUR 1.04 billion out of a total of EUR 17.06 billion not yet paid into financial instruments by end 2014.

Contribution to policy achievements

Additional Gross Domestic Product (GDP) through Cohesion funding

about **€ 1 trillion**

While GDP growth is just one of the many objectives of EU cohesion policy, the macro-modelling section of the ex post evaluation estimated that 1 euro of cohesion policy investment in the period 2007-13 will generate about EUR 2.7 of additional GDP by 2023.⁴⁶ In other words, cohesion policy will be responsible for nearly EUR 1 trillion of additional GDP. In addition the thematic sections of the ERDF-CF and ESF ex post evaluations are being finalised and more extensive performance conclusions will be provided in next year's report. The cohesion policy

achievements up to 2014 described below are based primarily on the latest available monitoring information obtained from the annual implementation reports submitted by the Member States in 2015 and on the evidence resulting from ex-post evaluations already completed (i.e. environment, transport and enterprise support).

Smart Growth (ERDF and ESF)

Results in the smart growth area are delivered both by mobilising financial resources and by contributing to the improvement of investment conditions. Programmes boost jobs, growth and investment across Europe, while focusing on the least developed areas and sectors with growth potential.

More than

36 000

projects co-financed across the EU to support cooperation between businesses and research centres

More than 36 000 projects were co-financed across the EU to support **cooperation between businesses and research centres** up to 2014. Some Member States performed well while exceeding largely initial targets (United Kingdom); in other Member States (such as Poland, Belgium or Austria) collaboration between the public sector and the private sector remains below the targets but sustained efforts are being made in order to foster this important cooperation.

Example of EU added value

The added value of ERDF support lies in providing Member States with additional financial support for growth-creating investments in the context of strong fiscal consolidation constraints. The economic activity induced by these investments produces a short-term impact on GDP (in EU-12 countries⁴⁷ GDP expected to increase by 2.7 % per year between 2007 and 2016⁴⁸), as well as a long-term impact (materialising only in the long run) thanks to the structural improvements in the economies of the EU.

⁴⁶ http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp14a_final_report_en.pdf

⁴⁷ Member States that joined the EU after 2004 except Croatia.

⁴⁸ Estimates based on economic models simulations (e.g. HERMIN model).

An example of a successful ERDF investment is the set up in 2013 of a holding fund of almost EUR 16 million in the Spanish region of Extremadura, which was absorbed in less than two months and, as a result, was almost doubled up to EUR 30 million. By providing loans to SMEs for growth and innovation, it has contributed to enlarging the private investment market in the only Spanish region that qualifies as less developed ('convergence region'). So far more than 600 SMEs have benefitted from its support. Critical success factors are the partnership between the European Investment Fund and the regional government and a thorough ex-ante assessment of the regional market that led to a tailor-made financial instrument. Building on this experience, Extremadura has contributed EUR 75 million of its regional ERDF allocation to the 2014-2020 Spanish SME Initiative.

With the help of ERDF financing, close to 95 000 **research and development** projects were carried out. These led to more than 40 000 full-time research jobs being created up to 2014, exceeding the overall target of 33 500 jobs created. Steady progress is notably reported in Poland, where close to 5 000 research jobs were created up to 2014.

More than

40 000

full-time research jobs being created up to 2014,
exceeding the overall target of 33 500

Thanks to ERDF investment, particularly in less developed regions, the extent of **broadband coverage** has increased significantly in the EU in recent years. More than 8 million additional households have obtained access to broadband as a result of ERDF support up to 2014. Significant achievements are notably reported in Greece — with an extended coverage of broadband internet to 800 000 additional citizens completed by 2014 — and in Slovenia, with more than 70 000 additional citizens covered by broadband access thanks to investments made up to 2014. Some Member States still face particular challenges in closing the gap between regions that have access to modern information and communications technology, and those that do not or only have restricted access. This challenge will be addressed through additional investments in the 2014-2020 period.

More than

825 000

jobs created thanks to SME support

More than 825 000 jobs had been created by 2014 thanks to ERDF **investment support for SMEs**. These interventions have been key in mitigating the effect of the crisis in recent years. In addition, the creation of more than 120 000 new firms across the EU was supported by ERDF.

Preliminary results of the enterprise support (SME, large enterprises, financial instruments) work packages of the ongoing ERDF-CF 2007-2013 ex-post evaluation show that the ERDF supported at least 246 000 SMEs (without counting the indirect support) with grants received especially by micro-enterprises. The support represents about EUR 47.5 billion or 16 % of the total ERDF allocations. Three main benefits were identified: improvement in the economic performance of supported entities (in spite of the general economic downturn); enhancement in innovation thanks to investment in research and development, and behavioural changes.

A substantially smaller part of the support (approximately EUR 6 billion) went to around 3 700 larger enterprises, many of them just above the SME threshold. Most of the supported projects achieved their goals such as increased private investment, enhanced firms' productivity or additional jobs. However, the evaluations argue that regions and Member States should concentrate their support on reaping indirect benefits such as linking larger enterprises with a local supply chain. Such support is promising as it can facilitate the sustainability of investments and jobs in a region.

For ESF, preliminary results of its ex-post evaluation showed that in the area of **human capital**, ESF contributed to the development and consolidation of the science and technology system (through financial support and guidance in the area of research and innovation). ESF also helped increase capacity building in research, as well as attract additional human resources to research and foster employability. As regards quality of higher education, ESF contributed to system level changes, such as improvement of study programmes, staff training and use of e-learning.

Sustainable Growth (ERDF and CF)

The additional capacity of **renewable energy production** directly resulting from ERDF-CF supported interventions reported by Member States at end 2014 is close to 4 000 MW, an increase of more than 1 200 MW compared to 2013.

In addition, a significant number of projects continued to be implemented to increase the **energy efficiency of apartment blocks and public buildings**, notably in the EU-12 countries where both types of buildings are heavy energy consumers. The reported reduction of greenhouse emissions resulting from these interventions was 475 592 kt of CO₂ and equivalents at end 2014.

The completed work package on energy efficiency in public and residential buildings of the ongoing ERDF-CF ex-post evaluation pointed to the fact that, while achievements have been made during the 2007-2013 programming period, these are only partially captured by the programmes' monitoring systems. Lack of standardised design of indicators resulted in variable and inconsistent capture of evidence. Comparison of achievements across programmes can, however, be made for the two most frequently used result indicators 'reduction of energy consumption' and 'reduction of greenhouse gas emissions': by 2013 (i.e. two years before the completion of the programmes in end 2015) the reviewed programmes achieved 2 904 GWh per annum energy reduction and 1 454 kilo tonnes of CO₂ equivalent per annum of emissions reduction as a result of, among others, energy efficiency interventions.

Significant increase in additional population served by water (more than 1.7 million) and waste water projects (more than 1.2 million)

In the area of **risk prevention**, with the help of ERDF-CF support better protection from natural risks was achieved end 2014 for around 20 million at risk of floods and 30 million people at risk of forest fires.

While the overall level of achievements of targets in the area of **drinking water and waste water treatment** progress is still standing at 38 % of targets, substantial improvements were reported by Member States: expressed in absolute numbers at end 2014 there was a significant increase in additional population served by water (more than 1.7 million) and waste water projects (more than 1.2 million) compared to 2013.

Preliminary results of the environment work package of the ongoing ERDF-CF ex-post evaluation show that in many EU-13 and southern EU-15 Member States⁴⁹, Cohesion Policy is one of the main sources of public financing and therefore provided a major contribution to achieving EU water and waste targets. Many of these countries have made broad progress: in the area of waste, the recycling rate increased in almost all EU-13 Member States; in the area of water, projects financed by the ERDF and Cohesion Fund improved drinking water supply for at least 4 million EU citizens and contributed to better wastewater treatment for over 7 million EU citizens. Furthermore, the evaluation found that the financial analysis undertaken as part of the preparation of the examined major projects (i.e. investments over EUR 50 million) on water and waste management provided a sound basis for financial sustainability of those environmental projects.

*Reduction of greenhouse emissions:
More than*

475 000
(kt of CO₂ equivalents)

Progress by the end of 2014 compared to 2013 was also reported by Member States in the area of **transport** where special efforts were directed to interventions that experienced more difficulties during previous years, such as construction of new roads (including TEN) and reconstruction of railways. The most significant progress was registered on reconstructed roads (more than 30 000 km were reported at end 2014 compared to around 20 000 km at end 2013).

⁴⁹ Member States that were in the EU before 2004.

Progress was also made in the traditionally slower moving field of reconstructed railways, with achievements of almost 4 000 km by the end of 2014 compared to just over 3 000 km at the end of 2013.

Preliminary results of the transport work package of the ongoing ERDF-CF ex-post evaluation show that by addressing the needs of regions where the transport infrastructure was underdeveloped, Cohesion Policy support fostered better connectivity both within and across Member States. It also stimulated improvement in the way transport interventions are planned (e.g. through the development of transport strategies) and prepared (e.g. through improvements in the quality of applications for EU support for major transport investments over EUR 50 million), while encouraging Member States to pay more attention to sustainable transport in line with the EU strategic documents.

Inclusive Growth (ERDF and ESF)

In this area ERDF and ESF work together by investing both in infrastructure and in human capital in the field of education and training, active labour market policies and the inclusion of disadvantaged groups into the labour market and society.

Preliminary results of the ESF ex-post evaluation showed that the ESF support in **Access to Employment** contributed with 12 % of national Active Labour Market Policies (ALMP) funding across the EU. In some Convergence regions (EU-12 and southern Member States such as Greece), a significant share of the ALMP participants was funded through the ESF. The evaluation also found a good fit between ESF interventions, country-specific recommendations (CSRs) made under the European Semester and the Europe 2020 Strategy. For example, the ESF contributed to reforming the Public Employment Services in a number of Member States by strengthening their capacity for designing and delivering programmes and/or by increasing their skills.

The ESF **human capital** investment covered interventions aimed at developing the skills of various target groups, improving the quality of education and training systems and the adaptability of enterprises. Less developed regions ('convergence regions') could implement a wider set of activities (compared to the more developed 'regional competitiveness' regions) in the areas of lifelong learning, reforms of education and training systems and the development of human resources in research and innovation. As at end 2013 the ESF investment provided substantial additional resource (EUR 51 billion including national co-financing) contributing to the Europe 2020 and the Education and Training strategies and related CSRs, and generating at least 21 million results (46 % of all participations) in terms of achievement of qualifications (13 %), employment (8 %), and enhanced skills or competencies, or 'other positive results' (25 %).

In the area of **Social Inclusion**, ESF interventions allowed Member States to add to existing social inclusion actions and support a greater number of participants than would have been possible otherwise, especially in the context of the economic downturn. EUR 11.5 billion (including national co-financing) were allocated to social inclusion. By the end of 2013, at least 1.3 million participants in social inclusion priority axes had secured employment, achieved a qualification or achieved other positive results. This excludes soft results (e.g. increases in self-confidence, improvements in health conditions, more active involvement in civil society, and more active job seeking behaviour), which were rarely recorded by Member States. The ESF support also allowed Member States to offer more tailored services to specific target groups which would otherwise have access only to mainstream services not tailored to their specific — and often more intensive — needs.

98.2 million participations in ESF interventions up to the end of 2014

Overall, up to the end of 2014, 98.2 million participations in ESF interventions were recorded for all ESF policy themes.⁵⁰ In terms of outputs, the programme has achieved its objective to reach at least as many participants as in the previous programming period. In terms of results, due to the limitation in the monitoring and reporting systems in

⁵⁰ Preliminary results of the ex-post evaluation.

the 2007-2013 period, aggregated result indicators only provide a partial picture.⁵¹ At least 8.9 million participants are reported to be in employment directly or sometime after the intervention, while at least 8.5 million participants received a qualification/ certificate or successfully completed a training course. An additional 12.8 million participants reported other positive results such as increased skills and competences. The overall assessment drawn by the ex-post evaluation and those carried out by Member States can be considered positive, albeit mostly based on qualitative evidence, due to shortcomings in the monitoring systems and the very limited number of counterfactual impact evaluations.

As regards the ERDF, the investments in **educational and childcare infrastructure** continue to show significant progress with over 30 000 completed projects involving investment in education facilities to build new schools or colleges or to modernise and re-equip existing ones. These were almost entirely located in less developed ('Convergence') regions and were mainly reported by one Member State (Italy). Other Member States also carried out such actions but did not use the indicator measuring the capacity of the supported infrastructure, which precluded reliable aggregated reporting on the number of people benefiting from this infrastructure at EU level.

⁵¹ There were no common result indicators in 2007-2013, but an attempt was made to aggregate similar indicators reported by Member States, such as those reported in this paragraph. These figures based on a report from May 2016, are not final, as the reports are still being finalised. The figures available in the 2015 Annual Activity Report of DG EMPL were based on an earlier version of this report.

1.5 Sustainable Growth: Natural Resources (Budget Heading 2)

EUR 63.9 billion has been allocated to Heading 2 for 2015, which represents 39.4 % of the total 2015 EU budget. Heading 2 covers the two pillars of the Common Agricultural Policy (CAP): Pillar I consists of the market support measures and the direct payments financed by the European Agricultural Guarantee Fund (EAGF); and Pillar II comprises the rural development support financed by the European Agricultural Fund for Rural Development (EAFRD). The heading also covers the European Maritime and Fisheries Fund (EMFF), the international dimension of the Common Fisheries Policy (CFP) [i.e. the Regional Fisheries Management Organisations (RFMOs) and the Sustainable Fisheries Agreements (SFAs)], as well as activities in the fields of climate and environment through the Programme for the Environment and Climate Action (LIFE).

Commission priorities:

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.' They also contribute to the Europe 2020 objectives in the area of sustainable growth with links also to smart and inclusive growth with regard to investments contributing to job creation and innovation.

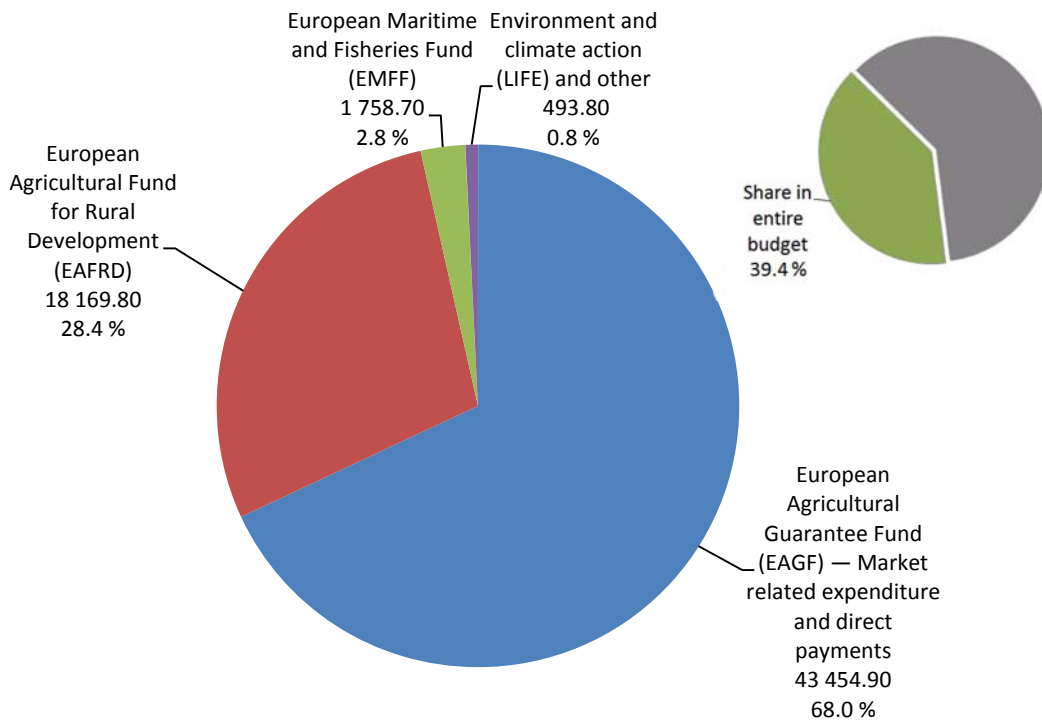


Chart 5: Left: Main programmes financed in 2015 under Heading 2 / Right: Share for Heading 2 in the entire 2015 budget. All figures in EUR million.

Commission action to tackle the agricultural crisis

The Commission acted in two ways to provide necessary market stabilisation as the dairy and pig meat sectors were hit by the Russian ban on imports from the EU. It first opened private storage aid to reduce market supply. In a second round of action, it brought forward the disbursement of direct payments and put in place a 'Solidarity Package' of various other specific measures easing farmers' cash flow.

Specific temporary support measures were adopted to support farmers affected by the Russian ban on fruits and vegetables amounting to EUR 219.3 million, while for the milk sector, the additional support measures amounted to EUR 54.3 million. Furthermore, promotion measures in non-EU countries were increased with a first budgetary impact of EUR 3 million in 2015 (with further amounts impacting on 2016 and 2017).

In 2015, initiatives have been launched supporting the agricultural markets and improving the supply chain. These include:

- dissemination of market information through 'market dashboards.'⁵² This will make the markets more transparent and help market operators to take better-informed decisions;
- launching or re-launching fora for analysis such as the Agricultural Markets Task Force (addressing topics such as market transparency, unfair trading practices, and access to financial instruments and futures markets) and the High-Level Forum for a Better-Functioning Food Supply Chain.

1.5.1 Implementation information on 2014-2020 programmes

European Agricultural Guarantee Fund (EAGF)

For the **EAGF**, financing direct payments to farmers and market related expenditure, the implementation during the initial years of the MFF 2014-2020 is on track. Within the Common Market Organisation (CMO) sector-specific support programmes are operating at various points in their respective life cycles. Additional market support measures, such as private storage aid for certain dairy products and withdrawal schemes for fruit and vegetables, were taken in response to the Russian import embargo on certain EU agricultural products and market downturns in the dairy and meat sectors. These measures provided much-needed support to affected producers in the Member States and helped rebalance the sectors concerned. European agriculture managed to find alternative markets at home and abroad (in particular in Asia), as shown by the trade statistics: despite the loss of the Russian market the overall value of export of EU agricultural products rose by 6 % during the 12 months following the imposition of the ban in August 2014. EU exporters achieved major gains in the USA (+19 %) and China (+39 %), among other markets. EU wine exports increased by EUR 660 million (10.3 %) year-on-year in the first nine months of 2015. This success was underpinned by the sector-specific programme's support for promotion in non-EU countries, as well as for investments in vineyards and in processing and marketing facilities.

For direct payments, during the 2015 financial year the EAGF continued to finance pre-reform schemes but particular elements of the 2013 Common Agricultural Policy (CAP) reform including the convergence of aid levels between

⁵² <http://ec.europa.eu/agriculture/dashboards/>.

Member States were also introduced. On the administrative level, the Commission has since 2014 assisted Member States in preparing and implementing direct payments through e.g. guidance documents or discussions in expert group meetings.

European Agricultural Fund for Rural Development (EAFRD)

All 118 Rural Development Programmes have been adopted.

For the **EAFRD**, all 118 Rural Development Programmes have been adopted. The Commission does not expect that the delay in programme approval (last programmes approved in December 2015) will have an impact on the ability to reach the programmes' objectives and their associated targets. As of 31 December 2015, around EUR 23.5 billion has been committed. This represents 24 % of the global EAFRD envelope for 2014-2020. As regards payments, Member States' requests received by end of 2015 amounted to a total of EUR 3.77 billion, which is still 4 % of the total commitments, reflecting the need to accelerate implementation in the years to come.

A strong focus on simplification

In early 2015 the Commission embarked on a large-scale simplification exercise covering the entire agricultural acquis. By the end of 2015 a number of legislative amendments were made, such as:

- extension of the deadline for support applications;
- more flexibility in relation to voluntary coupled support;
- young farmers' payment; and
- reducing the administrative burden for beneficiaries and Member States administrations by simplifying the Integrated Administration and Control System (IACS) such as the introduction of preventive preliminary cross-checks and various improvements to the guidance documents, in particular on direct payments in relation to the implementation of ecological focus areas. Also the rules for administrative penalties under IACS are being simplified.

European Maritime and Fisheries Fund (EMFF)

All 27 EMFF operational programmes have been adopted.

For the **EMFF**, the late adoption of the EMFF regulation (May 2014) extended the negotiation process with Member States, which was completed in December 2015. All 27 EMFF operational programmes⁵³ have now been adopted by the Commission. In order to ensure a smooth start of implementation, the Commission adopted a series of implementing and delegated acts. It also provided guidance to the Member States in EMFF Committee meetings and EMFF expert group meetings, focusing in particular on the new features in the EMFF.

At the end of 2015, a total number of 14 protocols to Sustainable Fisheries Partnership Agreements (SFPAs) with non-EU countries were in force, compared to 10 in 2013 and 13 in 2014. In 2015 negotiations for the renewal of protocols with Greenland and Mauritania, as well as for new SFPAs with Liberia and Cook Islands, were successfully completed. At the same time SFPAs with Mozambique and Kiribati were discontinued at the expiry of their last protocols.

⁵³ There is an operational programme for each Member State except for Luxembourg.

Life programme for Environment and climate action (LIFE)

6 Integrated Projects under LIFE will facilitate the coordinated use of more than EUR 1.4 billion in complementary funding

The implementation of the **LIFE** programme is on track. The new types of grants (integrated, technical assistance, capacity building and preparatory projects) introduced by the LIFE Regulation were successfully put in place and the related calls for proposals launched. The high level of demand for projects focused on climate action and for integrated projects⁵⁴ confirmed that the new features introduced by the LIFE Programme were received very favourably. More than 300 project applications focused on climate action objectives have been received following the first two calls for proposals in 2014 and 2015. As for the integrated projects, in 2015 LIFE provided EUR 63.8 million in support of six Integrated Projects funded under the LIFE programme for the Environment: they will facilitate the coordinated use of more than EUR 1.4 billion in complementary funding from the EAFRD, ERDF, national and private funds.

Several policy achievements under the 7th Environmental Action Programme (7th EAP) were also supported by scientific, technical and logistic support financed under LIFE, such as activities linked to the development and adoption of the Circular Economy Package, as well as preparatory work and logistic support for the United Nations conference on climate change (COP21) which led to the first-ever universal, legally binding global climate deal.

1.5.2 Results of 2007-2013 programmes

Implementation aspects

The **EAGF** direct payments under the former regime prior to the 2013 CAP reform were smoothly implemented with the calculation and allocations of support carried out by Member State administrations in a timely fashion.

For **rural development (EAFRD)**, a number of corrective modifications on individual Member State programmes were made throughout the 2007-2013 period. The changes concerned issues such as shifts of financial allocations between measures, adaptation of targeted beneficiaries and eligibility criteria. This helped to address the low financial absorption rate in the first years of implementation, as well as some unforeseen problems arising due to the changed economic or wider policy context. The final absorption rate for the 2007-2013 period is currently estimated at the level of 98 %.

Rural development implementation reached

98 %

The **European Fisheries Fund** (EFF, predecessor of the EMFF) provided funding to the fisheries industry and coastal communities to help them to be economically resilient and ecologically sustainable. By 31 May 2015, 90.8 % of the EFF had been committed. Commitments made by the Member States from 2007 to 31 May 2015 amounted to EUR 3.91 billion for 134 689 operations. For the same period investments in the fishery and aquaculture sector amounted to EUR 9.27 billion: 42 % from the EFF, 26 % from national public contributions and 32 % from private funding. Measures for the sustainable development of fisheries areas have made progress reaching over 11 % of total EFF commitments. In terms of the leverage effect, every euro of EFF support committed generates EUR 1.37 of committed national support (+2.2 % compared to 31 May 2014), of which EUR 0.75 of private funding and EUR 0.62 of national public contribution.

⁵⁴ LIFE Integrated Projects provide funding for plans, programmes and strategies developed on the regional, multi-regional or national level. The aim is to implement environmental legislation and goals on a wider scale and to increase the impact of the LIFE programme.

In 2015 the performance of **Sustainable Fisheries Partnership Agreements** (SFPAs) was evaluated as part of a broader evaluation covering different financial measures under the Common Fisheries Policy.⁵⁵ The evaluation found that SFPAs were managed in accordance with the principles of sound financial management. Given the analysis of the costs of access paid by other non-EU vessels under private agreements and the fees paid by vessel owners compared to landed values of catch, the access fees negotiated by the EU were judged as advantageous to, and efficient for, vessel owners. The evaluation showed higher value for money for tuna agreements than for multi-species agreements.

For **LIFE+**, grants projects accounted for 81 % of the programme's multiannual budget of EUR 2.1 billion. This amounted to EUR 1.7 billion for the overall period and mobilised financial resources (EUR 1.8 billion) for more than double the EU financing.

Contribution to policy achievements

Given that the ex-post evaluations on the performance of the 2007-2013 Rural Development programmes and the EFF⁵⁶ have not yet been completed, the achievements reported below are mainly based on the latest available monitoring information on these programmes.

Smart Growth

In the 2007-2013 period the **CAP** exerted a strong positive influence on the farm sector's viability by offering the sector targeted funding to improve its performance. The EU's farm sector raised its total factor productivity by 0.7 % per year between 2005 and 2014 (and by 1.7 % per year in the EU-13), showing clear evidence of using the factors of production more efficiently.

Rural development funding provided support for knowledge-building, investments, various forms of cooperation, and innovation. In the period 2007-2013, the EAFRD supported: 430 000 farm modernisation projects; start-up support for 165 000 young farmers; 385 000 farmers' involvement in quality schemes; more than 5 million training days for farmers. Rural development measures also helped the creation or development of 70 000 (non-agricultural) micro-enterprises.

EAFRD supported 430 000 farm modernisation projects and provided start-up support to 165 000 young farmers.

EAFRD financing also supported the achievement of better access to broadband and/or ICTs for 8 million rural inhabitants. Next-generation access in rural areas reached 25 % by the end of 2014 — up from less than 20 % in 2013.

Although the use of financial instruments in 2007-2013 rural development programmes was still modest (EUR 364 million of funding from 16 Rural Development Programmes in 7 Member States), some of the results were encouraging. For example, between 2010 and 2014 a guarantee fund which operated in Romania and was funded through rural development policy helped to make EUR 265 million of loans available by providing just EUR 116 million as security in the form of 1 040 guarantees.

⁵⁵ Ex post evaluation on Union financial measures for the implementation of the Common Fisheries Policy and in the area of the Law of the Sea 2007-2013 (under publication).

⁵⁶ Ex-post evaluations on the performance of the 2007-2013 Rural Development programmes will be completed in 2016 for the Member States and 2017 at the level of the Commission; the EFF ex-post evaluation is currently ongoing and will be completed end 2016.

Sustainable Growth

In the period 2007-2013 more than 80 % of total **CAP** payments were linked to compliance by farmers with basic standards concerning the environment (as well as food safety, animal and plant health and animal welfare).⁵⁷ Furthermore, by supporting farmers, the EAGF enabled a retreat from harmfully intensive practices. The greenhouse gas emissions from agriculture (excluding soils) continued to decline in a steady fashion with an average annual rate of decrease of 0.7 % between 2001 and 2012, thus contributing to the targeted trend of reducing CO₂ emissions.

Under rural development programmes various types of area-related payments were made to encourage management practices that have a proven positive impact on biodiversity, soil, water, and air in both the farm and forest sectors. During the 2007-2013 programming period, the surface under agri-environmental schemes expanded to 47 million ha, representing more than 25 % of the EU-27 Utilised Agricultural Area in 2013. In particular, the support received from farmers to convert to organic farming covered 7.7 million hectares. All this played an important role in the improvement of the environmental performance of EU farming.

Support to convert to organic farming covered 7.7 million hectares, contributing to better environmental performance of EU farming.

For the **EFF**, in 2007-2013 Member States actively used the decommissioning instrument under the EFF to adjust fishing capacities to available resources. Many Member States declared in their fleet capacity reports for 2013, that their fishing fleets were in balance with the stocks exploited, even though pockets of overcapacity remained, particularly in the Mediterranean.

The 2015 Commission Annual Report on EFF implementation⁵⁸ confirms the gradual decrease of EFF support to fleet measures (permanent and temporary cessation of fishing) and the continuous support to more environmentally friendly fishing practices which have contributed to the increase the number of stocks fished at Maximum Sustainable Yield level (MSY) from 27 in 2014 to 39 in 2015.

Number of stocks fished at Maximum Sustainable Yield (MSY) level has increased from 27 in 2014 to 39 in 2015.

LIFE+ contributed to increasing awareness and public participation in the implementation of EU environment policy and legislation, as well as to the good governance in this area.. The programme served as an effective tool to promote the implementation of the priorities established in the 6th Environmental Action Programme (6EAP).⁵⁹ The evaluations of the programme confirmed that LIFE+ has been 'a successful instrument with significant EU added value'.⁶⁰ Over its twenty years of implementation and in addition to 'quantified benefits estimated at some EUR 600 million a year',⁶¹ LIFE has contributed to: improved conservation and restoration of some 4.7 million hectares of land; improved water quality over an area of approximately 3 million hectares; more healthy air quality for

Improved conservation and restoration of land through LIFE+ on 4.7 million ha.

⁵⁷ See evaluations: http://ec.europa.eu/agriculture/analysis/external/cross_compliance/index_en.htm as well as http://ec.europa.eu/agriculture/eval/reports/environment-summary/fulltext_fr.pdf

⁵⁸ COM(2015)662.

⁵⁹ OJ L 242, 10.09.2002.

⁶⁰ See Communication from the Commission to the European Parliament and the Council 'Final evaluation of Regulation (EC) No 614/2007 concerning the Financial Instrument for the Environment (LIFE+)'. COM/2013/0478 final.

⁶¹ Ibid.

some 12 million people; waste prevention of some 300 000 tonnes and recycling of a further 1 million tonnes; 1.13 million tonnes reductions of CO₂ emissions per year.⁶²

Example of EU added value

The LIFE programme acts as a platform for the exchange of best practice and knowledge-sharing, allowing actors across the EU to learn from each other's experiences. More than 25 % of the LIFE Nature conservation measures results were shared and replicated across the EU.

An example of such successful knowledge-sharing is the Elia project aimed at creating green corridors for biodiversity under overhead high-tension lines in forests while at the same time reducing the annual maintenance costs for the electricity transmission system operators. Thanks to this project 155 km (775 ha) in Belgium and 31 km (155 ha) in France were restored. In both countries, the conservation measures involved 732 stakeholders from 28 stakeholders groups in their long-term management. The cost benefit analysis showed that the annual maintenance costs were reduced by a factor of 2.5-5, with a return on the initial investments after only 3-9 years.

The operator in Belgium is expected to roll out this approach under a further 600 km of overhead lines on its own budget, after the term of this LIFE project, hoping to achieve annual cost savings of some EUR 1 million.

The measures implemented under this project are applicable to more than 75 000 km across the EU.

Inclusive Growth

The combination of **direct payments and market measures** helped limit job and output losses.⁶³ In 2014 the employment rate in rural areas recovered to 63.3 %. This was important for the EU's 11 million farms, their 22 million regular workers and for those linked to farming — e.g. 22 million in food processing, food retail and food services, plus others in upstream or other downstream sectors (making up a sector of nearly 44 million jobs altogether). The CAP also promoted a balanced territorial development in the EU through its **rural development** measures, which supported almost 53 000 operations improving basic services in rural areas (e.g. transport; electricity; household maintenance) in the period 2007-2013.

Number of operations improving basic services in rural areas:

53 000

For the **EFF**, a recent study⁶⁴ estimates that at least 7 300 jobs have been created by the Fisheries Local Action Groups (FLAGs),⁶⁵ while a further 12 500 jobs maintained at an estimated cost of EUR 32 000/job created or maintained and over 200 new enterprises created with EFF support.

According to the evaluation completed in 2015,⁶⁶ **SFPAs** measures proved effective in terms of economic benefits for the EU and the non-EU countries fleets. The SFPAs supported employment for around 2 500 EU nationals on EU

⁶² Ibid.

⁶³ In the agricultural sector direct payments made up an average of 46 % of farm income between 2005 and 2013, with large variations between Member States and types of farming.

⁶⁴ Study on the implementation of Axis 4, see http://ec.europa.eu/fisheries/documentation/studies/axis-4/index_en.htm

⁶⁵ FLAGs are partnerships between fisheries actors and other local private and public stakeholders to address their area's economic, social and environmental welfare.

⁶⁶ Ex-post evaluation on Union financial measures for the implementation of the Common Fisheries Policy and in the area of the Law of the Sea 2007-2013 (under publication).

vessels in many EU coastal regions, with the highest numbers in the Spanish regions of Andalusia, Galicia, Basque Country and Canary Islands, Latvia and Lithuania, the French regions of Brittany and Réunion, and the Pomorskie region of Poland. However, it was found that the generation of FPA-related jobs in regions such as Andalusia and Canary Islands was negatively affected by the reduction in fishing opportunities under multi-species agreements in West Africa over the evaluation period (2007-2013).

1.6 Security and Citizenship (Budget Heading 3)

Under Heading 3, the EU budget brings together a range of programmes (EUR 2.5 billion representing 1.6 % of the total 2015 EU budget) supporting pressing political challenges such as security, asylum, migration and integration, health, consumer protection, culture and dialogue with citizens. Funding is geared to projects where EU collaboration brings about significant efficiency gains.

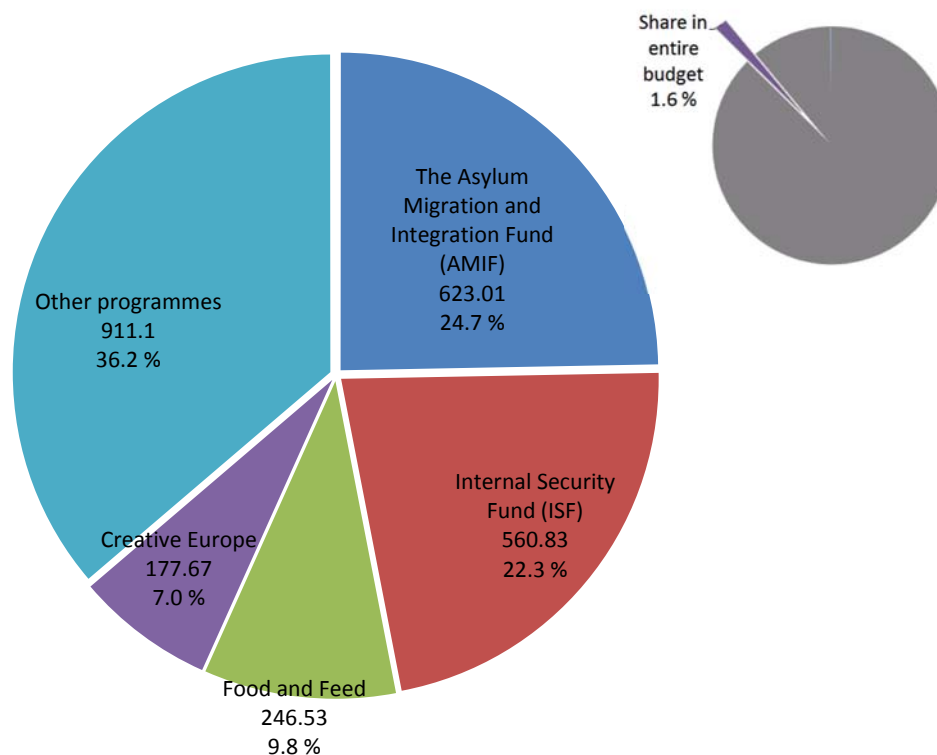


Chart 6: Left: Main programmes financed in 2015 under Heading 3 / Right: Share for Heading 3 in the entire 2015 budget. All figures in EUR million.

This part of the budget came under particular pressure this year due to the refugee crisis. Agencies such as Frontex, EASO and Europol were strengthened with a tripling of the initial amount allocated to the 'Triton' and the 'Poseidon' operations in the Mediterranean Sea and additional support to establish hotspots. Emergency measures in the Asylum Migration and Integration Fund (AMIF) and Internal Security Fund (ISF) funds were considerably strengthened (EUR +130 million) in order to help the frontline Member States such as Greece and Italy. EUR 25 million was also provided to fund the resettlement scheme.

Commission priorities:

The programmes under Heading 3 contribute mainly to the Juncker Commission priorities of 'Justice and Fundamental Rights' and 'Migration.' Despite the small budget involved, these programmes contribute to Europe 2020 achievements. For example, the Health Programme funds actions related to healthy ageing (a prerequisite for smart growth) and health inequalities (a key component of inclusive growth), and the Asylum Migration and Integration Fund⁶⁷ contributes to inclusive growth through financing of projects for integrating non-EU nationals.

1.6.1 Implementation of 2014-2020 MFF programmes

In the area of security, asylum, migration and integration, Member States have started implementing actions supported by AMIF and ISF, as outlined in their national programmes. Both funds are key funding sources to address the refugee crisis and are mainly implemented under shared management.

In 2015 considerable progress has been made in the start-up phase. All 54 multiannual national programmes of Member States were adopted; they describe how the Member State intends to meet the funds' goals. The remaining four programmes under ISF for the Schengen Associated countries will be approved following the conclusion of the bilateral agreements with these countries. The designation process of an authority responsible for the management of the funds, a prerequisite for disbursing funding, is also on track. As of the end of 2015, only four Member States still needed to designate a responsible authority.

Following these steps, activities started in 2015 to monitor the funds' implementation on the ground. Member States submitted their first annual implementation reports in March 2016. Despite the late adoption of the legal bases of the AMIF and ISF and taking into account the refugee crisis and recent security-related events, Member States have reported progress in the implementation of their national programmes. Although the pace of the implementation has been slow in the first two years (approximately 19 % of the total funding committed for 2014-2015), the implementation is expected to accelerate in 2016.

The activities in 2015 funded under direct management were impacted by the creation of additional emergency assistance aid. The budget available for grants tripled from EUR 77.41 million in 2014 to EUR 261.94 million in 2015 and 38 emergency assistance grants were awarded in 2015 (representing a value of EUR 163 million)⁶⁸ to Member States mostly affected by the influx of asylum seekers. The grants financed basic needs of asylum seekers such as accommodation and health services as well as staff needed for screening and interpretation.

In the area of health and food safety, in 2015 the annual Health work programme has been implemented as planned. A total of 103 proposals have been submitted of which 38 will be funded (success rate of 36 %). These include eight joint actions with Member States and 30 grants. To make it possible to fund actions that address refugees' health the work programme was amended in October 2015. EUR 7.2 million was allocated to four projects and one direct grant to the International Office for Migration in order to support Member States under particular migratory pressure in their responses to health related challenges, in particular for testing a personal health record which aims to reconstruct the medical history of migrants and evaluate their health needs.

⁶⁷ Supports national efforts to improve reception capacities, ensure that asylum procedures are in line with Union standards, integrate migrants at local and regional levels and increase the effectiveness of return programmes.

⁶⁸ http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/press-material/docs/financial_support_to_mss_under_amif_and_isf_en.pdf

All work programmes in the Food and Feed area in 2015 were implemented as foreseen, contributing to better health for humans, animals, and plants along the food chain. There were 137 EU co-funded veterinary programmes implemented in 2015 for a total budget of EUR 163 million that targeted diseases that affect animals and sometimes humans (zoonoses); in 2015 the prevalence of human Salmonellosis and Brucellosis cases has continued to decrease. For the first time there were 17 EU co-funded national plant health survey programmes for a total budget of EUR 7.5 million that ensured the early detection and eradication of pest outbreaks. In parallel, animal and plant health epidemics were prevented and a number of epidemiological situations were successfully handled through the application of emergency measures allowing the EU to continue to export. EU funding of EUR 16 million for the 43 EU reference laboratories in 2015 resulted in better implementation of the EU legislation by enforcing legislative limits and reducing the need to repeat testing.

Under the Better Training for Safer Food programme, in 2015 more than 7 000 staff involved in food safety control authorities received trainings. On a scale from 1 to 10 trained staff considered their knowledge to be improved at a rate of 8.4.

In the area of consumer protection, 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 and 2015 have been achieved.⁶⁹ Financed actions are targeting areas where consumer protection cannot be sufficiently achieved by the Member States alone, such as the activities of European consumer centres, which provide information, free advice and assistance relating to cross-border shopping in the EU. In 2015, 30 grants were awarded to co-finance the work of these centres.⁷⁰

In the area of culture, the Creative Europe programme aiming to support the cultural and creative sectors was implemented according to plan. Supported actions include cross-border projects involving cultural and audiovisual operators from 38 countries (demand was higher than in 2014), and initiatives such as for instance the well-known European Capitals of Culture. The programme continues to pursue its general objectives, namely helping safeguard Europe's cultural and linguistic diversity and seeking to strengthen the competitiveness of European cultural and creative sectors.

The **Europe for Citizens Programme** is on track to achieve its targets. Interest for the programme was high in 2015 with an increasing number of applications competing for obtaining financing from a relatively modest budget. Out of 2 791 applications received, 408 projects were selected (14.6 % success rate).

An area of justice and fundamental rights based on mutual trust

Throughout 2015 the EU continued to develop its justice, fundamental rights and citizenship policies. These are based on the EU's core values of democracy, freedom, tolerance and the rule of law. EU citizens must have full confidence that, wherever they may be in the European Union, their freedom and security are well protected.

In April, the Commission presented a European agenda on security. The agenda focuses on areas where the EU can make a difference, such as better exchange of information and strengthened police and judicial cooperation.

⁶⁹ For detailed figures see the consumer programme, which is part of the Programme Statements attached to the 2017 draft budget.

⁷⁰ Draft Annual Activity Report of executive agency CHAFEA.

Following the terrorist attacks in Paris in January 2015 and November 2015 and in Copenhagen in February 2015, the Member States resolved to work together to defeat terrorism. They took steps to counter radicalisation, cut terrorist financing and enhance the cooperation between them and with the EU's law enforcement agency, Europol, and its judicial cooperation agency, Eurojust.

In the area of justice, the Commission delivered on its commitment to finalise EU data protection reform, ensuring better protection of citizens' personal data. The Commission also made progress towards the establishment of the European Public Prosecutor's Office, which will investigate and prosecute EU fraud affecting the Union's financial interests.

The Commission finalised negotiations on an EU-US data protection umbrella agreement. The agreement will protect personal data transferred between the European Union and the United States for the prevention, detection, investigation and prosecution of criminal offences, including terrorism. It will also enable EU citizens to benefit from the possibility of seeking judicial redress in the United States under US law.

1.6.2 Results of 2007-2013 MFF programmes

In the **area of security, asylum, migration and integration**, the ex-post evaluations of the predecessors of the AMIF and ISF are still ongoing and will be reported upon next year. However, data are available on some key performance indicators.

First the number of people receiving reintegration assistance through the AMIF predecessor fund significantly went up in the period from 2011 to mid-2015 compared to the previous reporting period covering 2008-2010 as shown below. While in the period 2008-2010 an average of 2 500 persons received assistance each year, in 2011-2015 more than 10 000 persons, on average, received assistance each year.

Furthermore, data became available on the number of consulates, out of the 2000 consular posts issuing Schengen visas, which were equipped/secured or enhanced with the help of the ISF predecessor's fund (the external border fund) in the period 2011-mid-2015 to process visa applications and to service visa applicants:

- 1 365 Consulates connected to VIS;
- 184 Consulates constructed or renovated;
- 116 Consulates equipped with security enhancing equipment;
- 1 349 Consulates equipped with operating equipment for Schengen visa processing.

Overall, preliminary information from the ex-post evaluation on the use of the External Borders Fund shows that most investments were related to IT systems (over 40 % of expenditure), while the contribution of the fund to border management was proportionately lower. These IT investments are often directed towards priority areas, to support new EU initiatives that need to be applied at Member State level and for which the fund foresaw a level of co-financing of 75 % instead of 50 %.

In the **area of health, food protection and dialogue with citizens**, two ex-post evaluations⁷¹ became available in 2015, assessing whether the second Health programme and the Europe for Citizens programme financed under the 2007-2013 MFF have achieved their objectives. Both evaluations pointed out that the limited available funding (Health programme — EUR 294 million and Europe for Citizens programme — EUR 215 million for a 7-years period) for projects covering a range of objectives and priorities is not of a sufficiently critical mass to influence overall European trends related to health or citizens perception on the EU. To maximise their impact, both programmes financed targeted actions that had a high EU added value and were able to generate leverage effects.

The ex-post evaluation of the **Health programme** found that the 788 financed activities rightly focused on areas of high relevance for Member States and programme stakeholders in line with EU health policy priorities and the Europe 2020 priorities of smart and inclusive growth. The evaluations assessed individual actions and outputs concluding that they delivered a range of valuable outputs, which added value at EU level because best practices were exchanged between Member States and cooperation improved through joint actions. The Health Programme generated useful knowledge and evidence to serve as a basis for informed policymaking and further research into key health issues. For example, it supported the collection of comparable data across the Union, covering many Member States and providing information for policymaking purposes. A good illustration of EU added value is co-funding by the Health Programme of the Orphanet portal on rare diseases, which pools together fragmented resources at EU level.

Example of EU added value

Around 30-35 million EU citizens live with a rare disorder. Because of the limited number of patients per disease in each country, knowledge is scarce and unevenly distributed across Europe. The Orphanet portal includes a rare diseases encyclopedia, written by experts and peer-reviewed, and a directory of services with information about specialised outpatient clinics, diagnostic laboratories and support groups in Europe. The database provides information about 6 000 diseases and is freely accessible. The portal is successful and annual downloads figures steadily increased from 37 000 in 2010 to 414 000 in 2015 with currently over 41 000 daily website visitors. Around 47 % of visitors are health professionals, 26 % patients and 17 % students. The single hub at EU level creates efficiencies because health care professionals across Europe can improve their knowledge of these diseases, researchers and academics can develop new treatment and therapies, and patients can find reliable, up-to-date information.

As regards programme management, the ex-post evaluation of the **Health programme** found that the implementation and programme management improved, drawing on the recommendations of the previous evaluations. Even though the establishment of a dedicated database led to an improvement of monitoring of the programme's actions, the evaluation points to weaknesses in the monitoring of results of the funded actions and their analysis, which limited the assessment of the overall programme performance. The dissemination of action outputs varied, thus it is not systematically ensured that key stakeholders are reached, or that outputs can be taken up and transformed into results and tangible impacts. An action plan which includes actions to improve monitoring, provide an interactive database with results as well as a communication and dissemination strategy, has been set up and is carried out by the Commission and the executive agency CHAFEA.

To maximise impacts of individual projects the **Europe for Citizens programme** progressively moved away from financing smaller town-twinning projects where expertise is exchanged on varied issues like youth, culture, and tourism to financing larger and more structured projects involving a larger number of towns and citizens and addressing imminent

Direct participants to 'Europe for Citizen' programmes

7 million

⁷¹ Ex-post evaluation of the 2nd Health programme 2008-2013 under Decision No 1350/2007/EC establishing a second programme of Community action in the field of health (2008-2013) - http://ec.europa.eu/health/programme/docs/ex-post_2nd-hp-2008-13_comm-report_en.pdf - COM(2015) 652 final Report From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions on the implementation, results and overall assessment of the "Europe for Citizens" programme 2007-2013 of 16.12.2015 - http://ec.europa.eu/citizenship/pdf/evaluationreportefc2007-2013_en.pdf

problems like the integration of migrants and environmental problems. Even if the long-term impact of the programme is difficult to assess, through a bottom-up approach the programme reached large number of citizens; many of which were first-time participants. The programme had approximately 7 million direct participants and reached almost 25 000 towns and citizens and created 350 networks of towns and citizens. 4 250 civil society organisations were mobilised to meet citizens' concern and more than 500 organisations were involved in remembrance activities vis-à-vis citizens.

1.7 Global Europe (Budget Heading 4)

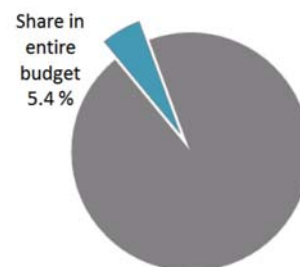
In terms of budget commitment appropriations, EUR 8.7 billion has been initially⁷² allocated to the programmes under Heading 4, which represents 5.4 % of the total 2015 EU budget.

Heading 4 of the financial framework covers all external action by the Commission such as development assistance, pre-accession assistance and humanitarian aid or actions contributing to stability and peace. The European Development Fund (EDF) is not funded from the EU budget but from direct contributions from EU Member States.

In 2015, one of the main actions under Heading 4 was related to the refugee crisis. In particular, a 'Syria Trust Fund' was established to pool together the resources from both the EU budget and the Member States budget. The EU budget invested almost EUR 570 million in this trust fund in 2015. Moreover, the EU established a Trust Fund for Africa addressing the roots of the economic migration. This fund is also financed through the EDF.

Commission priorities:

The programmes under Heading 4 contribute to the Juncker Commission priority 'EU as a Global Actor' and to the response to the refugee crisis. 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 Trusts' which includes a strong focus on security.



⁷² Additional budget reinforcements were received during the year.

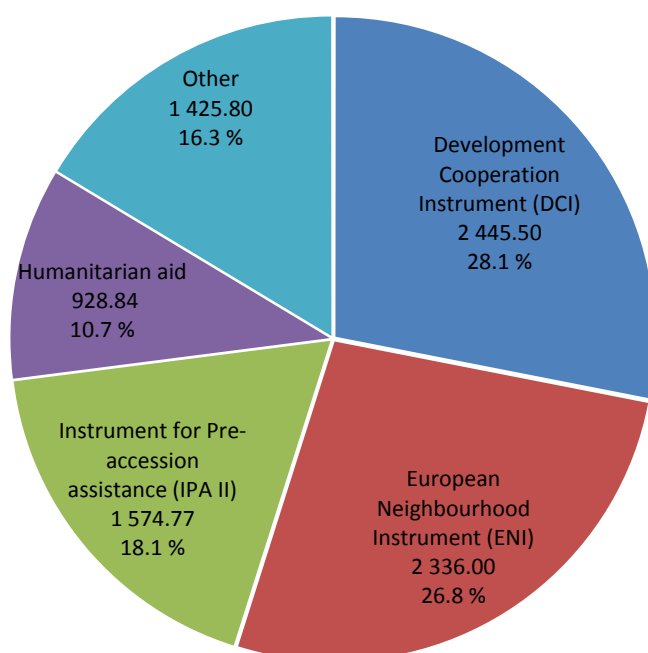


Chart 7: Left: Main programmes financed in 2015 under Heading 4. Category 'Other' includes among others Common Foreign and Security Policy (CFSP), Instrument contributing to Stability and Peace, European Instrument for Democracy and Human Rights (EIDHR) / Right: Share for Heading 4 in the entire 2015 budget. All figures in EUR million.

Management and implementation of a large part of the funding under Heading 4 is done by third organisations, such as United Nations agencies, while the remaining part is either directly managed by the Commission (mostly grants) or indirectly by beneficiary countries or through shared management.

1.7.1 Implementation of 2014-2020 programmes

The implementation of all programmes is on track.

In 2015, the Commission continued to contribute substantially to the objectives of preventing, managing and resolving conflict and building peace in the world. The Commission was at the forefront of the international response to all major humanitarian crises, both natural and man-made. For example, throughout 2015 the Commission provided support to countries affected by **Ebola** (EUR 885 million⁷³). Additional budget support was paid to **Liberia** (EUR 31 million) and **Sierra-Leone** (EUR 43 million) to cushion the economic impact of the epidemic and provide the countries with valuable funds to stabilise the state budget such as pay salaries and other important recurrent costs. A number of strategic projects under the **AWARE initiative**⁷⁴ linking humanitarian assistance with development were launched, e.g. strengthening health systems, resilience of livelihoods in Guinea or access to water in schools in Liberia. The first recovery programmes were also launched in **Guinea** (health) and in **Liberia** (education and energy). At the end of 2015, the three affected countries were all on the path to being declared Ebola free.

Support to countries affected by Ebola
€885 million

⁷³ Overall amount from the EU budget, including development and humanitarian aid.

⁷⁴ https://ec.europa.eu/europeaid/aware-west-african-response-ebola-lutte-contre-ebola-en-afrique-de-louest_fr

In light of the terrorist attacks in **Tunisia** in 2015, the EU reacted quickly by adopting measures focusing on Tunisian security sector reforms. The EU also adopted measures to maintain short and medium-term economic stability in the country and to support the tourism sector, a key pillar of the country's economy that was negatively affected by the attacks.

In 2015, the EU has also continued to provide support to **Ukraine**. A new Macro-Financial Assistance (MFA) operation of up to EUR 1.8 billion with a view to alleviating the country's external financing needs was agreed in April 2015. The first tranche of EUR 600 million was disbursed in July 2015. The remaining EUR 1.2 billion is expected to be made available during the course of 2016 in two equal tranches of EUR 600 million, subject to successful implementation of the economic policy and financial conditions agreed with Ukraine, and a continuous satisfactory track record of implementing the International Monetary Fund programme. In addition, in April 2015 the Commission disbursed the final tranche of EUR 250 million in loans from the first MFA operation implemented in Ukraine since the onset of the crisis.

In addition, the on-going implementation of the EUR 355 million State Building Contract (SBC), adopted in 2014 in Ukraine, has been pivotal in the political and public steering of the national reform processes on anti-corruption, public finance management, and electoral legislation. The SBC programme has enabled an active dialogue with Ukrainian counterparts leading to specific achievements such as the creation of the Anticorruption Bureau and the adoption of key legislation in line with European Standards on Anticorruption, Public Procurement, Civil service, Access to Information and Transparency of Political Party funding. The government's readiness to accept close scrutiny from civil society organisations in monitoring progress of the reform process is also noteworthy in this regard.

Emergency assistance in Ukraine

€63.3 million

Direct assistance and financial aid have also been provided to the people of Ukraine affected by the ongoing conflict: the Commission has provided over EUR 63.3 million of humanitarian assistance since the beginning of the crisis in 2014.⁷⁵ Projects implemented in 2015 have directly helped over 800 000 Ukrainians. It is important to note that focus is on the most vulnerable: children, elderly, single parent

households, etc. About 55 % of the Commission's humanitarian assistance targets people in need in non-government controlled areas. EU humanitarian aid also goes to internally displaced people and to refugees who have fled the conflict areas, as well as to returnees. The support provided includes cash assistance, food and shelter, hygiene and sanitation. For example, with the support of the Commission and with contributions from Germany and Norway, the International Organisation for Migration has provided cash transfers to 16 000 vulnerable persons, targeting specifically women and helping them to buy urgently needed clothes and other items.⁷⁶

Throughout 2015, the EU has also intensified its efforts to support the **Syrian** population affected by the ongoing war. As one of the main donors of the 2015 Strategic Response Plan (SRP),⁷⁷ the Commission contributed to support 12 million beneficiaries with health assistance (including general health care, reproductive health care and rehabilitation services), 5 million with protection services, 8 million with Water, Sanitation and Hygiene services⁷⁸ and over 6 million vulnerable internally displaced people with shelters and non-food items.

1.7.2 Results of 2007-2013 programmes

The EU's contribution to the Millennium Development Goals (MDG)

2015 was the target year for the achievement of the MDG. Overall, the MDG have helped drive development progress across the globe. The EU and its Member States, as one of the main contributors to the MDGs in financial terms,⁷⁹ have played an important role in achieving this progress.⁸⁰

More than 1 billion people have been lifted out of extreme poverty since 1990. The MDG targets of halving the proportion of people living in extreme poverty and hunger have been met even ahead of schedule. Still, the world is far from eradicating extreme poverty and hunger.

Between 2007 and 2013 the EU provided EUR 1 billion a year for food security. For example, the EU contributed to the Livelihoods and Food Security Trust Fund (LIFT), which helps smallholders and the rural landless poor in Myanmar use agriculture as a safety net for improved food security and nutrition. The LIFT initiative has supported 576 000 households: 249 000 people took part in skills training, 290 000 households increased food security by more than one month and 60 000 households reported increased incomes.⁸¹

€1 billion
per year for food security

⁷⁵ EU humanitarian aid provided for 2015 alone is EUR 30 million.

⁷⁶ For more details see the Echo Fact sheet on Ukraine: http://ec.europa.eu/echo/files/aid/countries/factsheets/ukraine_en.pdf

⁷⁷ <https://www.humanitarianresponse.info/en/operations/syria/document/2015-syrian-arab-republic-strategic-response-plan>

⁷⁸ <http://www.unhcr.org/syriarrp6/docs/syria-rrp6-sectoral-plans-WASH.pdf>

⁷⁹ Overall, the EU and its Member States provide around half of the world's Official Development Assistance since 2000.

⁸⁰ The data on results refers to European Commission-financed programmes managed by the Directorate-General for International Cooperation and Development, and funded by the EU budget or European Development Fund.

⁸¹ Roughly 19 % of all crop-growing households living in the villages covered by the programme reported increased incomes. For more details see the LIFT annual report for 2013: http://www.lift-fund.org/sites/lift-fund.org/files/publication/LIFT_Annual_Report_2013.pdf

Progress has been also achieved in **enabling more children to go to school**. In this context, the EU supports governments in over 40 countries in providing quality education and learning opportunities, with a total spend of EUR 4.4 billion between 2007 and 2013. For example, the EU invested EUR 85 million in Somalia in 2007-2013. This helped increase enrolment in primary schools from 22 % in 2004 to 45 % in 2012. It is however important to note that 57 million primary-aged children across the world, are still deprived of schooling. Providing quality and consistent education to all children and young people also remains a challenge and more effort is needed to address this issue. As for secondary and tertiary education, since 2007 the EU has provided over 40 500 scholarships for developing country students, about 40 % of them for young women. In addition, since 2004 the EU contribution has helped 300 000 additional female students enrol in secondary education.

20 million more children were vaccinated against measles.

The EU has also worked closely with beneficiary countries and other development partners to **address health system weaknesses**, and has supported the health sectors of 39 developing countries. Thanks to EU support at country level, at least 20 million more children were vaccinated against measles between 2004 and 2014. Furthermore, in 2004-2012 the EU helped build or renovate more than 8 500 health facilities worldwide.

During that period the EU also provided support to improve Maternal and Child Health (MNCH), resulting in progress against maternal mortality and under-five mortality. However, the outcomes vary in terms of magnitude between countries, regions and especially between rural and urban areas. While some significant improvements in some aspects of MNHC can be observed, such as in basic immunisation rates, slower progress has been recorded on many other indicators, such as proportion of safe deliveries, use of modern family planning and child nutrition. Looking at the regional distribution, it appears that major improvements have occurred in Asia and Northern Africa, less so in Sub-Saharan Africa.

As regards the EU's contribution to the MDG in the water sector, the **EU Water Facility in Uganda**,⁸² is an example of project which helps improve access to drinking water and sanitation for disadvantaged populations and contributes to sustainable water governance and management. So far, 17 projects have been implemented for a total of EUR 39.4 million. Since the project's inception in May 2011, 100 913 additional people have gained access to safe water and 231 049 more people have access to inclusive sanitation and hygiene education. Another example is in Bolivia, where important progress was recorded in access to water and improved nutrition, thanks also to the EU sector budget support⁸³ which resulted in almost 1.2 million people gaining access to clean water - an average of almost 200 000 people each year between 2006 and 2013⁸⁴.

EU support helped to increase enrolment in primary schools in Somalia: from 22 % in 2004 to 45 % in 2012.

Evaluation results of 2007-2013 programmes⁸⁵

In 2015, a number of reviews and evaluations of the 2007-2013 programmes have been concluded. The evidence gathered confirms that the EU actions have been efficient and effective, that the EU support is generally strengthened when associated with strong local ownership over reform, and that it is more effective when it is able to adapt to local changes and when a variety of aid modalities are used.⁸⁶ As regards the use of budget support to low-income

⁸² <https://europa.eu/eyd2015/en/european-union/stories/week-14-bringing-clean-water-and-smile-people-living-disabilities-uganda>

⁸³ EU budget support involves the direct transfer of EU funds to a partner country's budget in support of a sector programme.

⁸⁴ http://ec.europa.eu/europeaid/strategic-evaluation-eu-cooperation-bolivia-2007-2013_en

⁸⁵ In 2015, the Commission launched the EU International Cooperation and Development Results Framework to strengthen capacity to monitor and report the results (SWD(2015)80). The information based on this framework will be included in the future reports.

⁸⁶ All relevant evaluation reports can be found at this site: http://ec.europa.eu/europeaid/node/80199_en

countries, one of the main results is that it can help sustain macroeconomic stability and often, but not always, can protect and increase allocations to social services, contributing to accelerate the achievement of social gains. In most cases, however, it is not possible to precisely measure the impact of EU actions due to a large number of factors affecting the final results.

Of particular interest this year were two thematic evaluations. The overall assessment of EU support to environment and climate change showed that the EU leadership and actions were relevant and coherent at country, regional and global levels.⁸⁷ Environment and climate change aspects have been mainstreamed into EU cooperation policies, especially in infrastructure, agriculture and rural development areas. These increased coherence and cooperation were seen as clear added value of EU support. However, according to the evaluation, the scale of support had not been enough to impact or reverse negative environmental and climate change trends.

Less satisfactory results were found by the Evaluation of EU Support to Gender Equality and Women's Empowerment (GEWE) in Partner Countries.⁸⁸ According to the evaluators, some important and inspirational GEWE results have been achieved, but they were considered to be patchy and poorly documented. For example, most of EU Delegations did not adopt an integrated three-pronged approach to effectively combine gender mainstreaming and gender specific actions with political and policy dialogue. Furthermore, the lack of high level leadership, institutional incentives and prioritisation of key commitment across EU cooperation prevented GEWE agenda from being mainstreamed into policies and programmes. The evaluation also identified examples of good practice such as the case of Morocco where the EU Delegation has put in place innovative gender programming supported by sector budget support, linked to policy dialogue where gender is effectively mainstreamed.

Positive results were reported by the evaluation of Civil Protection Financial Instrument and Community Civil Protection Mechanism 2007-2013.⁸⁹ The evaluation demonstrated that the Mechanism's components were implemented efficiently; in particular, the provision of transport assistance was considered as a major step forward and proved a useful, effective and efficient tool.

Example of EU added value

The evaluation of the Civil Protection Mechanism 2007-2013 found that the programme brought EU added value by strengthening the cooperation between the Participating States; addressing gaps in national response capacities; and starting to shift the focus of the Mechanism towards a more prevention related approach.

For example, the EU was very quick to provide considerable support to the Philippines who were struck by typhoon Haiyan on 8 November 2013. A first team of Commission humanitarian experts was deployed to Manila that very day. By early December, 26 Participating States had provided more than EUR 135 million of financial and in-kind assistance to the Philippines. The Commission provided close to EUR 3.6 million to co-finance the transport of Participating States' assistance equipment and response teams and EUR 40 million in humanitarian assistance and early recovery interventions.

In particular, ensuring interoperability of the specialised emergency response units (called modules) was seen as a significant EU added value. All the modules had received common training / exercises and already had worked as a team before being deployed.

⁸⁷ https://ec.europa.eu/europeaid/thematic-evaluation-eu-support-environment-and-climate-change-third-countries-2007-2013_en

⁸⁸ http://ec.europa.eu/europeaid/sites/devco/files/evaluation-cooperation-ec-gender-1338-main-report-201504_en.pdf

⁸⁹ http://ec.europa.eu/echo/files/evaluation/2015/CPM_final_report_en.pdf

Conclusions on performance and results

As demonstrated in the sections above, the EU budget has continued to make a significant contribution to achieving the political priorities of the Juncker Commission and the Europe 2020 objectives.

There was a particular focus in 2015 on supporting policies to boost competitiveness and economic convergence and to create growth and jobs, as well as on providing financial support for the response to crises, in particular the refugee crisis. This required the available budgetary flexibility to be used to the full, as well as the blending of funds from the EU budget with other sources of funding.

2015 was only the second year of implementing the **2014-2020 programmes** and therefore it is still too early to draw definitive conclusions about the results and impacts of these programmes. Nonetheless, evidence to date suggests that implementation is on track for most programmes with a few exceptions, in particular under Heading 1B where 2014-2020 Cohesion Policy programmes progressed at a slower pace due to delays in the designation of managing authorities (a prerequisite for sending interim payment claims). This is explained in greater detail in the Programmes Statements which, as from this year, provide for each of the programmes a specific section with an update on implementation.

Evaluations are currently being finalised for the **2007-2013 programmes**. The evidence available suggests that these programmes have been effective, generating EU added value and contributing to the Europe 2020 priorities of smart, sustainable and inclusive growth. The summary of lessons learned from the evaluations of the previous programmes is also now included in the Programme Statements attached to the draft budget.

When assessing performance, it should be borne in mind that the EU performance framework is framed by the legal and political context and a multi-layered architecture of budgetary and policy tools involving many different actors at national and supranational level. This means that **performance is a shared responsibility**: responsibility for delivering on the Europe 2020 strategy as well as on the objectives of the financial frameworks is shared to a large extent with Member States.

Another challenge in relation to performance reporting is the fact that EU programmes are multiannual and their effects on the economy and society may only be captured in the longer term. Moreover, there are certain inherent limitations to the use of indicators to measure performance. There are limits to the degree to which indicators can capture a precise picture of performance. Good indicators rely on information that is not always available on a regular basis. In addition, contextual factors have an important influence on final results, and indicators cannot eliminate or adjust for these factors. In terms of indicator utility, experience suggests that it is more important to have good quality information on a fairly small number of simple and key measures rather than a more extensive list of indicators of limited relevance.

These constraints notwithstanding, the Commission has taken important steps to ensure that relevant information on programme performance is reported in the Programme Statements attached to the draft budget. It has also reformed its Strategic Planning and Programming cycle with the introduction of multiannual Strategic Plans. With the new approach, the planning documents are more streamlined and firmly anchored on the political priorities of the Commission. These improvements in performance reporting will continue in future as more information on the progress of the current generation of financial programmes becomes available. This increased focus on performance is part of the Commission's ongoing work on an EU Budget Focused on Results.

Section 2

Management achievements

The second section of this report focuses on the Commission's management of the EU budget in 2015. The manner in which the EU budget is managed and implemented has an important impact on overall performance. High standards of financial management are imperative, irrespective of whether the budget is managed directly by the Commission, or in conjunction with Member States or with other bodies.

As required by Article 66 of the Financial Regulation, this section is a summary of the Annual Activity Reports produced by each Commission department⁹⁰ and illustrates how the Commission strives to achieve the highest standards of management and internal control. The ultimate goals are to keep errors to a minimum while keeping a proportionate balance between the costs and benefits of controls, and to reduce the net impact of errors by taking corrective action when they occur.

Through this report, the Commission takes overall political responsibility for the management of the budget.

2.1 Achievement of internal control objectives

In accordance with the responsibilities of the Directors-General as Authorising Officers by Delegation, each Commission department puts in place the organisational structure and internal control systems best suited to ensuring the achievement of its policy and operational objectives.

At corporate level, the Commission defines standards specifying the minimum features of these internal control systems. These standards are based on the COSO⁹¹ framework, which was revised in 2013. The Commission intends to update its internal control framework accordingly in 2016. The aim is to ensure robust and effective internal controls while enabling a flexible implementation and keeping red tape to a minimum.

Overall, Internal Control standards are effectively implemented and functioning

The management of each Commission department has assessed the effectiveness of the internal control systems, and the findings resulting from this assessment have been evaluated. As a result of the assessment, eight Commission departments⁹² reported deficiencies in specific areas alongside the measures to further improve effective implementation. However, overall, all Commission departments⁹³ concluded that the internal control standards are effectively implemented and functioning.

⁹⁰ In the context of this report, the term 'Commission departments' groups all Directorates-General, Services and Executive Agencies but excludes the College.

⁹¹ The Committee of Sponsoring Organisations of the Treadway Commission (COSO) is a joint initiative of five private sector organisations, dedicated to providing thought leadership to executive management and governance entities on critical aspects of organisational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. COSO has established a common internal control model against which companies and organisations may assess their control systems.

⁹² DG AGRI, DG ECHO, DG SANTE, DG HOME, DG JUST, DG EAC, DG DEVCO and DG CLIMA.

⁹³ Only DG DEVCO concluded non-compliance with one of the requirements concerning Document Management, as the document registration and filing rates were below the Commission average, and took a number of actions to improve the effective implementation of this standard.

In particular concerning financial management, Commission departments reported on the achievement of the internal control objectives defined in the Financial Regulation.⁹⁴ These are summarised in the following three sections.

2.1.1. Managing legality and regularity risks: Amount at risk at closure

Legality and regularity risks largely depend on two factors: the eligibility conditions and the management mode.

As regards *eligibility*, a distinction can be drawn between expenditure-schemes for which payment depends on meeting certain conditions, and schemes based on cost-reimbursement of the actual costs incurred for eligible activities. The latter present a higher risk profile as the Commission must check the nature of the costs and the accuracy of the cost calculation. Doing this with the required accuracy requires on-the-spot verifications. These verifications are costly and burdensome, and cannot be carried out before each payment. The controls are based on a sample of transactions and are carried in part before the payment is made as well as after payment in the successive financial years.

As regards the *management mode*, a distinction is drawn between direct management by the Commission departments, and those cases in which budget management tasks are entrusted to Member States (shared management) or to other bodies, such as decentralised EU agencies, international organisations, joint undertakings, or non-EU countries (indirect management). In 2015, Member States and other bodies respectively implemented 77 % and 4 % of the EU budget.

In summary, the main risks to legality and regularity are that costs are overstated or ineligible and that the information provided by Member States and entrusted bodies is not sufficiently reliable. Accordingly, the two main drivers of the level of error are:

- the *complexity of the eligibility conditions*, which has a large impact on the cost-effectiveness of the necessary controls. In some cases, the cost of control may be disproportionately high and/or the control burden may adversely impact the effectiveness of the programme. The Commission is actively engaged in avoiding those cases.
- the *reliability* of the information reported by Member States and other entrusted bodies on their control systems.

The Commission uses the '*level of error*' concept to assess whether financial operations have been implemented in compliance with the applicable regulatory and contractual provisions. The level of error is defined as the best estimation by the authorising officer, taking into account all relevant information available and using professional judgement, of the expenditure or revenue found to be in breach of applicable regulatory and contractual provisions at the time the financial operations were authorised. The level of error is measured at different moments in time, depending on the purpose of the measurement. The concepts and indicators are defined and explained in greater detail in Annex 2.

In order to provide an overall view, Authorising Officers by Delegation have reported their best *estimates of the amount at risk* for the budget under their responsibility and *of the corrections* they expect to implement in the

⁹⁴ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

future.⁹⁵ The comparison of these two figures provides an estimation of the amount at risk at closure, i.e. the level of error after all corrective measures have been implemented at the closure of the programmes.⁹⁶

The *amount at risk at closure* represents the Commission management's view at the end of the financial year on the performance of the controls implemented before payment (preventative, *ex-ante*) and after payment (corrective, *ex-post*). It appropriately reflects the fact that the control cycle is multiannual and that further corrective measures can be implemented until closure.⁹⁷ It is important to note that the amount at risk does not correspond to the amounts which will be finally recovered. It is an estimation of the expenditure found to be in breach of applicable regulatory and contractual provisions. This may include errors of a formal nature that, although important, do not result in undue payments and therefore for some of the schemes these do not give rise to recovery orders or financial corrections.

Area	Total relevant ⁹⁸ expenditure in 2015	Estimated amount at risk at payment in relation to 2015 expenditure ⁹⁹		Outlook at closure regarding 2015 expenditure			
		Lowest value	Highest value	Estimated future corrections		Estimated amount at risk at closure taking into account future corrections	
				Lowest value	Highest value	Lowest value	Highest value
Agriculture	57 677	1 167		1 066		101	
Cohesion ¹⁰⁰	54 284	1 545	2 702	874	1 435	672	1 267
External relations	9 713	281		62		219	
Research	12 482	259	290	127		132	163
Other internal policies	3 488	32	38	11		21	27
Administration	5 683	19	22	1		18	21
Total	143 328	3 303	4 500	2 141	2 702	1 162	1 798

Table 1: Expenditure in 2015, along with estimated amount at risk for 2015 payments and estimated future corrections for 2015 payments (EUR million)

⁹⁵ These are best estimations by the authorising officer, taking into account all relevant information available and using professional judgment.

⁹⁶ This refers to the moment in time in which all corrective controls have been implemented. This typically takes place several years after the payment, depending on the modalities of the programme. See the definitions in Annex 2.

⁹⁷ For some programmes (eg EAFRD and ESIF) corrections are still possible after the closure. Also the corrections after closure of the programme are considered to estimate the amount at risk at closure.

⁹⁸ The 'relevant expenditure' are the payments made excluding pre-financing paid, but including pre-financing cleared during the financial year. This is because pre-financing paid during the financial year is assessed as risk free, as the funds are owned by the EU until the costs are declared and the pre-financing is cleared in subsequent financial years.

⁹⁹ The amounts at risk at payment estimated and reported in the Annual Activity Reports (listed in Annex 1 to this report) have been adjusted, conservatively, by (i) neutralising the effect of pre-financing having been considered as risk free (notably in Cohesion and Research), and (ii) applying the resulting implied error rate to the total relevant expenditure (see previous footnote).

¹⁰⁰ This includes DG REGIO, DG EMPL, DG MARE and DG HOME. The estimated future corrections reported in the Annual Activity Reports of DG REGIO and DG EMPL are very conservative. They are based on the lowest estimation of the amount at risk. If the higher value was used instead, the estimated future corrections would amount to EUR 1 839 million. However, in order to ensure that the estimation is sufficiently conservative, the past average financial corrections and recoveries is used as the highest value of the estimated future corrections (EUR 1 435 million). As a result of this conservative approach, the highest value of the amount at risk at closure may be overestimated. The actual level of future corrections will be determined on the basis of the actual risk identified at closure, so as to ensure that the residual risk for each programme is below materiality (i.e. below 2 %).

The *estimated amount at risk at payment* represents between 2.3 % and 3.1 % of the relevant 2015 expenditure. The estimated *amount at risk at payment* is largely dependent on the mix between pre-financing, interim payments, final payments and related cleared pre-financing under the previous programming period, (2015 payments contain proportionally a high volume of pre-financing for current programmes). Compared with the situation in 2014, the **amount at risk at payment has decreased by some 10 %**. This is notably due to the reduction in the amount at risk reported in agriculture.

Decrease amount at risk at payment

10 %

The *estimated future corrections* are the amount of expenditure in breach of applicable regulatory and contractual provisions, that the DG conservatively estimates it will identify and correct through controls implemented after the payment is authorised. As a general rule, the estimates are based on the average amount of financial corrections and recoveries, and adjusted when necessary in particular to neutralise (i) elements which are no longer valid under the new legal framework and (ii) one-off events. The resulting estimated future corrections represent between 1.5 % and 1.9 % of the total relevant expenditure.

The *estimated amount at risk at closure* after implementation of all corrective measures represents between 0.8 % and 1.3 % of total 2015-expenditure. Thus, the multiannual corrective mechanisms will adequately protect the EU budget from expenditure in breach of law.

At the present juncture, it is useful to outline a number of factors which may have a significant influence on the evolution of the amount at risk in the coming years:

- For *Cohesion*, the figures show that for the 2007-2013 programmes the amount at risk at the time of the payment represented less than 5 % of the expenditure. In order to effectively manage this risk, the regulation¹⁰¹ for the 2014-2020 programming period envisages that the applications for interim payments should be reimbursed at a rate of 90 %.¹⁰² The payment / recovery of the final balance constitutes the endorsement by the Commission of the accuracy and completeness of the expenditure set out in the final certified annual accounts, but not a definitive recognition of its legality and regularity. The last stage of the process consists in targeted conformity audits, carried out by the Commission, which may still trigger net financial corrections.
- For *Research*, at the time of reporting, the multi-annual common representative error rate for the 7th Framework Programme is 4.47 %. This is the main reference for the DGs managing the programme. Once recoveries and corrections are taken into account, the residual error rates remain over 2 %. For these reasons, these DGs have maintained their reservations for the 7th Framework Programme in their Annual Activity Report. However, given the structure of the expenditure presently managed by the DGs concerned and the volume of pre-financing for Horizon 2020 and other low-risk expenditure incurred during 2015, the weighted average error reported by these DGs is significantly lower. It is important to underline that the regulations for Horizon 2020 have maintained the principle of the grant delivery mechanism, based on reimbursement of eligible costs, while administrative burden for participants has been reduced (for instance through simplification of the eligibility criteria). The simplifications introduced in Horizon 2020 could be expected to lower the representative error rate from 5 % to 3.5 %, with the Residual Error Rate being as close as possible to 2 %. Taking into consideration that the level of error is expected to be similar or lower

¹⁰¹ Regulation (EU) 1303/2013 of 17 December 2013 OJ L 347/2013.

¹⁰² This new provision concerns the programmes managed by DG REGIO, DG EMPL and DG MARE. It is not applicable to DG HOME.

than for FP7, the question of reservations for Horizon 2020 in the declarations of assurance for the coming years will need to be carefully considered.

In 2015, the total financial corrections and recoveries confirmed amounted to EUR 3 499 million (2014: EUR 4 728 million). This amount contains all corrections and recoveries confirmed during 2015 regardless of the year during which the initial expenditure had been made. Financial corrections and recoveries are confirmed when they have been either agreed by the Member State concerned or adopted by a Commission decision.

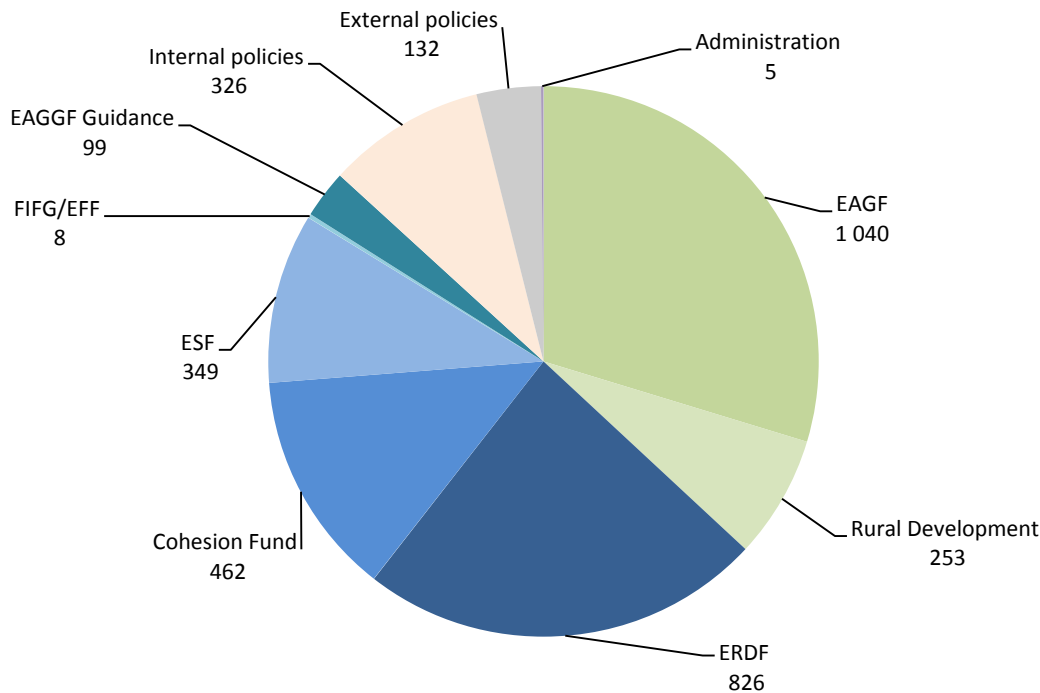


Chart 8: Breakdown by policy area of financial corrections and recoveries confirmed in 2015 in EUR million

More details on these figures and on the preventative and corrective mechanisms can be found in the annual Communication on the protection of the EU budget.¹⁰³

2.1.2. Control cost-effectiveness and simplification

The Commission, like any other organisation, must ensure the optimal allocation of its resources, reflecting its political priorities, legal and institutional obligations, and adapting to policy developments. In the context of shrinking human resources and ever growing challenges ahead of the EU, it is of critical importance to use resources in the most efficient manner.

Since 2013 the Commission has been reducing establishment plan posts by 1 % every year with a view to achieving a 5 % reduction (1 254 posts) by 2017. The

Annual staff reduction
1 %

¹⁰³ This report is prepared by the Commission and sent to the Discharge Authority and the Court of Auditors. It is published on the website of the Directorate-General for Budget after its adoption. The 2014 report is available at : Protection of the European Union Budget to year end 2014.

same reduction has been applied in terms of full time equivalents to external staff (contract staff, seconded national experts). In parallel, in order to address the new challenges, the Commission has been actively redeploying posts across departments in order to transfer resources to priority areas. Initiatives to improve the Commission's organisational fitness, overall efficiency and to re-prioritise resources will continue in 2016.¹⁰⁴

All 48 Commission departments have assessed the cost-effectiveness and the efficiency of their control systems and reported the conclusions of their assessment in their Annual Activity Reports. This assessment has been carried out since 2013 and has improved year-on-year. In 2014, seven departments could not reach a conclusion because of a lack of comparable data and difficulties in estimating the benefits of controls. In 2015, only two departments could not reach a conclusion. Both departments have taken remedial measures and expect to be able to conclude in 2016.

Furthermore, all Commission departments have been invited to review their control systems in order to ensure that they are risk-based, taking into account their cost-effectiveness and having due regard to the management environment and the nature of the actions financed. By the end of 2015, 25 departments had done so; half¹⁰⁵ had taken measures to improve cost-efficiency while the others¹⁰⁶ concluded that no changes were needed. The remaining departments are expected to implement measures or carry out their review in 2016.

Simplification Scoreboard has been re-launched and includes now also efforts by Members States.

Work on simplification has also progressed with the preparation of the re-launch of the Simplification Scoreboard. For the first time, simplification of budget implementation will be monitored not only at Commission level but also at Member State level. Work has also continued to simplify financial rules in view of preparing a simplification

package together with the Mid-Term Review of the MFF.

The Commission continues to pursue further simplification and rationalisation in the domain of financial management, control, accounting and audit.

2.1.3. Anti-fraud strategies

The Commission has a *Commission Anti-Fraud Strategy (CAFS)* in place. Its objective is to improve the prevention, detection and investigation of fraud and to ensure adequate sanctioning, recovery and deterrence, especially by introducing anti-fraud strategies at Commission department level. The strategy covers the whole anti-fraud cycle: prevention, detection, investigation, sanctioning and recovery of misused funds. It covers revenue and expenditure under the EU budget and concerns cooperation with Member States, non-EU countries and international organisations, with the focus on the activities of the Commission.

All Commission departments have implemented DG-specific *Anti-Fraud Strategies (AFS)* in line with the requirement of the CAFS. The implementation of the AFSs is regularly monitored. Over the past three years, all Commission departments have updated or are about to update their AFS. Following an audit from the Internal Audit Service (IAS),¹⁰⁷ that acknowledged positive steps already taken by OLAF and the sampled DGs to set up and implement the

¹⁰⁴ For example, in the recent Communication on 'Synergies and Efficiencies in the Commission — New Ways of Working', the Commission has outlined actions to be undertaken in relation to coordination and support functions across DGs.

¹⁰⁵ DG AGRI, DG CNECT, DG DEVCO, DG ECFIN, DG ENV, EPSO, DG ESTAT, DG HOME, DG HR, OIB, PMO, REA, DG SANTE.

¹⁰⁶ DG BUDG, DG CLIMA, EACEA, ERCEA, FPI, DG GROW, IAS, DG JUST, OIL, OP, DG RTD, DG TAXUD.

¹⁰⁷ An audit by the Internal Audit Service in 2015 acknowledged that progress has been made in the Commission's anti-fraud policy though that integration into the internal control systems can be improved. Integration facilitates implementation and prevents the Anti-Fraud Strategies from becoming an additional layer of control.

AFS, the methodological guidance on the design and contents of the AFS¹⁰⁸ has been updated and discussed in the Fraud Prevention and Detection Network by all Commission departments. It will serve as the basis for updates of the AFS in the coming years.

Every year the Commission adopts a report on the protection of the financial interests of the European Union (PIF-report) which outlines the exposure of EU funds to fraud and irregularities and describes the measures taken to protect EU funds. By detailing the level of fraud reported by Member States across the entire EU budget, the report also helps to assess which areas are most at risk, thereby helping to target action more effectively at both EU and national level.

The Commission has aligned the Financial Regulation to the 2014 EU Directives on public procurement. The new rules also ensure better protection of the Union's financial interests: as from 1 January 2016 a new Early Detection and Exclusion System is in place. A specialised central panel may recommend the exclusion of unreliable companies and individuals from accessing EU funds. Financial penalties may also be imposed in certain cases. These administrative sanctions may be made public. While the rights of defence of such companies or individuals are guaranteed, the new rules allow much swifter action, effectively showing a red card to those applying for EU funds who are involved in fraud, corruption or other illegal behaviour or activities.

New 'Early Detection and Exclusion System' for better protection of EU-finances in the context of EU funds award procedures

The following examples of achievements in 2015 are illustrating the Commission's efforts:

- DG FISMA developed an IT-tool for Event Management (EMT). This tool consists of a database that brings more transparency to the management of meetings and contacts with stakeholders. EMT helps staff to avoid duplication of meetings and facilitates the ex-post identification and record of discussions held. It also helps prevent and detect possible conflict of interests.
- DG EMPL and DG REGIO presented in 27 Member States the risk scoring tool ARACHNE and so far 16 Member States have chosen to test it. ARACHNE aims at establishing a comprehensive database of financial and operational data on projects and beneficiaries in order to carry out, on the basis of objective criteria, a risk scoring allowing the identification of the most risky projects for the purpose of project selection and controls. The delivery of this tool forms part of the antifraud actions foreseen in the joint Anti-Fraud Strategy for DG REGIO, DG EMPL and DG MARE under Cohesion Policy and EMFF. It also allows identifying indicators of potential irregularities or fraud when approving future projects or evaluating their implementation.
- DG AGRI has held anti-fraud seminars for staff of the paying agencies for agriculture funds in all Member States and the candidate countries. Over 40 such events reached out to close to 4 000 staff overall.

2.2 Management assurance

In their 2015 Annual Activity Reports, **all 48 Authorising Officer by Delegation declared having reasonable assurance** that the information contained in the report presents a **true and fair view**; the resources assigned to the activities described in the report have been **used for their intended purpose** and in accordance with the principle of **sound financial management**; and that the **control procedures put in place** give the necessary guarantees concerning **legality and regularity of the underlying transactions**.

¹⁰⁸ See document 'methodology and guidance for the development of DGs' anti-fraud strategies'.

Authorising Officers by Delegation assessed the control results and all other relevant elements supporting their assurance on the achievement of the control objectives. They considered any significant weaknesses identified and assessed their cumulative impact on assurance, in both quantitative and qualitative terms, with a view to determining whether it was material. As a result, 30 Authorising Officers by Delegation provided unqualified assurance, while 18 declarations were qualified with a total of **33¹⁰⁹ reservations**. Authorising Officers by Delegation provided **unqualified reasonable assurance for revenue operations**, as all reservations concerned expenditure.

The qualification of the declaration of assurance with reservations is a keystone in the accountability construct. It provides transparency as regards the challenges and weaknesses encountered, on the measures envisaged to address the underlying issues and an estimation of their impact. Although most are prompted by findings regarding the management and control of past payments, they all have a positive, preventive future effect, as remedial measures reinforce the control systems and for Cohesion Policy and EMFF future payments are blocked (interruption/suspension procedures). The action plans developed in relation to reservations¹¹⁰ specifically aim to mitigate future risks.

There were 21 recurrent and 12 new reservations. DG NEAR lifted two,¹¹¹ DG AGRI lifted one¹¹² and DG REGIO merged two reservations into one.¹¹³

Significant reduction of expenditure affected by monetary reservations

The expenditure affected by quantifiable reservations has decreased by EUR 14 543 million (from EUR 44 392 million in 2014 to EUR 29 849 million). This is mainly due to the decrease in the scope of reservations in external relations as well as a major decrease (of EUR 7 400 million) in the DG AGRI reservation concerning EAGF direct support, plus the preventive measures taken under Cohesion Policy to interrupt/suspend EU payments as soon as deficiencies in Member States delivery systems are identified. The amount at risk for the expenditure under reservation is estimated at EUR 1 324 million. The results by policy area are shown in Table 2. Detailed results by department are set out in Annex 1.

Policy area ¹¹⁴	Total 2015 payments	2015 payments concerned by reservations - scope	Amount at risk at reporting
Agriculture	56 946	19 922	760
Cohesion ¹¹⁵	53 822	4 305	296
External relations ¹¹⁶	10 231	2 895	97
Research	14 077	2 650	160
Other internal policies	4 029	78	10

¹⁰⁹ Annex 1 shows the reservations, indicating those newly introduced.

¹¹⁰ These are: DG DEVCO (African Peace Facility), DG CLIMA (EU Registry Emissions Trading System), DG ENER (Nuclear Decommissioning Assistance Programme) and DG HR (Accountability in European Schools).

¹¹¹ IPA/CARDS/PHARE — Indirect Management by Beneficiary Countries and Indirect Management by other Entrusted Entities.

¹¹² IPARD pre-accession measures for Turkey.

¹¹³ The current reservation is '2007-2013 ERDF/ Cohesion Fund for operational programmes in 14 Member States, 6 European Territorial Cooperation programmes and 1 IPA-CBC programme.

¹¹⁴ Annex 1 provides the data for each Commission department. Total expenditure is based on 'payments made' in 2015 as reported in the Annual Activity Reports (Annex 3, Table 2). These figures result from provisional 2015 accounting data as available on 31 March 2016, which may be revised.

¹¹⁵ Including DG HOME.

¹¹⁶ For External relations, total expenditure includes EDF expenses (EUR 3 328 million).

Administration	5 676	—	—
Total	144 781	29 849	1 324

Table 2: Scope and amount¹¹⁷ at risk of the 2015 reservations in million euro

After three years of issuing a reservation covering its entire budget, DG DEVCO has developed a reliable methodology, which allows lower risk expenditure to be excluded from the scope of their main reservation. The methodology is based on the calculation of risk indices, which reflect the frequency of errors identified in each segment of expenditure over the period 2012-2014. At present, the scope of the reservation has been reduced to grants in direct management and expenditure in indirect management with international organisations and Members State agencies; representing 45 % of their budget.

DG NEAR has issued an unqualified declaration of assurance, lifting the two reservations introduced last year as their assessment of the level of error is, in all cases, below 2 %. For the Instrument for Pre-accession Assistance (IPA), for the part which is under indirect management, DG NEAR applied in 2015 a new methodology; relying on Audit Authorities from beneficiary countries on the basis of detailed entrustment audits. Since the size of the population audited in each of the countries was not yet sufficiently large, this methodology did not yield sufficiently representative results. In order to provide a more prudent assessment, DG NEAR decided to estimate the amount at risk using historical error rates for this management mode and to express it as a range. DG NEAR intends to further strengthen the methodology in 2016. As described in section 2.3 and in Annex 3, the IAS also suggested a number of improvements regarding the methodology applied by DG NEAR.

Newly introduced reservations concern an amount at risk of EUR 35 million:

- DG DEVCO, on the management of the African Peace Facility (APF), because of a number of significant risks and deficiencies in internal control reported during an internal audit completed in early 2016. Remedial measures include monitoring of the APF, governance and coordination arrangements between DG DEVCO, EU Delegations and the EEAS and institutional assessment and monitoring of the partnership arrangements with the African Union. In parallel, a task force oversees new projects and programmes in order to integrate appropriate provisions in the decisions and contractual documents as needed.
- Five new reservations¹¹⁸ were introduced as the ex-post controls carried out in 2015 indicated a residual error rate in excess of 2 %.
- The reservations of DG HOME and DG JUST concerning grant programmes other than research, were not indicative of additional or newly detected weaknesses. They were the result of improved materiality criteria which allowed a better targeting of the areas concerned by higher errors. DG HOME's reservation on Research FP7 reflects that they are henceforth responsible for the management of the programme, but the expenditure was already under reservation in previous years at DG GROW.
- Finally, DG EMPL has introduced a reservation as regards the 2014-2020 programmes. It concerns a single operational programme where an audit has revealed significant deficiencies in the management and control systems. This has no impact on the amount at risk at the time of reporting, as the potential risk is covered by the 10 % retention on interim payments.

¹¹⁷ This report takes into account the most recent numbers that have been updated since the finalisation of the Annual Activity Reports, which explains some slight differences with the figures included in the Annual Activity Reports.

¹¹⁸ EACEA (2007-2013 Culture and Youth Programmes), EASME and DG GROW (Competitiveness and Innovation Programme) and DG RTD (Coal and Steel Research Fund).

The new non-quantified¹¹⁹ reservations concern:

- DG HOME refers to deficiencies in closed annual programmes up to 2011 in shared management, for which no payments were made in 2015.
- DG ENER's reservation results from the inadequacy of its assessment in 2014 of the *ex-ante* conditionalities to be fulfilled by the Member States for the Nuclear Decommissioning Assistance Programmes, as required by the Regulations,¹²⁰ in particular regarding the robustness of the financing plans. DG ENER has already taken measures to address this deficiency. Furthermore, it will carry out an in-depth review/assessment of the robustness of the financing plans in each Member State concerned by October 2016.

These reservations affect all main expenditure areas (Agriculture, structural and cohesion funds, External relations, and Research and Other internal policies). In all cases, the relevant Authorising Officers by Delegation have adopted action plans to address the underlying weaknesses and mitigate the resulting risks.

Where error levels are persistently high, the Financial Regulation provides for the Commission to identify the weaknesses in the legal provisions and/or the control system, analyse the costs and benefits of possible corrective measures and take or propose suitable action. Management and control systems have been changed in the 2014-2020 programmes. These programmes are still at an early stage of implementation. The Commission will be able to determine the effects of the new measures on the level of error only over time. The Commission will provide a report before the end of the year on persistently high error rates in certain areas (see section 2.1.1).

2.3 Assurance obtained through the work of the Internal Audit Service (IAS)

The Commission departments also based their assurance on the work done by the Internal Audit Service (IAS) and the information from the Audit Progress Committee (APC). Annex 3 to this Annual Management and Performance Report includes more information on the assurance provided by the IAS. A summary report of the internal auditor's work will be forwarded to the discharge authority in accordance with Article 99(5) of the Financial Regulation.

The IAS concluded that 91 % of the recommendations followed up during 2011-2015 had been effectively implemented by the auditees. Of the 455 recommendations (26 %) still in progress, one is classified as critical and 162 as very important (to this figure, one further outstanding very important recommendation should be added from an audit report issued in 2010). Out of these 164 recommendations rated critical and very important, 32 very important but not critical were overdue by more than six months at the end of 2015, representing 1.9 % of the total number of accepted recommendations of the past five years. The IAS's follow-up work confirmed that, overall, recommendations are being implemented satisfactorily and the control systems in the audited departments are improving.

In addition, following the centralisation of the internal audit function in 2015,¹²¹ the IAS issued for the first time a conclusion on the state of internal control to every DG and department in February 2016. These conclusions were intended to contribute to the 2015 Annual Activity Reports of the DGs and departments concerned and replaced the former IAC opinion on the state of control. The conclusions draw particular attention to all open recommendations rated 'critical' or the combined effect of a number of recommendations rated 'very important' and in four cases (DG DEVCO, DG ENER, DG CLIMA and JRC) the IAS stated that they may require the issuance of a reservation in the Annual Activity Report of the concerned department. While three DGs have issued reservations in line with IAS limited conclusions, JRC did not insert any reservation in its Annual Activity Report.

¹¹⁹ 'Non quantified reservations' are defined as reservations for which it is not possible to make an accurate assessment of the impact or which cannot be quantified because they are reputational.

¹²⁰ Council Regulations (Euratom) 1368/2013 of 20/12/2013 OJ L 346 and Euratom) 1369/2013 of 20/12/2013 OJ L 346, and respective corrigenda of 11/01/2014 OJ L 8.

¹²¹ Following a Commission decision, the internal audit function was centralised in 2015 in the IAS. The former Internal Audit Capabilities of the Commission's DGs and services ceased to exist on 15 February 2015.

While recognising, there is a challenge regarding the funding in the long run, no risk has materialised in 2015 and JRC-management considers that there is no risk for 2016. Regarding the impact of the combined effect of the four very important IAS-recommendations, the risks have been assessed as follows by the authorising officer of JRC:

- Measures have been included in the action plan to ensure the provision of long- term assurance;
- The current operational set-up, provides reasonable short term assurance for achieving the JRC's objectives;
- As for the financial risk, the substantive testing was satisfactory and no error was observed.

Based on this assessment the AOD of JRC came to the conclusion that the recommendations issued do not raise any assurance implications and are being implemented as part of the on-going continuous efforts in terms of further improvements. The AOD of JRC considers that the fact that the action plan for this audit was delayed does not qualify for a reservation as no risk materialised during 2015.

As required by its Mission Charter, the Commission's internal auditor also submitted an overall opinion, based both on its own work (2013-2015) and that of the former Internal Audit Capabilities (2013-2014), and focusing on financial management. It considered that, in 2015, the Commission had put in place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance on the achievement of its financial objectives. However, the overall opinion is qualified with regard to the reservations made in the Authorising Officer by Delegations' Declarations of Assurance and issued in their respective Annual Activity Reports.

In arriving at this opinion, the IAS considered the combined impact of amounts estimated to be at risk as disclosed in the Annual Activity Reports in the light of the corrective capacity as evidenced by financial corrections and recoveries of the past. Given the magnitude of financial corrections and recoveries of the past and assuming that corrections on 2015 payments will be made at a comparable level, the IAS considered that the EU budget is adequately protected as a whole and over time.

Internal Audit Service states that EU Budget is adequately protected as a whole and over time.

Without further qualifying the opinion, the internal auditor added three 'emphasis of matter' which are described in Annex 3 to this report. They relate to:

- control strategies in the Research area for the 2014-2020 programmes;
- supervision strategies regarding third parties implementing policies and programmes; and
- nuclear Decommissioning and Waste Management Programme in JRC.

2.4 Follow-up of discharge and external audit recommendations

The European Parliament adopted its discharge resolution for the financial year 2014 on 28 April 2016 after having examined in particular the recommendation from the Council and the Court of Auditors' 2015 Annual Report and relevant special reports.

The Parliament expects a firm commitment from the Commission to make further progress in specific areas identified as discharge priorities. These concern mainly a performance-based and results-oriented approach to budget implementation, budgetary management and the Commission's internal governance. During the discharge procedure, Vice-President Georgieva, on behalf of the Commission, outlined to the Parliament how the Commission intends to follow up the Parliament's priority actions.

The Council adopted its discharge recommendation on 12 February 2016 whereby among other things it calls on the Commission to provide the Budgetary Authority in 2016 with a comprehensive report on the areas where the level of error identified is persistently high and their root causes in line with Article 32(5) of the Financial Regulation. The Commission will carry out the relevant review. Further areas where the Council expects the Commission and the

Member States to act concern the quality of management and control systems, simplification measures and the reinforcement of the results-oriented approach within the EU.

The Commission will prepare a comprehensive report in 2016 on the follow-up of the discharge recommendations from the European Parliament and the Council. As is also the case for the recommendations made by the Court of Auditors, the Commission is committed to ensuring that accepted recommendations are systematically implemented, taking into account cost-efficiency and cost-benefit considerations. The Commission's follow-up of recommendations will include specific cases in shared management with the Member States where the Commission has a supervisory role to play. For example, although the recommendation to make better use of simplified cost options set out in the Common Provisions Regulation and ESF Regulation was addressed to the Member States, the Commission continues to actively promote the use of simplified cost options by Member States and has issued extensive practical guidance.

However, recommendations linked to national competences going beyond the Commission's responsibilities are to be followed up by the Member States themselves. For example, the requested monitoring as to whether Member States have established feedback systems to improve calls for proposals or tendering procedures in rural development under the current legal framework is not a responsibility of the Commission and cannot be ensured by its departments.

Conclusion on management achievements

The Annual Activity Reports demonstrate that all Commission departments have put in place solid internal controls and provide evidence of the efforts undertaken to improve cost-efficiency, further simplify the rules and adequately protect the budget from fraud, errors and irregularities.

All Authorising Officers by Delegation have provided reasonable assurance although, where appropriate, qualified with reservations. These reservations are a keystone in the accountability chain. They outline the challenges and weaknesses encountered as well as the measures envisaged to address them and an estimation on their impact.

The Commission calls on the DGs implementing the budget in shared management with the Member States to further strengthen the methodology used to assess the reliability of the data transmitted by the relevant national authorities.

The Commission calls on DG NEAR to expand the sample of their ex-post controls and reinforce its methodology so as to improve their estimation of the level of error.

The Commission also calls on DG ENER to assess and closely monitor the financing plans of the Member States concerned by the Nuclear Decommissioning Assistance Programmes.

The Commission has produced a consolidated estimation of the amount at risk at closure, presenting the Commission management's view on the performance of both preventive (ex-ante, before payment) and corrective (ex-post, after payment) controls, over the multiannual control cycle.

On the basis of the assurances and reservations in the Annual Activity Reports, the College adopts this 2015 Annual Management and Performance Report for the EU Budget and takes overall political responsibility for the management of the EU budget.