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Spending review

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A Modern Budget for a Union that Protects, Empowers and Defends

The Multiannual Financial Framework for 2021-2027

{COM(2018) 321 final}

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1. INTRODUCTION

This Staff Working Document sets out the evidence and the analytical underpinning for the Commission's proposals for the modernisation of the EU long-term budget. It is based on the results of a comprehensive spending review conducted by the Commission services. This review was designed to identify the features of current programmes that have proven their worth and should be replicated or amplified in the future financial programmes. It also identifies the areas where reform is needed to make full use of the potential of the EU budget.

The review responds to specific requests from stakeholders and other EU institutions to provide evidence that spending programmes are managed efficiently, and to ensure that the added value of financial programmes is clearly described. More specifically:

- the European Court of Auditors has argued that a comprehensive EU spending review is needed before a new long-term budget is set[1];
- the European Parliament has requested a thorough and comprehensive spending review[2]; and
- the Council has consistently underlined the necessity to focus on budgetary performance, results and EU added value.

In a study on Budgeting and Performance in the European Union, the Organisation for Economic Cooperation and Development also suggested a spending review as a further aid to budget responsiveness and flexibility, and as a means of assessing critically the baseline of public expenditures in light of performance and evaluative findings[3].

Section 2 of this document provides a concise explanation of the process and guiding principles of the spending review. Section 3 presents the outcome of the review per theme as relevant in terms of the envisaged modernisation of the future EU long-term budget.

The final section presents the lessons learned from the implementation of the 2014-2020 spending programmes. For each of the headings of the current long-term budget, it summarises the objectives of the programmes, the key achievements and the lessons learned. In line with the Commission's better regulation framework, more detailed analysis informing the future design of the individual programmes will be presented in the impact assessments accompanying the sectoral proposals.

Analysis of the functioning of the own resources system is contained in a separate Staff Working Document accompanying the Commission's proposals on own resources.

[1] European Court of Auditors Briefing papers: "EU budget: time to reform? A briefing paper on the mid-term review of the Multiannual Financial Framework 2014-2020", 11/2016 and "Future of EU Finances: reforming how the EU budget operates", 2/2018.
[2] European Parliament resolution on the next Multiannual Financial Framework: "Preparing Parliament's position on the Multiannual Financial Framework post-2020" (2017/2052(INI)).
[3] Organisation for Economic Co-operation and Development Journal on Budgeting, Vol 2017/1, "Budgeting and performance in the European Union: A review by the Organisation for Economic Co-operation and Development in the context of EU budget focused on results"..

2. SPENDING REVIEW: PROCESS AND GUIDING PRINCIPLES

Spending reviews are used as an instrument to identify opportunities to improve the performance of spending programmes. While there is no one-size-fits-all methodology for spending reviews, in practice spending reviews usually fall into one of two broad categories:

i) strategic reviews, which assess the objectives of policies and programmes as well as the efficiency of spending, with the aim of prioritising programmes on the basis of policy objectives and / or performance;

ii) efficiency reviews, which seek to identify how an existing service or programme can be delivered with fewer resources.

The Commission has opted for a broad strategic review that blends detailed bottom-up analysis of all spending programmes with top-down guidance from senior management and the political level. The objectives of the spending review were to identify opportunities to maximise the EU added value and efficiency of spending programmes, to simplify the budget and make it more flexible, and to streamline delivery mechanisms.

In order to conduct the spending review and to organise work within the Commission to prepare the proposals for the post-2020 long-term budget, a process was set up in parallel to the wide-ranging consultations taking place with key stakeholders and Member States. This process has been steered at political level by the Vice-Presidents of the Commission together with the Commissioner for the Budget. Their work was informed by technical preparation provided at service level by a core group of Directors-General chaired by the Secretary-General and Director-General for Budget. Together with the systematic review of all programmes and policy clusters, several dedicated working groups were set up to analyse cross-cutting issues with significant potential for synergies and streamlining. These included groups focusing on simplification and flexibility; the performance framework; financial instruments; own resources; interdependence of programmes supporting internal and external policies; support to structural reforms; and mainstreaming. All relevant Commission services contributed to this review.

The review took into account information available from multiple sources. These include the outcome of ex post evaluations of the 2007-2013 programmes and the interim reviews/evaluations of the 2014-2020 programmes. Other sources included relevant performance information such as thematic analyses, evaluations performed by the Member States for shared management programmes, and available monitoring data.

The spending review also considered the audit findings contained in reports and other publications from the European Court of Auditors. It assessed in particular performance-related information arising from recent Special Reports, Annual Reports and briefing papers covering the various domains of the EU budget.

The results of the Spending Review have also served as a key input to the impact assessment process for the sectoral proposals, which have also benefited from input from public consultations. The public interest in the recent public consultations on six of the policy areas to be covered by the new long-term budget was high. The Commission received 11 230 replies in total. In addition, open public consultations in other areas, such as agricultural and external policy, were carried out recently and served as input to the spending review.

The assessment of the EU budget has been guided by six main cross-cutting objectives and principles:

(i) European added value

By pooling resources at European level, Member States can achieve more than they could by acting alone. The EU budget complements national budgets and a wide array of legislative and regulatory instruments to support shared objectives, to help tackle common challenges and to implement European policies. This is the value added of the EU budget – achieving more together than could be achieved separately through national public expenditure. European action is taken when it is more effective and efficient than national, regional or local action.

The Commission's Reflection Paper on the Future of EU Finances[4] clearly identified European added value as a guiding principle for the future EU budget.

Creating European added value is about achieving the objectives set out in the Treaty and helping to uphold fundamental values, rights and freedoms. It entails taking European action when it is more effective and powerful than national, regional or local action; by allowing the realization of projects which are only possible by acting together, by providing public goods of European dimension, by achieving better value for money through acting on the European level or by catalysing or complementing national or local initiatives.

European added value is also one of the building blocks of the Commission's Better Regulation framework. The assessment of EU added value, following the criteria set out in the Reflection Paper, is therefore an integral part of the impact assessment process for future financial programmes.

(ii) Streamlining and synergies

The spending review has analysed possible overlaps and complementarities between current programmes, the number of which has grown over time in response to emerging priorities. It has assessed in each case whether a spending programme should continue as an individual, stand-alone programme or whether a merger of existing EU programmes, if legally and practically feasible, would allow for greater economies of scale, savings in implementation costs, and ultimately stronger performance. A more streamlined architecture of spending programmes would improve the readability of the budget and create the conditions for more convincing communication on the results achieved.

(iii) Simplification of rules

The recent revision of the Financial Regulation set a clear framework and path for the spending review. Excessively complex rules create red tape for potential beneficiaries of Union funding as well as for implementing authorities. This may discourage eligible parties from applying for Union funding, make management less efficient, and therefore lead to the underperformance of programmes. A complex regulatory framework may give rise to differing interpretations and thus errors in its implementation. Simpler rules can therefore also improve compliance.

[4] https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en.

The Commission has assessed in detail each instrument to identify opportunities to simplify management and control of programmes and the respective governing rules, while maintaining the highest standards of sound financial management. This builds on the progress made in the current generation of programmes. The review has also considered whether the same or similar rules regarding information and communication, simplified cost options, combination of forms of support, cross-reliance on single audit/assessment could be established, leading in time and to the extent possible to a single rule book for funds implemented under direct, indirect and shared management.

(iv) Flexibility

Developing a long-term EU budget requires a combination of predictability in financial programming with an appropriate level of budgetary flexibility to cope with unforeseen circumstances. In recent years, the flexibility in the budget has been pivotal in particular in allowing the EU to react to unprecedented migration flows and terrorist attacks by reorienting funds, making additional funds available from the EU budget and by mobilising additional contributions from Member States and other donors. However, this flexibility has reached its limits in the current framework. The spending review has therefore considered options to improve flexibility in programmes or funds in order to be better able to respond to unforeseen circumstances or to address new spending priorities, by, for example, facilitating reprogramming, creating reserves or providing the possibility to transfer funds from one delivery mode to another.

(v) Focus on performance

There are growing expectations from stakeholders (citizens, businesses or local and national authorities) in relation to what the EU budget can actually deliver for them. The European Parliament, Council and the European Court of Auditors have in recent years placed increasing emphasis on the *performance* of the EU budget in addition to the traditional focus on sound financial management. The EU budget can only be judged a success if it delivers results on the ground.

The spending review has therefore analysed how to strengthen the focus on performance across all programmes, by setting clearer objectives and focusing on a smaller number of higher quality indicators of performance. This should allow for improved measurement and monitoring, allowing corrective action to be taken to maximise the results achieved with the budget.

(vi) Coherence with political objectives and values

One of the key features of the EU budget is the cross-programme integration of key values and policy objectives. Beyond dedicated programmes to support a specific policy area, many of the financial programmes can contribute to achieving multiple overarching policy objectives.

Through appropriate programming, coherent objective setting, eligibility criteria, conditionalities and earmarking of expenditure across programmes, different areas of expenditure can contribute to common objectives from different angles. One specific tool to achieve these cross-cutting objectives is “mainstreaming”. This can be supported by quantitative targets for expenditure throughout the budget in order to facilitate monitoring of

the overall financial contribution to a particular objective. For example, as part of the current long-term budget, a target of 20% was set for climate-related expenditure. The spending review looked at options to continue this approach and considered the possibility to use programme design and additional instruments like eligibility criteria to reach the Union's policy objectives.

3. OUTCOME OF THE SPENDING REVIEW

3.1. EU added value

The spending review has demonstrated that many of the current generation of programmes score highly in terms of delivering EU added value. They respond to large-scale and/or cross-border needs and challenges and have generated results that could not be achieved by Member States acting alone. Section 4 of this document contains numerous concrete examples of this, across all headings of the current budget. The spending review has also identified clear room for improvement, particularly in terms of the implementation of individual programmes.

Examples of EU added value:

- Investments in cross-border energy, transport and digital infrastructures financed through the Connecting Europe Facility and the European Fund for Strategic Investments have increased growth potential and helped remove barriers to trade, investment and mobility in the single market. For example in the energy sector, the Connecting Europe Facility is contributing to strengthening interconnectivity, aiming at ending energy isolation and completing the internal energy market; in transport investments related to cross-border transport infrastructure, developing a core transport network.

- Large-scale projects supporting Europe's economic growth and innovation-driven competitiveness by reason of their scale and scope require the participation of all Member States. This is the case for projects such as the International Thermonuclear Experimental Reactor and the programme for Earth observation and monitoring, Copernicus, which represents one of the world's largest data providers and brings considerable EU added value. The Galileo programme ensures a network of satellites delivering navigation, safety and other services, which would be too expensive and technically challenging to do at national level.

- Horizon 2020 has funded major cross-border research projects, such as the Graphene Flagship, a future and emerging technology project, which is a good example of the strong EU added value of Horizon 2020. Recent breakthroughs resulting from this project are the first fully functional microprocessor made from graphene-like material, which holds promise for integrating computational power into everyday objects and the development of graphene-based neural probes to examine brain activity in high resolution, which can help to improve understanding of diseases such as epilepsy.

- Both the Marie Skłodowska-Curie Actions and the European Research Council have empowered thousands of highly skilled researchers to exploit their talent to the fullest to the benefit of both European economy and society. In 2017, two of the three new Nobel laureates in Chemistry have participated in Marie Skłodowska-Curie Actions and other EU-funded research projects, while a Marie Skłodowska-Curie Actions-funded project

contributed to the detection of gravitational waves that led to the 2017 Nobel Prize in Physics.

- The European Social Fund, the main EU fund for investing in people helps to address Union-wide needs in the area of employment, education, social inclusion. The European Social Fund helps people stay in or return to quality employment and education and training, and plays a key role for the social resilience of EU citizens, including the young. The European Social Fund then supports Member States' reform efforts in areas of crucial importance for the European economy: labour market policies, youth employment, modernisation of vocational education and training, welfare system and administrative reforms.

- Programmes such as the Erasmus+ programme create EU added value by supporting cross-border mobility of learners (higher and vocational education students, and apprentices, trainees, young people), with positive impacts on the competence development and employability of these individuals as well as with indirect effects on the mobility of labour within the single market (both in section 4.1.2).

- The Nuclear Decommissioning Assistance Programmes bring EU added value through the accumulation of knowledge on decommissioning which can then be used to support all EU Member States to develop their own plans and measures (both section 4.1.3).

- The Common Agricultural Policy plays a key role in ensuring a level playing field for agricultural producers, safe and environmentally-friendly farming practices, international food export competitiveness and sustainable rural development. In addition to the benefits the programme delivers to EU consumers and citizens, it is more efficient and thus better value for money to finance such a large sectoral spending programme on the European level than if Member States were to do it individually. An additional benefit of steering agricultural spending from an EU level has been the orchestration of significant reforms and improvements in the policy over various budgetary cycles. However, the spending review also revealed a need for modernisation, better delivery systems and simplification in many areas, such as greening or cross-compliance. More EU added value could be created if improvements could be realised in these areas.

- The integrated EU framework on food safety and animal and plant health has both promoted high levels of trade under safe conditions and avoided the costs of large scale disease outbreaks. Previous outbreaks, notably of foot and mouth disease and mad cow disease, incurred costs amounting to several billions at both Member State and EU level.

- The European added value of cohesion policy lies in decreasing disparities in economic and social development between regions of the EU through strategic investments in key infrastructure, research, innovation, education and skills and social inclusion. Besides the upwards convergence of regions, these investments have substantial spill-over effects and corresponding economic stimulus in other countries, by creating opportunities for businesses and individuals, thus increasing growth and prosperity across the entire Union. Moreover, by complementing national budgets, support by the EU budget has a macroeconomic stabilising impact on national economies. Investment through EU funds represents a very significant share of public investment in many countries and has played a key role during the recent economic downturn. The implementation of structural funds has provided an important incentive and a framework for the strategic coordination of

different levels of administration, establishing high benchmarks for administrative capacity and sound financial management, generating economies of scale and scope and promoting synergies via the creation of a coherent framework for investment throughout the EU. Finally, cohesion policy has facilitated the execution of cross border actions and investments which would not have taken place – or at a different rhythm and cost – without the catalytic impact of the EU budget.

- The European Fund for Strategic Investment leads to coordinated action between Member States and the EU to mobilise public and private investments to support future growth and prosperity. It has mobilised public and private investment through the provision of public guarantees to address the investment gap in the EU. In so doing, through the lending activity of the European Investment Bank, beneficial financing conditions enabled investment across the EU in key infrastructure of EUR 274 billion at a fraction of the EU budgetary cost.

- The single market, ensuring the free movement of goods, persons and services and driving the competitiveness of firms via economies of scale and scope, is the economic essence of EU integration and itself the key source of European added value. EU programmes promote the functioning of the single market for the benefit of companies and citizens, and perform functions that are more efficient or provide better value for money for the European taxpayer. The EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises supports the competitiveness and cross-border activity of Small and Medium Enterprises while a number of specific programmes such as Fiscalis and Customs, Consumer and health programme reinforce cooperation between public administrations, consumer protection, harmonization of standards, and ensure the quality and safety of food and living goods across the internal market.

- The migration crisis has highlighted the importance of concerted European action to support the effective management of Europe's external borders to ensure the functioning of the Schengen Area as well as to support common actions in the area of asylum and return. All Member States benefit from the actions taken in 'front line' Member States, protecting the external border. The Asylum and Migration Fund and the Border and Coast Guard are clear sources of EU added value for all.

- Cross-border and international security threats such as terrorism, organised crime and cybercrime, call for a comprehensive reaction at European level, as set out in the European Agenda on Security. The Internal Security Fund and other EU programmes are part of the EU response to security challenges.

- The EU budget has also amplified the joint EU response to a variety of global challenges, allowing for the more efficient use of public funding to promote European values throughout the world and to promote common objectives in areas such as climate change and international development.

- Integrating climate action across the EU budget, including the commitment to ensure that least 20% of the spending is climate related, has allowed the EU to efficiently facilitate and speed up the transition to low carbon and climate resilient economy, supporting the achievement of EU climate and energy objectives and the implementation of the Paris Agreement.

- European added value is also created through pursuing political objectives. While cultural differences clearly exist between Member States, communicating and reaffirming European values – peace, democracy, international cooperation and respect for human dignity – inside the EU and in the world, especially in a time when the world is reconsidering the basic tenets of progress and growth, is crucial for the future of Europe. This is most effectively done at the European level through the Rights, Equality and Citizenship and the Justice programmes.

In some instances, programmes were not functioning as expected. For example:

- The Student Loan Guarantee Facility, a part of Erasmus+, is not living up to expectations. It has a very low uptake due to a lack of awareness of its existence and delays in its launch and failed to attract sufficient financial intermediaries. The mid-term evaluation highlighted that initial estimates of the numbers of potential users overestimated the needs.

- The European Aid Volunteers programme, created in 2014 after a pilot in the last long-term budget, experienced several challenges in deploying volunteers outside Europe. The programme focused its small budget on capacity building for external organizations. With the creation of the European Solidarity Corps, synergies in management, scope and objectives could be achieved.

Conclusion

The lesson for the future long-term budget is that there is a strong case to maintain or increase support in areas where the EU budget has provided convincing results, such as for example in mobilising finance for cross-border infrastructure projects, pan-European research projects and supporting mobility. In some cases this would imply building on and improving the positive results of existing programmes, such as the Connecting Europe Facility, Horizon 2020 and Erasmus+. In other areas there may be scope for more targeted support to unlock EU added value in areas such as the digital single market, security and defence.

3.2. Streamlining the budget and exploiting synergies between programmes

The spending review has also shown that the increase in the number of spending programmes over time has resulted in some cases in fragmentation, overlaps and an inability to fully exploit the synergies between different funding sources.

The need to streamline the budget has been a recurrent finding in many evaluations or studies as reflected in section 4 of this document. For example, evaluations identified areas in which the synergies among programmes under the current Heading 1a such as Horizon 2020 could be strengthened and complementarity improved with the European Structural and Investment Funds, the European Fund for Strategic Investments and Erasmus+. Synergies could be exploited between direct and shared management programmes by better articulating their respective comparative advantages. For instance, projects not funded under the flagship research programme but awarded the "seal of excellence" through Horizon 2020 could – under certain conditions – access funding through the European Structural and Investment Funds (cf. section 4.1.4). Similar findings relate to programmes under other headings of the current framework. They show for instance that there is a fragmentation of rules and overlaps between EU funds investing in human capital development (cf. section 4.2.4). Despite steps that were taken to improve complementarity and avoid overlaps between EU funding

instruments, obtaining synergies proved problematic in several other areas such as Asylum, Migration and Security (cf. section 4.4.4) and the numerous instruments in the field of external action (cf. section 4.5.4).

The spending review highlighted the necessity to ensure that the EU funding support related to migration and security is delivered in a coherent, coordinated manner. The roles of the programmes should be more clearly articulated: targeted, short-term action through the Asylum, Migration and Integration Fund and the Internal Security Fund and longer-term support under the structural funds. Consideration should be given to limiting the amount of funding allocated upfront to the national programmes while retaining an initially unallocated funding envelope ("thematic facility") to finance new priorities or urgent actions.

During the spending review some small programmes lacking flexibility and with disproportionate costs in terms of management and control burden were also identified. For example it was found that there were clear overlaps between the two current anti-fraud programmes, the Anti-Fraud Information System and Hercule III preventing a more flexible response to shifting political and investigative priorities. Similarly, in the field of protection and promotion of European rights, values and cultural diversity, a number of programmes address similar societal challenges. Better coordination would allow for improved focus on areas of highest EU added value through more streamlined operation.

Currently different programmes include the possibility to deploy financial instruments such as Horizon 2020, the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme, the Employment and Social Innovation Programme, and the European Fund for Strategic Investments. However, each programme applies a different set of rules to the use of financial instruments and aims at different target groups. The European Court of Auditors noted in its 2016 Annual Report that the number of financial instruments benefiting from EU budgetary support has been increasing and that careful management is necessary to ensure the effective and efficient use of available funds.

Furthermore, in order to increase effectiveness and efficiency, several aspects of the delivery mechanisms of the programmes were assessed in the spending review. General conclusions, further detailed in section 4, were drawn in relation to:

- grants, the use of simplified cost options such as lump sums, unit costs, and flat rates;
- the extended use of financial instruments for actions with a direct scope for profit generation in view of their broader impact, higher leverage potential and better incentives;
- ensuring that levels of intervention are calibrated to the beneficiary groups;
- the continued role of Union executive agencies in programme implementation as they generate cost savings and ensure operational proximity to beneficiaries and economies of scale.

The economic governance cycle and new EU level policy initiatives are not always optimally aligned with the funding frameworks. Funding could be more closely aligned with the European Semester to support reforms and increase the funds' political leverage.

Finally, the review also highlighted the importance of avoiding delays in the implementation of spending programmes, as occurred at the beginning of the current financial framework. The delays in setting up the national structures to implement the European Structural and Investment Funds and the resulting need to delay commitments, has acted as a brake on performance, with results taking longer to feed through. It will therefore be important to ensure that the political process as well as legal, financial and operational preparation is completed well in advance of the launch of the next Multiannual Financial Framework. Continuity in the existing structures for implementing the budget at national or local level would help to smooth the transition between the two programming periods.

Conclusion

There is clear scope for reducing the number of programmes in order to create a more coherent, focused and transparent long-term budget architecture. This conclusion is consistent with the European Court of Auditors' call to make EU spending more manageable by reducing the number of spending programmes and financial instruments, and simplifying rules. The case appears particularly strong in relation to external instruments and financial instruments and budgetary guarantees where the potential for inefficient duplication and divergence in rules is high. In other areas, such as support for the single market and EU values, the large number of small programmes limits their impact and is a barrier to their effectiveness and efficiency.

3.3. Simplification & sound financial management

Over the years, the Commission has been successful in improving its financial management. This is evidenced by declining levels of error as reported by the Commission and the European Court of Auditors. These annual estimates went from double digit rates for some policy areas (particularly cohesion) before 2009 to considerably lower levels at present – below 5 % in most policy areas and close to or even below 2 % in some other areas.

Despite these improvements, the spending review confirmed that there is both scope and a pressing need to reduce further the administrative burden for beneficiaries and implementing bodies. In line with the recent revision of the Financial Regulation, inconsistencies in programme-specific rules – such as those relating to eligibility conditions, reporting, monitoring and control, deadlines, audit arrangements – need to be further eliminated.

This is a cross-cutting issue affecting spending programmes across all current budgetary headings, as shown in the lessons learned section of this document. For example, the complexity of the legal framework and the number of new requirements introduced for the 2014-2020 cohesion programmes disrupted implementation at the start of the current period and created the conditions for increased gold-plating at national level. The corresponding administrative burden for beneficiaries and implementing bodies related to the funds' programming, management, reporting and audit system slowed down the efficient and effective use of the funds.

Another result of complexity of rules is that this potentially leads to more errors and increases the risks of non-compliance as well as the cost of control. Simplifying programme design should lead to leaner controls finding the right balance between increased compliance, faster implementation and lower control costs.

In shared management, sound financial management is also dependent on the smooth functioning of public administrations, good cooperation and governance between the different levels of government (EU, national, regional, local), a good system of controls, the effectiveness of the judiciary, and the intensity of the fight against corruption and fraud. The existing system of conditionalities could be extended to address more explicitly the link between respect for the rule of law and sound financial management.

The review has also shown that further administrative simplification could allow the current rules on decommitment to be tightened, thereby promoting more sound budgetary management and helping to avoid the current delays under cohesion policy.

The benefits of simplification are illustrated by the mid-term evaluation of Horizon 2020 which concluded that the measures of simplification introduced in Horizon 2020 (such as the single reimbursement rate, the flat rate for indirect costs, or the Participant Portal) decreased participation costs and reduced the time-to-grant, which is now 192 days on average, a decrease of more than 100 days compared to the predecessor 7th Framework Programme.

The need for improvement is also underpinned by many internal and external evaluations, studies or performance audits. Section 4 of this report contains a series of references to, for example, Special Reports issued by the European Court of Auditors, or a report of the High Level Group on Simplification for the European Structural and Investment Funds.

Conclusion

Based upon the lessons learnt from the 2014-2020 period and the preparatory work of a specific working group on simplification, there is a strong case for moving towards a single rule book providing simpler and more coherent rules for recipients of EU funds. This should translate in a reduction of the burden for beneficiaries, encourage participation in EU programmes and accelerate their implementation. In addition, it can be expected that it would have a positive impact on the cost for beneficiaries of complying with rules and on cases of non-compliance.

3.4. Flexibility and the ability to respond to crises

The Commission has analysed the many in-built mechanisms for flexibility crisis response in the EU budget, covering the different aspects of crisis and emergency management from prevention and preparedness to responsive action.

During this period, the existing flexibility mechanisms were used extensively to respond to large-scale crises. This allowed for example the funding devoted to security and migration to be doubled to support the new European Border and Coast Guard and to help Member States receiving a significant inflow of refugees. The EU Emergency Trust Fund for Africa helped to address the root causes of irregular migration and displaced persons. The European Globalisation Adjustment Fund helped workers reintegrate into the labour market after they have been made redundant, such as former coal miners in Spain, former Nokia workers in Finland or Alitalia workers in Italy. The Turkey Refugee Facility, jointly financed by the EU and Member states, helped to manage the refugee crisis caused by the Syrian conflict.

However, available funds appeared to be insufficient requiring redeployments of funds or mobilisation of special instruments over and above the long-term budget ceilings. Already in

the mid-term review and revision process, the Regulation governing the current Multiannual Financial Framework was amended to further increase the capacity of the Flexibility Instrument and the Emergency Aid Reserve. In addition, the procedures for mobilising funds that lie outside the Multiannual Financial Framework are very lengthy and complex. For the next period there is a need to strengthen the flexibility to be able to deal with unforeseen circumstances.

Conclusion

The analysis concluded that overall for the next long-term budget the in-built mechanisms for crisis response of the EU budget need to be improved to ensure appropriate coverage, flexibility, and prompt mobilisation of resources.

The analysis shows that many of the flexibility mechanisms in the current framework should be retained and in some cases expanded or simplified in order to create a more agile framework. There may be other opportunities to create flexibility by creating a Union reserve, established through "decommitted" funds (funds that have been committed to the EU budget but which are ultimately not spent in the implementation of EU programmes and are cancelled), for unforeseen events and increased flexibility within and between programmes.

The rules governing the mobilisation of some of the instruments are too burdensome and could be simplified. As regards the Common Agricultural Policy, it should be considered to include support for risk management tools and a new crisis reserve. The flexibility introduced for 2014-2020 in the Union external action instruments should be further enhanced and allow for easier reallocation of resources, that can be mobilised for emerging needs. Increased financial flexibility and more efficient delivery mechanisms would be useful for the EU intervention to be even more effective in the short and medium term to adapt to possible new political and economic changes arising in the EU neighbourhood, Africa and other regions. Non-programmed reserves or flexibility cushions are needed in order to deal with unforeseen circumstances and developments, notably related to migration.

Possible improvements in the current crisis response mechanisms were also identified. For example, it appeared to be a disadvantage of the current Emergency Aid Reserve that it cannot serve crises within the Union. Also, the need to create Trust Funds and facilities in the field of external policy showed that more flexibility is needed and that there is a case for leaving a larger proportion of funds unprogrammed to allow more flexibility.

3.5. Focus on performance

The analysis of the performance frameworks built into the current generation of programmes shows that, compared with the previous programming period, significant progress has been made. This has enabled the Commission to gradually improve its reporting on performance in programme statements, the Annual Management and Performance Reports and other sectoral reports and evaluations. This progress has been recognised by stakeholders including the Court of Auditors in its annual reports and the budgetary authority in the context of the discharge procedure. It is noteworthy that in a recent Organisation for Economic Co-operation

and Development review[5], the EU performance framework scored higher than any member country on the standard index of performance budgeting frameworks. The focus on performance was reinforced without compromising compliance and regularity of the expenditures.

This spending review underlined, however, that the focus on performance needs to be further improved. Many suggestions have been made by the European Court of Auditors in a series of performance audits and its annual reports, as referenced in Section 4 of this report. The European Court of Auditors recommended, inter alia, to further reinforce the intervention logic of programmes, to improve the assessment of needs and priorities to be financed, the targeting of measures, and called for setting realistic objectives and targets, defining proper indicators (or streamlining / reducing their number where appropriate) and strengthening the monitoring and evaluation provisions.

These conclusions corroborate similar findings and recommendations made by evaluations of the current spending programmes. There are currently too many objectives and indicators (more than 700) in spending programmes of highly variable quality. This creates a burden on reporting authorities and does not allow for fully effective performance measurement, management or reporting.

Conclusion

The performance framework for the future programmes should be significantly strengthened and streamlined. In particular, the number of indicators embedded in spending programmes should be drastically reduced and their quality improved to ensure consistency (relevance at programme and policy level) and a balanced composition of output, results and impact indicators to be able to provide meaningful information primarily for communication and reporting purposes all along the programme execution. Relevant programme-specific and contextual indicators need to underpin monitoring and evaluation of programmes in order to provide information on the results of each programme within the context of its intervention logic, and its contribution to the wider policy area. More meaningful performance information should allow programme managers to take better decisions on programme implementation and on the design of future programmes.

3.6. Coherence with main political objectives and values

The results of the spending review indicate that ensuring coherence with political priorities and key values in the current long-term budget has been broadly successful. Programmes have successfully supported the achievement of the political priorities defined at the time of the agreement on the current framework, and the flexibility in the budget has allowed adjustments to be made to realign spending with new and emerging priorities where necessary.

In addition to the specific objectives of individual programmes, horizontal mainstreaming across the entire EU budget was performed for climate change and biodiversity while other policy themes such as in particular gender equality, sustainable development, and small and medium-sized enterprises were monitored on sectoral or programme level.

[5] Budgeting and performance in the EU: a review by the Organisation for Economic Co-operation and Development in the context of the EU Budget

Most EU spending for climate action and environment is currently delivered through the integration (or 'mainstreaming') of these priorities into the main EU funds, in particular the European Structural and Investment Funds, the Common Agricultural Policy, Horizon 2020, the European Maritime and Fisheries Fund and, for the international dimension, through the external funds. The analysis of climate and environment mainstreaming suggests that this approach has successfully stimulated sectoral funds to take these objectives into account in programme design and implementation. However, it was acknowledged that this could not be achieved fully through the current main EU spending programmes alone, therefore a specific programme (LIFE) exists to fill gaps and to catalyse key projects for developing and exchanging best practices and knowledge.

Gender equality has been pursued in programmes on employment and social issues and external programmes. Valuable support was also provided by the Rights, Equality and Citizenship Programme to the European network of experts on gender equality, which develops evidence for policy design and the 2030 Agenda for Sustainable Development.

Conclusion

On the basis of these experiences, the possibility to mainstream a limited number of policy priorities in the future programmes has been analysed. However, mainstreaming should neither jeopardise the achievement of other essential policy objectives nor the greater flexibility in the post-2020 financial instruments. Such considerations lead to the conclusion that the current approach to mainstreaming should be maintained for climate related action. Other important policy priorities should be pursued through programme design with specific programme objectives, programme targets, eligibility criteria or appropriate conditionalities.

Overall, more than mainstreaming or earmarking of funds, the coherence of policies has emerged as the most important element to support efficiently the policy objectives. This points to the importance of a coherent overall design for the future financial framework, and of ensuring that individual programmes are complementary and that implementing rules allow them to interact efficiently to deliver common objectives.

4. LESSONS LEARNED FROM THE 2014-2020 PROGRAMMES

4.1. Heading 1A - Competitiveness for growth and jobs

4.1.1. Introduction

The EU allocated around EUR 142.1 billion or 13% of the current EU budget for the period 2014-2020[6] to enhancing competitiveness for growth and jobs. Many factors affect competitiveness and the framework conditions to stimulate growth. EU actions in support of competitiveness are carried out in 14 different programmes covering 5 major themes (research and innovation, development of enterprises, strategic infrastructure, mobility and interoperability).

Research and innovation programmes aim at turning the EU into a knowledge-based economy where competitiveness is enhanced via new solutions to problems and the

[6] Factsheet EU Budget: Where Does the Money Go?, 14 February 2018, https://ec.europa.eu/commission/sites/beta-political/files/where-does-the-money-go_en.pdf

emergence of innovative companies. These are Horizon 2020, the Euratom Research programme, and the Employment and Social Innovation Programme.

Support for the operations and growth ambitions of small and medium-sized enterprises is provided through EU programmes aimed at the **development of small businesses in Europe**. These are the European Fund for Strategic Investments and the Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme.

The competitiveness of Europe also requires investments in **strategic infrastructure** in the fields of energy, transport and telecommunications. This is done through a number of programmes: the Connecting Europe Facility, Nuclear Decommissioning Assistance Programmes, the International Thermonuclear Experimental Reactor as well as space assets programmes (Copernicus, Galileo and European Geostationary Navigation Overlay Service).

The **mobility** and training of students, researchers, apprentices, teachers, trainees, volunteers and workers across European countries aims at improving knowledge of other EU countries and stronger feelings of belonging to the Union, enabling conditions for engaging citizens and workers towards European competitiveness. For example, the internationally renowned Erasmus+ programme and the newly created European Solidarity Corps support cross border mobility and target in particular youth education and training while the Employment and Social Innovation Programme also supports the cross-border mobility of workers.

Finally, competitiveness is also promoted through the continuous improvement of services and interactions with the public administrations across the EU, hence the need to develop **common frameworks and interoperability solutions** for public administrations. Customs 2020 and the second Interoperability Solutions for European Public Administrations Programme serve this purpose in the areas of customs and digital public services.

4.1.2. Objectives of the Programmes

Research and innovation programmes are aimed at supporting the creation of new knowledge, creating and ultimately bringing to the market new/improved technologies, products and processes, thereby boosting innovation and tackling societal challenges and creating growth and jobs.

Horizon 2020 is the largest programme in the competitiveness heading with a share of 56.6% and it aims at strengthening the EU's science base, at boosting industrial leadership and innovation capability in the private sector, and at fostering the contribution of research and innovation to tackling societal challenges (such as food security or climate action) and supporting EU policy priorities, as reinforced by the Sustainable Development Goals framework.

The recent mid-term evaluation of Horizon 2020 (2017)[7] provided indications that Horizon 2020 is producing important additional benefits compared to national and regional-level support mechanisms for research and innovation in terms of scale, speed and scope and is improving the competitive advantage of participants while, overall, it increases the EU's

[7] SWD(2017)221, and extended version: https://ec.europa.eu/research/evaluations/pdf/book_interim_evaluation_horizon_2020.pdf#view=fit&pagemode=noe

global attractiveness as a place to carry out research and innovation. Horizon 2020 creates an EU wide competition in research and innovation, operating transnational competitive calls for proposals, keeping in, developing and attracting research talents to Europe as well as identifying the most promising collaborative research and innovation projects.

The **Euratom** research programme funds research and training in the field of nuclear energy with a budget of EUR 1.6 billion for the period 2014-2018. All Member States face challenges in areas such as nuclear safety, security and safeguards, radioactive waste management, radiation protection and fusion energy and the Euratom programme ensures that public financing is used in an optimal manner by avoiding unnecessary duplication.

The **Employment and Social Innovation Programme** is an umbrella programme which in the current 2014-2020 programming period merged three different programmes. With a budget of almost EUR 1 billion, it supports the testing and introduction of social policy innovations, access to finance for vulnerable people, micro-enterprises and social enterprises and the geographical mobility of workers in the EU.

In order to ensure growth and jobs, businesses also need opportunities to develop through access to finance and appropriate support to undertake riskier projects.

To do this, the **European Fund for Strategic Investments** was set up in 2014 and became operational shortly after with the aim of mobilising investments and increasing access to financing for SMEs and mid-cap companies by supplying a risk-bearing capacity to the European Investment Bank. The fund operates to increase the volume of higher risk projects in Europe and as a result helps address the market failures and sub-optimal investment situations which hinder investment[8].

The **Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme** is a diverse programme, encompassing numerous actions for the support of small and medium-sized enterprises delivered via grants and financial instruments. Its financial envelope for the period 2014-2020 is EUR 2.3 billion. Preliminary evidence from the forthcoming evaluation points towards the programme allowing economies of scale in areas such as support to small and medium-sized enterprises abroad or to intellectual property rights enforcement by the bundling of national efforts and by establishing services that would lack critical mass if provided at national level. Preliminary findings of the evaluation further indicate that the programme brings EU added value through for example the Enterprise Europe Network that is a network of business service centres providing advice, partnership services and support in particular for small and medium-sized enterprises seeking to export outside their own country within the EU Single Market as well as outside Europe. Such EU level action complements but also helps enhance national, regional and local efforts.

Also, the **Employment and Social Innovation Programme** supports access to finance for vulnerable people, micro-enterprises and social enterprises.

Moreover, the development of strategic infrastructure across the EU ensures enhanced competitiveness through the achieved economies of scale and improved coordination and greater cohesion through increased connectivity.

[8] SWD(2016)297, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2016:297:FIN

For the first time, transport, energy and the digital sector were brought together under the **Connecting Europe Facility**, which is the key tool under the current Multiannual Financial Framework for funding the development of trans-European networks. With a budget of over EUR 30 billion, the programme focuses on EU integration projects aiming at funding cross-border sections and eliminating bottlenecks in transport, ending energy isolation and increasing security of supply in energy and by providing EU wide solutions in the digital services infrastructures that can benefit all Europeans.

Among financed infrastructures, large infrastructure projects relating to nuclear power (both as regards research and concerning decommissioning) represent unique opportunities to build up knowledge that can ensure increased safety for citizens and the environment across the EU.

The **International Thermonuclear Experimental Reactor**, while not a programme in the usual sense, is a unique long-term project agreed internationally, that could not be achieved solely through industry initiatives at this stage of development of the technologies involved. Currently one of the largest international research projects under construction in the world, the experimental reactor is intended to prove the viability of fusion as a sustainable energy source. No single country has the capacity to develop a project of this size.[9]

The **Nuclear Decommissioning Assistance Programmes** have been put in place to provide financial support to Bulgaria, Slovakia and Lithuania following their commitment to shut down and decommission three nuclear power plants before the end of their lifetime because of safety concerns. Given that the main issue in this case relates to the safety of workers, the environment and ultimately EU citizens, reaching the decommissioning end state is very important but technically complex and costly.

EU economy and society are increasingly dependent on satellite navigation applications and services, with a potential disruption likely to be very costly in terms of revenues to business, and more importantly, in terms of human safety[10].

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

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

A competitive EU market requires an educated workforce with the right skills and competences. A number of programmes support this goal through mobility schemes.

[9] SWD(2017)323, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017SC0232
[10] SWD(2017)346, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017SC0346

Erasmus+ is a well-established Union programme supporting actions in the fields of education and training, youth and sport with a budget of EUR 16.45 billion for the period 2014-2020. Besides this envelope and in order to promote the international dimension of higher education, additional funding is provided by the different external instruments. Thirty years after its beginning in the field of higher education, Erasmus+ has expanded to other sectors such as schools, vocational education and training, adult learning, youth and sport and has become a flagship programme of the EU with undisputed European added value, notably linked to the building of a European identity. Other schemes funding comparable action at national level remain significantly smaller both in volume and scope. It is consistently identified by citizens as one of the three most positive results of European integration[11].

Also the Employment and Social Innovation Programme helps the geographical mobility of workers in the EU through support services, including a mobility portal, and calls for proposals funding targeted mobility schemes and cross-border mobility.

The **European Solidarity Corps** started operating in 2017 and has so far allowed almost 4 000 young people from all Member States to start their placements with nearly 2 000 organisations. The programme's target is to enable 100 000 placements by 2020.

Finally, ensuring greater cooperation between Member States at the level of public administrations is essential for a competitive EU market given today's global challenges like globalisation or e-commerce.

Customs 2020 aims to improve the functioning and modernisation of the customs union by providing the framework, mechanisms and budget for enhanced cooperation between national customs administrations. Deeper operational integration is essential and avoids less efficient bilateral and bilateral/multilateral approaches that Member States would otherwise have to use.

The **Interoperability Solutions for European Public Administrations Programme** supports the development of digital solutions that enable public administrations, businesses and citizens in Europe to benefit from interoperable cross-border and cross-sector public services[12]. The programme supports over 40 actions focused on the development of tools, services and frameworks in the area of e-Government. Most solutions and services are available free of charge to any interested public administration in Europe[13].

4.1.3. Key achievements

Evidence gathered to date, mainly in the context of the mid-term evaluations, indicates that the programmes designed to support EU competitiveness are generally on track to deliver on their objectives.

Horizon 2020 combines funding for innovation and research. The mid-term evaluation (2017) provided indications that the programme is on track to deliver[14] despite acknowledging the

[11] SWD (2018) 40, https://ec.europa.eu/assets/eac/erasmus-plus/eval/swd-e-plus-mte.pdf
[12] https://ec.europa.eu/isa2/isa2_en
[13] https://ec.europa.eu/isa2/actions_en
[14] Data show that in the first three years of programme implementation, participants from 131 different countries (including 87 third countries) received funding from Horizon 2020. Participants in EU-28 countries received

usual long time lags in research and innovation for which results cannot be expected yet at mid-term stage. The programme's EU added value and additionality is also very strong; 83% of projects would not have gone ahead without Horizon 2020 funding[15].

Horizon 2020 has succeeded in generating, and can legitimately be expected to continue to generate, significant scientific advances reflected in a large number of top class scientific publications and data which are to a large extent openly accessible to the wider scientific community and public.

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

The mid-term evaluation of Horizon 2020 also concluded that the simplification measures introduced in Horizon 2020 (such as the single reimbursement rate, the flat rate for indirect costs, or the Participant Portal) have decreased participation costs and reduced the time-to-grant, which is now 192 days on average, a decrease of more than 100 days compared to the predecessor 7th Framework Programme. Four Executive Agencies are responsible for the Horizon 2020 management across most (55%) of the programme[16], continuing the trend of externalising programme implementation that began under the predecessor research programme. For specific parts of the programme, programme management is carried out by different types of partnerships, with the private sector (Public-Private Partnerships) and the public sector (Public-Public Partnerships).

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

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approximately 93% of the funding for their higher education and research organisations (roughly 70%), and private sector (roughly 30%). Approximately 75% of all funding so far went to instruments supporting collaborative activities, bringing many organisations across countries together. The remaining 25% of funding went to single beneficiaries to support excellent science through European Research Council grants, for instance, or research and innovation projects for SMEs.

[15] Study "Assessment of the Union Added Value and the Economic Impact of the EU Framework Programmes", PPMI, 2017

[16] Executive Agency for Small and Medium-sized Enterprises, European Research Council Executive Agency, Innovation and Networks Executive Agency; Research Executive Agency.

The mid-term evaluation[17] of the European Institute of Innovation and Technology concluded that the activities of the Knowledge and Innovation Communities are starting to bear fruit, in the form of 225 innovations introduced to the market (over the period 2010-2015), 230 innovative businesses created and new start-ups, and 820 individuals graduated from European Institute of Innovation and Technology Masters and PhD programmes with entrepreneurial skills (over the same period). The European Institute of Innovation and Technology has been effective in establishing and building networks of partners and has built relationships with regional and national policy-makers. The evidence for the systemic impact of the European Institute of Innovation and Technology on job creation and economic growth is still limited[18].

The interim evaluation (2017)[19] of the Euratom programme concluded that the programme is a key part of the European nuclear research landscape.

The European Fund for Strategic Investments was set up in a very short period of time and quickly become operational. Initially, the fund was intended to mobilise EUR 315 billion of total investment in the real economy and the assessment carried out showed the fund to be on track[20]. In order to further boost investment and provide stability for project promoters, the EU decided to extend the duration and size of fund with the new target being EUR 500 billion to be mobilised by 2020. The experience so far shows that the European Fund for Strategic Investments has led to an increase in the volume of European Investment Bank special activities and guarantees in support of small and medium-sized enterprises and mid-caps, in particular given the high profile of the initiative and related market expectations[21]. Figure 1 below illustrates the progress to date.

[17] COM(2018) 50, http://ec.europa.eu/assets/eac/erasmus-plus/eval/swd-e-plus-mte.pdf
[18] SWD(2017) 352 final, p.31-32, https://ec.europa.eu/education/sites/education/files/swd-2017-351-eit-evaluation_en.pdf
[19] SWD(2017) 426, https://ec.europa.eu/research/evaluations/pdf/archive/other_reports_studies_and_documents/swd_2017_426_interim_evaluation_of_direct_actions_of_euratom_programme.pdf
[20] European Investment Bank evaluation, September 2016, http://www.eib.org/attachments/ev/ev_evaluation_efsi_en.pdf
[21] SWD(2016)297, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2016:297:FIN

European Fund for Strategic Investment per sector

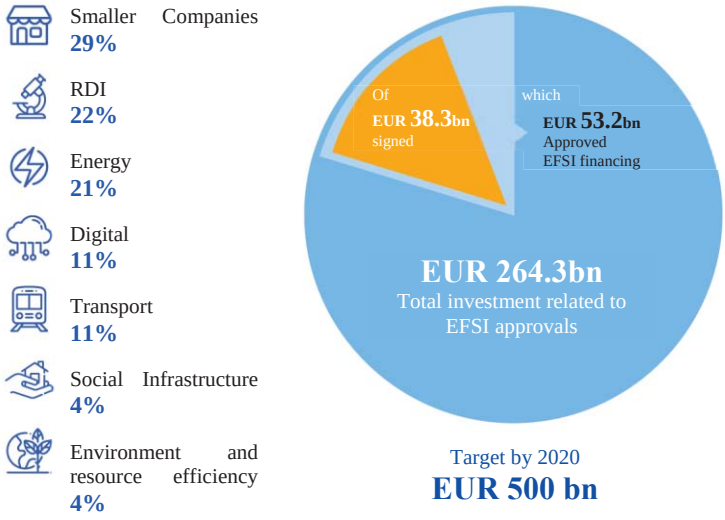


Figure 1 –Investment by the European Fund for Strategic Investments as of February 2018 (Source: EIB, http://www.eib.org/efsi/)

Start-ups and small and medium-sized enterprises which find it hardest to access finance due to their perceived higher risk or lack of sufficient collateral could count on the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme to operate easily accessible financing schemes with the support of the European Investment Fund. Preliminary results of the mid-term evaluation show that up to September 2017, more than 237 000 small and medium-sized enterprises in 25 countries received financing worth more than EUR 10 billion to address their operating needs. Preliminary findings also point to a high leverage effect of the programme turning 1 euro of the EU budget into 30 euros of financing for small and medium-sized enterprises.

Infrastructure projects funded by the Connecting Europe Facility are still at an early stage of implementation and the overall objectives of the programme are also supported by other policy tools at EU and national level. Nevertheless, the mid-term evaluation[22] provides some indications of the achievements of the programme. In transport, 86% of the funds currently allocated relate to cross-border transport infrastructure, mainly focused on the development of the core network and the nine corridors that need to be completed by 2030. In the energy sector, the programme is contributing to strengthening interconnectivity, aiming at ending energy isolation and completing the internal energy market. The Connecting Europe Facility contributes to accelerating the realisation of cross-border connections and interoperable services that may not have been financed without it[23]. Moreover, EU level action ensures limitations in information and cooperation among Member States are overcome.

[22] SWD(2018)44, https://ec.europa.eu/transport/sites/transport/files/legislation/swd-2018-0044-mid-term-evaluation-cef-ia-part2.pdf
[23] SWD(2018)44, https://ec.europa.eu/transport/sites/transport/files/legislation/swd-2018-0044-mid-term-evaluation-cef-ia-part2.pdf

The construction of the International Thermonuclear Experimental Reactor involves the building of over 10 million components with around 75% of its investment aimed at the creation of new knowledge and cutting-edge materials and technology. All this represents a unique opportunity for European high-tech industries and small and medium-sized enterprises to innovate and even develop spin off products for exploitation outside the project (e.g. nuclear magnetic resonance scanners). Between 2008 and 2016, over 800 contracts and grants have been awarded with a value of EUR 3.8 billion spread all over Europe[24].

One of the ways in which the Nuclear Decommissioning Assistance Programmes bring EU added value is through the building up of knowledge on decommissioning which can then be used to support all EU Member State to develop their own plans and measures. Figure 2 below illustrates the relevance of such knowledge in the EU given the over 80 reactors that are shut down but not fully decommissioned that can greatly benefit from this knowledge.

Status of nucelar power reactors in the EU as at 31 December 2015

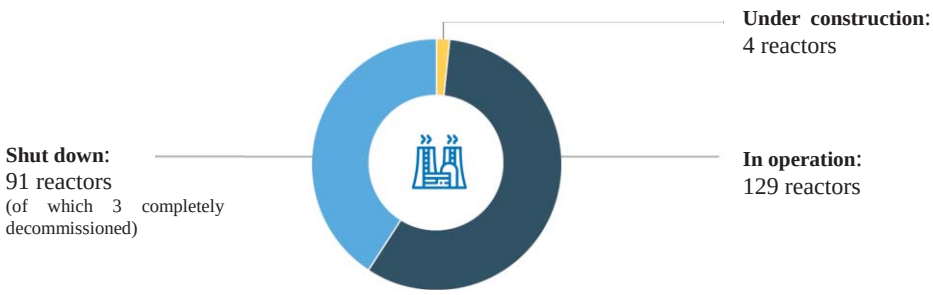


Figure 2 – Nuclear reactors in the EU (Source: European Court of Auditors[25])

Copernicus is on track to deliver on its objectives although not all are being achieved to the same extent.[26] The data provided is of good quality and reliability, which, together with the adoption of the free data policy, is one of the programme's strengths. As an example, during the refugee crisis in 2015 and 2016, Copernicus provided imagery to help monitor ports and beaches identified as departure points for migrant vessels.[27]

Both Galileo and the European Geostationary Navigation Overlay Service are progressing well in delivering on their objectives. At the end of 2016 more than 230 airports in 20 countries were using the European Geostationary Navigation Overlay Service landing approach procedures[28]. From 2018, all new car models sold in the European Union will rely on the European Geostationary Navigation Overlay Service and Galileo to calculate the position of emergency calls in case of accidents.[29]

[24] COM(2017)319, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0319
[25] European Court of Auditors, Special Report No 22/2016 *EU nuclear decommissioning assistance programmes in Lithuania, Bulgaria and Slovakia: some progress made since 2011, but critical challenges ahead*, https://www.eca.europa.eu/Lists/ECADocuments/SR16_22/SR_NUCLEAR_DECOMMISSIONING_EN.pdf
[26] SWD(2017)347, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017SC0347
[27] SWD(2017)347, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017SC0347
[28] European GNSS Agency: Summary of Achievements in 2016, p.6, https://www.gsa.europa.eu/sites/default/files/2016_gsa_summary_report.pdf
[29] COM(2017)616, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2017:616:FIN

The recent midterm evaluation of Erasmus+ (2018) showed that the programme is well on track to achieve its performance objectives, with notably over 1.8 million individuals taking part in mobility activities, and more than 240 000 organisations involved in cooperation projects so far. Programme beneficiaries report satisfaction rates above 90%. For learners (students, apprentices, volunteers, young people, etc.), Erasmus+ has a positive effect on the acquisition of skills and competences, thereby increasing employability and entrepreneurship and shortening the transition from education to employment (13% faster, compared to individuals who did not take part in Erasmus+ or its predecessor programmes). The evaluation indicates that the Erasmus+ programme fosters willingness to work or study abroad (+31%) and the development of foreign language skills (7% higher in tested proficiency). The Erasmus+ programme encourage positive civic behaviour and a sense of feeling 'European' (+19% compared to non-participants).

To overcome financial barriers as a major obstacle to mobility, the Student Loan Guarantee Facility was an innovation in Erasmus+. The mid-term evaluation found that it has so far failed to attract financial intermediaries in sufficient numbers. While the Student Loan Guarantee Facility already shows signs of promoting social fairness, its visibility at this early stage is far from being sufficient throughout the supply chain.

The Employment and Social Innovation Programme answers to the high demand for information regarding cross-border mobility, recruitment and placement, as well as counselling and trainings. The EURES portal is gaining importance as an efficient way to share vacancies on one platform throughout Europe, attracting around 1.76 million users each month

4.1.4. Lessons learned

The programmes designed to support EU competitiveness have generally demonstrated their EU value added by enabling investments throughout the EU, strengthening interconnectivity in transport, energy and telecommunications, enabling strategic cross-border infrastructure, generating knowledge widely accessible across the EU, using free data policy when providing Earth monitoring data, increasing common frameworks and interoperability solutions and by allowing mobility for students and young professionals.

The results of the mid-term evaluations have also identified a number of challenges and areas for improvement. Notably complementarity between programmes needs to be further strengthened to avoid overlaps (in particular for the use of financial instruments); synergies need to be further maximised to ensure the best use of the available resources; flexibility is particularly important in order to adapt to emerging policy priorities linked to global challenges; and monitoring systems need to be carefully assessed in order to allow for adequate progress measurement.

Financial instruments

While financial instruments are available under several programmes and are becoming more widely used, the distinctive features of individual schemes are in some cases not clear and there is scope for improving complementarities and avoiding overlaps among existing financial instruments.

Currently several programmes include the possibility to deploy financial instruments (Horizon 2020, the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme, the Employment and Social Innovation Programme, and the European Fund for Strategic Investments). Each programme applies a different set of rules to the use of financial instruments and aims at different target groups. Mainstream small and medium-sized enterprises are targeted by the Competitiveness of Enterprises and Small and Medium-sized Enterprises programme. Innovative small and medium-sized enterprises are able to apply for funding from Horizon 2020. Micro-enterprises and social enterprises are eligible under the Employment and Social Innovation Programme, while small and medium-sized enterprises and mid-cap can use the European Fund for Strategic Investments. However, distinctions are not always clear-cut and can give rise to confusion and duplication. The European Court of Auditors noted in its 2016 Annual Report that the number of financial instruments benefiting from EU budgetary support has been increasing and that careful management is necessary to ensure the effective, efficient and economical use of available funds.

More specifically on loan guarantee instruments, the European Court of Auditors[30] found that they require a better targeting of beneficiaries and better coordination with national schemes. As there are various EU-funded guarantee instruments, the Court also called on the Commission to provide an assessment of the effectiveness of such instruments and their real implementation costs.

Coherence between objectives and resources

In some cases the mid-term evaluation pointed to a mismatch between the objectives of programmes and the means allocated to achieve them, which may lead to suboptimal scale of interventions. For example the preliminary evidence collected in the framework of the mid-term evaluation of the Employment and Social Innovation Programme (forthcoming) points out that the ambitions of the programme exceed what the budget allows for, especially when it comes to the financial support to social enterprises and microcredit. However, good results have been registered in the other strands, with the number of youth job placements in another Member States increasing from 3 433 in 2014 to 5 720 in 2016, with the support of the European Employment Services network (EURES).

A significant part of the budget of the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme is spread over a large number of relatively small actions. Without questioning the usefulness of flexible pilot actions, which are by their very nature of a small scale, preliminary results of the mid-term evaluation indicate that this fragmentation influences negatively the potential for cost-efficiency in programme implementation and accentuates the limits in strategic direction and coordination of the programme.

The Interoperability Solutions for European Public Administrations Programme could benefit from being part of greater efforts towards supporting the digital economy, also in the national public administrations.

[30] Special Report 20/2017 of the European Court of Auditors

The mismatch between the objectives of programmes and the means allocated is also stressed by the European Court of Auditors in the context of several EU interventions concerning energy supply, transport and Horizon 2020[31].

Synergies

While significant progress has occurred in the coherent and complementary implementation of programmes under Heading 1a the available evaluations identified areas in which the synergies among programmes could be strengthened. In this context, the European Court of Auditors stressed for instance in its last two Annual Reports that the links and complementarity between Europe 2020, the new Commission priorities and Horizon 2020 needed to be clarified and enhanced.

The Connecting Europe Facility has proven its complementarity with Horizon 2020 and the European Structural and Investment Funds. A number of measures have been taken in order to address the substitution effect initially observed between the Connecting Europe Facility and the European Fund for Strategic Investments.[32] Transport, energy and digital services were brought together under one programme because of the common goals and challenges. Having common procedures for the projects in all three fields has contributed to achieving synergies at programme level, however synergies at project level under the Connecting Europe Facility have not been fully realised[33].

In addition, coordination between Horizon 2020 and the European Structural and Investment Funds can be strengthened further particularly in view of research and innovation capacity building for lower performing regions. The European Institute of Innovation and Technology fills a gap within the European innovation landscape, but its coherence with other Horizon 2020 programmes could be strengthened.

The preliminary results of the mid-term evaluation of Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme show that it is overall coherent with Horizon 2020. Actions focusing on technological innovation were 'transferred' in 2014 to Horizon 2020, while actions focusing on the enhancement of competitiveness were kept in the Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme. The preliminary findings however point to the possibility to create more synergies and complementarity.

Flexibility

Flexibility has proven key to successful programmes. Mid-term evaluations report several cases where the programme structure allowed for the needed flexibility to respond to unforeseen challenges. For instance, Horizon 2020 has been flexible to support research on urgent new needs such as the Ebola and Zika outbreaks[34]. In the context of the refugee crisis Erasmus+ started as of 2016 to provide online language assessment and courses for newly

[31] See for instance Special Report 16/2015 on Security of Energy Supply and the 2015 Annual Report.
[32] SWD(216) 298 final, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2016:297:FIN
[33] SWD(2018)44, https://ec.europa.eu/transport/sites/transport/files/legislation/swd-2018-0044-mid-term-evaluation-cef-ia-part2.pdf
[34] Evaluation SWD(2017)222, page 55 and European Court of Auditor's 2016 Annual Report

arrived third country nationals, the prevention of radicalisation through education and actions in the youth field were identified as a priority under Erasmus+ actions.

Governance and management structures

Evaluations have highlighted the importance of robust governance and management structures to the success of the programmes.

The Connecting Europe Facility is centrally managed which allows for fast delivery of EU support. The management by the Innovation and Networks Executive Agency has brought economies of scale and a number of simplifications and improvements in the application process (electronic tools for exchange with beneficiaries). The possibility to quickly identify and re-use credits not consumed by certain actions is proving particularly efficient[35]. Nevertheless, the mid-term evaluation points to a need for improving coordination amongst the actors involved in the digital services infrastructures.

The International Thermonuclear Experimental Reactor encountered a number of challenges in terms of both schedule and cost estimates because of the technical complexity inherent in a first-in-kind undertaking but also linked to weaknesses in governance. Because of the monitoring systems in place (the International Thermonuclear Experimental Reactor Agreement[36] provides for a regular management assessment), new management was appointed and proposed more reliable planning and cost estimates[37]. The EU has proposed measures to improve monitoring and governance including the decision to have regular risk reviews focused on critical areas of the project[38].

The Nuclear Decommissioning Assistance Programmes experienced difficulties and delays during the previous Multiannual Financial Framework. The European Court of Auditors also cautioned against challenges that remain to be tackled during the current financing period[39]. One of the issues identified is the need to increase ownership of the process by the Member States. The Member States were required at the onset of the current financing period to formally submit updated cost estimates as part of their updated detailed decommissioning plans. The Commission has assessed these and determined the plans to be comprehensive and complete and based on sound estimations[40]. Based on preliminary findings of the mid-term evaluation the planning proposed in 2014 appears to have been largely respected to date.

[35] SWD(2018)44, https://ec.europa.eu/transport/sites/transport/files/legislation/swd-2018-0044-mid-term-evaluation-cef-ia-part2.pdf
[36] https://www.iter.org/doc/www/content/com/Lists/WebText_2014/Attachments/245/ITERAgreement.pdf
[37] SWD(2017)232, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017SC0232
[38] COM(2017)319, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0319
[39] Special Report No 22/2016 EU nuclear decommissioning assistance programmes in Lithuania, Bulgaria and Slovakia: some progress made since 2011, but critical challenges ahead, https://www.eca.europa.eu/Lists/ECADocuments/SR16_22/SR_NUCLEAR_DECOMMISSIONING_EN.pdf
[40] COM(2017)328, http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52017DC0328

Monitoring systems

The evaluations for the Connecting Europe Facility and Horizon 2020 have identified the need for better indicators to support the monitoring and measurement of progress. The European Court of Auditors has reiterated this conclusion for Horizon 2020 in general[41].

Targeting and prioritisation

Evaluations identified the possibility to further improve the EU support to innovation and to open up successful EU schemes like Erasmus+ to wider populations.

For example, the evaluation of Horizon 2020 identified room for improving EU support for market-creating innovations. Other areas for improvement identified in the mid-term evaluation are the need for further alignment of Horizon 2020 to support the implementation of EU policy priorities, its role to effectively influence the alignment of national research and innovation strategies and policies, the capacity to bring research results closer to citizens and civil society and broadening the participation to Horizon 2020 to new research and innovation actors. The mid-term evaluation of Erasmus+ showed grounds to further boost the inclusion dimension of the programme notably concerning disadvantaged and vulnerable groups in education and training, youth and sport activities.

4.2. Heading 1b - Economic, social and territorial cohesion

4.2.1. Introduction

Heading 1b covers the 'European Regional Development Fund', the 'Cohesion Fund', the 'European Social Fund'[42] — including the 'Youth Employment Initiative' (a specific top-up allocation), and the 'Fund for European Aid to the Most Deprived'.

The European Regional Development Fund, Cohesion Fund and European Social Fund constitute the cohesion policy of the EU with a budget of EUR 356.06 billion for 2014-2020. Cohesion policy fosters lasting socio-economic convergence, resilience and territorial cohesion. It contributes to the delivery of the Europe 2020 objectives supporting growth and job creation at EU level and structural reforms at national level. The funds in this area deliver a critical mass of investments in priority areas of the EU through shared management between the Commission and the Member States. These funds help the EU achieve its political objectives by translating them into action on the ground.

4.2.2. Objectives of the Programmes

Cohesion policy has set 11 thematic objectives supporting growth for the period 2014-2020 (see diagram below). The objectives of the European Regional Development Fund, the European Social Fund and the Cohesion Fund contribute to these thematic objectives.

[41] European Court of Auditors 2015 Annual Report

[42] The European Regional Development Fund, Cohesion Fund and the European Social Fund work together with the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund to form the European Structural and Investment Funds. The latter two are covered by Budget Heading 2 (Sustainable Growth).

Cohesion Policy 2014-2020

- Investment policy covering 1/3 of the EU budget
- Supports 11 thematic objectives of smart, sustainable and inclusive growth

The goal of these objectives is to focus cohesion policy funding on areas that deliver the highest benefits to citizens, creating synergies between the funded projects and avoiding an excessive fragmentation of funding.

4.2.3. Key achievements

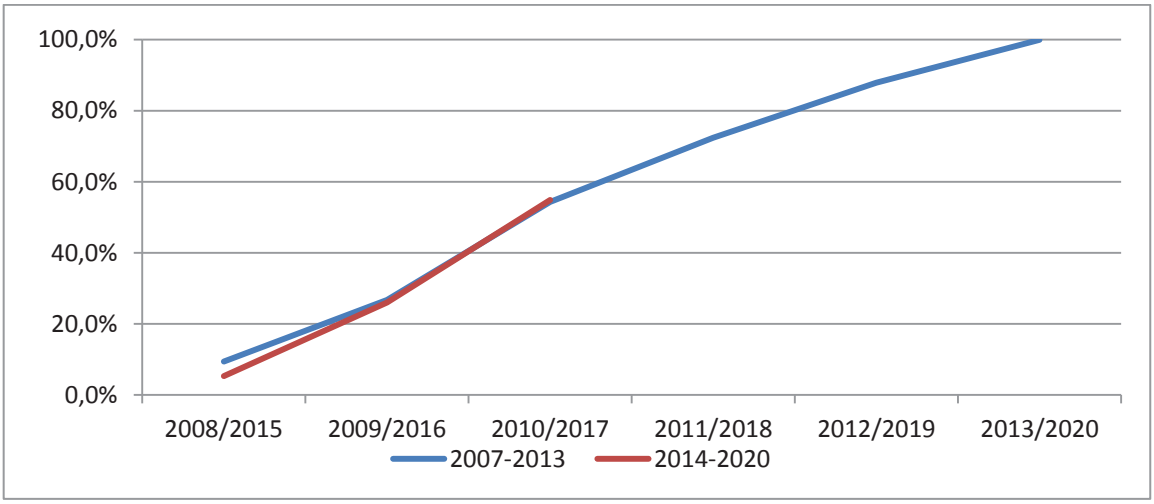
Programme design in the 2014–2020 period included a number of new elements to improve the delivery of results:

- **Stronger focus on results**: clearer and measurable targets for better accountability.
- **Conditions**: introduction of sector specific or general preconditions at an early stage of programme implementation to address systemic obstacles to effective and efficient public spending. The introduction of these ex ante conditionalities help set suitable conditions for programme success, providing fulfilment criteria for lifting barriers to investment, supporting structural changes, implementing the EU acquis and improving administrative capacity.
- Link to **economic reform**: the Commission may suspend funding for a Member State which does not comply with EU economic rules.
- **Concentration requirements** to incentivise investments in line with the Commission's priorities (in the area of innovation, digital agenda and energy)
- **Strengthened urban dimension and promotion of social inclusion**: a specific amount of European Regional Development Fund was earmarked for integrated projects in cities. The same was done with the European Social Fund to promote social inclusion and combat poverty.
- The **Youth Employment Initiative** was integrated into the European Social Fund programmes to address the problem of youth unemployment.

Compared to the 2007-2013 Multiannual Financial Framework, the cohesion policy regulatory framework for 2014-2020 was adopted about 6 months later. This late adoption of the legal acts together with new requirements seeking to enhance the performance of the policy and the quality of delivery (e.g. annual accounts, designation of programme authorities) have led to a delayed start of implementation of the 2014-2020 programmes.

While starting more slowly than in the 2007-2013 period, the rate of project selection in the current programming period has now caught up with 53.4% of the funding being allocated to projects by January 2018. This level of project selection over 2014-2016 is comparable to the early years of the 2007-2013 period[43] and it can reasonably be expected that implementation rates from now on will further increase.

Funding committed to selected projects as % of available total (2007-2013 and 2014-2020 comparison)



Source: *DG Regional and Urban Policy, based on monitoring data provided by Member States*

Looking at the first years of the 2014-2020 programmes, initial results are taking shape. Around 670 000 projects have been selected all over Europe, amounting to EUR 192 billion or 53.4% of the total financing available for the period. 793 490 businesses are being supported and 7.8 million people have been helped so far in their search for a job, training, or education[44]. Concerning the Youth Employment Initiative, by September 2017 Member States had already declared that 1.7 million young people had benefited from the Youth Employment Initiative. Evaluations carried out by the responsible national authorities showed that in the case of Cyprus and Bulgaria 45% of participants were in employment after leaving the Youth Employment Initiative intervention. Similarly, in Italy around 35% of the young people who have completed the Youth Employment Initiative interventions are now in employment.

[43] COM(2017) 755 final (page 5) - http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_en.pdf
[44] COM(2017) 755 final (page 2) - http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_en.pdf

The accelerated pace of project selection and implementation reported across cohesion policy programmes is now expected to be followed up by a similar increase in actual spending.

The European Regional Development Fund and Cohesion Fund will co-finance more than 500 major projects in the period 2014-2020. These projects are subject to climate proofing, which helps to ensure that the cost-benefit analysis takes into account the greenhouse gas emissions and that the project will be resilient to the current and future climate.

Given that spending periods overlap with the closure of one period stretching into the next[45], findings from the ex-post evaluations of the 2007-2013 European Regional Development Fund-Cohesion Fund[46] and European Social Fund[47] programmes were also relevant for this spending review. The 2007-2013 European Regional Development Fund-Cohesion Fund ex-post evaluation estimated that, in the EU-12 countries, the cohesion policy funds and rural development investments led to **increased Gross Domestic Product** in 2015 by 4 % above what it otherwise would have been, and in Hungary, by over 5 %. This impact is sustained (and in some cases even increases) in the longer term. In Poland, for example, by 2023, **Gross Domestic Product** is estimated to be almost 6 % above what it would be without Cohesion Policy investment in the 2007-2013 period. In regions of more developed Member States, the impact is smaller but remains positive even taking into account the fact that these Member States are net contributors to the policy. The same evaluation showed that one euro of Cohesion Policy investment in the period 2007-2013 is estimated to **generate EUR 2.74 of additional Gross Domestic Product by 2023,** with a total estimated return of nearly EUR 1 trillion of additional GDP by 2023. This **Gross Domestic Product** effect is of a similar scale to the entire EU budget for 2007-2013 (EUR 975.8 billion) and 2014-2020 (EUR 908.4 billion).

According to the findings of the **European Regional Development Fund-Cohesion Fund** ex-post evaluation a wide range of results were achieved across the fields of economic, social and territorial cohesion, including:

- The EU funds played a crucial countercyclical role with **stabilising impact** during the global economic and financial crisis. The programmes increased the co-financing rates, so national contributions decreased for cohesion policy programmes in the Member States where problems were most severe. This helped the countries concerned to meet their part of the funding needed to carry out programmes, so enabling them to take up the EU financial support available. Additionally, the eligibility rules were changed to provide access to working capital for firms, in order to remain in business and to maintain employment.

- Confirming the EU added value of such investments, the **European Regional Development Fund** support contributed to helping Small and Medium-sized Enterprises to withstand the economic and financial crisis, at a time when national budgets were highly constrained. 400 000 Small and Medium-sized Enterprises were

[45] COM(2017) 755 final (page 5) - http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_en.pdf
[46] SWD(2016) 318 final - http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp1_swd_report_en.pdf
[47] SWD(2016) 452 final – http://ec.europa.eu/social/main.jsp?pager.offset=5&advSearchKey=ex-post&mode=advancedSubmit&catId=22&policyArea=0&policyAreaSub=0&country=0&year=0

financially supported and this support led directly to the creation of 1.2 million jobs. To put this into perspective, a net total of 3 million jobs were created in the EU economy over the 2007-2013 period.

- European Regional Development Fund-Cohesion Fund investments helped make progress in removing transport bottlenecks, reducing travel times and supporting urban trams and metros. Vital to economic development, this included the construction of 4 900 km of roads, mostly motorways (of which 2 400 km on the Trans-European Transport Network). It also included the construction or upgrading to necessary standards of 2 600 km of Trans-European Transport Network railway. As a sign of the EU added value of European Regional Development Fund-Cohesion Fund support, Member States were provided with incentives to prioritise investments in Trans European Transport Network infrastructure, ensuring support for transport networks in line with the EU objectives and enhancing the economic and territorial cohesion between various parts of the EU.

- The European Regional Development Fund and Cohesion Fund also made a significant contribution to the environment. Confirming the EU added value of these instruments, cohesion policy enabled budget limited public authorities to achieve progress in meeting EU policy goals even during the financial crisis. A substantial number of landfill sites which did not comply with EU standards were closed down while in the Czech Republic, Hungary, Lithuania, Poland and Slovenia, as well as Croatia, the proportion of waste which was recycled was increased by over 10 percentage points.

- Investment in social infrastructure led to tangible results such as the modernisation of schools and colleges in Portugal, benefiting over 300 000 children and young people as well as the upgrading of schools and healthcare facilities in Poland for 1.9 million people.

Concerning the **European Social Fund,** studies[48] have shown that each euro spent at the EU level in employment and social investment generates about EUR 3 in outcome. At least 9.4 million Europeans found a job and 8.7 million people gained a qualification or certificate between 2007 and 2014 with the contribution of support from the European Social Fund[49]. The ex-post evaluation confirmed that the fund was highly relevant in addressing the main policy challenges towards achieving the Europe 2020 headline targets and contributing to the EU guidelines defined for labour market policies, social and education and training policies, while also contributing to the development of the institutional capacity to deliver policies and reforms.

The European Social Fund 2007-2013 has also been an important instrument contributing to the social Open Method of Coordination and the Education and Training 2020 strategic framework. The specific challenges identified by the Country Specific Recommendations are

[48] Calculation based on the 2007-2013 budget against the EU GDP for 2014 and the results of the Ex-post evaluation of the 2007-2013 European Social Fund Programmes

[49] SWD(2016) 452 final – http://ec.europa.eu/social/main.jsp?pager.offset=5&advSearchKey=ex-post&mode=advancedSubmit&catId=22&policyArea=0&policyAreaSub=0&country=0&year=0

also well reflected in the operational programmes co-financed by the European Social Fund in 2014-2020.

The European Social Fund ex-post evaluation also showed that the fund provided EU added value by broadening the scope of national interventions and by supporting policies that would have been realised to a significantly lesser extent had it not been for EU investment (e.g. active labour market measures, gender equality). By making use of European Social Fund interventions, Member States were able to offer more tailored and better quality services to specific target groups such as people with disabilities, young people at risk of early school leaving, refugees and other vulnerable migrants or unemployed with low qualifications. These groups would otherwise not have had access to targeted services or would only have access to mainstream services. As a follow-up, some successful European Social Fund interventions were taken up into mainstream national policy, e.g. in Belgium, France, Italy, and Sweden. EU added value is also about the promotion of EU values and respect of the EU Charter of Fundamental Rights

4.2.4. Lessons learned

The Commission has carried out a number of evaluations[50] and studies[51] analysing the results of the 2007-2013 period and the early stages of programming and implementation of the 2014-2020 cohesion policy programmes. The evidence collected confirms the important contribution of cohesion policy investments in generating growth, jobs and investment, as well as their significant impact for boosting socio-economic convergence, improving the environment and territorial cohesion across EU Member States and regions. Reforms are nonetheless needed in a number of areas.

Cohesion policy responded to the financial crisis and emerging needs such as the migration crisis but its capacity to adapt to new circumstances and challenges was limited. This confirms the need to review how cohesion policy can better prepare and react to unexpected developments, crises and societal changes.

While there have been positive examples of closer alignment between EU funding instruments in the 2014-2020 period, synergies with sectoral policies and other spending programmes need to be maximised.

Project beneficiaries still find difficulties in accessing these funds and deliver projects quickly. Authorities at national and regional level also find the policy too complex to manage. Therefore, a strong effort for further simplifying implementation and allowing for more agile and flexible programming is needed for the future.

Based on this analytical work, the recommendations of the European Court of Auditors[52], the High Level Group for Simplification of the European Structural and Investment Funds[53] and those of the REFIT Platform[54], the following areas for improvement have been identified:

[50] http://ec.europa.eu/regional_policy/en/policy/evaluations/ and http://ec.europa.eu/social/main.jsp?langId=en&catId=701
[51] http://ec.europa.eu/regional_policy/en/policy/analysis/
[52] Special Reports 1/2015, 3/2015, 8/2015, 08/2016, 19/2016, 23/2016, 24/2016, 36/2016, 02/2017, 04/2017, 05/2017, 13/2017, 15/2017, 18/2017, 01/2018, 06/2018

Simplification

Despite recent efforts to simplify the delivery of cohesion policy funds in the 2014-2020 period, a strong effort for further simplifying implementation and allowing for more agile and flexible programming is needed for the future. This was also highlighted in the four opinions adopted by the REFIT platform[55] on cohesion policy, aiming at reducing bureaucracy, simplifying the administrative and monitoring systems, and encouraging more proportional efforts in European Territorial Cooperation.

The High Level Group on Simplification for post 2020 in its conclusions recommended fewer, clearer and shorter rules aligned between EU funds, as well as a stable yet flexible framework. It also recommended the extension of the single audit principle and reliance on national public expenditure procedures to a much larger extent, promoting genuine subsidiarity and proportionality.

The complexity of the legal framework and the number of new requirements aimed at improving the performance of the policy and the quality of delivery disrupted the implementation at the start of the current period and created the conditions for increased gold-plating at national level. The volume of rules, including more than 600 pages of legislation (more than double that in the period 2007-2013) and over 5 000 pages of guidance created difficulties for programme beneficiaries and authorities involved[56].

The corresponding administrative burden for beneficiaries and implementing bodies related to the funds programming, management and audit system slowed down the efficient and effective use of the funds. The introduced single audit principle constitutes a positive step forward, but stakeholders still find that the overall control and audit burden remains too high[57].

In a number of special reports[58] the European Court of Auditors has made observations and recommendations with regards to simplification, calling for the streamlining of performance schemes, for the reduction of the administrative burden and implementation delays, for the alignment of national development plans and for the rationalisation of the number of indicators in use.

Contribution to policy objectives and structural reforms

The cohesion policy funds were found not to provide sufficient incentives to Member States to ensure that policy objectives are met. The economic governance cycle and new EU level policy initiatives are not always optimally aligned with the funding frameworks. Funding

[53] http://ec.europa.eu/regional_policy/sources/newsroom/pdf/simplification_proposals.pdf
[54] https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly/refit-platform/refit-platform-recommendations-and-other-work_en#regional-policy
[55] https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly/refit-platform/refit-platform-recommendations-and-other-work_en#regional-policy
[56] Final conclusions and recommendations of the High Level Group on Simplification for post 2020 - http://ec.europa.eu/regional_policy/sources/newsroom/pdf/simplification_proposals.pdf
[57] Conclusions on cross-cutting audit issues from the High Level Group on Simplification for post 2020 - https://ec.europa.eu/futurium/en/system/files/ged/hlg_16_0015_04_conc_recomendations_on_audit_0.pdf
[58] Special Report 23/2016 Maritime transport, Special Report 2/2017 Partnership Agreements, Special Report 18/2017 Single European Sky, Special Report 13/2017 Rail traffic

should be more closely aligned with the European Semester to support reforms and increase the funds' political leverage.

The conditionalities introduced in the 2014-2020 period were a step in the right direction but the policy's link with the economic governance and the European Semester should be strengthened further to ensure that the system is simpler, more transparent and provides positive incentives to implement concrete reforms to foster convergence.

Around 75% of all applicable ex-ante conditionalities[59] were fulfilled at the time of adoption of the 2014-2020 programmes. For the non-fulfilled ones, over 800 distinct action plans were included in the programmes. Had it not been for ex-ante conditionalities, reforms might not have happened or they might have happened at a much slower pace[60]. According to the European Court of Auditors[61], ex-ante conditionalities provided a consistent framework for assessing the Member States' readiness to implement Cohesion policy, but the extent to which this has effectively led to changes on the ground was not always evident. At the level of the Member States, the effort to fulfil ex-ante conditionalities was sometimes considered to be high and disproportionate[62]. In particular, the fulfilment of the conditionalities often required additional resources, which was not easy to secure, especially in the context of austerity in several Member States (e.g. the fulfilment of employment related conditionalities was linked to the increase in the capacity of public services employment). In some cases, legislative changes were needed including environmental or state aid legislation, which also took time and resources.

The importance of the local business environment and innovation ecosystem emerged as a key lesson in helping regions move up the value chain. Support to small and medium enterprises should focus more on helping dynamic businesses grow, on smart specialisation strategies and facilitating regions to move up the economic chain, rather than trying to maintain the economy of the past. For large enterprises support needs to be very selective, targeting firms which match the structure of the regional economy and can make links to local enterprises, research centres and universities. The most effective strategy to attract large enterprises is not financial incentives but improving local conditions, such as the local business environment, transport and communication networks and the skills of the local workforce. This avoids a wasteful subsidy race.

Shortcomings in administrative capacity and institutional quality are often key obstacles to economic, social and territorial progress. Continuous investment in good administration will contribute to deliver policy objectives, which are not only about money but also about know-how and good governance. This long term investment includes the exchange of good practices between peers, professionalization of fund management and development of competencies in

[59] 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 are made in order to maximise the performance of the funding.
[60] Seventh report on economic, social and territorial cohesion - http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf
[61] Special Report 15/2017 - https://www.eca.europa.eu/Lists/ECADocuments/SR17_15/SR_PARTNERSHIP_EN.pdf
[62] Study "The implementation of the provisions in relation to the ex-ante conditionalities during the programming phase of the European Structural and Investment Funds" - http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_exante_esif_report_en.pdf

public procurement and state aid. It also targets anti-fraud and anti-corruption, including integrity pacts on fair public procurement.

Flexibility

The European Regional Development Fund/Cohesion Fund and European Social Fund ex-post evaluations confirmed that cohesion policy rose to the challenge of the financial crisis in the 2007-13 period. The implementation of the 2014-2020 programmes so far also shows that cohesion policy investments have been able to respond to emerging needs such as the migration crisis[63]. Nevertheless, the capacity of current programmes to adapt to changing political environment turned out to be limited. This confirms the need to review how cohesion policy can better prepare and react to unexpected developments, crisis, economic and societal changes.

Result orientation

The result orientation of the programmes could be further improved and there are still difficulties to fully capture the contribution of the funds to EU policy priorities. The European Court of Auditors concluded that the current set up of the performance reserve provides little incentive for a better result orientation of the cohesion policy programmes[64]. At this early stage of implementation of the cohesion programmes and as the performance reserve is going to be released in 2019, final conclusions would be premature. The European Court of Auditors recommended the Commission to consider turning the performance reserve for the post-2020 period into a more result-oriented instrument that allocates funds to those operational programmes that achieved good results. It also recommended to establish a common definition of output and result indicators across relevant EU funds[65] and to apply the concept of a performance budget[66]. Further efforts are needed to ensure that cohesion policy funds are more effectively implemented through the sound definition of targets and results to be achieved.

Synergies

The 2014-2020 framework included a number of measures aimed at better coordination between the five European Structural and Investment Funds and more potential synergies with other EU instruments. These included the alignment of national eligibility rules, the use of cross-sectoral fora, the running of joint monitoring committees or specific coordinating bodies, the establishment of networks within the relevant administrations and the application of new information technology solutions.

Nevertheless, the experience from the 2014-2020 period shows that additional efforts to harmonise rules are still needed[67] and that the synergies with sectoral policies and

[63] COM(2017) 755 final (page 17) - http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_en.pdf
[64] Special Report 15/2017 - https://www.eca.europa.eu/Lists/ECADocuments/SR17_15/SR_PARTNERSHIP_EN.pdf
[65] Special Report 2/2017 Partnership Agreements, https://www.eca.europa.eu/Lists/ECADocuments/SR17_2/SR_PARTNERSHIP_AGREEMENT_EN.pdf
[66] Special Report 2/2017 Partnership Agreements
[67] COM(2017) 755 final (page 12) - http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_en.pdf

programmes such as LIFE, Connecting Europe Facility, Horizon 2020, Erasmus+, Asylum, Migration and Integration Fund/Internal Security Fund were not exploited to their full potential. The diverging rules for similar interventions under different funding sources (e.g. state aid, public procurement, maturity of projects) created uncertainty for programme beneficiaries. A more coherent use of EU funds would therefore enable establishing a more visible link between EU policies and the needs and realities at national and regional level.

Rules differ between EU funds investing in human capital development. This fragmentation leads to inefficiencies. There are overlaps in target groups and actions, often with different sets of rules (starting with co-financing rates). Also, complementarities, impact and visibility of measures are hindered by the current fragmentation of funds. For example, basic material assistance provided by the Fund for European Aid to the Most Deprived could be better integrated with social inclusion and employability measures under the European Social Fund. The current divergence in rules and monitoring requirements cause additional burden to beneficiaries. Moreover, the impact and visibility of current actions are diluted by the current number of funds.

Stabilisation impact

During the financial crisis, EU funds played a countercyclical role with a stabilising effect, by increasing the co-financing rates and lowering the national contribution for affected Member States. It is now appropriate to increase national co-financing rates, in order to increase ownership at national level. In particular as long as the European Investment Stabilisation function is not yet in place, this would also allow keeping a margin of co-financing rate for potential stabilising action in the future.

4.3. Heading 2 - Sustainable Growth: Natural Resources

4.3.1. Introduction

Heading 2 covers expenditure linked to the policies on sustainable use of natural resources, financing the Common Agricultural Policy, the Common Fisheries Policy and environmental and climate actions.

The Common Agricultural Policy is financed by two funds. The European Agricultural Guarantee Fund takes up the largest share within Heading 2 with EUR 308 billion for the period 2014-2020, after taking into account the transfers to Rural Development. It primarily finances income support via direct payments to farmers and measures regulating or supporting agricultural markets. The European Agricultural Fund for Rural Development amounts to EUR 100 billion for the period 2014-2020 and finances the EU's contribution to rural development programmes.

A total of EUR 6.4 billion is allocated to the European Maritime and Fisheries Fund that helps Member States to meet the obligations imposed on them by the Common Fisheries Policy. The 2014-2020 envelope for shared management amounts to EUR 5.7 billion in support of Member States' operational programmes. The 2014-2020 envelope for direct management of actions to support EU wide objectives in maritime and coastal affairs amounts to EUR 647 million. Heading 2 also finances the international dimension of the Common Fisheries Policy (EUR 0.9 billion) including compulsory contributions deriving from EU membership in international bodies, including various Regional Fisheries Management Organisations as well

as contributions under Sustainable Fisheries Partnership Agreements with several third countries in exchange to access to their waters in favour of the EU fishing fleet.

Within Heading 2, the Programme for the Environment and Climate Action, called LIFE, takes up EUR 3.5 billion for the period 2014-2020, or 0.3% of the EU budget. LIFE as a dedicated fund for the environment and climate has on its own relatively modest budget, but it complements the commitment of the EU to mainstream climate action and biodiversity across all EU budget programmes. There are two sub-programmes, Environment and Climate, each covering three priority areas.

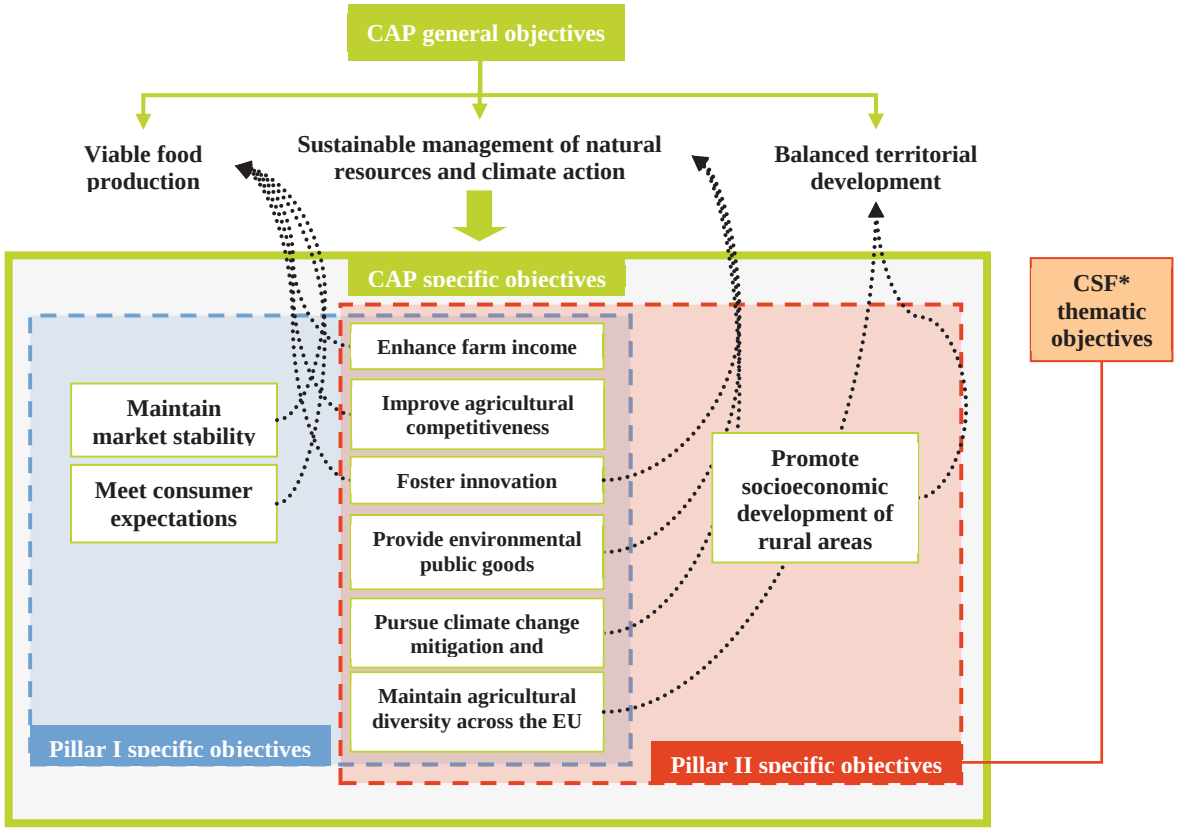
4.3.2. Objectives of the Programmes

The Common Agricultural Policy contributes to smart, sustainable and inclusive growth through three general objectives: viable food production, with a focus on agricultural income and market support; the sustainable use of natural resources and climate action; and balanced territorial development.

Pillar I of the Common Agricultural Policy, financed from the European Agricultural Guarantee Fund adds value by operating at EU level to respond more effectively and efficiently to cross-border challenges – such as ensuring food security, mitigating climate change, caring for natural resources and strengthening economic and social cohesion. This fund provides direct payments to farmers as basic income support, contributing to relative income stability to farmers facing significant price and production volatility. Market instruments contribute to developing the potential of certain sectors, organisation and quality improvement and supplement the protection offered by direct payments as well as to stabilising agricultural markets in times of serious disturbance. At the same time, the fund is closely tied to requirements and public benefits of importance to EU citizens through cross compliance and the greening measures that have been introduced in the 2013 reform of the Common Agricultural Policy. It also aims to meet consumer expectations while contributing to a level playing field in the single market and ensures a stronger common position in trade negotiations. The European Agricultural Guarantee Fund not only supports directly the farm sector but also helps to limit losses of viable jobs and output in the sectors which depend on it.

Under Pillar II of the Common Agricultural Policy, the European Agricultural Fund for Rural Development supports rural development plans that are designed to contribute to six economic, social and environmental EU priorities while taking into account the national and regional specificities of agriculture and rural areas across the EU. The fund invests in the digitisation and development of farms and other rural businesses, improving competitiveness whilst promoting sustainable management of natural resources and preservation of nature and landscapes. Support for interactive innovation projects under the European Innovation Partnership for Agriculture as well as support for training and diversification aim to deliver on the Europe 2020 objectives as they encourage innovation and entrepreneurship.

General and specific objectives of the Common Agricultural Policy



**CSF: Common Strategic Framework including the European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Fund for Rural Development and European Maritime and Fisheries Funds.*

Given the limits of the financial resources of individual Member States and the structural nature of the challenges facing the European fisheries and aquaculture sector, the problems encountered in these sectors are better addressed at EU level through multi-annual financing, with a focus on a select number of relevant EU priorities. The European Maritime and Fisheries Fund supports the implementation of operational programmes set out by Member States, measures to support fisheries, aquaculture and community-led local development, processing and marketing, compensation for the outermost regions, control and data collection activities as well as the Integrated Maritime Policy. The fund helps fishermen in the transition to sustainable fishing and finances projects that create new jobs. The European Maritime and Fisheries Fund is not only directed to fisheries and innovation in fisheries, aquaculture and processing, but also to support diversification and promote the economic development of coastal communities. Direct management is used to implement scientific advice, specific control and enforcement measures, voluntary contributions to regional fisheries management organisations, Advisory Councils, market intelligence, operations for the implementation of the Integrated Maritime Policy and communication activities. Maritime policy and the development of the blue economy in the various sea basins surrounding Europe is by nature cross-sectoral and transnational. Therefore, action at EU-level leads to efficiency gains and reduction of fragmentation and duplication of actions.

Sustainable Fisheries Partnership Agreements between the European Union and third countries have the objective of contributing to a regulated framework for EU long-distance fishing fleet while ensuring a sustainable exploitation of the third countries' relevant fisheries resources and supporting competiveness of the Union's fishing fleet.

The Programme for the Environment and Climate Action, referred to as LIFE, is exclusively dedicated to the environment, nature protection and climate action and complementary to the mainstreaming of environmental and climate concerns in other major EU funding. LIFE's general objective is to help implement and develop EU environmental and climate policy and legislation by co-financing projects with EU added value. The programme is not intended to solve the environmental and climate problems but initial evidence confirms that it acts as a catalyst for accelerating changes.[68] It promotes the exchange of best practices and knowledge on implementing EU legislation and policies and it allows testing new approaches for future scaling-up. The fitness check of the Birds and Habitats Directives[69] confirmed the strategic role that the LIFE programme plays in supporting the Directives' implementation. While not being its primary aim, LIFE also contributes to innovation and job creation.

The delivery mechanism works through three broad types of funding: grants, financial instruments and public procurement contracts. LIFE is giving grants for demonstration projects, pilot projects and best practice projects. It also provides grants to integrated projects facilitating implementation of plans by Member States and local authorities and raising awareness to induce behavioural change. The financial instruments promote lending to revenue generating investments in nature conservation and energy efficiency.

4.3.3. Key achievements

As regards the European Agricultural Guarantee Fund, substantial changes have been made to the direct payments system compared to its predecessor. Distribution of payments is more balanced thanks to a system of convergence between and within Member States: first data show that the average direct payments per hectare are converging (at Member State and farmer levels)[70]. Payments are also better targeted, thanks to new payment schemes (some mandatory for Member States, some only optional) addressing the particular needs of the young farmers, smaller farmers and specific sectors or regions with structural problems.

In claim year 2015 (corresponding to financial year 2016), which was the first year of implementation of the reformed system, about 6.8 million farmers benefited from direct payments and the total determined area paid covered some 90% of the EU utilised agriculture area (155.7 million ha).

Under the European Agricultural Guarantee Fund, support programmes are operating for specific sectors such as the wine, fruit and vegetables, apiculture and olive oil sectors. The success of the programmes is witnessed by the long-term development of EU exports, especially in the wine sector. Moreover various market measures such as the exceptional support for fruit and vegetables, the storage measures in the dairy and pig meat sectors, and exceptional measures covering adjustment aid for the livestock sectors as well as for a scheme

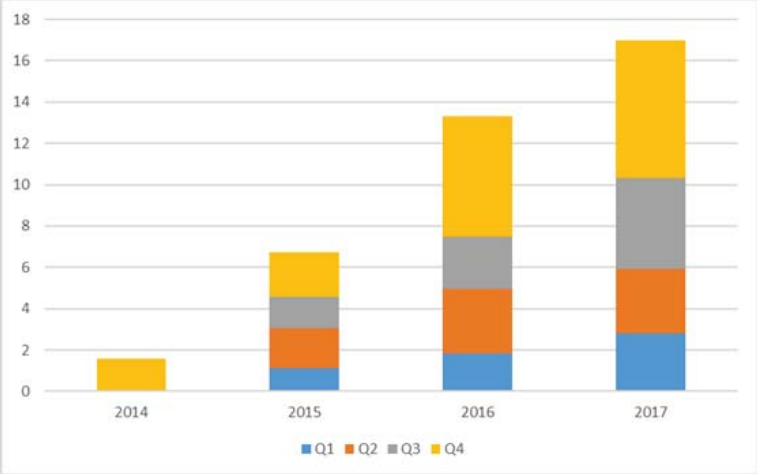
[68] SWD(2017)355 final, Mid-term evaluation of the LIFE Programme
http://ec.europa.eu/environment/life/news/newsarchive2017/documents/swd_mid_term_evaluation2017_.pdf
[69] SWD(2016)472 final, Fitness Check of the EU Nature Legislation (Birds and Habitats Directives)
[70] https://ec.europa.eu/agriculture/sites/agriculture/files/statistics/facts-figures/direct-payments.pdf

aiming to temporarily reduce milk production, have helped rebalance the sectors concerned. They effectively helped to increase prices for farmers, proving much-needed support to affected producers in the Member States following the Russian embargo on imports of agricultural products from the EU and other situations of market imbalances within the EU.

The "greening" layer of direct payments, introduced with the 2013 Common Agricultural Policy reform, accounts for 30 percent of Member States' annual direct payment ceilings. However, the evaluation on the payment for agricultural practices beneficial for the climate and the environment[71] found that the greening measures have not fully realised their intended potential to provide ambitious benefits for climate and environment. Based on data from 2015 and 2016 implementation, the overall effects are uncertain but appear fairly limited and variable across the Member States. They appear to have had a negligible effect on production or economic viability of farms.

The 2014-2020 rural development programmes had a relatively late start mainly due to the late adoption of the legislative acts. The annual implementation reports overall confirm a steady acceleration in spending levels that has made up for the initial delays. In January 2018, spending levels reached 25.7 % of total EU rural development resources, matched by 42 % in terms of commitments over planned total public expenditure.

Evolution of reimbursement claims by the Member States
(total Union contribution, billion EUR on 31/01/2018)



As a result of the implementation of rural development programmes the following targets, amongst others, are expected to be achieved at the level of the Union at the end of the programming period:

- 25% of agricultural land farmed with specific practices that promote biodiversity and the protection of water and soils; 3.8 million training places to be funded;
- 15 000 co-operation projects for innovation and local food production to be supported;

[71] Evaluation study of the payment for agricultural practices beneficial for the climate and the environment, Final Report - https://ec.europa.eu/agriculture/sites/agriculture/files/fullrep_en.pdf, Commission Evaluation Staff Working Document to be published in 2018

- more than 331 300 farmers to modernise and improve their production facilities
- support for 177 700 young farmers to set up their businesses;
- 603 359 farms to be covered by risk management schemes;
- 113 900 non-agricultural jobs to be created, of which:
    - 79 900 from the creation, diversification and other development of small businesses;
    - 44 000 through the LEADER approach to local development;
- 50 million rural citizens to benefit from improved services.

Sustainability gave an impetus to knowledge creation and sharing. While the uptake of the innovation partnership approach was voluntary it is being implemented in 26 Member States, which testifies to the perceived need for its distinctive approach to innovation in which farmers (alongside other essential actors) are active participants in the co-creation of innovative solutions.[72]

For the 2014-2020 rural development programming period, a number of initiatives have been launched in order to improve efficiency and effectiveness of the EU rural development expenditure. Simplified Cost Options are increasingly being used by Member States and regions. The use of financial instruments is key for leveraging and revolving the rural development budget. The fund is well on track to meet the target of doubling the use of financial instruments as compared to 2007-2013.

The rural development basic act[73] was modified in 2017 through the so-called Omnibus Regulation, inter alia to improve risk management tools for farmers, reduce administrative burden for beneficiaries and simplify conditions for financial instruments.

The late adoption of the European Maritime and Fisheries Fund Regulation[74] (May 2014) entailed a delay in the adoption of the Operational Programmes and to preparatory work for implementation such as the setting up of the fund's Monitoring Committees. This meant that during the first years implementation remained low. However, during 2017 the rate of implementation started to take off considerably. The number of operations (excluding technical assistance) more than doubled, from 6 200 in 2016 to 15 500 in 2017. The number of fishing vessels benefitting from the European Maritime and Fisheries Fund almost tripled from 3 600 in 2016 to over 9 600 in 2017. The number of small-scale coastal fishing fleet vessels benefitting from the fund doubled. The provided support promotes sustainable balance between fishing fleets and resources and the protection of the marine ecosystems. The European Maritime and Fisheries Fund has also supported better management of more than 60 000 km² of Natura 2000 areas, and almost 1.5 million km² of other marine protected areas (2016 data). Through projects facilitating transboundary cooperation on Maritime Spatial

[72] Evaluation study of the implementation of the European Innovation Partnership, November 2016: https://ec.europa.eu/agriculture/external-studies/2016-eip_en
[73] Regulation (EU) No 1305/2013
[74] Regulation (EU) No 508/2014

Planning, it prepares the ground for a sustainable development of the maritime economy in sea basins with an increasing amount of economic activities. Supported operations not only benefit the (legal or natural) persons that officially act as beneficiaries of the operation, but also others. It is estimated that more than 71 000 fishermen, their spouses/partner and 25 000 members of producer organisations benefit from the support, as well as 77 000 employees and 32 000 other persons. By the end of 2017, the 368 Fisheries Local Action Groups had selected 1156 projects for implementation and an additional 56 cooperation projects with other Member States were under preparation.

The 2017 Our Ocean Conference in Malta confirmed the EU's role as the world's 'oceans champion' and as a strong global actor. In particular, the conference resulted in 437 measurable commitments worth EUR 7.2 billion, addressing critical issues such as environmental protection (marine pollution, biodiversity, climate), maritime security, and sustainable fisheries.

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

Since 2016 the European Fisheries Control Agency was given new tasks, in cooperation with the European Border and Coast Guard Agency and the European Maritime Safety Agency, each within its mandate, to support the national authorities carrying out coast guard functions, through the improvement of co-operation and co-ordination.

The LIFE mid-term evaluation[75] came at an early stage of the programme's implementation and therefore focussed mainly on the processes put in place to reach the programme's objectives and on-going activities. Still, it provides reasonable assurance that the programme's implementation is on the right track to deliver on environmental and climate objectives.

Some 280 traditional projects across all priorities have been selected and financed, plus 15 integrated projects, 6 projects for the European Voluntary Corps[76] and some other technical assistance and preparatory projects. Ongoing projects expect to reach 70 % of the milestones envisaged for 2017. They are doing this by, for example, targeting the improvement of the conservation status of 59 habitats, 114 species and 85 Natura 2000 sites. The mid-term review of the EU biodiversity strategy to 2020[77] concluded that 'the LIFE programme remains a small but highly effective funding source for nature and biodiversity'.

Two pilot financial instruments to test innovative approaches have been introduced at the end of 2014, under which agreements have been signed for the financing of nature conservation and energy efficiency projects.

[75] SWD(2017) 355 final - https://ec.europa.eu/info/sites/info/files/report-on-the-mid-termevaluation_swd_355_en.pdf
[76] COM/2016/0942 final
[77] COM(2015)478 final, Mid-term review of the EU Biodiversity Strategy to 2020

As regards efficiency, the mid-term evaluation estimated that the benefit to society of some of the projects selected following the 2014 call for proposals will amount to EUR 1.7 billion, which represents four times the cost of the overall LIFE budget for 2014. Moreover, the transfer of most of the grant management from the Commission to the Executive Agency for Small and Medium-sized Enterprises is exceeding the expected efficiency gain of EUR 8.2 million initially planned for 2014-2020. Following the controls done in 2017, LIFE registers a low error rate of 0.25.

LIFE is designed to be complementary to other EU funding programmes. The mid-term evaluation found that initial results showed that LIFE and other EU funding programmes are contributing to environmental and climate objectives in different and in some cases complementary ways with a limited risk of overlap. In particular, synergies are exploited by giving preferential treatment to LIFE project proposals that are taking up results from EU funded research and innovation. Also, larger scale deployment of measures successfully tested in LIFE projects may be financed through other EU funding programmes, e.g. a more sustainable fishing practice can be promoted through the European Maritime and Fisheries Fund. Furthermore, LIFE integrated projects that ensure environmental and climate policy implementation at a large territorial scale are channelling funding from other sources towards environmental and climate objectives. It is expected that the funding of LIFE integrated projects in 2014-2016 of EUR 251 million will result in funding of environmental and climate actions amounting to EUR 5.7 billion, of which EUR 3 billion is coming from other EU programmes, such as the European Agricultural Fund for Rural Development and the European Regional Development Fund.

4.3.4. Lessons learned

The experience so far and evidence collected clearly point to a need for simplification and better delivery of EU spending under the Common Agricultural Policy towards common and clearly defined objectives. The Communication on the future of food and farming[78] sets out the future delivery system for a modernised Common Agricultural Policy that should be more result driven, boost subsidiarity by giving Member States a much greater role in rolling out the funding schemes, pursue agreed realistic and adequate targets, and help reduce the EU-related administrative burden for beneficiaries. This new approach requires careful definition and monitoring of objectives, targets and indicators. Environmental and climate standards and targets under the Common Agricultural Policy should be aligned with existing EU legislation and policy objectives. To effectively deliver on EU objectives, clear responsibilities, effective controls and real simplification for beneficiaries need to be ensured.

The ex post evaluation of the European Fisheries Fund (2007-2013)[79] concluded that there was scope for improvement, notably to reinforce the link between funding and policy objectives. It also concluded that there was a need to take a more strategic approach to making aquaculture more competitive and increasing production and to take better account of the specific challenges faced by the small-scale and coastal fisheries. Except in the case of local development, complementarities and synergies with other funds remained limited. These conclusions were taken on board in the European Maritime and Fisheries Fund 2014-2020.

[78] COM(2017) 713 final
[79] SWD(2017) 274 final

The tracking of climate and biodiversity expenditure in the EU budget for the period 2014-2020 shows that the mainstreaming approach is successful, but with some limitations identified in particular for biodiversity. This approach and a strong emphasis on sustainability should therefore be continued after 2020, avoiding conflicts between objectives, and with a complementary LIFE programme that continues to act as catalyst to pilot actions and new measures.

Targeting and prioritisation

The study Mapping and analysis of the implementation of the Common Agricultural Policy (2016)[80] reveals that the Member States' strategy to reach the objectives of the 2013 policy reform is not sufficiently documented: the implementation choices are more influenced by the consideration to "maintain the status quo" than by a long-term strategy that takes into account the general Common Agricultural Policy objectives. The degree to which funds have been targeted to certain needs might not be sufficient to have a significant impact. The European Court of Auditors found that Member States did not coordinate Pillar 1 payments with Pillar 2 support to young farmers[81] and did not always ensure complementarity, coordination and synergies with other EU funds/support schemes[82].

The synthesis of ex ante evaluations of Rural Development Programmes 2014-2020[83] concluded that the prioritisation of needs and description of links between the planned actions and expected results, needs to be further enhanced. In the same vein preliminary findings from the synthesis of ex-post evaluations of Rural Development Programmes 2007-2013[84] show that the lack of priority and budget seem to have had a limiting effect on innovative approaches.

The mid-term evaluation of LIFE concluded as points for improvement increasing the strategic focus of the demand-driven part of the programme, e.g. by targeting topics not covered by the projects funded in previous years. Also more should be done to reproduce the projects and transfer their results, e.g. by developing the capacity to plan and implement investments and by addressing the lack of financial resources.

Performance monitoring

A comprehensive common monitoring and evaluation framework for the Common Agricultural Policy was put in place for the 2014-2020 period. In several Special Reports, the European Court of Auditors highlighted areas of EU spending where a sound intervention logic was lacking[85] and raised concerns with respect to unclear objectives, performance

[80] https://ec.europa.eu/agriculture/external-studies/mapping-analysis-implementation-cap_en,
[81] Special Report No 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal.
[82] Special Report No 25/2015: EU support for rural infrastructure: potential to achieve significant great value for money, Special Report No 20/2015: the cost-effectiveness of EU rural development support for non-productive investments in agriculture, Special Report No 5/2018: Renewable energy for sustainable rural development: significant potential synergies, but mostly unrealised.
[83] https://ec.europa.eu/agriculture/evaluation/rural-development-reports/ex-ante-rdp-synthesis-2014-2020_en
[84] Staff Working Document to be published in 2018
[85] Special Report No 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal, Special Report No 21/2017: Greening: a more complex income support scheme, not yet environmentally effective.

indicators/monitoring, reporting and evaluation systems that do not provide information in time to direct future policy, achieve objectives and manage the budget by results[86]. The European Court of Auditors also found that even though the performance framework aimed to enhance the results-based approach, the rural development programmes were approved late, were long and complex documents, with shortcomings that would hinder the focus on performance and results[87].

The development of the common monitoring and evaluation system for the European Maritime and Fisheries Fund has been a common learning process involving the Commission and the Member States. Progress has been made and initial shortcomings have been solved in cooperation with the Member States. A recent report on the implementation of the common monitoring and evaluation system[88] makes recommendations for further improvement based on the experience so far. While Member States should have the flexibility to use supplementary indicators at national level, the common indicators should cover all investments in order to allow for aggregation at EU level and to provide an overall picture of the use of the funds.

As regards coherence with under funds through other programmes that complement the funds dedicated to fisheries and maritime policy under the European Maritime and Fisheries Fund, it has been difficult to guarantee and track policy achievements and the impact of such support without a clear system of monitoring and ring fencing.

The mid-term review of the multiannual financial framework confirmed that the climate mainstreaming approach has worked well[89]. Setting a 20% target for climate-related spending has incited the consideration of climate in the design and implementation of all EU programmes, including by putting in place transparent processes and monitoring that strengthen the added value of programmes[90].

Simplification

Preliminary findings from the ongoing evaluation of the impact of measures under the Common Agricultural Policy towards the general objective of "viable food production" show that the administrative and management costs of the current Common Agricultural Policy are considered to be generally higher than in the previous period.

[86] Special Report No 5/2015: Are financial instruments a successful and promising tool in the rural development area, Special Report No 20/2015: the cost-effectiveness of EU rural development support for non-productive investments in agriculture, Special Report No 25/2015: EU support for rural infrastructure: potential to achieve significant great value for money, Special Report No 1/2016: is the Commission's system for performance measurement in relation to farmers incomes well designed and based on sound data, Special Report No 16/2017: Rural Development Programming: less complexity and more focus on results needed,

[87] Special Report No 16/2017: Rural Development Programming: less complexity and more focus on results needed

[88] COM(2018) 48 final

[89] COM(2016) 603 final http://ec.europa.eu/budget/mff/figures/index_en.cfm#com_2016_603

[90] As shown for example in the 2017 ESIF Strategic Report http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_swd_en.pdf

The evaluation on the payment for agricultural practices beneficial for the climate and the environment[91] concluded that the overall current environmental and climate architecture of the Common Agricultural Policy has proved to be more complex and difficult to manage. The European Court of Auditors[92] concluded that greening added significant complexity to the Common Agricultural Policy, which was not justified in view of the results that greening was expected to produce. It mentioned that as greening overlaps with the other environmental instruments under the Common Agricultural Policy, there is risk of deadweight and double funding, although certain decisions and actions by the Commission and Member States mitigate these risks.

With the rural development fund in the period 2014-2020 forming part of the European Structural Investment Funds, conclusions mentioned under Heading 1b relating to complexity of the legal framework and administrative burden also hold true for the European Agricultural Fund for Rural Development. The European Court of Auditors concluded that significant administrative effort on the part of national authorities was needed to meet the extensive content requirements and that despite the efforts made, the implementation of the rural development programmes did not start earlier than in the previous period.

The REFIT Platform[93] also highlighted in its 10 opinions on agriculture the need for modernisation and simplification in order to improve the efficiency and effectiveness of the Common Agricultural Policy (in particular the greening payment) and to simplify and ensure coherence between the European Agricultural Fund for Rural Development and other Structural and Investment Funds. The European Court of Auditors identified simplification potential in the areas of cross-compliance management and control systems[94], and Land Parcel Identification System rules[95]. It also highlighted the limited impact of the basic payment scheme for farmers on simplification, targeting and the convergence of aid levels[96], and advocated the use of (off-the-shelf) simplified cost options[97].

The main lesson learnt up to now with the implementation of the programmes under the European Maritime and Fisheries Fund is that the current delivery system and eligibility rules need to be substantially simplified to facilitate access to funding and alleviate the administrative burden for both administrations and beneficiaries, in a sector where small grants are predominant. As regards direct management, consideration should be given to further externalise direct managed funds to executive agencies.

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[91] Evaluation study of the payment for agricultural practices beneficial for the climate and the environment, Final Report - https://ec.europa.eu/agriculture/sites/agriculture/files/fullrep_en.pdf;
[92] Special Report 21/2017
[93] REFIT Platform Opinions https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly/refit-platform/refit-platform-recommendations-and-other-work_en
[94] Special Report No 26/2016: making cross-compliance more effective and achieving simplification remains challenging.
[95] Special Report No 25/2016: The Land Parcel Identification System: a useful tool to determine the eligibility of agricultural land – but its management could be further improved.
[96] Special Report 10/2018: Basic payment scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.
[97] Special Report 11/2018: New options for financing rural development projects: simpler but not focused on results.

The mid-term evaluation of LIFE pointed to the need to simplify grant management procedures, in particular the application and reporting processes.

Synergies

There is scope to enhance coherence between the European Maritime and Fisheries Fund with other EU funds. In particular on the support for local coastal communities, synergies and complementarity (delineation of interventions) among the different structural funds should be ensured.

The LIFE mid-term evaluation confirmed the catalyst role of the LIFE integrated projects as they are able to mobilise complementary financial resources. This leveraging effect of the programme should be further enhanced and synergy mechanisms more systematically developed in particular between LIFE and the European Structural Investment Funds. In particular, biodiversity and Natura 2000, energy efficiency and renewables are areas where more synergies are needed.

4.4. Heading 3 - Security and citizenship

4.4.1. Introduction

Heading 3 includes programmes supporting pressing political challenges such as security, asylum, migration and integration of third country nationals, justice, health and consumer protection, as well as those relating to dialogue with citizens and support to Europe's cultural and creative sectors. The programmes under Heading 3 contribute mainly to the Commission priorities of 'Justice and Fundamental Rights' and 'Migration' but also to the internal market and Europe 2020 achievements as well as the European Agenda for Culture.

The European Union is designed to create an area of freedom, security and justice without controls at internal borders. Strengthening EU security, safety and health, values, rights, culture and justice has profound and direct impact in people's day-to-day lives. In an era where terrorism and other serious crime operate across borders, preventive measures, coordination and cooperation, as well as a sense of shared European identity and common values, enhance security.

Two dedicated funds address the challenges in the security and migration areas: the Asylum, Migration and Integration Fund and the Internal Security Fund including Internal Security Fund Borders and Visa and Internal Security Fund Police. Large-scale information technology systems for collecting, processing and sharing information relevant to external border management are financed. The Asylum, Migration and Integration Fund promotes the development of a common Union approach to asylum and migration and contributes to inclusive growth while the Internal Security Fund contributes to the security of the Union.

Further, the Union Civil Protection Mechanism, as well as the Instrument for Emergency Support within the EU, contributes to the protection of citizens from natural and man-made disasters. The Consumer and the Food and Feed Programmes protect consumers' rights and their health and safety and creates a level playing field in the Internal Market where goods can be traded under safe conditions. The Health Programme addresses the increasing trend of health inequalities, with a specific focus on refugees. This programme also stands on the crossroads between smart and inclusive growth by funding the up-take of innovation and

supporting Member States in their health systems' reforms. Justice Programme contributes to the development of a European area of justice based on the rule of law, on mutual recognition, by facilitating access to justice, by promoting judicial cooperation and the effectiveness of national justice systems. The Rights, Equality and Citizenship Programme promotes and protects equality and the rights of persons, as enshrined in the Treaty, the Charter and international human rights conventions while Europe for Citizens Programme, by working directly with citizens, provides an unique forum to involve people via a grassroots approach. The Creative Europe Programme supports culture and creativity by funding joint European projects, such as film co-productions and TV series, capable of reaching millions of citizens. It contributes to the Digital Single Market strategy by helping Europe's creative industries to scale up and adapt, including by promoting European content online.

4.4.2. Objectives of the Programmes

Both the European Union and its Member States have a responsibility towards their citizens to deliver an area where individuals are protected, in full compliance with EU fundamental rights. Member States have the front line responsibility but cannot address transnational threats effectively acting on their own. That is why, at European level, the environment and the infrastructure need to be built in such a way that national authorities can effectively work together and with international organizations to tackle shared challenges.

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

The **Internal Security Fund** aims to ensure a high level of security in the Union, while safeguarding the free movement within it and facilitating legitimate travel. This includes under Borders and Visa the effective management of the external border and the support for the common visa policy to ensure the smooth legitimate crossing of the external borders while detecting illegal movements. The other component of the fund, Internal Security Fund Police, focuses on crime prevention and the fight against cross-border, serious and organised crime and on risk and crisis management. EU State authorities need to cooperate on preventing and tackling crime and on border management to ensure the security of citizens and travellers in the EU.

A number of **information sharing systems** are central to this cooperation: the Visa Information System allows Schengen States to exchange visa data; the Schengen Information System allows Schengen States to exchange data on suspected criminals, on people who may not have the right to enter into or stay in the EU, on missing persons and on stolen, misappropriated or lost property.

Preventing major outbreaks of diseases and pest, through control and surveillance measures in the food chains and protection of consumers rights contributes to make sure that European citizens have access to safe consumer goods and high quality food, safeguarding health and safety.

In ortder to do this, the EU provides financial support of EUR 2.34 billion over the seven-year period 2014–2020 to contribute to healthy citizens and a safe food chain. The **Food and Feed Programme** finances protection measures improving control and surveillance of the food chain and emergency measures preventing the spread of diseases and pests and the disruption of trade. The **Health Programme** complements and supports national policies aimed at improving the health of EU citizens and reducing health inequalities.

The **Union Civil Protection Mechanism** aims at strengthening the cooperation and coordination in the field of civil protection against man-made and natural disasters through the improvement of response, prevention and preparedness to address disasters at both national and EU level.

The **Instrument for Emergency Support within the EU** provides a needs-based emergency response, complementing the response of the affected Member States, aimed at preserving life, preventing and alleviating human suffering, and maintaining human dignity wherever the need arises as a result of an ongoing or potential natural or man-made disaster.

The **Consumer Programme** supports EU consumer policy. It helps citizens to actively participate in the Single Market. The programme focuses on four key areas: a single market of safe products, where citizens, well represented by consumer organisations, exercise their rights, enjoying access to redress mechanisms and where national bodies support the enforcement of consumer rights.

Political and societal developments in Europe over the last decade have brought citizenship issues to the fore and emphasised the need to increase the value EU citizens see in the European project. Enabling people to exercise their rights as EU citizens helps to enhance trust and confidence in the EU.

The **Justice Programme** contributes to the development of a European area of justice based on mutual recognition and trust. The programme promotes judicial cooperation in civil and criminal matters and judicial training to foster a common judicial culture. The programme supports effective access to justice in Europe, as well as initiatives in the field of drugs policy.

The **Rights, Equality and Citizenship Programme** contributes to promoting non-discrimination, rights of persons with disabilities, equality between women and men, gender mainstreaming, the rights of the child, as well as the rights deriving from Union citizenship. The programme combats intolerance, prevents violence against groups at risk, and ensures the highest level of data protection and consumer rights. Closely related stands the **Europe for Citizens Programme.** This programme contributes to citizens' understanding of the EU, its history and diversity and values. It also encourages participation of citizens at EU level.

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

4.4.3. Key achievements

In recent years, the most important issues of concern stated by European citizens are terrorism and migration[98]. In the areas of migration, integration and security the Union faces important and constantly changing needs. The increasing volumes of migrants, asylum seekers and people in return processes put more pressure on the migratory systems of the Member States. The number of irregular arrivals to the European Union in the wake of the migratory crisis has been unprecedented, with more than 1.8 million irregular border crossings detected in 2015, challenging the proper functioning of the Schengen area. The number of asylum applications in 2016 was approximately 5.6 times higher when compared to 2008. There is also a high level of heterogeneity of needs of the Member States.

In this context, the **Asylum, Migration and Integration Fund** proved to be an important instrument providing both short-term emergency support and more long-term capacity building. It has strongly improved the reception conditions that were put under extreme pressure in 2015 and 2016. This resulted in a more dignified, safe and healthy environment. For example, the setting up of hotspots[99] with support from Internal Security Fund Borders and Visa, contributed to reach a capacity of more than 7 500 places in Greece and more than 1 500 places in Italy. In 2015, before the setting up of these facilities, only 58% of migrants were fingerprinted on arrival in Italy; today, thanks to the new approach, almost 100% are. The hotspot approach was audited by the European Court of Auditors who overall found that the approach has helped improve migration management in the two frontline Member States, under very challenging and constantly changing circumstances, by increasing their reception capacities, improving registration procedures, and by strengthening the coordination of support efforts.[100] Overall, the Fund contributed in varying degrees to strengthening the Common European Asylum System. Almost 814 000 refugees and asylum seekers received assistance. The Fund has significantly contributed to enhancing solidarity and responsibility-sharing between Member States mainly through the emergency assistance and the relocation mechanism. Incentives to engage in solidarity activities, with the fund were reinforced: Member States could receive lump sums for persons resettled from a third country or from another EU country. Emergency assistance helped swiftly in the period until EU budget allocated to national programmes could be brought in. Also, with the help of emergency assistance through the Fund and the Emergency Support Instrument, shelter has been provided to 35 000 people in Greece, including more than 400 safe places for unaccompanied minors. While less progress was made until now in the area of legal migration, with the help of the Fund, return rates of irregular migrants have steadily increased and the return conditions have improved.

Internal Security Fund Borders and Visa contributed significantly to the EU common visa policy and integrated border management. Information-exchange and training activities have supported the uniform implementation of the Union's acquis. The Fund combated irregular

[98] According to the Eurobarometer carried out in 2015-2017; latest Eurobarometer http://data.europa.eu/euodp/en/data/dataset/S2142_87_3_STD87_ENG

[99] 'Hotspot areas" are defined in Article 2(10) of Regulation (EU) 2016/1624 as "an area in which the host Member State, the Commission, relevant Union agencies and participating Member States cooperate, with the aim of managing an existing or potential disproportionate migratory challenge characterised by a significant increase in the number of migrants arriving at the external borders".

[100] Special Report No 6/2017: EU response to the refugee crisis: the 'hotspot' approach https://www.eca.europa.eu/Lists/ECADocuments/SR17_6/SR_MIGRATION_HOTSPOTS_EN.pdf

migration, facilitate legitimate travel and reinforce Members States' capacities to purchase technical equipment. It helped develop EU information technology systems, with particular regard to the Visa Information System, containing information on 52 million short-stay visa applications at the beginning of 2018, and the Schengen Information System, a database which included 76 489 461 alerts, 5 173 194 992 searches and 243 503 hits in 2017. The Fund supported national information sharing platforms to combat visa abuse and document fraud. New technologies allowed addressing the changing requirements of the common visa policy, including the collection of biometric identifiers of all applicants for short-stay visas. The Operating Support for Visa was extremely useful to cover part of the costs for the uniform implementation of the EU common visa policy. The Fund contributed to the upgrading of border control and surveillance equipment and introduced additional Automated Border Control gates to speed up border crossings at airports. The Fund also co-financed the European Border Surveillance System[101] to improve situational awareness and increase the reaction capability at the external borders. Under the Fund, Member States were also supported in acquiring border management equipment that is put at the disposal of the European Border and Coast Guard Agency.

Internal Security Fund Police funded numerous actions targeting financial and economic crime, cybercrime and drug trafficking and supported crucial cooperation needs of EU law enforcement authorities. The Fund contributed to secure coordination between existing early warning and crisis cooperation actors, a key action being the ATLAS network. The upgrading of Europol's secure communication system Secure Information Exchange Network Application, which resulted in 870,000 messages exchanged in 2015 is representative. The fund also supports the implementation of the Prüm Decision[102] which resulted in 2015 in 2 219 311 DNA, fingerprinting and vehicle registration number matches. In addition, the Fund has supported the continued development of the 'Universal Message Format' resulting in shorter response times and improved data quality. The Fund also supported the creation of dedicated Passenger Information Units in the context of the Passenger Name Record Directive[103]. Internal Security Fund Police also successfully supports actions to prevent and counter radicalisation, such as the Radicalisation Awareness Network and the EU Internet Forum. In the aftermath of the terrorist attacks in Paris in 2015, emergency assistance funding helped to put in place a digital solution to process surveillance data, increasing preparedness to possible following threats.

The **Health Programme** delivered relevant and useful outcomes with high EU-added value, in particular for crisis management and for the safety and security in Europe, improving Member States' capacity against health threats. The Health Programme has been effective in protecting citizens from cross-border health threats, in creating scale in rare disease initiatives, in promoting economies of scale in health technology assessment, and in promoting the implementation of best practices. The programme has contributed to the EU's migration policy, supporting responses to the health needs of migrants and refugees. Actions

[101] Regulation (EU) No 1052/2013 of the European Parliament and of the Council of 22 October 2013 establishing the European Border Surveillance System (Eurosur)

[102] The purpose of this decision is to step up cross-border police and judicial cooperation between European Union (EU) countries in criminal matters. In particular, it aims to improve the exchanges of information between the authorities responsible for the prevention and investigation of criminal offences.

[103] Directive (EU) 2016/681 of the European Parliament and of the Council of 27 April 2016 on the use of passenger name record (PNR) data for the prevention, detection, investigation and prosecution of terrorist offences and serious crime, OJ L 119, page 132-149

include sharing of lessons learnt, toolkits and guidelines, training and testing of EU preparedness mechanisms. The programme focused also on fostering health cooperation, enabling testing in real settings in close cooperation with competent authorities. The aim is to help Member States design and implement their own cost-effective policies while taking needs for system reforms into consideration. The eHealth Network developed political recommendations and instruments for cooperation directly feeding into the anchoring of eHealth in the Digital Single Market. Aspects covered are (i) interoperability and standardisation, (ii) monitoring and assessment of implementation, (iii) exchange of knowledge and (iv) global cooperation and positioning.

The **Food and Feed Programme** ensures EU citizens' access to safe food and a uniform and high level of protection throughout the EU. The EU has an active animal health policy and finances Member States' programmes to eradicate, control, and monitor certain animal diseases. Animal health has a direct impact on public health, because of food safety issues, and because some animal-borne diseases are transmissible to humans. In its related audit, the European Court of Auditors could overall confirm that the animal disease eradication, control and monitoring programmes adequately contained animal diseases.[104] The programme includes training and reference laboratories for an EU wide uniform implementation of controls and targeted co-funding activities, especially around animal diseases and plant pest. The financial solidarity ensures that effective measures can be taken by concerned Member States to reduce or elimate risks in the food chain which can impact on health and disrupt trade. The analysis of indicators for the period 2014-2016 showed a positive epidemiological trend for all priority diseases receiving EU financial support. Diseases and pests could be detected early and, emergency measures could be applied immediately. The measures have thereby also contributed to the reputation and thus competitiveness of European food production.

The **Union Civil Protection Mechanism** was established to promote swift and effective operational cooperation between national civil protection services, with an important role for the European Commission to facilitate coordination. The Commission's facilitation of coordination was strengthened through the widespread dissemination of information products. The coordination among Commission departments, as well as with other EU and non-EU bodies, was inclusive. The Commission also respected the United Nations' overall lead, and took steps to ensure a smooth transition into the recovery phase. The Mechanism was audited by the European Court of Auditors who concluded that the Commission has been broadly effective in facilitating the coordination of responses to disasters outside the Union since the beginning of 2014. The activation of the Mechanism was considered timely and the Commission's coordinating role and its round-the-clock crisis centre were mentioned as good examples of value added by European cooperation.[105]

The **Instrument for Emergency Support within the EU** was established as an expression of EU solidarity towards Member States that have been affected by an ongoing or potential natural or man-made disaster, where the exceptional scale and impact of the disaster is such that it gives rise to severe wide-ranging humanitarian consequences in one or more Member States. In the event of such a disaster, the Council decides, on the basis of a proposal by the Commission, whether and for what duration to activate emergency support, and only for

[104] https://www.eca.europa.eu/Lists/ECADocuments/SR16_06/SR_ANIMAL_DISEASES_EN.pdf
[105] https://www.eca.europa.eu/Lists/ECADocuments/SR16_33/SR_DISASTER_RESPONSE_EN.pdf

exceptional circumstances where no other instrument available to Member States and to the Union is sufficient. The Council activated emergency support on 16 March 2016 for the influx of refugees and migrants into the Union, for a period of three years. The advantages of the Instrument have been identified in the report on the first year of the implementation of its Regulation.[106] They include speed in the delivery of assistance, the involvement of experienced humanitarian partners addressing the needs of the affected population, a clear focus on humanitarian assistance, a complement to existing national capacities, as well as the availability of proven expertise and monitoring capacity.

The **Consumer Programme** supports the enforcement of consumer legislation, in particular by strengthening the knowledge base and the review of the Consumer Protection Cooperation Regulation and through enhancing administrative cooperation on product safety legislation. The cooperation between authorities was reinforced through "Sweep 2015 on Consumer Rights Directive" in which Member States' authorities checked 743 websites**,** ranging from smaller players to big e-commerce platforms. Irregularities were confirmed 63% of the cases. In October 2016, the majority of these websites were corrected, while national administrative or legal proceedings continue for others. The Rapid Alert System for dangerous non-food products improved the exchange of information between Member States and the Commission. Feedback to notifications indicating "serious risk" significantly increased. Since 2004, there have been over 25 000 alerts concerning dangerous products in the EU. A quarter of the alerts concerned the safety of toys.

All the activities funded by the **Justice Programme** have a transnational dimension. These activities resulted in better implementation of EU justice instruments, in criminal, civil and commercial law (e.g. European Investigation Order, European Arrest warrant). Faster proceedings were obtained through cooperation, exchange of information, training and harmonisation of practices. For example, the programme funded the Electronic Criminal Records Information System, a decentralised information technology system that facilitated exchanges of more than eight fold comparing 2017 to 2012. In 2016, more than 13 500 legal practitioners were trained. The programme also finances the maintenance and extension of the e-Justice Portal which includes documents and databases facilitating access to justice for citizens and businesses. Case law and the information on national judicial systems, etc. are also available for legal practitioners. In 2017, the number of hits by users – close to 2.7 million - showed a six fold increase compared to 2012.

The **Rights, Equality and Citizenship Programme** supported important projects in the area of preventing and combatting racism, xenophobia and other forms of intolerance. In the non-discrimination and Roma integration policy area, the programme supported actions to ensure that discrimination is prohibited whenever possible in the same way. The programme also supports the European network of experts on gender equality which develops evidence that feeds into the Europe 2020 process and recently to the 2020 Agenda on Sustainable Development.

The **Europe for Citizens Programme** promoted civic participation, the sense of belonging together and mutual understanding. It helped to strengthen awareness of EU issues and identification with Europe, as well as the awareness of remembrance and the common history. The programme played a positive role in encouraging civic participation and democratic

[106] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017DC0131&from=EN

engagement, reaching out to a large number of citizens who would not otherwise have engaged with the European project. Altogether, more than 7 million citizens were directly or indirectly involved in activities supported by the programme. The programme reached almost 4 500 towns in Europe through town twinning projects.

Preliminary results from the mid-term evaluation of **Creative Europe** conclude that the Programme has clear added value and its intervention logic is both relevant and coherent. Creative Europe has contributed to delivering the EU policy agenda, stimulating investment and job creation (3000 jobs created over 2014-16) and deepening the internal market especially through greater circulation of creative content.

The **Guarantee Facility** has helped cultural and creative small and medium-sized enterprises, which have difficulties accessing loans due to the intangible nature of their assets. From its launch in 2016 to end 2017, eight financial intermediaries in six countries had already participated, demonstrating the relevance of this instrument. As of second half of 2017, 161 small and medium-sized enterprises received loans for a total value of EUR 32 million, for over 200 projects employing more than 900 people. A top-up of EUR 60 million, equivalent to 50% of the total budget, was provided already in 2017 allowing a quicker deployment of guarantee support.

Generally, all programmes achieved progress at a reasonable cost. Efficiency gains within the management of the programmes have been observed across the board due to multi-annual programming and innovative measures such as: simplified costing regime in Asylum, Migration and Integration and Internal Security Funds, Food and Feed and Creative Europe Programmes; digitalisation of application or monitoring and reporting in Health and Creative Europe Programmes; the streamlining of the decision making process in Food and Feed Programme.

Moreover, steps to improve complementarity, avoid overlaps and create synergies were also made across all the programmes. Synergies were obtained for example in the Creative Europe, which allowed seizing more effectively the opportunities of the digital shift. Also, the complementarity of funds e.g. by covering direct costs to tackle animal diseases through the Food and Feed Programme while compensating owners for market losses through the agricultural funds has proven effective in ensuring the competitiveness of agricultural products and should be continued.

4.4.4. Lessons learned

At mid-term, all programmes under Heading 3 achieved progress in reaching their objectives and responding to needs of the citizens and of the Member States and EU as a whole. National funding alone would not have allowed effective and efficient funding of the necessary actions. Actions would have been much more difficult and not in the same scale, quality and timeframe. The programmes under this Heading increased internal and cross-border cooperation, solidarity, EU and national capacities and joint actions, reaching with limited funding millions of citizens. The programmes enhanced the sharing of information and practices and contributed to their harmonization or recognition at EU level. Training showed to be a relevant mechanism to ensure EU added value since it supported a common understanding across the EU. Several programmes bolstered the interconnection of information systems and adaption to technological developments. Europe’s cultural diversity and the competitiveness of the cultural and creative sectors were strengthened.

In the future, improved performance monitoring is expected to help steer the EU intervention and the programmes' effectiveness. Further flexibility and prioritization in function of rapidly changing needs should be pursued. Savings and simplification measures in the programmes management and implementation could be taken to minimize unnecessary burden while delivering on their objectives.

Flexibility

Several programmes under Heading 3 facilitated the EU's capacity to respond swiftly to crises and evolving needs, respecting citizens' fundamental rights and supporting their well-being and confidence in Europe.

Inherent flexibility and prioritisation led to a better focus on current needs. Nonetheless, beneficiaries with the greatest needs could be more effectively targeted. Continued efforts to increase flexibility are necessary to keep up with developments, such as the digital shift, new challenges due to migration or emerging pests arriving at our borders or the rise of terrorism. Nevertheless, ensuring stability and predictability of financing in the programming remains equally important.

Challenges in the area of migration, border management and security showed that more flexibility would be needed for the national programmes and the distribution system. For example, the emergency assistance under the Asylum, Migration and Integration and the Internal Security funds contributed to ensure flexibility and helped bridging the gap until the national programmes were prepared but it was used at a significantly higher scale than originally intended to respond adequately to the unprecedented large-scale migratory movements and security challenges. The allocations for Member States, which were fixed based on statistical data at the beginning of the programming period, did not reflect changes in the needs of Member States during the implementation period. The possibility to providing additional funding to the national programmes following a mid-term review was also limited in the case of Asylum, Migration and Integration and Internal Security - Police Funds.

The migration and security crises have shown that flexibility was needed from the beginning of the programming period onwards to be able to react to changes on the ground.

Simplification

Increased efficiency of the Programmes contributed to a reduction of administrative burden but further simplification could be envisaged across the board.

The interim evaluations of the Asylum, Migration and Integration Fund and Internal Security Fund confirm that the changes introduced by the current Funds simplify the management of the programmes. These changes addressed the needs identified in the previous programming period: multiannual programming instead of annual programming, simplifying the Management and Control System, further alignment with rules applicable to other EU shared management Funds, the introduction of Simplified Cost Options as well as providing Member States with more flexibility in setting up the rules on the eligibility of expenditure, using national rules that need to comply with the provisions of the legal bases. Nevertheless, the interim evaluations also confirm that the administrative burden is perceived to be too high and further improvements are needed.

Monitoring

The framework and tools to carry out performance assessment should be improved. A full monitoring and evaluation system and robust indicators are needed, linked to the objectives of the programmes and identified early on in the design phase. This will allow a consistent and uniform monitoring of progress. For example, the types of indicators used in the Asylum, Migration and Integration and the Internal Security Funds do not allow sufficiently measuring the performance of the national programmes. The European Court of Auditors, in the context of its audit on the hotspot approach, found that monitoring and reporting by the Commission on the progress and problems at the hotspots has been regular and extensive, but that reporting on some key performance indicators was lacking[107]. In addition, performance reporting on Union Civil Protection Mechanism was identified by the European Court of Auditors as one area for improvement[108]. Therefore, the current monitoring and evaluation mechanism needs to be improved in order to enable better tracking of whether the Funds deliver the intended results and inform any future revisions of policy interventions, both under shared and direct management. This includes the provision of clear definitions of indicators. .

Synergies

Synergies between policy objectives require further coordination efforts between the programmes. Despite steps that were taken to improve complementarity and avoid overlaps of EU funding instruments, obtaining synergies proved problematic in several areas.

The current Health Programme implemented recommendations from the ex-post evaluation of the previous Health Programme[109], for instance synergies were developed with the European Social Fund and the Structural Reform Support Programme in setting up a national screening programme for colorectal cancer. However, a continued effort is needed to develop synergies with the Commission's main priorities and other programmes.

As regards the Asylum, Migration and Integration Fund and the Internal Security Fund although the main objectives of these Funds are distinct, they have significant linkages and synergies, as shown by the hotspots approach. The Commission has been stressing the importance of a holistic approach in the use of EU funds as regards asylum, migration, border management and security challenges. In general, in the areas of migration, integration and security, the Commission undertook steps during the design and programming stages to facilitate coherence and complementarity amongst EU funding instruments. Nevertheless, increasing synergies is still necessary in some areas such as supporting asylum and integration objectives through the European Structural and Investment Funds and the Asylum, Migration and Integration Fund and the programmes operating in third countries in all the strands of migration and security challenges. Efforts are also necessary to increase synergies among EU instruments in the area of security and those that support border management, return and reintegration measures and the development of protection systems in third countries.

[107] Special Report No 6/2017: EU response to the refugee crisis: the 'hotspot' approach https://www.eca.europa.eu/Lists/ECADocuments/SR17_6/SR_MIGRATION_HOTSPOTS_EN.pdf

[108] Special Report No 33/2016: Union Civil Protection Mechanism: the coordination of responses to disasters outside the EU has been broadly effective https://www.eca.europa.eu/Lists/ECADocuments/SR16_33/SR_DISASTER_RESPONSE_EN.pdf

[109] COM(2016) 243 final: http://ec.europa.eu/health/programme/policy/2008-2013/evaluation_en

4.5. Heading 4 - Global Europe

4.5.1. Introduction

The EU remains the world's biggest provider of humanitarian aid and development assistance. It is a global player in supporting peace and stabilisation and in promoting democracy and human rights. Through its external actions it aims to reduce poverty, promote global and EU interests and fundamental values (such as democracy, human rights, peace, stability, solidarity, and prosperity) and support the safeguarding of global public goods.

The external action instruments make up the 2014-2020 Multiannual Financial Framework's Heading 4 "Global Europe". The initial total amount of Heading 4 was EUR 66.2 billion (i.e. 6 % of the MFF). In addition, the 11th European Development Fund, which is outside the EU budget, has an allocation of EUR 30.5 billion.[110]

To promote coherent external action, efforts were deployed in previous Multiannual Financial Framework cycles to streamline and simplify the architecture of instruments, although it is still complex and compartmentalised. There is currently a considerable number of instruments: geographic instruments (the geographic component of the Development Cooperation Instrument, European Neighbourhood Instrument, Greenland and Instrument for Pre-Accession Assistance under the EU budget and the European Development Fund currently outside the Multi-annual Financial Framework, also financing Overseas Countries and Territories); specialised/thematic instruments (the thematic components of the Development Cooperation Instrument, the European Instrument for Democracy and Human Rights, Instrument contributing to Stability and Peace, Instrument For Nuclear Safety Cooperation, and Partnership Instrument) as well as instruments for specific purposes (Humanitarian Aid, EU Civil Protection, Common Foreign and Security Policy, Macro-Financial Assistance, European Investment Bank External Lending Mandate and Support to Turkish Cypriot community).

The external dimension of the EU policies cannot be successful without supporting internal policies when providing synergies and high EU added value. For instance, implementation of the EU migration and security policy has a clear internal and external dimension, which means that external components of the migration and security policy instruments should complement external action instruments and bridge identified gaps.

4.5.2. Objectives of the Programmes

The set of instruments decided for the 2014-2020 period built on the criticisms observed in the previous budget cycle, and measures were taken to make the following generation of instruments more adapted to the newest global needs and developments. In particular, this set of instruments was designed to allow a more extensive global reach, streamline some of the programming rules and harmonise implementing procedures. The overall aim was to allow a more focused approach, a higher degree of complementarity and an enhanced political ambition for specific partnerships.

[110] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p. 4.
https://ec.europa.eu/europeaid/sites/devco/files/mid-term-review-report_en.pdf

The instruments were aimed at fulfilling a varied range of purposes, most notably poverty reduction and sustainable development (Development Cooperation Instrument), the promotion of a culture of safe nuclear energy (Instrument for Nuclear Safety Cooperation), maintaining of the policy dialogues with former EU territories overseas (Cooperation with Greenland), the protection of human rights in fragile areas (European Instrument for Democracy and Human Rights), disaster response inside and outside the EU (Union Civil Protection Mechanism), responding to global challenges and promoting the EU strategic interests (Global Public Goods and Challenges programme under the Development Cooperation Instrument, Partnership Instrument), security and peace-building activities in partner countries (Instrument contributing to Stability and Peace), assistance for candidate countries and potential candidates (Instrument for Pre-Accession Assistance) and for the EU neighbourhood (European Neighbourhood Instrument), assistance to development of African, Caribbean and the Pacific countries and regions as well as for the Overseas Countries and Territories (European Development Fund), support to restore a sustainable financial situation while encouraging economic adjustment reforms (Macro-Financial Assistance)[111], support of Small and Medium Enterprises in targeted third countries and the development of social and economic infrastructure and support of projects related to climate change (including External Lending Mandate)[112].

4.5.3. Key achievements

The mid-term review report and the evaluations (December 2017) of ten of the External Financing Instruments, the external Coherence Report, the ex-post evaluation reports on Macro-Financial Assistance[113] and the mid-term external report on the European Investment Bank External Lending Mandate[114] conclude that the instruments were fit for purpose, overall relevant, largely congruent with EU objectives and partner countries' needs and flexible enough to support and "enable" the implementation of an evolving policy framework.

In terms of relevance, defined as the extent to which the EU priorities and the partners needs are aligned, the instruments and mechanisms had been considered overall relevant with the policy objectives at the time of their setting up (2014).[115] The broad objectives and enabling character of the instruments, together with their flexibility, facilitated the capacity of the EU

[111] Macro-Financial Assistance is a financial instrument mobilised on a case-by-case basis to help countries that are mainly geographically close to the EU dealing with serious balance-of-payments difficulties.
[112] The guarantee provided under the External Lending Mandate allows EU budget funds for external regions to be complemented by the financial strength of the European Investment Bank, thereby increasing the benefit to the targeted third countries.
[113] Final report (January 2015) of the Ex-post Evaluation of the EU's Macro Financial Assistance to Bosnia and Herzegovina (2009-2013), section 7.2.
http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/ex_post_evaluation_of_mfa_bosnia_en.pdf
Final report (November 2013) of the Ex Post Evaluation of the Macro-Financial Assistance to Serbia, pp. 135-137
http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/mfa_serbia_final_report.pdf
Final report (October 2013) of the Ex-post Evaluation of the EU's Macro Financial Assistance to the Republic of Moldova (2010 – 2012), section 7.2.
http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/mfa_moldova_evaluation_final_report_en.pdf
[114] Final Report (June 2016) of the External evaluation of the application of the European Union Guarantee for the European Investment Bank lending operations outside the European Union, section 6.1.2
http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/mid_term_201612-final_report_pwc_en.pdf
[115] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p. 10.

to respond to rising crises and evolving needs of partner countries. Evidence at sector, country, strategic, programme and operational level shows that overall positive progress has been achieved in so far as the effective contribution of the instruments towards the fulfilment of EU objectives.[116]

For instance, the European Neighbourhood Instrument was key for the progress made by Georgia in improving the economic environment for businesses, in pushing forward the public administration reforms in Ukraine and Morocco, which resulted in a better public financial management system and in promoting democratic reforms ensuring more freedom to the press and higher accountability in Tunisia.[117] In this regard, also the European Court of Auditors confirmed that the money was generally well spent as it contributed significantly to the democratic transition and the economic stability of the country after the Arab Spring revolution.[118] In the Western Balkans, the Instrument for Pre-Accession Assistance II contributed to the implementation of reforms in key areas, such as the judiciary, anti-corruption, public administration and social inclusion, and supported the progressive alignment with EU legislation and standards. The Instrument for Nuclear Safety Cooperation raised levels of nuclear safety, for example by supporting follow-up to the joint comprehensive plan of action cooperation with Iran, and stress testing nuclear power plants in various countries.

Many of the partner countries benefiting from the Development Cooperation Instrument successfully managed to reduce the level of poverty and to increase human and economic development in the last decade; according to the 2015 Millennium Development Goals Report, Vietnam reached 90% of reduction of poverty, Cambodia 88%, Peru 74% and Bolivia 50%. Those achievements, though, cannot be linked exclusively to this cycle of the Development Cooperation Instrument but rather to its predecessor, in place between 2007 and 2013 and cannot be exclusively linked to the Development Cooperation Instrument as those countries benefitted also of resources coming from other actors. The Development Cooperation Instrument, though, can still count on the positive achievements reached through some of its geographic and thematic programmes. For instance, the support provided to the protection of vulnerable refugees in Pakistan and Myanmar or the improvement of provision of basic services in conflict or fragile contexts (as in the case of Afghanistan).[119]

The Partnership Instrument effectively influenced policy developments in partner countries in line with EU interests and contributed to development of mutually beneficial relationship with third countries, complementing the larger thematic activities financed under the Development Cooperation Instrument, in particular the Global Public Goods and Challenges programme.[120] Both played an important role to support the preparations leading to the adoption of the

[116] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p.10.
[117] Commission Staff Working Document SWD(2017) 602 final, "Evaluation of the European Neighbourhood Instrument", p. 18-19. Those results were also confirmed by some recent reports issued by the European Court of Auditors on the ENI and its predecessor in Tunisia and Ukraine. For details, see footnote n. 43 included in the European Neighbourhood Instrument SWD evaluation mentioned above.
[118] Special report No 03/2017 of the European Court of Auditors "EU Assistance to Tunisia", p. 62. https://www.eca.europa.eu/Lists/ECADocuments/SR17_3/SR_TUNISIA_EN.pdf
[119] Commission Staff Working Document SWD(2017) 600 final, "Evaluation of the Development Cooperation Instrument", p. 15. https://ec.europa.eu/europeaid/sites/devco/files/swd-mid-term-review-dci_en_0.pdf
[120] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p. 7.

United-Nations 2030 Agenda for sustainable development and to the successful conclusion of the Paris climate agreement.

The mechanism governing the civil protection sector has also been found generally effective, with some shortcomings to be tackled[121]. The main achievements reside in the increased cooperation between the Union and Member States in disaster prevention, preparedness and response.[122] The Bêkou EU Trust Fund is also considered a good example of relevance. In its relating audit report, the European Court explained that the trust fund was created in a difficult country context, marked by humanitarian and development challenges and fragile state authorities that were unable to meet the population's needs. It concluded that the establishment of the fund was appropriate and that it has had some positive achievements while the fund's design and management could be improved to help it reach its full potential.[123]

In the area of humanitarian aid, a comprehensive evaluation for the period 2012-2016[124] was finalised in March 2018 with very positive conclusions on the relevance, coherence, effectiveness, efficiency, sustainability and EU added value of the EU assistance. In concrete terms, the humanitarian aid instrument (which is not itself time-bound) allowed the Union to ensure rapid response to humanitarian needs in more than 80 countries, for a total of over EUR 2.2 billion in 2017 (including external assigned revenues). Key recent examples include the response to the humanitarian needs of Syrian refugees (in Turkey, for instance, roll-out of the innovative Emergency Social Safety Net provided more than EUR 1.2 million of the most vulnerable refugees with the means to cover their basic needs by the end of 2017); or the Union's early action on the food crisis in the Horn of Africa (Somalia, Ethiopia, Kenya), which helped avert famine in 2017; as well as support for education in emergencies in a number of crises, in which the Union has acted as a catalyst for other donors to step up their efforts.

The European Court of Auditors also conducted an audit on aid provided to populations affected by conflicts in the African Great Lakes Region and concluded that it was, generally, managed effectively by the Commission. It found that the needs assessment was thorough and the approach adopted had sufficient built-in flexibility to cope with the rapidly changing circumstances in the conflict-affected areas and that projects were mainly successful in addressing urgent needs.[125]

The External Lending Mandate financing operation expands greatly the access to funds for the local Small and Medium Enterprises and Midcaps in the targeted third countries. Moreover, the involvement of the European Investment Bank in the External Lending Mandate provides

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[121] Commission Staff Working Document SWD(2017) 287 final, "Interim Evaluation of the Union Civil Protection Mechanism (2014-2016)", p. 22 and further.
http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017SC0287&qid=1517222331623&from=EN

[122] Commission Staff Working Document SWD(2017) 287 final, "Interim Evaluation of the Union Civil Protection Mechanism (2014-2016)", p. 29.

[123] Special report No 11/2017 of the European Court of Auditors "The Bêkou EU Trust Fund for the Central African Republic: a hopeful beginning despite some shortcomings", p. 54.
https://www.eca.europa.eu/Lists/ECADocuments/SR17_11/SR_BEKOU_EN.pdf

[124] http://ec.europa.eu/echo/funding-evaluations/evaluations/geographic-evaluations_enhttp://ec.europa.eu/echo/funding-evaluations/evaluations/geographic-evaluations_en

[125] https://www.eca.europa.eu/Lists/ECADocuments/SR16_15/SR_GREAT_LAKES_EN.pdf

additional non-financial benefits for the final beneficiaries such as technical assistance, promotion of good financial standards within the local banking sector, procurement standards. With regards to climate change action, the External Lending Mandate has made a substantial contribution of 39% of its portfolio[126], which exceeds the quantitative target of 25% and the new target of 35% by 2020.

Macro-Financial Assistance has gained increasing prominence in the EU external toolbox. Between 2014 and 2015, EUR 3.4 billion were made available to Ukraine of which EUR 2.21 billion were disbursed as of December 2016. This represents an unprecedented case of financial assistance to a non-EU country in such a short period of time.

Some of the implementation arrangements constitute a remarkable asset for the overall effectiveness of the instruments. Examples include simplified granting procedures for bodies without legal personality, which has indeed increased the flexibility of the European Instrument for Democracy and Human Rights to support human rights organisations; the specific budget support arrangements in Greenland which resulted in an increased ability to plan and implement policies by national authorities[127]; the increased level of policy mainstreaming in the area of climate change and environment fulfilled by the increased contributions from the European Development Fund and the Development Cooperation Instrument.[128]

The implementation of the instruments and the fulfilment of their policy objectives were nevertheless heavily affected by some external factors, such as the continuous refugee flows, the security threats imposed by terrorism and the unstable political contexts of some countries; when facing those challenges, the degree of flexibility and the resources had not been enough to respond adequately. For example, in the area of the EU neighbourhood some of the newly arisen crises could not be properly tackled with the limited financial resources.[129] Likewise, despite greater flexibility through its reserve, the funds mobilised by the European Development Fund to tackle the root causes of migration through the EU Trust Fund for Africa are still falling short of the challenges to address.

The EU added value of the external action instruments and programmes is clear from a number of perspectives.

- The political influence and consequent leverage of the EU as a supranational entity; this implies that priorities can be pursued relatively independently from individual national agendas, which naturally enhances the credibility of the EU.

- The possibility for the EU to establish a dialogue as a fully-fledged peer with other regional organisations, notably with the African Union through the Pan-African Programme.

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[126] SWD(2016) 295 final

[127] Commission staff working document on the evaluation of the Council Decision on relations between the European Union, on the one hand, and Greenland and the Kingdom of Denmark on the other (Greenland Decision), section 6.

[128] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p. 11.

[129] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p. 9.

- The EU engagement in sensitive matters such as the defence of human rights and electoral observation missions (European Instrument for Democracy And Human Rights), in context where individual Member States prefer not to be associated with the risk of compromising their relations with certain countries.

- In some areas where Member States have decided not to act, the EU remains the main or sometimes the only actor to intervene. This is the case, for instance, of upper middle-income countries where Member States have renounced to intervene in order to pursue other economic or political interests pushed by their national agendas or where the context reveals to be overly sensitive to act.[130]

- The amount of resources channelled through the instruments, the relatively flexible modes of management and the wide scope over a rather long period of time (European Development Fund, European Neighbourhood Instrument, Development Cooperation Instrument).

- The possibility to underpin the leadership of the EU on issues of global importance such as addressing global environmental degradation, depletion of natural resources and the biodiversity crisis, as well as the impacts of climate change through long-term EU financial assistance (in particular Development Cooperation Instrument - Global Public Goods and Challenges Thematic Programme).

- The expertise brought about by the EU in some fields originating from the history of Europe itself (for instance, regional integration and democratic transitions) as well as from the successful policies of the EU (such as the expertise in food security gained through the Common Agricultural Policy or in successful approaches on the transition to a resource efficient, circular, low carbon economy).

- The global presence of the EU through its Delegations, which ensures a vast network of information on the developments experienced by countries worldwide; this allows the EU to be constantly aware of new needs and problems and, therefore, to re-allocate resources accordingly. As regards the link with Member States, it can be said that complementarities between the EU action and the actions carried out by the Member States exist and are increasing. This enhances the political dialogue and the cooperation, which is often channelled through joint programming with Member States.

- The EU is able to complement Member States activities in dealing with potentially dangerous situations or in case of particularly costly interventions.

4.5.4. Lessons learned

Overall, the responsiveness of the instruments for the EU External Action has been demonstrated in different ways. The set of the external financing instruments in general, and in particular, some specific instruments (Instrument contributing to Stability and Peace, Common Foreign and Security Policy) allowed the EU to respond to situations of crisis,

[130] Final report (July 2017) "Coherence Report – Insights from the External Evaluation of the External Financing Instruments", p. 11-12.

conflict and security threats. Humanitarian aid and the emergency response to crisis outside the EU through the Civil Protection Mechanism has also proved to be successful, allowing the EU to be a first line responder with immediate delivery of results and provide essential assistance in protracted crises. The European Development Fund has successfully responded to unforeseen crisis needs, notably for food security and nutrition in sub-Saharan Africa and reconstruction after natural disasters in the Caribbean. The European Investment Bank's External Lending Mandate has been able to mobilise funds flexibly thanks to the sufficient margin in the regional ceilings, but it has proven challenging to intervene in fragile countries. To meet emerging challenges, the Global Public Goods and Challenges programme and the Partnership Instrument with their global scope have provided a good contribution in supporting actions and building relationships with strategic partners and in supporting the international dimension of the Union's internal policy priorities (for example on environment and climate change). This was made possible because the instruments for 2014-2020 were designed to meeting the global needs more extensively and to increase the political ambition of the EU external action, with the help of more streamlined rules and approach as well as through the combination of increased differentiation and complementarities amongst the instruments.

For certain instruments, however, responsiveness has been hindered by a lack of an adequate degree of financial and administrative flexibility; when new priorities have emerged, such as the refugee/migration crisis or change of political regimes, the re-allocation of the resources has been tied up through long-term programmes due to the commitments on predictability and the available resources stretched to their limits.

More in detail, the evidence collected so far highlights the following areas of improvement: a) overly complex architecture and procedures; b) unsatisfactory level of flexibility for the re-allocation of resources; and c) lack of fully developed monitoring systems.

Simplification and coherence

The modifications introduced before the 2014-2020 policy cycle had already achieved better results and led to an improved performance. However, despite the good results, the architecture of the external instruments remains complex and has created obstacles in using funds across regions and themes due to each instrument's different scope and rules. From the perspective of partner countries and implementing partners, the complicated legal framework has created a multiplication of procedures that need to be followed. The interested parties still see the number of instruments and their implementation arrangements as not yet adequate, administratively burdensome and lacking financial flexibility. For example, the European Court of Auditors recommended in its audit on EU Assistance to Tunisia to limit the number of specific priorities, to reduce the number of actions in order to increase the focus and potential impact of the EU assistance and to improve the focus and coordination of the aid[131]. Apart from a few exceptions (Humanitarian aid, Civil Protection, Instrument contributing to Stability and Peace and Common Foreign and Security Policy) which have key special provisions (e.g. rapid reaction and fast decision mechanisms or absence of mandatory programming), complex and lengthy procedures for programming and implementation can

[131] https://www.eca.europa.eu/Lists/ECADocuments/SR17_3/SR_TUNISIA_EN.pdf

contribute to a perception of the EU as a programme administrator rather than a political player[132].

The architecture of the External Financing Instruments for 2014-2020 could not foresee rapid responses to crises of major impact, such as the migration crisis; for this reason, the establishment of the Trust Funds made possible to move resources from some of the instruments and ensure a rapid response.[133] As an example, the reserve from the European Development Fund has been used until June 2017 for mobilising EUR 1.5 million for the European Emergency Trust Fund, established in the Valletta Summit (November 2015) to address the root causes of irregular migration and displaced people in Africa[134].

The multi-annual programming, designed for long-term development objectives pursued by the Development Cooperation Instrument, the European Neighbourhood Instrument and the European Development Fund, adds further rigidities when the need to adapt to new contexts arises.[135]

Furthermore, the respect of some international commitments resulted in heavy processes. Country and horizontal programmes are sometimes not in line with each other and regarding geographic instruments, other elements add up to the overall complexity, namely the involvement of National and Regional Authorising Officers, as it is the case for the European Development Fund.[136] In addition, the implementation arrangements of certain instruments have not been particularly successful so far, for example the incentive-based approach of the European Neighbourhood Instrument[137]. The Macro-Financial Assistance instrument would be strengthened by better aligning its declared objectives with the design and implementation practice; and maintaining the focus on dealing with serious short-term balance-of-payments or budget difficulties would require shortening of the approval procedures; a stronger focus on supporting structural reform efforts in beneficiary countries might benefit from introducing more flexibility in the way the conditions are formulated.

The varied nature and scope of the instruments and their different institutional arrangements make the use of the instruments' full potential rather difficult. Some instruments are explicitly foreseen to be complementary with other instruments; for instance, the European Instrument For Democracy And Human Rights with its independent and flexible actions, the Instrument contributing to Stability and Peace quick response to be complemented with short and long-term actions, the Partnership Instrument when financing actions in the EU which could not be financed by other instruments, the Macro-Financial Assistance which complements other EU crisis response mechanisms (e.g. Humanitarian Aid) and the European Investment Bank

[132] Final report (July 2017) "Coherence Report – Insights from the External Evaluation of the External Financing Instruments", p. 17. Examples of this complexity in terms of rules include the procedural and decision-making rules laid down in the EFIs and in the Common Implementing Regulation; the "Comitology" Regulation; the EU and European Development Fund Financial Regulations; cumbersome internal rules.
[133] Final report (July 2017) "Coherence Report – Insights from the External Evaluation of the External Financing Instruments", p. 9.
[134] Commission Staff Working Document SWD(2017) 601 final, "Evaluation of the European Development Fund", p. 12. https://ec.europa.eu/europeaid/sites/devco/files/swd-mid-term-review-edf_en_0.pdf
[135] Final report (July 2017) "Coherence Report – Insights from the External Evaluation of the External Financing Instruments", p. 6.
[136] Report from the Commission to the European Parliament and the Council COM(2017) 720 final "Mid-Term review report of the External Financing Instruments", p. 12-13.
[137] *Idem*.

External Lending Mandate, and the thematic programme for Global Public Goods and Challenges to address problems of global importance which require actions in specific countries (e.g. environment and climate change).

Some other instruments are designed with the purpose of ensuring a short-term, non-programmable intervention which complements some longer-term and programmable actions (such as the Instrument contributing to Stability and Peace complementing the interventions of European Neighbourhood Instrument or the European Development Fund). In addition certain instruments function in synergy with others (such as the Development Cooperation Instrument thematic programme on Civil Society Organisations-Local Authorities), while some cannot bring about synergies due to their high degree of specificity (such as the Instrument for Nuclear Safety Cooperation). Finally, some instruments are, by nature, not complementary with others due to their geographic focus (such as the Greenland Decision).

Thematic programmes have complemented gaps, for instance on environment protection that could not be financed under geographic programmes because of the concentration on a limited number of focal sectors and due to the typically cross-border or regional nature of environmental challenges. Thematic funding has also successfully been used as a leverage to achieve policy changes. However, despite the overall fair degree of complementarity and synergy amongst the instruments, duplications exist at several levels: between the regional envelopes of the Development Cooperation Instrument and the Partnership Instrument, between the intra-African Caribbean Pacific programme of the European Development Fund and the Global Public Goods and Challenges programme. For example, the European Court of Auditors audited the EU Assistance to Myanmar/Burma and found examples where the risk of double funding was not sufficiently mitigated. Moreover, the intervention of more than one instrument in the same geographic area led to difficulties when creating a dialogue amongst the beneficiary regions, as is the case for the Latin America and the Caribbean, both covered by the Development Cooperation Fund and the European Development Fund.

This complex landscape of external instruments clearly shows the need for simplification. A more streamlined approach would allow to break down silos and exploit synergies. Overlaps should be reduced and policy orientations and operational needs should drive the programming rather than specific instrument rules. This would also provide an opportunity to rationalise the management and oversight systems of the instruments, therefore reducing the administrative burden. A simplified oversight system would allow the relevant institutions to have a better, more comprehensive view of the EU's external funding.

Flexibility

The current volume of financing for external action has been stretched to the limits with all margins of flexibility exhausted. This is not only due to the fast-evolving circumstances, new crises and emerging challenges in third countries, such as migration and security, but also because of Member States' and citizens' expectations that the EU can do more in external relations. Such pressures and demands on the external budget illustrate the need to build in more flexibility into the budget so that the EU can increase the possibility of moving resources across different geographic and thematic areas so as to ensure an effective response to arising needs and re-orientate the EU funding accordingly.

A higher degree of flexibility should guarantee that the long-term nature of the EU intervention and the possibility for a quick ad-hoc response to new needs are well balanced; this could be fulfilled on the one hand by ring-fencing amounts for specific geographic and thematic issues, while building larger unallocated amounts at the start of the period, as well as a flexible application of the principle of annuality of the EU general budget, allowing for carry-overs and re-commitments based on the flexibilities currently existing under the European Development Fund. The additional flexibility of the European Development Fund should be preserved even if it will become part of the EU budget: continuing to make use of its reserve deployed to Trust Funds could substantially help to quickly addressing new crises[138].

Monitoring system

A cross-cutting criticism lies in the lack of fully developed monitoring and reporting systems at instrument level[139]. The lack of a common scheme of indicators at the same level does not allow a fully-fledged comparison of the performance of an instrument in relation to another. Even the External Lending Mandate would benefit greatly from streamlining the reporting procedures; this could improve the overall quality of the reporting, make it more consistent and comprehensive and therefore enable better decision-making at the policy level. Adequate monitoring systems could meaningfully help to identify the problems related to the implementation and the overall performance and would then allow a sounder measurement of the impact of the EU intervention. The European Court of Auditors covered monitoring activities in several of its audits and issued a number of related recommendations with the aim to improve the Commission's existing monitoring systems[140].

4.6. Heading 5 – European Public Administration

Several measures were taken by the Commission and by other Institutions to contain the administrative expenditure of the Union in the current long-term budget period.

The most visible of these measures is the commitment of all Institutions, bodies and agencies to a 5% reduction of their staffing levels. As assessed by the European Court of Auditors[141], this staff reduction was by and large implemented.

Despite this reduction, additional tasks were carried out by the Union, notably in the context of the migration crisis, of repeated security threats and the launching of the new investment plan. Moreover, an increasing operational budget was managed. This was possible through other measures taken, such as the increase of the weekly working hours to 40 and thanks to the commitment and resilience of staff.

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[138] Final Report (July 2017) "Coherence Report – Insights from the External Evaluation of the External Financing Instruments", pp. 7-8.

[139] Commission Staff Working Document SWD(2017) 287 final, "Interim Evaluation of the Union Civil Protection Mechanism (2014-2016)", p. 29.

[140] E.g. Special Reports No 4/2018, No 11/2017, No 3/2017 and No 30/2016 of the European Court of Auditors

[141] Rapid case review on the implementation of the 5 % reduction of staff posts - https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44567

To contain expenditure, measures were taken to limit the access to end-of-career grades, to increase the retirement age and to reduce travel allowances. Remuneration and pensions were frozen in 2013 and 2014. In the long-term, the reduction of the pension accrual rate will allow for savings on pensions and ensure the sustainability of the pension scheme.

The withdrawal of the United Kingdom is not expected to generate a reduction in terms of workload, which in some areas would simply be reoriented and could even increase. The reduction of the number of members of British nationality in the different Institutions could generate some limited savings, but the overall scope of activities of the Union will not decrease as a consequence of Brexit.

While improvements in efficiencies will be continuously sought, additional cuts to staff and staff expenditure would risk having serious repercussions on the proper implementation of EU programmes and policies, a negative impact on motivation of a highly competent staff and possible drawbacks on its productivity.

An administrative budget maintained stable at its current level would still allow for a strong European civil service, attractive to talented people from across the Union, and capable of delivering on the priorities and challenges ahead.